report of the

AUDITOR GENERAL

for the year ended 31 March 1981

Province of British Columbia
Office of the Auditor General

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Province of British Columbia

Office of the
Auditor General
Province of British Columbia

8 Bastion Square
Victoria
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The Honourable Hugh A. Curtis
Minister of Finance
Province of British Columbia

Sir:

I have the honour to transmit herewith my Report to the Legislative Assembly for the fiscal year ended 31 March 1981 for submission to the Assembly in accordance with the provisions of Section 10(1) of the Auditor General Act, R.S.B.C. 1979, chapter 24.

Erma Morrison

Erma Morrison, F.C.A.
Auditor General

Victoria, British Columbia
7 April 1982

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Highlights

Landmark achievements were made during 1981 in providing a foundation and developing procedures to improve public accountability through:

- enactment of the *Financial Administration Act*;
- approval and application of a body of accounting policies recognizing current circumstances and needs; and
- revision of the financial statement format to provide broader financial reporting and disclosure.

I commend the extensive effort involved in taking these major steps.

While much has been accomplished in providing these new accountability measures, a cautionary note should be struck: results must be tested, particularly during the early periods of implementation; reviews of appropriateness must be maintained; and, with due regard to consistency in application, flexibility should be retained so that adaptations may be made in the light of reassessment or changing circumstances.

In this initial year of application of new policies and expanded disclosure in the financial statements, I have taken issue with one major item—the exclusion of the Capital Financing Authorities from the consolidated reporting entity. In my opinion, because these Financing Authorities are so closely associated with existing government programs, they should have been consolidated. The net debt of the Authorities amounted to approximately $1.3 billion at 31 March 1981.

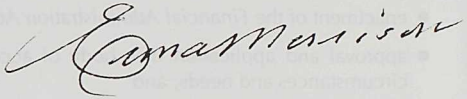
The evaluation of financial management and control activities in ministries has continued this year. Special audits in this particular area have now been conducted in eight larger ministries, representing about 70% of government revenues and expenditures. As a result of these audits a number of deficiencies were identified which are common to many of the ministries examined. Many of these problems have been recognized by management of the ministries and central agencies concerned, and corrective action has already been taken or is being developed. My staff will continue to monitor these developments to assess whether the actions undertaken are adequate to establish a satisfactory degree of control in the area of financial management.

A report is presented on a comprehensive audit of the Ministry of Environment focusing on its Waste Management Program. A summary is presented with recommendations made to and responses received from the Ministry.

In November 1981 the Minister of Finance tabled in the Legislative Assembly a "Response to the 1980 Report of the Auditor General". I welcome this response as official documentation of progress made in dealing with recommendations contained in my Report of last year.

The contents of this Report have been discussed with the appropriate officials to ensure that they concur in the accuracy of the material presented, and to provide them with an opportunity to discuss their views on the conclusions drawn.

I acknowledge with appreciation the cooperation of the officials in ministries and public bodies audited by my Office, as well as the efforts of my staff in the conduct of their work.



ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
31 March 1982

Part 1

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Legislation

1.1 The *Financial Administration Act,* S.B.C. 1981, Chapter 15 was passed by the Legislative Assembly in 1981 and has been proclaimed in force. I welcome the enactment of this new financial legislation, and commend officials of the Ministry of Finance and others involved for their thoughtful and concerned approach to its development.

1.2 The new legislation replaces the *Revenue Act* and *Financial Control Act* which were outdated and had caused me considerable concern as discussed in my previous Reports. The new Act provides for stronger administration and control of the financial affairs of the Government by clearly assigning responsibilities and specifying procedures for management of the financial function.

1.3 The part of the Act having to do with organization identifies the key roles in financial administration and fixes the responsibilities for the major financial operations of the Government. The powers, functions and duties of the Treasury Board, the Minister of Finance, other Ministers of the Government and the Comptroller General are defined. The legislation clearly states the authority for central direction in financial administration throughout the Government.

1.4 The Act deals with revenue and defines the Consolidated Revenue Fund. Controls over revenues have been strengthened by clearly assigning responsibility for the collection, management and banking of public funds.

1.5 The authorities required for payments out of the Consolidated Revenue Fund and trust funds are prescribed in the Act. Authority is also provided for Treasury Board to control expenditures and to direct the method of recording commitments against appropriations.

1.6 The Act deals with the treatment of assets including all loans, advances and equity investments of the Province, and requires that adequate records of assets of the Government be maintained by the ministries responsible for their custody and control.

1.7 Borrowings and guarantees by the Government are also covered by the legislation. There are strong provisions regarding guarantees by the Government of the debts of other borrowers, with the requirement that no guarantee shall be given without the authority of an Act of the Legislature. The Act also provides that regulations may be made to control the incurring of financial obligations by Crown corporations.

1.8 The *Financial Administration Act* establishes the framework for strong financial management and control. The development and application of appropriate policies and procedures will be the key to the attainment of these objectives. I hope that the work of my Office will contribute to the achievement of these goals.

Government Accounting Policies

2.1 This year the Government initiated major changes in its accounting policies and financial statement presentation.

2.2 One significant change was the presentation of consolidated financial statements. These consolidated statements present a grouping of the financial position and results of operations of 35 major Crown corporations and agencies with those of the Government, and constitute a valuable expansion of the financial information formerly presented.

2.3 In particular, the inclusion in the consolidation of the two "service corporations", British Columbia Buildings Corporation and British Columbia Systems Corporation, relieves a concern I have had since becoming Auditor General. These two corporations carry on functions formerly performed by ministries of government, with the Government as almost the exclusive user. Under the accounting policies in place prior to the 1981 fiscal year this particularly close relationship was not evident from the financial statements of the Government, resulting in a deficiency in presentation of financial information.

2.4 My major concern with the Consolidated Financial Statements is in regard to the exclusion of the three capital financing authorities from the consolidation, as described in Note 1 (d) to the statements. These three financing authorities are:

- British Columbia Educational Institutions Capital Financing Authority;
- British Columbia Regional Hospital Districts Financing Authority; and
- British Columbia School Districts Capital Financing Authority.

All of these provide capital financing to the Province's universities and other post-secondary institutions, regional hospital districts, and school districts. The net debt incurred by these authorities to provide this financing amounted to approximately $1.3 billion at 31 March 1981.

2.5 These financing authorities are Crown corporations which are controlled and managed by the Government. Their activities support specific Government programs. More than one-half of the funds used to service the debt of the authorities is provided by the Province. In addition, the Government guarantees the debt of both the primary borrowers and the financing authorities.

2.6 In these circumstances it is my opinion that the capital financing authorities should have been included in the consolidation.

2.7 I also direct attention to another exclusion from the consolidation. In accordance with stated accounting policy the financial statements of the Workers' Compensa-

tion Board of British Columbia are not consolidated because the Board "carries on a quasi-insurance activity funded by contributions from employers and it is not intended to be run on commercial lines." The non-consolidation of such entities where they are self-financing and actuarially sound is, in my opinion, appropriate. However, I note that the actuarial estimates of the required reserves of the Board exceeded the funded reserves by $390,657,000 at 31 December 1980, and $509,756,000 at 31 December 1981. I suggest that the decision to exclude the Workers' Compensation Board from the consolidated financial statements be reassessed each year.

2.8 In addition to the preparation of consolidated financial statements, other significant changes have been made in keeping with current trends in public sector accounting:

- A modified accrual basis of accounting is used instead of a predominantly cash basis.
- Only those assets that represent financial claims by the Government on outside parties and inventories held for resale to outside parties are recorded. As a result of these changes certain investments, loans and advances are now recognized as realizable assets of the Consolidated Revenue Fund, and the carrying value of fixed assets has been reduced to a nominal amount on the financial statements.
- In order to present the activities of the Consolidated Revenue Fund, the operating results and financial positions of the General and Special Purpose Funds are aggregated in the combined financial statements.

2.9 I am generally pleased with the newly formulated accounting policies and financial statement presentation, which I consider to offer improved financial disclosure. The application of these policies over a period of time may indicate areas where refinements would be beneficial or where opportunities exist for further improvement.

Improving Accountability

3.1 The responsibility of the legislative assembly to hold the government accountable for its management of the public purse has become more important in this period of continued growth in government spending. The public's perception of accountability by government goes beyond the traditional requirement for accurate and complete accounting for public funds, and for information as to whether expenditures have been made for the purposes sanctioned by the legislature. The public now expects to be assured that value has been received for money spent.

3.2 The assembly plays a key role in the cycle of accountability. Through a process of study and debate it examines and authorizes the government's budgetary plans as presented in the estimates. When budget measures are before the assembly, legislators have the opportunity to question the proposals put forward, to demand further information and explanations, and to express views on the policy issues involved.

3.3 At a later stage in the accountability cycle, the legislative assembly is expected to review the performance of the government in carrying out its plans, and to satisfy itself that appropriate standards of administrative and financial management have been maintained. These functions are normally performed on behalf of the assembly by the public accounts committee.

3.4 The legislative auditor is also involved in the accountability cycle. Through an examination of the government's financial statements, and reporting on other matters considered to be of interest to the legislature, the auditor provides information that can be of assistance to the assembly, and thence the public accounts committee in the performance of their functions.

3.5 The achievement of accountability hinges on a mutual understanding of the roles of all those involved in the process, and the coordination of the activities of each toward that common goal.

3.6 Until recently, research and study into the functioning of public accounts committees and legislative auditors in Canada have been limited,with the result that little information has been available on their operations or interrelationships. Also, with a limited exchange of ideas on these issues there has been no agreement in Canada on how public accounts committees and legislative auditors might best operate to maximize their effectiveness and to improve accountability.

3.7 In 1981 a research study titled "Improving Accountability—Canadian Public Accounts Committees and Legislative Auditors" was published by the Canadian Comprehensive Auditing Foundation. The study examines the activities of public accounts committees and legislative auditors in Canada and provides detailed, comparative descriptions of current practices in the various jurisdictions. The

advantages or disadvantages of these practices are pointed out, and where one appears particularly worthwhile it is described in detail.

3.8 The study provides timely information on the responsibilities and operations of public accounts committees and legislative auditors in Canada, and highlights those approaches considered to be most advantageous. I commend this study as worthy of notice, particularly in light of the current perception of public accountability.

Reports and Comments on the Financial Statements

4.1 An important part of the Auditor General's responsibility is the examination of the financial statements prepared and presented annually by the Government, and the expression of an opinion as to whether the statements provide a fair presentation of the financial position and operating results of the Government for the period in accordance with stated accounting policies.

4.2 This section of my Report pertains to those financial statements, my reports thereon, and to matters which arose during our examination of the financial statements which I consider warrant further comment.

Reports of the Auditor General on the Financial Statements

4.3 This is the first year that the Government has presented consolidated financial statements in addition to statements pertaining mainly to the Consolidated Revenue Fund. Accordingly, two reports containing my audit opinions have been issued and included in the Public Accounts. The reports are dated 30 September 1981, the date on which my staff completed its field work on the audits, and are reproduced hereunder. The relevant sections of the Public Accounts to which these reports pertain appear for the convenience of the reader in Appendix III to this Report.

REPORTS OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS INCLUDED IN THE PUBLIC ACCOUNTS OF THE PROVINCE OF BRITISH COLUMBIA FOR THE YEAR ENDED 31 MARCH 1981

To the Legislative Assembly of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia

I have examined the financial statements of the Combined General Fund and Special Purpose Funds (Consolidated Revenue Fund) of the Government of the Province of British Columbia for the fiscal year ended March 31, 1981 as presented in Section B of the Public Accounts, and the related supplementary statements contained in sub-sections B26 through B61. These financial statements are:

Balance Sheet.

Statement of Net Equity.

Statement of Operating Results.

Statement of Changes in Cash and Marketable Securities.

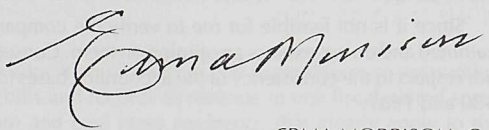
Notes to Combined Financial Statements.

With respect to the supplementary statements, I did not examine and do not express an opinion on the figures reported in Combined General Fund and Special Purpose Funds Revenue by Sources (B28) and Expenditure by Functions (B31) for the fiscal years ended March 31, 1977 through 1979.

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required for the purpose of my examination.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these financial statements present fairly the financial position of the Government of the Province of British Columbia as at March 31, 1981 and the results of its operations and the changes in its financial position for the year then ended on a combined basis in accordance with the stated accounting policies as set out in Note 1 to the financial statements. This is the first year of implementing the accrual basis of accounting, and comparative figures for the year ended March 31, 1980 on an accrual basis are not presented in these statements; however, opening balances for the 1981 fiscal year have been adjusted to give retroactive effect to the change. I also report that, in my opinion, the figures presented for 1981 on a cash basis are consistent with those for 1980.

I emphasize that this report is limited under section 7 of the Act to an opinion on presentation of the financial statements in accordance with the stated accounting policies of the Government. Under section 8 of the Act I report separately on other matters resulting from my examination that I consider should be brought to the attention of the Legislative Assembly. That report will be presented at a future date.



ERMA MORRISON, C.A.
Auditor General

Victoria, British Columbia
30 September 1981

To the Legislative Assembly of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia

I have examined the Consolidated Financial Statements of the Government of the Province of British Columbia for the fiscal year ended March 31, 1981 as presented in Section C of the Public Accounts, and the related supplementary schedules contained in sub-sections C24 through C26. These financial statements are:

Consolidated Balance Sheet.

Consolidated Statement of Operating Results.

Consolidated Statement of Changes in Cash and Marketable Securities.

Notes to Consolidated Financial Statements.

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required for the purpose of my examination.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these financial statements present fairly the consolidated financial position of the Government of the Province of British Columbia as at March 31, 1981 and the consolidated results of its operations and changes in its consolidated financial position for the year then ended on a consolidated basis in accordance with the stated accounting policies as set out in Note 1 to the financial statements.

Since it is not feasible for me to verify the comparative figures for 1980, I have not examined and do not express an opinion on them. Consequently I do not express an opinion with respect to the consistency of the accounting bases followed as between the fiscal years 1980 and 1981.

I emphasize that this report is limited under section 7 of the Act to an opinion on presentation of the financial statements in accordance with the stated accounting policies of the Government. Under section 8 of the Act I report separately on other matters resulting from my examination that I consider should be brought to the attention of the Legislative Assembly. That report will be presented at a future date.

ERMA MORRISON, C.A.
Auditor General

Victoria, British Columbia
30 September 1981

Comments on the Financial Statements

4.4 During the examination conducted by my staff to support the opinions I express on the financial statements, many matters are brought to my attention. These may concern the application of the Government's accounting policies, compliance with laid down procedures, or the observance of good business practices.

4.5 Most items, while important in the context of a single ministry, are not of sufficient magnitude and/or concern to be detailed in this Report. These are dealt with in a less formal way with the management of ministries concerned.

4.6 However, some items are considered of sufficient importance to warrant presentation in my Report and accordingly are described hereunder.

APPLICATION OF NEW ACCOUNTING POLICIES

4.7 As noted previously in this Report, new accounting policies were followed in preparing the financial statements of the 1981 fiscal year. As may be expected with a change of this magnitude, many transitional difficulties were encountered. The Comptroller General and his staff are to be commended for their efforts in meeting the demands placed upon them in producing the financial statements in the new format.

4.8 While I am generally pleased with the new accounting policies themselves, I have some concerns about the manner in which these policies have been applied in this initial year.

4.9 One of these relates to the allocation of revenue and expenditures to accounting periods. The Government bills and records as revenue in one fiscal period some receipts, such as petroleum and coal lease payments, that clearly apply to the following fiscal year. A more appropriate accounting treatment would have been to recognize revenue in the period to which the transaction applies. Revenue received in advance should be deferred to a future period. The stated accounting policies should clearly indicate the treatment of receipts applicable to future fiscal periods.

4.10 According to stated accounting policy, expenditures for all goods received and services rendered during a year are included in that fiscal year. In some cases expenditures, such as "GAIN" Income Assistance Program payments, relating to the following fiscal year have been made prior to the current fiscal year-end and included in the accounts of the current year. For reasons similar to those already given in regard to recording deferred revenue, payments made in advance should be recorded as prepaid expenses in the current year and as expenditures in the following fiscal year.

4.11 During the audit my staff encountered cases where the stated accounting policies had not been complied with. These situations arose during this transitional period because accounting staff either did not perform a sufficiently thorough analysis of the accounts or did not recognize the characteristics of a transaction which would dictate the appropriate accounting treatment. These difficulties indicate that continued diligence is required in future in the application of the new accounting policies. I have brought such cases of inappropriate accounting treatment to the attention of officials responsible for financial statement content, and have been advised that steps will be taken to ensure future compliance with accounting policies.

DELAY IN DEPOSITING CASH RECEIPTS

4.12 On 16 March 1981, the Ministry of Agriculture and Food received a cheque for $415,000, of which $374,000 related to premiums under the Farm Income Assurance Program. The cheque was not deposited until 7 April 1981, and was not recorded as revenue of the year in which it was received.

4.13 Since the Province is required to match the premium portion ($374,000), government expenditure on the program was understated by that amount for the 1981 fiscal year.

4.14 The delay in depositing this cheque had the following effects:

- the funds were not immediately available for use;
- the requirement for prompt deposit was not met;
- the recorded assets were understated at 31 March 1981; and
- expenditures were not made in the proper fiscal period.

UNRECORDED ASSET

4.15 Accounts receivable of $2.8 million arising from a sale of land to a municipality are not included in the accounts at 31 March 1981.

4.16 Three parcels of Crown land were sold to a municipality in 1977 and 1978 for $2.8 million. Payment is due in 1982 and 1983, but may be deferred five years under certain conditions. The only record of the receivable is a memorandum account kept by a regional office of the Ministry of Lands, Parks and Housing.

4.17 This asset should have been set up in the accounts and included in the financial statements of the Province in accordance with stated accounting policies.

PROVISION FOR LOSS ON LOAN

4.18 In my 1978 Report I referred to advances totalling $2.5 million made to a borrower in December 1975 under the authority of the *Industry and Small Business Development Act*. At the date of preparation of that Report the repayment terms of the loan agreement had not been met, and my staff was unable to find any agreement or authority for delaying repayment. It was recommended that steps be taken to either enforce the terms of the loan agreement or to obtain authorization for deferral.

4.19 At the time of preparation of my 1979 Report a refinancing proposal was in process that would enable the debtor to meet his obligations to the Government.

4.20 A year later I was advised that there had been no change in the situation, and reported accordingly in the Status of Findings and Recommendations section of my 1980 Report.

4.21 It is now three years since this matter was first raised in my Reports and there is no indication that the situation is likely to change in the foreseeable future. I suggest, therefore, that a realistic appraisal be made of the net realizable value of this loan and that an appropriate provision for loss be made in the accounts of the Government.

MORTGAGE INTEREST—PROVINCIAL HOME ACQUISITION FUND

4.22 Interest on mortgage assets of the Provincial Home Acquisition Fund is calculated on individual mortgages semi-annually based on the anniversary dates. At 31 March 1981, between one and five month's interest had been earned and received on most mortgages but was not recorded as interest revenue. As a result, revenues and assets of the Fund were understated by approximately $4 million at the year-end.

INTEREST ON ACCOUNTS RECEIVABLE

4.23 Interest amounting to $4.5 million was collected during the 1981 fiscal year on overdue accounts receivable arising from timber sales. This amount was included in the financial statements as part of timber sales revenue. Because the amount is significant and does not represent actual timber sales revenue, it should have been disclosed separately as interest revenue.

ACCRUED INTEREST—CROWN LAND FUND

4.24 Interest earned pursuant to an agreement between the Province and a municipality has not been accrued. As a result, interest revenue and assets of the Crown Land Fund are understated at 31 March 1981.

4.25 The agreement was made in 1975 and funds totalling $4 million were advanced by the Province in 1977 and 1978. Although the agreement states that interest will accrue at the rate "specified from time to time by regulation pursuant to Section 43 of the *National Housing Act*", the interest revenue has not been recorded in the accounts. The entire amount of principal together with accumulated interest is due 1 January 1984.

4.26 In order to reflect accurately the Fund transactions on the stated basis of accounting, the loan receivable should have been increased by $1,508,000, the amount of interest accrued at 31 March 1981. Accordingly, the interest revenue for the 1981 fiscal year was understated by $573,000 and surplus of prior years by $935,000.

UNEXPENDED BALANCE OF APPROPRIATIONS

4.27 In March 1981 the Ministry of Lands, Parks and Housing transferred a total of $2 million to two lawyers to hold in trust for the Province. These payments were in respect of grants to nonprofit societies to assist in the construction of low rental housing units. In my opinion, since construction had not commenced on either of the projects at 31 March 1981, the payments to the lawyers did not constitute a valid expenditure of the 1981 fiscal year and this portion of the vote should have lapsed. Expenditures for the 1981 fiscal year are therefore overstated by $2 million.

4.28 In my 1980 Report I commented on similar transactions totalling $2.8 million in the 1980 fiscal year, and recommended that all monies remaining in these trust accounts be returned to the Consolidated Revenue Fund.

4.29 The cumulative result of both years' transactions is that Net Equity at 31 March 1981 is understated by $4.5 million, the amount remaining after disbursement of approximately $300,000 to societies in the 1981 fiscal year.

4.30 In July 1981, in response to the recommendation in my 1980 Report, the Ministry began to arrange for the return of funds from the lawyers. By September 1981 the remaining funds in the amount of $3.1 million plus interest had been returned to the Consolidated Revenue Fund.

Comments on Internal Control

5.1 Systems of internal control are used by management to ensure, as far as practical, the orderly and efficient conduct of business. Internal control systems are intended to safeguard assets, control expenditures, ensure the efficient collection and control of revenue, and produce accurate and reliable accounting information.

5.2 My previous Reports have contained comments arising from reviews of the internal controls in the main revenue and expenditure systems of the Government. These reviews were conducted to gain sufficient information to make an assessment of the quality of the internal controls in these systems. Our previously reported assessment was that the control systems were not adequate to meet the requirements of sound financial management.

5.3 After making this assessment and recognizing the lack of appropriate internal controls in these systems, we undertook a series of audits designed to assess the broader aspects of financial management and to identify possible causes of the control deficiencies previously found. My 1980 Report contained the results of the four such ministry audits conducted in that year. The three audits completed in 1981 are covered in Part 2 of this Report. A fourth audit was in progress at the time of preparation of this Report.

5.4 On reviewing the results of these audits we have noted that some deficiencies in financial management and control are common to several ministries. Our remarks in this regard are contained in Part 2 of this Report.

5.5 The Government has taken several major steps during the year that should lead to improvement in internal controls. As noted previously in this Report the *Financial Administration Act*, which provides for stronger administration and control of the financial affairs of the Government, was enacted. This Act provided a basis for establishing a set of financial policies which were approved by Treasury Board and are contained in the Treasury Board Financial Administration Policy Manual. These policies, issued in December 1981, give direction and guidance to ministries and are intended to ensure that the objectives and provisions of the *Financial Administration Act* are achieved.

Status of Findings and Recommendations Contained in Previous Annual Reports of the Auditor General

6.1 This year my Report includes three sections which deal with the current status of audit findings and recommendations contained in previous Annual Reports. This section contains items which arose as a result of the audit work of the Office undertaken in order to express an opinion on the financial statements of the Government. Comments of the ministries with regard to recommendations resulting from financial management and control audits completed last year are included in Part 2 of this Report, and comments of the Ministry of Human Resources on the recommendations resulting from the comprehensive audit reported in the 1980 Annual Report are included in Part 3.

6.2 The information provided on the current status has been drawn from various sources. The status of audit findings and recommendations contained in this section of the Report has been determined by my staff in the course of this year's audit. The current year's comments provided in regard to recommendations made in the financial management and control audits and the Ministry of Human Resources comprehensive audit are those of the ministries involved. We have reproduced their comments in our Report but have done no audit work to verify these statements. Follow-up work will be performed on these audits on a cyclical basis.

6.3 During the year the Office of the Comptroller General undertook to review and document the Government's progress toward improvements in the management of the Province's financial affairs as called for in my previous Reports. This process culminated with the Minister of Finance tabling in the Legislative Assembly a report titled "Response to the 1980 Report of the Auditor General" which outlines actions the Government has taken in reponse to my 1980 Annual Report. I am pleased that this initiative has been taken, and believe that such monitoring should foster timely action on the improvements recommended.

Status of Findings and Recommendations Contained in Previous Annual Reports—General

Report	Section, Paragraph	Subject	Status as at Date of *Preparation of the 1981* Annual Report
		GENERAL	
1979	2.3	Recommendation that the financial statements be finalized by 30 September of each year and transmitted to the Auditor General forthwith.	The recommendation was followed. Draft financial statements were received on 30 September 1981.
		LEGISLATION	
1978 1979 1980	5.2 3.3 1.7	Recommendation that existing obsolete financial statutes be replaced by improved legislation to meet current and anticipated requirements.	The *Financial Administration Act*, S.B.C. 1981, Chapter 15, was passed and proclaimed in force in 1981; previous legislation was repealed.
		COMMENTS ON THE FINANCIAL STATEMENTS	
1978 1979 1980	6.14 5.6 2.2	Deficiencies and ambiguities in content and application of stated policies warrant a thorough study of the Government's acounting policies and financial statement presentation. A full and clear body of stated accounting policies should be formulated, approved by Treasury Board, and applied consistently in the government accounting process and in its financial statement presentation.	Following a detailed study by the Ministry of Finance, Treasury Board approved in August 1981 new accounting policies and financial statement presentation for the 1980/81 Public Accounts.
1978	8B.17	Treatment of holdbacks is not consistent with stated policy on expenditures.	The treatment is now consistent with the stated accounting policy.
1978	8B.17	Deferral of revenue from sale or lease of Crown lands not consistent with stated policy on revenue.	No longer of concern, since amounts now involved are not significant.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1981 Annual Report
1978 1979	8B.18 5.22	Suspense accounts not reconciled or cleared regularly.	Considerable improvement. No longer a significant problem.
1978	8B.20	Effective control is not maintained over securities lodged as deposits.	Securities Section is generally being used as the safekeeping agent for security deposits. The internal control systems maintained by the ministries are generally still inadequate.
1978	8C.14	Steps should be taken to either enforce the repayment terms of the loan agreement for the $2.5 million advance or obtain authorization for deferral.	No significant change. (see also 1981 Report, Section 4.)
1978	8C.29	Stated accounting policy regarding fixed assets should be clarified.	Policy now clearly stated in Note 1 to the financial statements.
1979	5.14	Recommendation that the University Endowment Lands balance in Special Purpose Funds be used to repay advance account in the General Fund, as required by the Act.	The balance of the University Endowment Lands Administration Account ($4,184,887) has been fully provided for as a non-recoverable advance. The balance in Special Purpose Funds remains.
1980	3.6	Recommendation that the quoted value of marketable securities be disclosed whenever these values can be ascertained.	Market values are now disclosed.
1980	3.12	Accounting and control procedures should be improved to ensure the accuracy of the reported asset balances titled:	
		• General Fund: Taxes and Other Accounts Receivable—Land sales (principal)	New procedures developed but not fully implemented at the time of our audit.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1981 Annual Report
		• Special Purpose Funds: Other Assets—Crown Land Fund—Real Estate.	The account is now reconciled. Costs of land sold in previous years have been removed from the records.
1980	3.14	Limitations placed on the Auditor General of British Columbia under the *Federal-Provincial Fiscal Arrangement and Established Programs Financing Act, 1977* (Canada), prevent verification of income taxes payable to the Province.	Limitation still exists. A Legislative Auditors' task force, which includes British Columbia representation, is continuing work regarding verification and proposals to provide audit assurance. (see also 1981 Report, Section 10.)
1980	3.21	The unexpended balance in the account titled "Long term disability fund—Public Service" should be corrected to conform with the provisions of the *Supply Act*, or alternative legislative authority should be provided to recognize formally the existence of these unexpended fund balances.	Legislative authority has been provided to transfer voted expenditures to the "Long term disability fund—Public Service" and to hold the funds for future use.
1980	3.24	Recommendation that provincial monies held in lawyers trust accounts be returned to the Consolidated Revenue Fund and properly accounted for.	Situation recurred in 1981. (see also 1981 Report, Section 4.) Corrective action was taken after the 1981 fiscal year end.
1980	3.27	Write-offs of non-recoverable expenditures of the Crown Land Fund should receive Order in Council approval.	1981 write-offs approved by Treasury Board. The new *Financial Administration Act* prescribes procedures for all write-offs.
1978	9.8	Inconsistent treatment of accrued interest in calculating net guaranteed debt.	Appropriate accounting treatment now in effect.
1979	5.27	Comment that the schedule of guaranteed debt would provide better disclosure by showing:	
		• maturity dates, interest rates and redemption features;	The schedule of guaranteed debt in Note 16 to the Com-

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1981 Annual Report
			bined Financial Statements now refers to Section F of the Public Accounts where this information can be found.
		• the fair market value of investments held by the sinking funds.	Now shown in Note 16 to the Combined Financial Statements.
		INTERNAL CONTROL SYSTEMS	
1978 1979 1980	7.4 6.19 4.7	System of internal control over the disbursement of Provincial funds fails to meet generally recognized standards.	Comments on internal control matters are contained in Part 1, Section 5 of this Report.
1978 1979 1980	7.20 6.19 4.7	Deficiencies in payroll system.	Comments on internal control matters are contained in Part 1, Section 5 of this Report.
1979 1980	6.6 and 6.22 4.6	Deficiencies in the collection and recording of revenue are serious enough to warrant immediate study and corrective action.	Comments on internal control matters are contained in Part 1, Section 5 of this Report.
1980	4.14	Recommendation that all ministries take steps to ensure that everyone receiving monies on behalf of the Province is made aware of the requirements that all such monies are to be deposited to the credit of the Minister of Finance in an account authorized by the Minister of Finance as required by statute.	This requirement is now clearly stated in the new *Financial Administration Act.*
		Ministries	
		MINISTRY OF AGRICULTURE	
1979	7.5	Field audit capacity should be established to monitor payments continually under the Agricultural Credit and Farm Income Assurance Programs.	An internal auditor was appointed in September 1980 and has reviewed claims under the Agricultural Credit and Farm

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1981 Annual Report
			Income Assurance Programs. The results of these reviews confirm the need to monitor payments under these as well as other similar programs being administered by the Ministry.
		MINISTRY OF THE ATTORNEY GENERAL	
1978 1979	8F.5 7.14	Investigative teams, rather than individual investigators, should be used by the Public Trustee to inventory and receipt trust assets.	Ministry policy calls for a team of at least two investigators to take an inventory of trust assets. Management states that there is insufficient staff to allow full compliance with this policy.
1979	7.16	Uniform guidelines and improved procedures for fee collection by the Public Trustee should be developed.	The Ministry has developed an accounting system which is intended to incorporate guidelines and procedures for fee collection by the Public Trustee. The Ministry anticipates implementation will commence by August 1982.
1979	7.10	The Ministry should formally document and follow procedures for making purchase commitments, and approving and checking payments.	The Ministry has drafted spending and payment authorities to conform with Treasury Board Financial Administration Policy.
		MINISTRY OF CONSUMER AND CORPORATE AFFAIRS	
1979	7.19	Concern that the division of responsibilities for internal audit coverage of the Liquor Distribution Branch between the Comptroller General's and the Branch's internal audit groups may not be appropriate to meet the needs of the Branch.	The division of responsibilities continued in effect at the date of this Report. The Financial Administration Policy issued recently by Treasury Board prescribes the internal audit responsibilities of ministries and the Comptroller General.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1981 Annual Report
		MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES	
1980	4.20	Procedures for receiving, reviewing and accepting bids for petroleum rights should be further improved by formalizing and documenting procedures and by ensuring participation of additional senior staff in the process.	Procedures formalized and documented during the year. Guidelines now have been established for additional senior staff participation in evaluating bids.
		MINISTRY OF FINANCE	
1978 and 1980	11.16 and 11.18 4.17	Weaknesses in internal controls and accounting records of the Securities Section.	Manual procedures for authorizing investment transactions still require improvement. Firm policy in this area needs to be developed and enforced.
1979	7.24	Recommendation that major improvements in fund accounting and reporting practices of both the central accounting and Securities Section systems be implemented without delay.	Systems development to improve the securities system and to integrate it with the central accounting system is continuing. Many systems improvements have been noted since the date of preparation of my 1979 Report.
		MINISTRY OF HEALTH	
1979	7.30 and 7.31	Expenditure control weaknesses noted in the expenditure verification process. Payroll weaknesses exist.	Comments on internal control matters are contained in Part 1, Section 5 of this Report.
1979	7.34 to 7.37	Revenue controls generally were inadequate to ensure that all revenues due were collected and properly recorded.	Comments on internal control matters are contained in Part 1, Section 5 of this Report.
1979	7.38	The system for administering and controlling patients' trust accounts should be upgraded, with particular attention being given to reconciliation of patients' trust accounts.	Improvements have been noted. Reconciliation of patients' trust accounts remains a concern at two institutions.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1981 Annual Report
1979	7.39	Hospital construction funds of $142,000 received from the Federal government in 1971 are still not transferred to revenue.	The Ministry has expended most of the funds and has indicated that it intends to transfer remaining balance to revenue.
1979	7.40 and 7.41	Recommendation with respect to the conflict between legislation and accounting practices concerning the Hospital Insurance Fund.	No change.
1979	7.42 to 7.44	Recommendation with respect to the financial reporting requirements of the Emergency Health Services Commission.	The *Emergency Health Services Act* has been amended to reflect the current practice of the Commission.
1979	7.45	Actions to overcome shortcomings in financial controls within the Emergency Health Services Commission:	
		• collection of accounts receivable should be actively pursued.	Some improvement noted in 1981.
		• reconciliation procedures controls should be strengthened over both advances and reimbursements to the operating units of the Commission.	Procedures have been improved and now meet acceptable standards.
1980	4.26	Patient maintenance accounts receivable at Provincial government hospitals should be recorded in the financial statements of the Province along with an appropriate allowance for loss.	The receivables deemed collectible are included in the 1981 financial statements.
		A coordinated policy for adjustment, collection and write-off of hospital charges receivable is necessary to ensure that the hospitals' accounts receivable records reflect amounts considered collectible and that revenue is collected promptly.	Some improvement noted in 1981.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1981 Annual Report
		MINISTRY OF HUMAN RESOURCES	
1979	7.52	Guidelines and procedures should be established to ensure that all ministries making expenditures shareable under the Canada Assistance Plan provide the Ministry of Human Resources with information necessary to make claims.	Guidelines were distributed to all ministries on 30 September 1981.
		MINISTRY OF LANDS, PARKS AND HOUSING	
1978 1979	8D.5 and 8D.6 7.54 and 7.55	The Housing Fund's (now Crown Land Fund) recorded costs of $15.4 million for federal/provincial partnership projects does not agree with the Canada Mortgage and Housing Corporation cost records.	Records now in agreement.
1979	7.57	The reporting requirements for housing cooperatives and nonprofit societies should be enforced to achieve efficient financial management of the housing grants program.	Program now administered by the British Columbia Housing Management Corporation of which the Auditor General is not the appointed auditor. We have not yet determined whether the Ministry has adequate assurance that these reporting requirements are being adhered to.
		MINISTRY OF THE PROVINCIAL SECRETARY	
1978	8B.12 and 8B.13	The statement of accounts of the Queen's Printer has not been certified by the Comptroller General as required by the *Queen's Printer Act*.	No change.
1978	8B.14 and 8B.15	Need for improvements in inventory accounting systems of the Queen's Printer.	Systems development proposal approved by Treasury Board and design work begun.

Report	Section, Paragraph	Subject	Status as at Date of Preparation of the 1981 Annual Report
1979	7.63	Accounting records and procedures of the Lotteries Branch require further improvement for control purposes.	Changes in the ticket distribution system and improvements in accounting records have eliminated concerns.
1979	7.25	Investment of $350,000 in 1975 from First Citizens Fund improperly recorded.	Investment now correctly recorded in the accounts.
		Public Bodies	
1980	5.2	Recommendations that the financial statements of public bodies audited by the Auditor General be included in the Public Accounts.	Financial statements now included in the Public Accounts.
		BRITISH COLUMBIA EDUCATIONAL INSTITUTIONS CAPITAL FINANCING AUTHORITY	
1980	5.10	Should obtain debentures from educational institutions as required by legislation.	No change. (See also 1981 Report, Section 7.)

Public Bodies

7.1 Under provisions of the *Auditor General Act*, the Auditor General is eligible for appointment as auditor of any Crown corporation, Crown agency or public body. At 31 March 1981, in my capacity as Auditor General, I was the appointed auditor of 30 public bodies as listed hereunder:

British Columbia Assessment Authority
British Columbia Energy Development Agency
British Columbia Educational Institutions Capital Financing Authority
British Columbia Harbours Board
British Columbia Health Care Research Foundation
British Columbia Heritage Trust
British Columbia Institute of Technology
British Columbia Place Ltd.
British Columbia Power Commission Superannuation Fund
British Columbia Railway Company Pension Fund
British Columbia Regional Hospital Districts Financing Authority
British Columbia School Districts Capital Financing Authority
College Pension Fund
Creston Valley Wildlife Management Authority Trust Fund
Health Facilities Association of British Columbia
Knowledge Network of the West Communications Authority
Legal Services Society
Medical Services Commission
Municipal Superannuation Fund
Pacific Vocational Institute
Provincial Capital Commission
Provincial Rental Housing Corporation
Simon Fraser University
Teachers' Pensions Fund
Transpo 86 Corporation
The University of British Columbia
The University of British Columbia Health Sciences Centre
University of Victoria
Workers' Compensation Board of British Columbia
Workers' Compensation Board Superannuation Fund

7.2 During the year we performed our initial audits of the accounts of the British Columbia Energy Development Agency, British Columbia Place Ltd., Knowledge Network of the West Communications Authority, and Transpo 86 Corporation.

7.3 As recommended in my 1980 Report, the financial statements of all public bodies of which I am the auditor, together with my auditor's reports thereon, are now published in the Public Accounts—Volume III.

7.4 The principal objective of the audit of a public body is to enable the auditor to express an opinion as to whether the financial statements provide a fair presentation of the financial position and operating results for the period under review.

7.5 In addition, it is customary to advise management whenever systems of internal control are considered weak, or certain required procedures are not properly followed. Wherever such circumstances arise, our concerns are communicated directly to the management of the organization involved. Normally, corrective action on these matters is taken promptly, and there is no need to mention in detail items of this nature in my Report.

7.6 However, a problem with regard to financing authorities mentioned in last year's Report continues unresolved. The British Columbia School Districts Capital Financing Authority, the British Columbia Regional Hospital Districts Financing Authority and the British Columbia Educational Institutions Capital Financing Authority are Crown corporations which lend money to school districts, regional hospital districts, universities and colleges. The financing authorities borrow from various sources and lend the funds to these entities on identical terms. They are required by legislation to obtain debentures of the borrowers as security for their loans.

7.7 At 31 March 1981 loans totalling $183.3 million had been made by the Authorities for which no debentures had been received. However, Letters of Undertaking to issue debentures had been obtained. I reported on a similar situation in my 1980 Report in connection with loans of $56.8 million of the British Columbia Educational Institutions Capital Financing Authority.

7.8 I am informed that legal difficulties have delayed the issuance of these debentures. Nevertheless, appropriate steps should be taken to comply with this requirement of the relevant Acts.

7.9 The introduction of consolidated financial statements in the Public Accounts this year has resulted in the need for me to rely on the work of public accountants who serve as auditors of many Crown corporations. The excellent cooperation received in this regard is appreciated.

Part 2

Financial Management and Control Audits in Ministries

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Part 2:

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Financial Management and Control Audits in Ministries

Introduction

8.1 This part of my Report summarizes the findings of eight financial management and control audits carried out in ministries of the Government of British Columbia during 1980 and 1981.

THE NEED FOR A STUDY

8.2 Each of my Annual Reports, since 1978, has emphasized the need to strengthen and improve financial internal control systems throughout government. Our audit work in the initial years revealed control weaknesses in the systems used to account for and process financial transactions. However, as we pointed out when we introduced financial management and control audits, even if internal accounting and processing controls are provided for in systems and reliably adhered to, satisfactory financial control does not necessarily result. This is because contemporary accepted definitions of internal control extend beyond requiring that day-to-day controls be present. These definitions emphasize the importance of planning, budgeting and reporting systems in achieving adequate control. These definitions also acknowledge the need to consider internal controls in the context of the environment within which they operate.

SCOPE AND EXTENT OF REVIEW

8.3 Accordingly, as part of introducing the comprehensive audit approach to this Office, we initiated broadly based audits of financial management and control in ministries. These reviews addressed the following areas:

- the role, organization and staffing of the financial function;
- planning, budgeting and budgetary control;
- financial accounting and reporting systems;
- controls over revenues, expenditures,assets and liabilities; and
- internal audit.

8.4 We focused our attention on matters that lay, for the most part, within the responsibility and authority of ministry officials to remedy. As explained in the 1980 Report, we have not dealt extensively with areas in which central agencies have responsibility for either providing guidance and direction, or performing control functions. Where we identified common deficiencies in such areas, we have noted them for possible study as part of an organized extension of audit coverage.

8.5 In carrying out these audits of financial management and control, we reviewed documentation describing the ministries' policies, procedures and systems. We interviewed staff at all levels, both at Headquarters and in regional and district offices, to find out how they had applied these policies and procedures in practice. We then compared what we found against control objectives and audit criteria which we felt were appropriate. Since our audits were intended to emphasize the broader issues of financial management and control, we did not include a detailed examination of transactions in our approach.

MINISTRIES AUDITED

8.6 We have now completed audits of financial management and control in seven ministries:

- Education
- Finance
- Human Resources
- Lands, Parks and Housing
- Environment
- Forests
- Health

The audit of an eighth ministry, Transportation and Highways, was in progress at the time of writing.

8.7 Collectively, these Ministries account for over 70% of both the revenues and expenditures of the government. Precis of our observations for the three audits completed in 1981, together with our recommendations and the ministry responses to them, are included in this Section. Our 1980 Report included a precis of our observations and a listing of our recommendations for each of the first four audits. These recommendations are reproduced, along with updated ministry responses, as part of this Section.

8.8 Our audits have revealed a recurring pattern of deficiencies in financial management and control. These deficiencies are summarized in paragraphs 8.10 to 8.23.

8.9 The success of our audit work depended greatly on the assistance of ministry officials, and their willingness to candidly discuss financial management and control issues with us. Throughout these audits, ministry staff at all levels gave us their full cooperation. We would like to express our appreciation for their cooperation and assistance.

Deficiencies Frequently Encountered

ROLE, ORGANIZATION AND STAFFING OF THE FINANCIAL FUNCTION

8.10 The audits have led us to conclude that there had been insufficient recognition of the full benefits that financial management and control could and should provide to ministry management. Financial management had tended to be seen mainly in terms of processing and recording transactions, and ensuring that statutory expenditure allotments were not exceeded.

8.11 We found that financial management and control could have been enhanced significantly if there had been greater recognition of the role financial officers should play in:

- providing guidance and direction to operating managers who have significant financial responsibilities;
- assessing the financial and control implications of planning and operational decisions; and
- providing managers with the type of financial information they need to operate their programs more efficiently.

8.12 The organization, reporting relationships and staffing of the financial function reflected the limited role which financial management was expected to play. Generally, we found a need for ministries to review the reporting relationships and lines of authority of their Senior Financial Officers so that they could provide more effective and complete leadership, direction and guidance in all financial management and control matters.

8.13 Our review of the staffing of the financial function in ministries showed that, while many financial officers had had long service in government, personnel with formal accounting qualifications (which would include training in control concepts and computer systems) were in limited supply in most ministries. We noted that ministries typically needed to develop better assessments of their financial management and control requirements in order to determine whether their financial functions were adequately staffed with appropriately qualified personnel.

8.14 Generally, we found that ministries needed to supply clearer guidance and direction, both to operating managers and to financial staff, so that these employees would clearly understand the role that financial managers could play in helping operating managers to discharge their responsibilities. Operating managers often did not ask for help or advice on financial or control matters. Accordingly, they did not have the benefit of advice from qualified financial staff when they made decisions having financial or control implications.

8.15 We found a number of instances in which operating systems had been implemented without providing for essential controls or safeguards. Such problems might have been avoided had advice been sought from financial staff at an early stage.

PLANNING, BUDGETING AND BUDGETARY CONTROL

8.16 With few exceptions, ministries had either not developed, or were in the initial stages of setting up, strategic and long-term planning processes. Such processes would help them to:

- identify, assess and select from alternative approaches to achieve their objectives;
- reliably forecast their funding requirements;
- plan staffing actions; and
- assess whether program managers' plans were integrated with ministry objectives.

Without long-term planning, annual budgets and forecasts lack focus, may rely unduly on existing spending patterns, and may overlook past inefficiencies.

8.17 Where ministries did have strategic and long-term planning processes, there was a need to provide for input from the Senior Financial Officer to ensure that financial implications and control requirements were given early consideration.

8.18 With few exceptions, there was a need for ministries to supplement their budgets with operating plans which specify the activities to be performed and the results to be achieved for the money allocated to them. Ministries that lacked these plans were limited in their ability to compare what they had accomplished through their activities with the resources they had spent, and to take prompt corrective action where needed.

FINANCIAL ACCOUNTING AND REPORTING SYSTEMS

8.19 The accounting systems in use did not generally provide operating managers with reliable financial information they needed in a format they could use. Consequently, managers often ignored the reports they received and, to compensate, tried to produce their own.

CONTROLS OVER REVENUES, EXPENDITURES, ASSETS AND LIABILITIES

8.20 Our audits confirmed the continued existence of weaknesses in control over revenues, expenditures, assets and liabilities. The nature and extent of improvements required are reflected in the recommendations we have made.

INTERNAL AUDIT

8.21 In complex, decentralized operations, internal audit is the key to assuring senior management that its management and control systems and procedures are both suitable and are operating reliably and consistently. In many organizations internal audit also provides senior management with independent assessments of operational efficiency and economy.

8.22 We found that several ministries had recently established internal audit functions. However, we concluded that there was a need for all ministries to more comprehensively assess their internal audit requirements and to provide internal audit groups with appropriate mandates and independent reporting relationships if ministries were to achieve full benefits from the internal audit function.

CONCLUSION

8.23 In those Ministries where we have carried out these audits, the nature and extent of deficiencies are such that significant improvements are required before financial management and control can meet desirable standards.

Improvement Efforts

8.24 The Ministries we audited generally recognized that deficiencies existed and that improvements were needed. Ministries had been giving increased emphasis to financial management and control matters in recent years and were receptive to suggestions that would enable them to achieve required improvements.

8.25 In Part 1 of this Report we acknowledge and comment on a number of initiatives. We are also aware of a number of other central agency initiatives intended both to provide guidance and direction to individual ministries and to improve overall government control.

8.26 We have not yet reviewed or assessed these initiatives. However, the fact that initiatives are being taken is significant in itself. We are pleased to see that deficiencies which have been of concern to this Office since its formation are now being recognized and are receiving attention.

8.27 It is unrealistic to expect, however, that the improvements necessary to achieve acceptable control can be realized easily or quickly. Success in this task will depend on management's acceptance of the need to make further improvements. It will depend also on resolving complex technical problems and, of equal importance, ensuring that staff both accept and use improved control systems.

Current Year Audits

Ministry of Environment

8.28 Our review of financial management and control in the Ministry of Environment was carried out in conjunction with the comprehensive audit of the Ministry's Waste Management Program. Paragraphs 9.189 to 9.231 set out our observations and recommendations.

Ministry of Forests

REPORT PRECIS

8.29 The Ministry of Forests is responsible for managing the forest and range resources of the Province of British Columbia. In the 1981 fiscal year, the Ministry processed approximately $410 million in revenue through more than one million separate transactions. Its direct expenditures amounted to $163 million. In addition, indirect expenditures of $81 million were allowed as credits against revenue for work carried out under Section 88 of the *Forest Act*.

8.30 In 1978, the *Ministry of Forests Act*, the *Forest Act* and the *Range Act* were introduced. This new legislation laid the foundation for the Ministry's organization, which emphasized the decentralized delivery of programs. As a result, major changes occurred in the Ministry's organization and many new positions, or positions with changed responsibilities, were created throughout the Ministry. These changes presented the Ministry with a number of financial management and control challenges.

8.31 The Ministry has recognized the need to meet these challenges and has begun to make improvements in financial management and control. It has taken the essential first step of providing the Assistant Deputy Minister-Finance and Administration, who is the Executive Financial Officer, with a mandate to address all areas of financial management and control. He is supported by the Comptroller, who heads the Central Financial Group at Headquarters.

8.32 Up to the time of our audit the Central Financial Group had, to a large degree, concentrated on meeting day-to-day priorities, such as processing payments and the mechanics of preparing budgets. The Central Group had had limited success in such areas as providing guidance and support to decentralized financial staff, designing accounting systems and procedures, and providing financial analysis and advice to operating managers.

8.33 At the time of our audit the Ministry had initiated a review to determine both what improvements to financial management were needed, and what its long-term objectives were. However, the Ministry had not yet prepared a detailed plan setting out what it would have to do to meet those objectives. Neither had it assessed whether it had the right number of properly qualified staff to enable the financial function to fulfill its defined role.

8.34 We noted that the Executive Financial Officer had extensive non-financial responsibilities. We also noted that there was limited availability of staff within the financial group with skills, such as electronic data processing and systems design, which are appropriate to a decentralized organization. Given these facts, we are concerned that the Ministry's ability to attain its goal of effective financial management and control may be adversely affected.

8.35 We noted in our review that the Ministry had made progress in integrating its long-term planning with the preparation of its Estimates. There was, however, still room for improving the way in which the cost implications of long-term plans were reviewed. There was also considerable scope for improving the reporting of financial information and integrating it with performance information in order to enable the Ministry to monitor progress against planned expenditures.

8.36 We also observed that control over transactions needed improvement. In particular, we noted weaknesses in controls over:

- the completeness and timeliness with which revenue is billed;
- the validity of amounts offset by licensees against timber revenue payable; and
- the handling of cash receipts.

8.37 We believe that the Ministry could derive considerable benefit from a strong internal audit function. In a large, decentralized ministry, such as the Ministry of Forests, a strong, independent internal audit group could provide important assurance that systems and procedures are operating efficiently and effectively. Although the Ministry had established an internal audit function, it had not yet comprehensively assessed its internal audit needs. We also noted that the Internal Auditor reported to the Ministry Comptroller. This reporting relationship did not provide the degree of independence necessary to enable internal audit to fulfill its proper role.

8.38 During and after our audit field work, we noted that management was working to improve financial management and control, and was addressing many of the problems noted in our audit. Our review indicated that many improvements are required, and we have concluded that the Ministry will need to devote substantial effort over an extended period of time in order to bring these changes about.

8.39 The recommendations we have made are listed below together with the Ministry's response and comments.

MINISTRY OF FORESTS
Recommendations and Ministry Comments

Recommendations	Ministry Comments
MANAGEMENT OF THE FINANCIAL FUNCTION	
8.40 The Ministry should review the Executive Financial Officer's non-financial responsibilities to determine whether they detract from his primary responsibility, the financial management and control function.	The Ministry developed the role and responsibilities of the Assistant Deputy Minister, Finance and Administration, who is the Ministry's Executive Financial Officer, at the time of reorganization. The Ministry is satisfied that these responsibilities fully address the financial management and control function.
8.41 The Executive Financial Officer should complete the development of a comprehensive plan to help coordinate and control the activities required to achieve necessary improvements in financial management and control in the Ministry.	Agreed. Such a plan will be completed in May, 1982. In July, 1981, the Executive Financial Officer of the Ministry began the development of a comprehensive Finance and Administration 5 Year Business Plan, outlining goals, objectives and strategic plans supporting the Ministry of Forests 5 Year Forest and Range Resource Program. Financial management objectives are an essential part of this plan and will be implemented by a Ministry of Forests Financial Management Task Force reporting to the Deputy Minister of Forests.
8.42 The Executive Financial Officer should review the non-financial responsibilities of the Finance and Administration Managers and the Accounting Officers to determine whether these responsibilities detract from the financial management and control function in the regions.	The organization of the Regional Management team, of which the Finance and Administration Manager is part, is structured as a "mirror-image" of the Headquarters Executive Committee. The Regional Finance and Administration Manager has regional responsibilities for finance, personnel, technical services, etc. The Ministry developed the role and responsibilities of the Regional Finance

MINISTRY OF FORESTS

Recommendations and Ministry Comments

Recommendations	Ministry Comments
	and Administration Manager and the General Accounting Officer at the time of reorganization. The Ministry is satisfied that these responsibilities fully address the financial management and control function.
8.43 The Deputy Minister should issue a policy statement to all staff which clearly defines the functional relationships and responsibilities that exist between the Central Financial Group, Headquarters Branches, and the regional and district financial officers.	Treasury Board has recently issued policies dealing with the management of the Financial Function. Within this context, the Ministry of Forests is developing policy in this area. This policy will respond to Treasury Board direction and be "tailor-made" to fit the Ministry's needs. This policy will be finalized in June/July, 1982.
8.44 The Executive Financial Officer should strengthen functional relationships between central, regional and other financial officers to improve the consistency and reliability of financial management and control throughout the Ministry.	These functional relationships will be clearly spelled out in the policy outlined in 8.43. Quarterly meetings with Regional Finance and Administration Managers are currently conducted by the Executive Financial Officer and guidance, direction and training to all Ministry Financial Officers is ongoing.
8.45 To avoid duplication and omissions in record keeping and other financial tasks, the Executive Financial Officer should define and clarify the respective financial responsibilities of the regional and district staff.	Agreed. The Ministry's Financial Signing Authorities Matrix, which comprehensively addresses spending and payment authorities throughout the Ministry, has been developed and will be implemented in April, 1982. Although these elements comprise the major financial management responsibilities, the responsibilities/authorities matrix will be developed further and broadened in 1982.

MINISTRY OF FORESTS
Recommendations and Ministry Comments

Recommendations	Ministry Comments
8.46 *The Ministry should carry out a comprehensive study to determine its financial staff requirements at all levels. The results of the study should be used as a basis for ensuring all financial positions are filled by appropriately qualified staff.*	*The Ministry is currently reviewing in depth the general accounting and administrative functions and organization in the Vancouver Region. This report will be finalized in early May, 1982. Depending on the results of this study, the review could be expanded. Additionally, staffing complements for the financial function are being addressed in the Finance and Administration Five Year Plan previously referred to.*
8.47 The Ministry should review and assess the training needs of its financial staff and, where training needs are identified, should develop a training program that will enable them to carry out their financial duties more effectively.	The Ministry's Human Resources Planning, Training and Development Program is continually reviewing and planning in this important area. To date priorities have been, in large part, to provide training and development to all new managers throughout the Ministry, as a result of reorganization. Priorities will again be reviewed in the near future, particularly with respect to the financial function.
8.48 The Central Finance Group should develop a comprehensive financial accounting manual that documents policies, procedures and systems. The manual should be distributed throughout the Ministry.	A Financial Policy and User's Procedure manual is under development, as planned, and will be available for distribution throughout the Ministry in May, 1982. The manual will include all current Ministry of Forests financial policies, and subsequent additions, together with detailed procedures.

MINISTRY OF FORESTS

Recommendations and Ministry Comments

Recommendations	Ministry Comments
PLANNING, BUDGETING AND BUDGETARY CONTROL	
8.49 The Ministry should make provisions for more involvement by the financial function in the review of the cost information used in preparation of its five-year plans in order to improve their reliability.	As a result of the recommendations of a Ministry Task Force on the 5 Year Program and Budget Interface, the Ministry will meet this requirement this spring through the development of standard input documents in support of all 5 year program and annual budget proposals at the activity level. These documents will contain a record of estimating methods plus basic input and output measures and will be subject to increasing challenge by the Ministry's central finance group, and the Executive Financial Officer.
8.50 Financial staff should review and challenge all budget submissions before they are forwarded to the Ministry's Executive Committee and included in the annual Estimates.	The standard input documents noted in 8.49 will provide the information base required to improve this challenge role.
8.51 The Ministry should ensure that the annual budgets are reflected in operating plans. It should provide guidance and direction to responsibility centre managers in developing such plans, so that they can monitor and assess program results in relation to the budget.	As a result of 8.49 there will be a direct link between operating plans of the Ministry and the budget. In addition, the development of the 5 Year Program will place increasing emphasis on T.S.A. (Timber Supply Area) planning alternatives which are developed at the District operating level.
8.52 The Ministry should develop a policy and procedures for reporting of variance analysis in order to promote accountability and encourage corrective action when activities deviate from plan.	Variance analysis is ongoing and will be developed further. Some time ago the Ministry's Executive Committee introduced the monitoring of actual results versus planned goals on a quarterly basis for the Ministry's Silviculture Program. This will be expanded to other program areas in 1982. Ac-

MINISTRY OF FORESTS
Recommendations and Ministry Comments

Recommendations	Ministry Comments
	countabilities are being strengthened by the introduction, beginning in October, 1982, of an Employee Performance Management System. Annual achievements are compared with planned goals and reported in the Ministry's Annual Report. Variances are analyzed internally and used in decision making.
8.53 The Executive Financial Officer should review the cost effectiveness of the present system of recording and reporting of commitments.	Treasury Board Financial Administration Policy requires each Ministry to record and report commitments. Current Ministry procedures are being reviewed in line with the response to 8.43.
ACCOUNTING AND FINANCIAL REPORTING SYSTEMS	
8.54 The Executive Financial Officer should implement a complete and coordinated reporting system. The system should take the information needs of all levels of management into account.	Agreed. The Ministry is currently developing one facet of this complex system, and will continue to develop a comprehensive financial management system in the future, consistent with resource availability. In the interim, Ministry expenditures are monitored monthly using the Financial Management Reporting System in use government-wide, together with other financial management reports. The original plan was to build a system around the proposed Financial Systems Network sponsored by the Ministry of Finance; however, with the "shelving" of the latter, plans must be altered significantly.
8.55 To ensure that expenditure transactions are correctly and completely processed, computer transaction reports should be checked to the original input.	Agreed. This process will be strengthened further.

MINISTRY OF FORESTS

Recommendations and Ministry Comments

Recommendations		Ministry Comments
8.56	Central Finance should establish a policy that requires regular analysis of all suspense accounts to ensure that errors in the accounts are detected and corrected.	Agreed. Regular analysis and reconciliation of all suspense accounts is currently carried out.
8.57	The Central Finance Group should ensure that subsidiary and independent accounting and financial reporting systems do not duplicate or overlap each other unnecessarily. The Group should also ensure that records are compared to verify that the information they contain is accurate.	Agreed. Where unnecessary duplication has been identified, steps have been taken to eliminate same and this process will continue.
FINANCIAL CONTROL OF REVENUE AND EXPENDITURE		
8.58	The Ministry should institute appropriate, cost-effective controls to ensure that all documents used in the billing process are accounted for.	The revenue/billing system was identified as a priority area for review by the Ministry Internal Audit function. Very recently, the Internal Audit Division of the Office of the Comptroller General indicated their intent to conduct an internal audit of this same system. Consequently, a joint cooperative review will be undertaken, starting in April/May, 1982 for completion in August, 1982.
8.59	The Central Finance Group should review the controls in the revenue system to determine whether they are adequate.	As per 8.58
SECTION 88 CREDITS		
8.60	The Ministry should complete a comprehensive manual covering the policies and procedures that regions and districts should follow in controlling work carried out by licensees under Section 88 of the *Forest Act*.	A Procedures Manual has been completed for control and administration of proposals, addendums, amendments to addendums, cost claims, inspections and adjustments to cost claims. This manual is to be reviewed starting in May, 1982 and updated.

MINISTRY OF FORESTS
Recommendations and Ministry Comments

Recommendations		Ministry Comments
8.61	To ensure that costs allowed for projects are reasonable, the branches should develop guidelines for estimating costs for Section 88 projects.	Branches are developing provincial guidelines, consistent with Section 88 Policy. These guidelines will be finalized and implemented in July, 1982.
8.62	The regional manager should review and approve all projects before work on them begins. All addenda should be reviewed for accuracy and completeness, and approved by regional managers before the addenda are presented to licensees.	Present procedure provides for the Regional Manager's technical expert to review each addendum for the Regional Manager's approval, prior to its presentation to the licensee.
8.63	The Ministry should develop guidelines that define the circumstances in which a licensee may begin work on a Section 88 project before an addendum has been signed.	From time to time emergency situations require work to commence prior to signing an addendum or an amendment. Informal guidelines permit this on the authority of the Region, with immediate follow up with the necessary documentation. The Ministry's practice in this area will be reviewed again in May/June, 1982.
8.64	The Ministry should determine the extent to which standardization of schedules can be achieved. Standard schedules should be approved by legal counsel to ensure that they meet legal requirements.	All technical branches are preparing standard, province wide schedules and the majority are now in place. These will be reviewed again in May/June, 1982.
8.65	To assure the Ministry that the quality and completeness of the work carried out under Section 88 are satisfactory, the Ministry should inspect projects. The branches should specify the depth and frequency of inspection required, taking into account the value and type of projects and the risk involved.	The inspection requirement is being reviewed by the concerned Branches with the objective of developing a provincial standard in 1982. This standard will take into account the value and type of projects and the risk involved.
8.66	The Ministry should devise cost-effective systems and procedures to ensure that cost claims are valid.	Procedures require the Cost Claim to reflect the Addendum and all projects must have a final inspection before they are closed. With regard to compliance, reference is made to 8.68.

MINISTRY OF FORESTS

Recommendations and Ministry Comments

Recommendations		Ministry Comments
8.67	The Ministry should protect its right to audit cost claims by including a provision for audit in its agreements with licensees.	With the requirement that the Cost Claim must comply or agree with the Addendum there is no need for an audit of the Cost Claim. If the inspection determines that the work is completed according to the Addendum then the licensee is compensated as stated in the Addendum. With regard to cost claims which are based on actual costs, this recommendation will be given serious consideration.
8.68	The Ministry should set up systems to monitor district and regional compliance with established policies.	Ministry policy is such that Headquarters Branches are responsible for monitoring regional and district compliance with policies and procedures. The Ministry's Valuation Branch is visiting four Districts in the Vancouver Region to monitor implementation of the Section 88 manual at the field level. Visits will be made to all Regions in May and June to monitor regional compliance with the Section 88 Manual and to determine any necessary changes in policy, procedures and forms.
ASSETS		
8.69	Central Finance should institute appropriate controls over cash receipts to ensure that they are promptly deposited and recorded.	In accordance with the Ministry's interim internal audit plan, the Ministry Internal Auditor is presently reviewing these controls. The recommendations will be implemented in 1982.
8.70	Central Finance should reconsider its policy of charging interest from the statement date rather than from the invoice date.	The Ministry of Finance is at present reviewing government policy in this area. Jointly, the benefits and related costs of policy alternatives will be developed and form the basis of any future direction.

MINISTRY OF FORESTS
Recommendations and Ministry Comments

Recommendations		Ministry Comments
8.71	The Ministry should review its billing procedures and accounting cut-offs in order to reduce unneccessary delays and improve cash flow.	Cash flow is of continuing concern. Further improvements, where possible, will be addressed in the review referred to in 8.58 and 8.59.
8.72	So that management has reliable information on accounts receivable, Central Finance should prepare aged analyses of accounts receivable that do not include Section 88 credits.	Agreed. Accounts receivable will be reported on a "gross" and "net" basis in future.
8.73	Central Finance should develop a policy for the regions to follow in recognizing doubtful accounts.	Agreed. A policy will be developed.
8.74	To provide an effective and efficient system for controlling assets, the Ministry should develop, document and communicate a policy covering this area. It should specify the assets to be controlled, the levels of control required, the control systems and procedures and ongoing monitoring responsibilities.	As previously planned, a comprehensive review of the Ministry's asset management and control practices was started in February, 1982, with completion date targeted for July 30, 1982. Recommendations will include the matters referred to in recommendation 8.74.
INTERNAL AUDIT		
8.75	To provide the Internal Auditor with the independence he needs to carry out his duties, the Ministry should change his reporting relationship.	Agreed. The reporting relationship of the Internal Auditor will be altered such that he reports directly to the Executive Financial Officer.
8.76	The Ministry should determine which areas require internal audit coverage and develop a plan, in consultation with the Comptroller General's Audit Group, showing how the Ministry's needs will be met.	A detailed internal audit plan was presented to the Executive Financial Officer in January, 1982. This plan was developed with regard to the Master Audit Plan of the Comptroller General's Internal Audit Division. The plan is under review in conjunction with the activities outlined in 8.58 and 8.59.

MINISTRY OF FORESTS

Recommendations and Ministry Comments

Recommendations	Ministry Comments
8.77 The Ministry should consider broadening the Internal Auditor's mandate to include reviews of the cost effectiveness of non-financial functions.	Accepted in principle; however, the priority at this time is the review of financial management systems.

Ministry of Health

REPORT PRECIS

8.78 The Ministry of Health is responsible for providing a broad range of health care services throughout the Province. In recent years, health care costs have been increasing both in absolute terms and in relation to other government programs. Five years ago health expenditures were $858 million, representing 24.5% of total government expenditures. For 1982 it is expected that Ministry expenditures will reach $2 billion, or approximately 30% of the government's total expenditures. During the past two years costs for Hospital Programs have exceeded the estimated amount. In 1981 these costs were $170 million over budget. Such increases and overruns have directed attention to the Ministry's need to accurately forecast and control costs.

8.79 Our review focused on Hospital Programs and Long-Term Care, which account for about 65% of the Ministry's expenditures. Almost all of this amount was paid in direct grants to hospitals and other non-government agencies that provided these services. Because of the high initial cost of health facilities, and the significant cost of operating them over their lifetimes, adequate systems of financial management and control are essential to both the planning and delivery stages of ministry operations.

8.80 When we were planning our audit, we learned that the Ministry had commissioned a number of studies during recent years. These studies revealed significant deficiencies in the role that financial management had played in the Ministry and in the way that important aspects of the role had been organized and carried out. Our review of this material together with interviews with Ministry personnel allowed us to form an assessment of financial management and control. Because the Ministry accepted our assessment, and because major organizational changes were underway, we did not feel justified in employing more extensive audit procedures.

8.81 We concluded that the full role that financial management should play in the Ministry has only recently been understood. Until 1981 no senior financial officer had been designated responsible either for advising the Deputy Minister on the financial implications of policy and operating decisions, or for overseeing financial management and control throughout the Ministry.

8.82 As a result, the Ministry's Central Financial Group had not played an active enough role in coordinating and directing financial management and control efforts in the Ministry. For example, the major program divisions had established their own financial units without guidance or direction from the Central Financial Group. They had also designed their own informal accounting systems and related procedures.

8.83 As noted earlier, health care services are provided primarily by non-government agencies. Of major concern was the absence of an effective budgeting and monitoring system which would allow the Ministry both to properly evaluate requests for funding from these institutions and to monitor whether the funds were spent for approved purposes. Accordingly, analysis of operating results did not always detect unfavourable trends early enough to permit the Ministry to take appropriate corrective action.

8.84 We also found that ministry management had not had the benefit of an internal audit assessment of the operation of its systems and procedures for maintaining financial management and control. While some internal audit coverage had been provided by ministry staff and by the Office of the Comptroller General's internal audit group, the Ministry had not comprehensively assessed its own internal audit requirements. Accordingly, the Ministry was unable to assess whether the audit coverage provided satisfied its needs.

8.85 At the time of our review, the Ministry was reorganizing its operations and developing procedures to strengthen financial management and control. For example, the Ministry was refining the criteria used to evaluate budgets submitted by non-government agencies and was developing improved information systems and analytical techniques to monitor their performance. Further, an internal audit function was included in its reorganizational plans.

8.86 It was evident that management had recognized the need for a wide range of improvements and that it had taken steps to remedy certain inadequacies. However, management had not developed a comprehensive plan for coordinating its responses to the many recommendations contained in the studies it had commissioned.

8.87 The recommendations we have made are listed below together with the Ministry's response and comments.

MINISTRY OF HEALTH

Recommendations and Ministry Comments

Recommendations	Ministry Comments
MANAGEMENT OF THE FINANCIAL FUNCTION	
8.88 To enable the financial function to provide the necessary support to management, the Ministry should explain the role of financial management and control to all staff.	Agreed. A Ministry of Health Financial Administrative Policy Manual is underway and as each policy is completed, it is being distributed within the Ministry.
8.89 The Ministry should designate an individual responsible for developing a comprehensive action plan to coordinate and control the many improvements that the Ministry has identified as being necessary to strengthen financial management and control.	Agreed. Responsibility for development of a comprehensive action plan has been delegated to the Executive Financial Officer.
8.90 To determine whether the Executive Financial Officer can devote enough time to financial management and control matters, the Ministry should closely monitor the demands of his other administrative and operational responsibilities.	The Ministry is of the opinion that the Executive Financial Officer will be able to devote sufficient time to financial management and control matters despite his broad range of administrative and operational responsibilities.
8.91 The Ministry should clearly explain to other financial personnel within the Ministry, the role of the Central Financial Group, stressing its responsibility for providing guidance and direction on financial matters.	Agreed. With the reorganization of the Financial Services Division direct and functional responsibilities for financial matters will be clearly delineated and circulated within the Ministry.
8.92 The Ministry should further refine its estimate of the number and qualifications of financial staff it needs to achieve effective financial management and control.	The new organization of the Financial Services Division recognizes the need to upgrade the quality and quantity of its staff.
8.93 The Ministry should implement policies and procedures that will satisfy its staff development requirements and the training needs of its financial personnel.	Agreed. In-house and external staff training programs are being developed for implementation in 1982/83. The Performance Appraisal process is identifying individual training requirements on an annual basis.

MINISTRY OF HEALTH
Recommendations and Ministry Comments

Recommendations	Ministry Comments
8.94 The Ministry should develop a comprehensive financial and accounting manual so that financial policies and procedures are available, in a useful format, to all personnel who need them.	The development of a comprehensive financial and accounting manual is already underway, however, this is an extensive undertaking which is being addressed on a priority basis.
PLANNING, BUDGETING AND BUDGETARY CONTROL	
8.95 When developing its strategic and operational planning process, the Ministry should make certain that the financial function participates fully. The role of financial management and control in this planning process should be to ensure that: • the financial implications of proposed strategic and long-term options are reliably costed; and • alternatives selected are within funding limits.	Agreed. The Ministry is reallocating its staff resources to enable an expansion of the Financial Services Division so that there is adequate financial participation in the strategic and operational planning process.
8.96 So that it can estimate and control costs more closely, the Ministry should establish guidelines for each funded agency. These guidelines should: • identify approved programs; • specify levels of service; • establish cost guidelines; • distinguish between fixed and variable costs; and • specify timing, format and content requirements for budget submissions.	Agreed. The establishment of funding and service guidelines for most programs delivered by funded agencies will continue to be developed towards meeting these objectives on a priority basis.
8.97 The Ministry should develop an effective process for reviewing and approving the budgets that non-government health care agencies submit. As part of this process, the Ministry should: • compare submissions with guidelines; • advise agencies of budget changes and of their impact on operations; and • inform agencies of approved budgets and obtain their concurrence.	Revisions have been made to the programs where necessary, and will continue to be made in the future to ensure the effectiveness of the budget review and approval process.

MINISTRY OF HEALTH

Recommendations and Ministry Comments

Recommendations	Ministry Comments
8.98 The Ministry should monitor payments to non-government agencies against plans and budgets. As part of the monitoring process, the Ministry should: • assign responsibilities and allocate appropriate staff resources; • identify performance indicators; • establish standards against which actual performance can be measured; • develop timing, content and format requirements for reporting results; • formulate policies and procedures that permit timely analysis of variances, using appropriate techniques; and • develop policies and procedures to ensure that preventive and corrective action is taken to minimize variances.	Agreed. Improvements to the system of monitoring funded agencies will proceed as quickly as additional, appropriate staff resources can be allocated to this function.
ACCOUNTING AND FINANCIAL REPORTING SYSTEMS	
8.99 The Ministry should revise its chart of accounts so that it meets the needs of all health programs and provides for more meaningful accounting and reporting of operations.	The Ministry's chart of accounts have been revised and are being continually updated to reflect changes in Vote structures, programs and information needs. The lack of flexibility of the Comptroller General's Financial Management Reporting system has been a limiting factor.
8.100 The Ministry should review its financial reporting requirements and should determine the most cost-effective method of satisfying them so that the various responsibility levels of management receive meaningful, appropriate and timely information.	The Ministry is currently carrying out a review of its financial reporting requirements and all manual accounting systems now being maintained. Due to the size of the task and staff limitations, any new systems or modifications to existing systems will take considerable time to implement. They will however, be addressed on a priority basis.

MINISTRY OF HEALTH
Recommendations and Ministry Comments

Recommendations		Ministry Comments
8.101	If the Ministry is to retain its current manual accounting systems, the Senior Financial Officer should review them to satisfy himself that they incorporate appropriate controls, provide complete and accurate information, and that duplication of other systems is minimized.	Same comment as for 8.100.
8.102	Any new systems or modifications to existing systems should be implemented only with the Senior Financial Officer's approval. A cost/benefit analysis should support new systems or major modifications to existing ones.	Same comment as for 8.100.
8.103	When developing new systems, the Ministry should establish appropriate development standards to ensure that adequate operating controls are provided for when the system is being designed.	Agreed. The Ministry is developing control standards to comply with Financial Administration Policies established by Treasury Board.
EXPENDITURE AND REVENUE CONTROLS		
8.104	The Ministry should identify all revenue sources and ensure that accounting controls over them are adequate.	All revenue sources have been identified and improved accounting controls and receivable collection procedures will be initiated on a priority basis.
8.105	The Ministry should document and regularly review all policies and procedures for delegating commitment, spending and payment authority.	Financial signing authorities policies and procedures are presently being documented by the Ministry.
ASSETS		
8.106	The Ministry should determine which of its assets require control and should establish policies and procedures to ensure that asset controls are both appropriate and consistently applied.	Agreed. The need for further development of policies and procedures to ensure adequate asset control, is being addressed on a priority basis.

MINISTRY OF HEALTH

Recommendations and Ministry Comments

Recommendations	Ministry Comments
INTERNAL AUDIT	
8.107 The Ministry's internal audit needs should be assessed to determine whether the mandate and reporting lines of the proposed organization are appropriate, and whether it has enough independence to carry out its role effectively.	The review of the financial function as well as management and operating systems in the Ministry is the mandate of an independent, internal audit group which will report directly to the Senior Assistant Deputy Minister. The Internal Monitoring Section of the Financial Services Division is primarily responsible for ensuring compliance with established policies and procedures.
8.108 The Ministry should ensure that the internal audit role includes assessing both the financial function and the management and operating systems in the Ministry.	Same comment as for 8.107.

Status of Recommendations from Previous Annual Report—Financial Management and Control Audits

Ministry of Education

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Recommendations	Ministry Comments	
ROLE, FUNCTION AND REPORTING RELATIONSHIPS OF THE SENIOR FINANCIAL OFFICER		
9.19 In order to ensure that financial management and control can provide the necessary support to management, the Ministry should ensure that its role is clearly defined and communicated to personnel at all levels. The role should provide for the involvement of the Senior Financial Officer in all decisions which have significant financial impact or involve financial systems or procedures.	The Ministry will ensure that all personnel are reminded of the role of financial management and control. This will occur through explanation of the new organizational structure of the Ministry currently being implemented, through further training in the new financial reporting system developed by the Ministry, and through the introduction of zero-based budgeting for the next budgetary cycle. The Senior Financial Officer will be involved in all decisions having significant financial impact or involving financial systems and procedures.	The Ministry has communicated the role of financial management and control to all personnel through training sessions in the Ministry's financial management reporting system and through the introduction of zero-based budgeting for the 1982/83 budget cycle. As part of the reorganization process which the Ministry underwent during 1981, all personnel received an explanation of the new organizational structure. Further to the Ministry's comment in the 1980 Report, the Senior Financial Officer is now involved in all decisions having significant financial impact or involving financial systems and procedures. Financial management and control roles are now being reviewed in the light of the Treasury Board Financial Administration Policy on management of the financial function.
9.20 The Ministry's designated Senior Financial Officer should report directly to the Deputy Minister.	The Assistant Deputy Minister—Educational Finance is now the designated Senior Financial Officer, reports directly to	No additional comments.

		the Deputy Minister and is a member of the Policy and Resource Allocation Committee of the Ministry (the "Executive" Committee).	
9.21	The Senior Financial Officer should be a member of the Ministry's Executive Committee.	See Ministry's Comments on Recommendation 9.20.	No additional comments.
FUNCTIONAL AND DIRECT RELATIONSHIPS			
9.22	The responsibilities and reporting relationships of financial officers who report directly to the Senior Financial Officer should be re-examined. Processes should be developed to ensure that these reporting relationships are appropriately established and operate effectively.	Responsibilities and reporting relationships have been examined and redeveloped as part of the new organization.	The Senior Financial Officer's staff now monitor monthly financial reports for each responsibility centre, including commitment accounting. Quarterly variance reports now filed by each responsibility centre manager, are now being used and are filed with the Senior Financial Officer. The Educational Finance Department staff will follow-up these reports to ensure corrective action is taken.
9.23	In order to ensure that the Senior Financial Officer can perform his function effectively, the Ministry should establish and communicate a policy providing for functional direction and guidance from the Senior Financial Officer. This would require all financial and other officers performing financial functions to report regularly to the Senior Financial Officer and to periodically meet with him on financial management and control matters.	All financial and other officers performing financial functions will now report regularly to the Assistant Deputy Minister—Educational Finance, whose staff will also monitor monthly financial reports from each responsibility centre. Quarterly variance reports will be filed by each responsibility centre manager with his Assistant Deputy Minister and the Senior Financial Officer. A major meeting to review financial operation of each area of the Ministry will be held on an annual basis, in addition to the meetings to develop budgets or review proposed policies.	Refer to additional comments under 9.22 above.

Ministry of Education

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Recommendations	Ministry Comments	as at 31 December 1981
STAFFING AND TRAINING		
9.24 The Ministry should assess the training needs of its financial staff to ensure that all have been accurately identified. As part of this process the Ministry should compare its job needs in the financial area with its available manpower both in terms of numbers of staff and their qualifications.	The Ministry intends to complete its reorganization by ensuring that appropriate assignments of personnel are made, competitions completed where appropriate, and training of personnel completed. Further, as new accounting and auditing systems are developed and implemented, all staff will be involved in training.	Training sessions in areas of financial procedures have been an integral part of the implementation of the Ministry's new organization. Position descriptions in support of the new organization reflect changed reporting relationships and job functions including financial management and control functions. Competitions for certain positions have been delayed due to hiring constraints.
9.25 The Ministry should implement a policy of training and career development for its financial personnel to ensure that identified training and career development needs are met.	See Ministry's Comments on Recommendation 9.24.	Refer to comments under 9.24 above.
9.26 The duties of the Ministry's financial officers should be rotated periodically as a means of ensuring appropriate skills development.	Rotation of the Ministry's financial officers will be considered and, where possible, undertaken, although such flexibility is not immediately obvious because of general government policies and agreements surrounding the reassignment and deployment of personnel.	No additional comments.
COMMUNICATIONS		
9.27 The Ministry should place further emphasis on completing a comprehensive financial and accounting manual to ensure that financial policies and procedures are available in a useful format to all financial officers and responsibility centre man-	Such a manual is currently under development and release of the initial portions will be completed by March 31 with ongoing work to be done throughout the year.	Initial chapters of a comprehensive financial and accounting manual encouraged by the Auditor General are expected to be distributed during the 1981/82 fiscal year.

agers. The manual should be updated whenever policies or procedures change and be reviewed annually by the Senior Financial Officer.

MINISTRY BUDGETARY PROCEDURES

9.28	In order to strengthen the budgetary control process, the Ministry should define the specific responsibilities of the responsibility centre managers for preparing budgets. Guidelines should state the extent to which Financial Services is expected to participate in strategic planning, and should define the kinds of precedures and financial guidance that it should provide. The Ministry should indicate to what degree Financial Services should participate in the review functions.	Implementation of zero-based budgeting will establish documented procedures of this kind.	Through the implementation of zero-based budgeting, the Ministry has documented and issued procedures which define the specific responsibilities of responsibility centre managers for preparing budgets. Furthermore, the extent to which the Educational Finance Department participates in budgetary control and the evaluation of budgets is being developed and will be documented.
9.29	Financial Services should have both responsibility for evaluating budgets and the authority to require responsibility centre managers to provide back-up information for items included in their budgets.	See Ministry's Comments on Recommendation 9.28.	Refer to additional comments under 9.28 above.
9.30	Provision should be made for formal approval of all major budget changes or reallocations and adjustments during the year and these in turn should be reviewed and approved by the Financial Services Group.	A formal reallocation procedure is almost completed which will provide clear documentation of all reallocations, with advisory information to all senior management and the Department of Educational Finance.	A formal reallocation procedure is now implemented which provides clear documentation of all reallocations and related dissemination to all senior management. The Educational Finance Department reviews and approves allocations which are subsequently reflected in revised budget figures on the Ministry's financial management reports.
9.31	The Ministry should establish a documented policy for dealing with variances. Such a policy should include consideration of: • the limits above which variances have to be explained;	A procedure has been completed and is being implemented.	The Ministry implemented a documented policy for dealing with variances which became effective March 31, 1981.

Ministry of Education

Auditor General's 1980 Annual Report		
Recommendations	Ministry Comments	Ministry Comments as at 31 December 1981
• who these explanations should be directed to; • the requirements for documenting any remedial action; • the extent of review required by Financial Services; and • the correlation of financial variances with operating information and statistics.		
9.32 Guidelines for the new commitment system should be documented and all individuals who are involved in recording commitments should be provided with an appropriate amount of training in this area.	Guidelines for use of commitments in the financial reporting system have been completed and training is under way.	The Ministry's new commitment system became operational April 1, 1981. Training sessions were given to all staff affected by the system. The system is to be reviewed in light of the appropriation and commitment control policy recently approved by Treasury Board.
9.33 To ensure that the impact of new programs is fully assessed, program managers and planning officers should coordinate their activities with Financial Services. The Senior Financial Officer should review and challenge programs being developed as to their financial impact on the Ministry.	New processes for ensuring the involvement of officials of the Department of Educational Finance are built into the policy development committees of the Ministry. All new policy proposals are examined for their financial impact. Programs are examined for their financial impact as Ministry budgets are developed. Again Educational Finance officials are involved.	
BUDGETS SUBMITTED BY SCHOOL DISTRICTS		
9.34 To allow the Ministry to determine the cost of each program and how efficiently it is run, school dis-	A project is in its early definition stage to revise school district budget reports to the	The project to revise school district budget reports to the Ministry on a program

	trict budgets should be prepared on a program basis.	Ministry on a program basis. The Assistant Deputy Minister — Educational Finance is involved.	basis is now in the design phase and a pilot project should be operating in 1982, unless impacted by current budgetary constraints and lack of personnel.
9.35	Control over special program funds should be improved. The Ministry should review use of these funds at the school district level to ensure that funds are used only for intended purposes.	A full review over control and use of special program funds will be undertaken as soon as resources are available in the Finance Research area of the Educational Finance Department.	A full review of the control and use of special program funds is beginning with efforts to improve the data available for analysis and a re-examination of the basic principles of such funding. The Senior Financial Officer is involved.
9.36	The Senior Financial Officer should be actively involved in the current review of the school districts' budgeting system to ensure that all matters of financial significance are considered.	See Ministry's Comments on Recommendation 9.34.	The Senior Financial Officer will also be involved in the Ministry's review of budgets submitted by the school districts. The review process will be amended when the budget format has been altered on completion of the aforementioned project.
9.37	The Senior Financial Officer should be involved in the Ministry's challenge process of the budgets submitted by the school districts.	At present budgets are reviewed rather than challenged. A Management Indicators Report on each school district indicates variances from provincial norms. All majors anomalies are followed up by officials of the Schools Department and the Department of Educational Finance.	Refer to additional comments under 9.36 above.
	BUDGETS SUBMITTED BY POST-SECONDARY INSTITUTIONS		
9.38	Post-Secondary Finance should have responsibility for budgets for post-secondary institutions.	Budgets for post-secondary institutions are developed at the local level, examined by the Management Services section of the Post-Secondary Department in conjunction with staff of Post-Secondary Finance, presented to the statutory Councils who make further recommendations, and built into the Post-Secondary Vote	The staff of the Educational Finance Department is involved in the review of all budgets for post-secondary institutions for the 1982/83 fiscal year. The Senior Financial Officer will be involved in the review of all budgets as submitted and incorporated in the Ministry's Estimates.

Ministry of Education

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		which is managed by the Post-Secondary Department. The further role of the staff of Post-Secondary Finance is to ensure that expenditures are properly accounted for and that operational audits of post-secondary institutions are undertaken. The Senior Financial Officer will be involved in the review of all budgets as submitted and incorporated in the Ministry's Estimates.	
9.39	The Senior Financial Officer should be involved in and effectively challenge the budgets submitted by the post-secondary institutions.	See Ministry's Comments on Recommendation 9.38.	No additional comments.
9.40	*In order to improve control over funds issued for* continuing adult education purposes to school districts, the Ministry should review the use of these funds at the school district level with special emphasis on determining that they have been used only for intended purposes.	*The staff of Continuing Education in the* Post-Secondary Department will continue to make such reviews.	No additional comments.
9.41	The Ministry should request the post-secondary institutions to prepare long-term operating plans to assist it in providing for sound, long-term planning for the most appropriate use of available funding for Colleges and Institutes.	Long-term operating and capital planning processes are under development.	No additional comments.
	FINANCIAL MANAGEMENT REPORTING		
9.42	In order to enhance the benefit which can be obtained from the Ministry's recently developed financial management reporting system, the Minis-	Once the basic implementation of the financial management reporting system is complete, our next major activity must	The basic implementation of the Ministry's financial management reporting system is complete. The expected further

	try should review the system to determine the feasibility of incorporating Ministry revenues, operating performance and utilization measurement data, and key aspects or control account data from the subsidiary accounting systems in the Ministry.	be the implementation of zero-based budgeting. Once this is complete, further extensions of the reporting system will be considered.	extensions of the system will be formally considered in the spring of 1982 in line with our implementation plan for Treasury Board financial administration policies. Treasury Board approval of special funding is necessary to implement this plan.
9.43	The Senior Financial Officer or his designate should periodically review the subsidiary accounting systems operated in the Ministry to ensure they embody adequate controls. Any relevant data from those systems that may be useful to senior financial managers should be included in regular reports to the Senior Financial Officer.	This work will be undertaken by the Directors of Accounting and Internal Audit in the Ministry Comptroller's Branch, once these positions are filled.	The periodic review of subsidiary accounting systems to ensure the embodiment of adequate controls is still pending the posting and subsequent filling of the directors of accounting and internal audit positions, which have been delayed due to hiring constraints.
9.44	The Ministry should prepare cost/benefit analyses before it develops any major, new systems or systems modifications to ensure that the cost is commensurate with anticipated benefits.	While costs are relatively straightforward to determine, benefits in educational programs are often intrinsic and subjective, rather than financial or objective. Nonetheless, cost-benefit analysis is part of the consideration of every systems proposal, particularly where management or data processing systems are under consideration.	No additional comments.
	DOCUMENTATION OF REVENUE AND EXPENDITURE SYSTEMS		
9.45	All expenditure and revenue systems should be documented and applicable internal controls reviewed to ensure that they are adequate.	The new officers in the Ministry Comptroller's Branch will undertake this work.	This documentation and applicable internal controls review also depends on the hiring of the directors of accounting and internal audit. If recruitment difficulties persist, the Ministry may seek to have the work undertaken by contracted accountants provided sufficient funds become available for this purpose within approved budgets.

Ministry of Education

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ACCOUNTING CONTROLS		
9.46 To ensure that the Ministry exercises adequate accounting control over all sums charged to Vote 56, Grants to Reduce Local School Taxes, and amounts credited to Vote 60, Recovery of Rural District Taxes, it should clarify its responsibility and accountability for these expenditures and recoveries, and obtain adequate supporting information for these expenditures and recoveries.	The management of these activities rests with the Ministry of Finance, although the items appear in the Estimates of the Ministry of Education. This anomalous situation will be discussed with the Ministry of Finance to see whether we should assume responsibility and accountability as recommended.	Control over sums charged to grants to reduce local school taxes, and amounts credited to the recovery of Rural District Taxes Vote has been reviewed by Ministry of Education and Ministry of Finance officials. As a result of this review, responsibility and accountability for expenditures and recoveries has been resolved.
9.47 The Ministry should ensure that it has enough supporting information to verify the accuracy of the amounts charged to Vote 59, Teachers' Pensions Fund.	The form of the annual statement from the Superannuation Commissioner indicating financial needs in the Teachers' Pensions Fund Vote will be reviewed. The Ministry of Education does not have management responsibility for this Vote although it appears in our Estimates.	The form of the annual statement from the Superannuation Commissioner in regard to the Teachers' Pensions Fund Vote is under review.
9.48 To ensure the adequacy of controls over the Student Aid Program, the Financial Services Group should review the system used to approve and pay Post-Secondary student aid.	The systems used to pay student aid will be reviewed annually by the Senior Financial Officer and his staff.	No additional comments.
9.49 To improve control over funds received from the Federal Government for French language education programs, the Ministry should provide more detailed accounting procedures relating to these funds.	Accounting procedures related to French language education programs will be documented.	No additional comments.

REVENUE CONTROLS

9.50	Financial Services should identify all revenue sources and review related accounting controls including reports to ensure that they are adequate and that responsibility for managing revenue is clearly assigned and consistently performed.	The Ministry Comptroller's staff will review revenue accounting procedures and make necessary improvements.	The Ministry's revenue control procedures have been reviewed in light of the Treasury Board Financial Administration Policy on revenue control. Plans for implementing the policies were submitted to the Office of the Comptroller General in October 1981 but depend on approval of funding requested in our 1982/83 Estimates as well as our ability to recruit the necessary staff resources.
9.51	Revenue budgets should be developed and regularly compared with actual revenue and collection. Any unusual fluctuations should be investigated and appropriate corrective action instituted promptly.	See Ministry's Comments on Recommendation 9.50.	Refer to additional comments under 9.50 above.

RESPONSIBILITIES FOR CONTROL OVER ASSETS AND LIABILITIES

9.52	The Ministry should establish policies and procedures for controlling and accounting for its assets. These should provide for assigning and documenting responsibilities for asset management, control and documentation and review of all systems in use in the Ministry.	Assets management will be reviewed and new procedures implemented by the Director of Internal Audit, when this official is appointed.	These were reviewed in conjunction with the Treasury Board Financial Administration Policy implementation planning process. Implementation plans for assets control and liabilities control were submitted to the Office of the Comptroller General in October 1981. These plans will be seriously affected if the request for funding in our 1982/83 Estimates submission is not approved and/or if recruitment difficulties persist.

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ACCOUNTING AND PHYSICAL CONTROLS IN ASSET MANAGEMENT SYSTEMS		
9.53 The Financial Services Group should review and document all controls relating to assets owned by the Ministry in order to ensure that controls are adequate for safeguarding these assets.	See Ministry's Comments on Recommendation 9.52	Additional comments under 9.52 apply.
9.54 All attractive and/or valuable assets should be listed and be subject to periodic physical counts. Accounting controls should be used to ensure the integrity of fixed asset records.	See Ministry's Comments on Recommendation 9.52.	Additional comments under 9.52 apply.
9.55 Segregation of duties between physical custody and record-keeping at all inventory locations should be developed sufficiently to ensure that asset inventories are adequately safeguarded.	See Ministry's Comments on Recommendation 9.52.	Additional comments under 9.52 apply.
MINISTRY INTERNAL AUDIT		
9.56 In order to provide for internal audit commensurate with its needs, the Ministry should thoroughly review all its internal audit requirements. In consultation with the Office of the Comptroller General it should determine the manner in which its needs in this important area can most efficiently be fulfilled.	A new position, Director of Internal Audit, has been established and will be filled as soon as possible. A full program of internal audit will be developed to supplement services from the Comptroller General's Office and the Auditor General.	Due to the establishment freeze, the Director of Internal Audit is not yet appointed and it is he/she who will have the responsibility for reviewing all the Ministry's internal audit requirements.
9.57 According to the results of its review of internal audit, the Ministry should implement a comprehensive internal audit program with particular focus on the concerns of Ministry management and those of the central agencies.	See Ministry's Comments on Recommendation 9.56.	Further to the Ministry's comment in the Auditor General's 1980 Report, action on this subject will be addressed by the Director of Internal Audit when he/she is appointed.

OPERATIONAL REVIEWS OF SCHOOL DISTRICTS, COLLEGES AND INSTITUTES

9.58	The Ministry should consider auditing the use of funds provided to school districts, colleges and institutes to ensure that these resources are being managed and used with due regard to economy, efficiency and effectiveness.	It is the Ministry's intention, when sufficient resources have been identified, to undertake operational audits of field agencies. Staff from all departments will be involved. The results of all audits will be documented and filed with the Assistant Deputy Minister — Educational Finance.	At present, personnel establishment does not include the necessary staff to undertake such audits and current budgetary constraints preclude their recruitment.
9.59	Operational review units should be established within the Ministry's Schools and Post-secondary Departments, and the designated staff member responsible for these units should routinely provide summaries of audit results to the Senior Financial Officer.	See Ministry's Comments on Recommendation 9.58.	Additional comments under 9.58 apply.

SCHOOLS' ENROLMENT DATA

9.60	The Ministry should independently verify the enrolment data submitted, and then carry out checks in schools in the districts to ensure that these data are complete and accurate enough to use as a basis for calculating school district funding.	The Ministry undertook audits of enrolment data in selected school districts in 1980 and plans to do so again in future years.	No additional comments.

Ministry of Finance

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ROLE OF FINANCIAL MANAGEMENT		
9.67 *Management of the financial function.* The role and organization of the financial function should be clearly defined. Its responsibilities should be organized in such a way as to ensure the reliability, completeness, relevance and accuracy of financial information, advice and services provided to management.	An organizational structure for the financial function has been developed and is being implemented. Roles and responsibilities of managers and the Controller have been defined in a policy statement.	The organizational structure, developed for the financial function, is expected to be implemented by the end of March 1982. Knowledge of the respective roles and responsibilities of managers and the Controller will continue to increase through the effective implementation of the Treasury Board financial administration policy on management of the financial function.
9.68 *Functional direction.* The lines of authority, both direct and functional, should be communicated throughout the Ministry. Strong financial direction should be provided to all personnel with financial responsibilities to ensure that all activities are managed according to consistently applied standards.	As indicated above, roles and responsibilities have been defined, reporting requirements established and an annual budgeting and review cycle put in place.	Strong financial direction is now being provided to all personnel with financial responsibilities, the main medium being a comprehensive procedures manual. Evidence of the controller's leadership role, in the area of expenditure control, has been the introduction of a commitment control system across the Ministry. In 1982/83, the Controller's office expects to provide similar direction in regard to revenue control; part of this initiative will involve the establishment of a new Revenue Administration Branch.
9.69 *The Senior Financial Officer.* The Deputy Minister should designate a Senior Financial Officer who will have the responsibility for designing, communicating and maintaining all financial administration systems within the Ministry. This officer should	This position has been defined and is in place. The position reports to the Assistant Deputy Minister, Treasury and Administration.	The Senior Financial Officer now has the responsibility for signing, communicating and maintaining all financial administration systems within the Ministry. The SFO now has enough functional au-

	be given enough functional authority to be seen throughout the Ministry as the source of leadership and direction in all matters concerning the systems of financial administration. He should report directly to the Deputy Minister and be a member of the management committee.		thority to be seen throughout the Ministry as a source of leadership and direction in all matters concerning the systems of financial administration.
	STAFFING OF THE FINANCIAL FUNCTION		
9.70	*Position classifications.* The Ministry should review the responsibilities of all financial management and supervisory positions to ensure that the classification levels of those positions are commensurate with the responsibilities associated with them.	All position classifications within the Administration Branch are under review.	The financial management and supervisory positions review is expected to be completed by mid 1982.
9.71	*Training and professional development.* A staff training and career development policy should be developed. Both inhouse and external training programs should be established throughout the Ministry in order to ensure that financial personnel have skills commensurate with their responsibilities.	The Ministry's personnel and payroll staff is developing an inhouse and external staff training program for implementation in 1981/82.	A staff training and career development policy is to be developed by the end of 1981/82. During this fiscal year, briefings have been held with line branches as financial policies of the Ministry have been released.
9.72	*Financial function staff requirements.* The number and quality of financial staff should be reviewed. If necessary it should be augmented to allow the financial management function to serve the needs of the Ministry adequately.	This is an ongoing consideration in the Ministry's staff training and recruitment program.	In light of the Ministry's own initiatives and the Treasury Board financial administration policies, the Ministry expects to hire at least one additional person to assist in the implementation of policies and guidelines.
	COMMUNICATION AND DOCUMENTATION		
9.73	*Financial policies and procedures manual.* The Ministry should document all financial policies, responsibilities, systems, procedures, directives and guidelines as part of a Ministry manual to help ensure that financial management and control sys-	A Central Ministry Services policy and procedures manual is being developed. Three of the items to be included are: 1) Budgets and Expenditure Control 2) Signing Authorities and 3) Vote Expenditures.	In regard to the Auditor General's recommendation that the Ministry document all financial policies, responsibilities, systems, etc., the aforementioned policy and procedures manual was started and

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tems and procedures are clearly understood and consistently applied at all levels.	These policies and procedures are designed to ensure budget control both at the Branch level and Ministry level.	now includes the following sections: budgets, expenditure control, revenue control, financial reporting, internal audit and evaluation. Coincident with the examination of the manual's sections, certain policies and procedures documented in the manual have been put into place including commitment control, signing authorities, and expenditure review reporting.
PLANNING, BUDGETING AND BUDGETARY CONTROL		
9.74 As part of the Ministry's continuing efforts to improve its management and control systems, special emphasis should be given to designing an integrated system of planning, budgeting and budgetary control in order to ensure that managers at all levels have the information they need to manage effectively, and that they can be held accountable for discharging their repsonsibilities.	An annual budgeting and review cycle has been put in place. This includes priority setting, objective setting, performance measurement, budgeting techniques and management evaluation.	Refer to comments opposite.
ACCOUNTING AND FINANCIAL REPORTING SYSTEMS		
9.75 In conjunction with making improvements to the planning, budgeting and budgetary control systems, the Ministry should design a financial reporting system that generates financial and non-financial data. Reports should clearly show both the levels of resources used and the results of their utilization.	Monthly financial management reports, both from the Controller to managers and from managers to the Controller, are in place. Non-financial reports, based on exception reporting are being developed at the Branch level.	By January 1982, the Ministry's financial reporting system will be capable of generating non-financial data including efficiency and effectiveness measures.

9.76	*Preparation of expenditure vouchers in the Treasury Section.* All expenditure vouchers should be prepared in Treasury Section and should be based on approved invoices and payroll information from authorized branch officers. Documented authorities and sample authorizing signatures should be available to Treasury Section personnel.	A signing authority policy is in place. Documentation of sample signatures is near completion. We do not agree that all vouchers should be prepared centrally. Vouchers should be prepared and certified by each responsibile manager and approved centrally in accordance with documented procedures.	Documentation of sample authorizing signatures has been completed as part of the Ministry's implementation of its signing authority policy.
9.77	*Approval of claims against the "Contingencies (All Ministries)" Vote.* Charges against the salary and other contingencies vote should be supported by the independent approval of Treasury Board Staff, in order to provide assurance that the amounts charged to the vote are accurate and properly authorized.	A procedure for claims against Building Occupancy Contingencies is in place. It is based on Treasury Board pre-approval. A similar system will be put in place for Salary Contingencies, in 1981/82. We do not agree that Treasury Board Staff should again approve at the time the charge is being made.	A procedure for claims against the Salary Contingencies Vote will be put in place in 1982/83.
9.78	*Expenditure controls in the Securities Section.* In order to strengthen its system of internal control over expenditures, the Securities Section should:		The division of duties between purchasing investments and arranging bank transfers is still under review. Vouchers and supporting information are now subjected to accounting scrutiny before central processing and this has been incorporated into branch procedures. The Section's temporary accounting position has been changed into a permanent position.
	• Clearly divide duties between purchasing investments and arranging bank transfers.	The issue is currently being addressed in the Ministry's reorganization.	
	• Require that cheque vouchers be approved by personnel whose duties do not include approving invoices and preparing cheque vouchers.	This has been done.	
	• Ensure that invoices and supporting documents are effectively cancelled to prevent resubmission in error.	This has been done.	
	• Routinely subject vouchers and supporting information to accounting scrutiny before central processing.	This is currently being incorporated into Branch procedures.	
	• Try to have the Section's temporary accounting positions changed into permanent positions to ensure that current levels of accounting performance and efficiency are maintained.	The entire staffing issue has been addressed in the reorganization master plan.	

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CONTROLS OVER REVENUES INCLUDING ACCOUNTS RECEIVABLE		
9.79 *Revenue control and collection policies.* In order to ensure that revenue is consistently and reliably collected and accounted for, a Ministry-wide statement of policies relating to accounting and financial control over revenues should be developed. These policies, formulated by senior financial management, should state the standards to be met in the collection of and control over revenues. The policies and procedures for the control and collection of revenue should be based on applicable legislation and directives of central agencies.	A policy statement for government is being prepared.	A revenue control policy, for implementation across government, has been approved by Treasury Board. The Ministry intends to implement the requirements of the policy by the end of 1982.
9.80 *Treasury Section cash and banking procedures.* In order to strengthen control over cash handling and recording procedures, there should be a supervisory review or independent check made of the daily cash reconciliations and bank deposits in the Treasury Section.	Cash management supervisory role was discussed in a recent consultant's report on the Ministry organization. The recommendations are currently being implemented.	The recommendations of a consultant's report on the Ministry's organization are expected to be implemented by April 1982.
9.81 *Consumer Taxation Branch cash handling procedures.* To provide protection for revenue receipts throughout the processing cycle, the Branch should adopt the following procedures: • Victoria Consumer Taxation Branch receipts of cash and cheques should be listed and controlled if not deposited immediately, and cheques restrictively endorsed as soon as possible after mail opening.	The revenue functions of the Ministry are being reorganized. The concerns addressed here are being dealt with.	A control clerk has been hired to list and control receipts of cash and cheques. This new clerk will perform the same duties for Real Property Branch revenues when these functions are consolidated into the new Revenue Administration Branch.

	• Vancouver cash and cheques should be listed as soon as they are received, and subsequently cleared against a copy of the "Receipt—Tax Transmittal Form", receipted by the Government Agent.		Vancouver cash and cheques are now listed as soon as they are received and are subsequently cleared against a copy of the "Receipt—Tax Transmittal Form", receipted by the Government Agent.
9.82	*Income Taxation Branch collection and accounting procedures.* Efforts should be made as soon as possible to separate the duties of the cash handling and accounts receivable functions in the Income Taxation Branch.	These concerns are being addressed in the reorganization of the Revenue Division.	The duties of the cash handling and accounts receivable functions in this branch have now been separated.
9.83	*Real Property Taxation Branch billing and accounting systems.* In order to ensure that management is provided with accurate and reliable financial management information, the Ministry should consider improving both the reliability and capabilities of the Real Property Taxation Branch billing and accounts receivable systems.	The Ministry will be reviewing these systems as soon as the availability of resources permits.	Present reorganization efforts will result in billings and accounts receivable being handled by the new Revenue Administration Branch previously mentioned. The systems of the Real Property Taxation Branch are currently being studied for reliability and capacity by the British Columbia Systems Corporation.
	CONTROLS OVER ASSETS		
9.84	*Asset policy statement.* In order to clarify responsibility and accountability for the control of assets, a Ministry financial manual should clearly document policies defining both the assets requiring ongoing control, and the responsibilities for their management.	We are in agreement with this recommendation. It is planned to have such a policy and procedure in place by the end of 1981/82.	An asset control policy and procedure statement consistent with the Treasury Board financial administration policy on asset control is now in draft form with implementation planned by the end of 1981/82.
9.85	*Inventory count of securities.* In order to verify the existence of securities it holds for safekeeping, the Securities Section should count the securities at least once each year, under the supervision of senior section staff. The physical counts should be independently compared and reconciled to written control records and accounts.	With the full implementation of the Ministry reorganization, adequate resources will be available to allow such a count. While we agree with completing a count other than the Auditor General's count, it may be advisable to have it done by staff from another section of the Branch. It	The securities inventory will be subject to cyclical counting by investment account throughout the year. In addition, at least one complete count will be conducted during the year.

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	may be that spot checks, particularly with regard to bearer securities, would provide a more effective control mechanism.	
9.86 *Fixed assets inventory.* In order to provide protection over and accountability for Ministry assets that are not subject to ongoing accounting control, an inventory of furniture, equipment and vehicles assigned to the Ministry should be maintained. Assets should be subject to verification by periodic physical counts. The Ministry should consider using the existing computer program for fixed assets in the Data Processing Branch.	It is planned to have an assets registry in place by the end of 1981/82.	The Ministry is planning to have an assets registry in place by June 1982 which will provide protection over and accountability for Ministry assets that are not subject to ongoing accounting control. These assets will also be subject to verification by periodic physical counts. The Ministry is considering an automated system for fixed asset control.
INTERNAL AUDIT		
9.87 The Ministry's internal audit requirements should be comprehensively assessed and a plan developed to meet these requirements. As part of this process, the Ministry should consider how best to organize and staff the internal audit function. Particular emphasis should be given to planning the frequency of internal audits in the Ministry.	A comprehensive audit plan for the Ministry has been developed and is in the process of implementation.	The audit plan for the Ministry has been developed and its implementation in the 1982/83 fiscal year will be in accordance with the policy on internal audit recently issued by Treasury Board.
9.88 In order to provide senior management with an independent and objective measure of the adequacy of its management and control systems, the scope of internal audit should be expanded to include reference to important questions of economy, efficiency and effectiveness.	The audit program planned for the Ministry of Finance includes a review of all processes of financial administration to assess their economy, efficiency and effectiveness.	Refer to comments in 9.87 above.

Ministry of Human Resources

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ORGANIZATION AND MANAGEMENT OF THE FINANCIAL FUNCTION		
9.90 The administrative responsibilities of the Comptroller should be reviewed to ensure that they do not hinder him from carrying out his primary role.	Agreed. A review of the organization and staffing of the Comptroller's Office is underway and administrative responsibilities are being reassigned so as to ensure that the Comptroller is better able to carry out his primary role.	Several administrative responsibilities previously falling under the Comptroller's Office have been reassigned. The Comptroller now only has responsibility for Office Supply and Services and Property Services in addition to financial responsibilities.
9.91 The role of financial management, and the organizational plans of the Comptroller's Office showing direct and functional responsibilities, should be clearly articulated and communicated to all levels of the organization to ensure that they are fully recognized and understood.	Agreed. Organizational plans of the Comptroller's Office, clearly delineating direct and functional responsibilities, will be circulated within the Ministry immediately following completion of the organization and staffing review noted above.	This project is underway but due to staff vacancies has not yet been completed.
9.92 In order to ensure that line operating personnel receive sufficient direction on financial and control matters, the Ministry should clearly define how the Comptroller's organization is to carry out its functional responsibilities (i.e. whether the Comptroller is to issue broad criteria or detailed procedures). All personnel should then be advised accordingly.	Agreed. The question as to how the Comptroller's Office is to carry out its functional responsibilities will be clarified within the context of the organization and staffing review noted above.	This project is underway but due to staff vacancies has not yet been completed.
9.93 To ensure that the financial function serves the needs of the Ministry more effectively, we recommend that the Comptroller develop an operational plan, that specifies goals, objectives, activities, timing, assessment criteria and required resources.	Agreed. The development of an operational plan for the Comptroller's Office will form a part of the organization and staffing review noted above.	This project is underway but due to staff vacancies has not yet been completed.

	The plan should then be submitted to the executive for approval, assignment of priorities and allocation of resources.		
9.94	The Ministry should continue developing procedures which require responsibility areas to formally approve ("sign-off") new systems and procedures. As well, responsibility areas should participate in all stages of the design and development of any systems that they are being asked to approve.	Agreed. The Ministry is in the process of developing procedures which will address these issues.	The addition of qualified staff in the Comptroller's Office will allow the Ministry to address this issue in greater detail.
9.95	The Comptroller should fully assess plans for the development and implementation of on-line computer systems and should document the financial, accounting and control implications. This analysis should incorporate: • feasibility studies including post-evaluation procedures; • assessment criteria and procedures to be followed during the testing phases; • controls over the conversion and ongoing operation of the system; and • an analysis of the current and projected impact of the on-line program on both the organization and operation of the financial function.	Agreed. The Ministry is in the process of acquiring qualified staff to address this issue; it should be noted, however, that the Ministry has experienced some considerable difficulty in securing qualified accounting staff given the current Government-wide classification plan.	The Ministry has now acquired a senior financial systems coordinator who will be addressing this issue.
9.96	In order to ensure that both manual and electronic data processing systems incorporate adequate safeguards, the Comptroller should establish financial control criteria against which to assess their development and operation.	Agreed. The Ministry will develop a project administration manual to provide control standards and guidance for Ministry staff involved in computer systems development. Included in this manual will be financial control criteria.	The Ministry organization places this responsibility in Management Information Services Division. That Division receives input from other areas of the Ministry such as the Comptroller. The issues raised will be included in a project administration manual being developed.

Ministry of Human Resources

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9.97 To provide assurance about the adequacy of accounting controls in the Income Assistance computer system, the Ministry should act on its plans to review and document the accounting requirements for the system. Current accounting practices should then be documented and compared with the accounting and control requirements.	Agreed. A formal review of the Income Assistance computer system will be carried out, giving particular attention to the adequacy of existing accounting controls.	A project to review the Income Assistance computer system has been scheduled to start in January 1982 with completion expected in May 1982.
9.98 The number and quality of financial personnel in the Comptroller's Office should be reviewed to ensure that it can effectively carry out all of its responsibilities, with particular emphasis on: • assessing and providing for adequate controls in electronic data processing systems; • providing the type of direction needed by non-financial staff who perform financial tasks; and • identifying training needs of financial and non-financial staff.	Agreed. The Ministry has recognized the need to upgrade the quality and quantity of financial personnel.	The Ministry continues to have difficulty hiring qualified accounting staff given the current government-wide classification plan for these jobs.
9.99 The Comptroller's Office should prepare accounting manuals that cover the responsibilities and authority of financial and operating staff who carry out financial tasks. The manuals should provide appropriate information on financial policies and procedures used at headquarters and in the field.	Agreed. A headquarters accounting procedures manual has been started and will be completed by April 1981.	The headquarters accounting manual has now been issued and will continue to be improved and upgraded.
9.100 In order to ensure the orderly development of new procedures and documentation projects, the Comptroller's Group should prepare comprehensive terms of reference for all significant assignments. Procedures should also be established to monitor work in progress.	A project control system was established in June 1980 which details terms of reference and monitors work assigned within the systems area. This system will be expanded to other areas within the Comptroller's Office.	Work on this project has been slowed due to other priorities.

PLANNING, BUDGETING AND BUDGETARY CONTROL

9.101	Strategic (five-year) and long-term (two to five-year) financial and operating plans should be prepared for the Ministry. These plans should provide guidance and direction to departments in preparing their sections for the annual Estimates and should permit these departments to coordinate their own strategic and long-term plans with the goals of the Ministry.	Agreed. The Ministry is reorganizing headquarters staff to establish a Strategic Planning Branch. One of the core functions of this branch will be to coordinate and provide technical support to the development of strategic and long-term plans for the Ministry.	The Strategic Planning Branch has been established and the manager hired.
9.102	In order to ensure that budget estimates do not rely unduly on prior years' expenditures, a review of objectives, priorities and alternative means of achieving objectives should be incorporated in the budgetary process for existing programs as well as for new initiatives or programs.	The Ministry is continuing to develop its budgetary process towards these objectives.	The budget process for the 1982/83 budget incorporated a review of existing programs.
9.103	The Comptroller's Office should provide guidance to Regional Managers to ensure that budgeting activities are more consistent among District Offices and that the budgetary responsibility assigned to District Offices is commensurate with their operating authority.	Agreed. The review of budgetary planning procedures is an ongoing activity within the Ministry, and the Ministry will continue to place high priority on the involvement and training of Regional Managers in this process.	A formal review of the budget process is conducted annually. Difficulty in filling accounting position vacancies has delayed additional work in this area.
9.104	The Comptroller's Office should provide guidance and direction to line managers to enable them to translate the annual Estimates into operational work plans. Such plans should help management to monitor performance and to assess progress in relation to the budget.	Agreed.	The Ministry proposes to prepare its 1983/84 budget in a way which will enable managers to operationalize work plans more effectively.
9.105	In order to monitor the budget more accurately, the Ministry should establish a policy requiring variance analysis, and the Comptroller's Office should develop related procedures. Budgeting transfers should also be appropriately recorded, analyzed and reported for management review.	Agreed. Revised policy and procedures relating to variance analysis and financial reporting will be developed during the 1981/82 fiscal year.	The Ministry has initiated a pilot project in one Region in order to assess the value of having a resident accountant in a Region. Part of the accountant's responsibilities will be to prepare variance analysis.

Ministry of Human Resources

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9.106 To ensure that the budgetary process is understood, it should be documented in a manual which should be made available to all personnel involved in this activity.	Agreed. A project to consolidate in a manual the written instructions which currently exist has been initiated.	This project is underway but has been delayed due to staff vacancies.
ACCOUNTING AND FINANCIAL REPORTING SYSTEMS		
9.107 The Ministry should continue to review its financial reporting requirements and should take full advantage of the increased number of reports recently made available by the Office of the Comptroller General.	A review of financial reporting requirements has recently been completed and the Office of the Comptroller General has been asked to produce appropriate reports.	The Comptroller General's Office does not yet produce the appropriate reports. The Ministry has not been able to pursue this due to staff vacancies.
9.108 A policy and related procedures should be developed concerning cost benefit analysis for all major accounting and operating systems.	Agreed.	This has not yet been assigned.
9.109 To ensure that financial records are accurate and complete, the Ministry should implement a batch control procedure as soon as this task can be coordinated with the Comptroller General's Office. In the meantime, all personnel who submit documents for processing should be instructed to examine financial management reports to ensure that all data submitted has been processed in a timely and accurate manner.	The Comptroller General's Office has scheduled the implementation of a batch control system for the fall of 1981. We do not consider it practical to develop the suggested alternate procedure due to the short time involved and number of staff affected in our decentralized environment.	No further action has been taken on this pending implementation of a batch control system by the Comptroller General's Office.
9.110 In order to prevent an interruption in electronic data processing and the ability to distribute cheques, the Ministry should develop, document and test contingency plans.	Agreed.	The Ministry has not yet been able to address this issue.

	FINANCIAL CONTROL OF REVENUE AND EXPENDITURE		
9.111	The Ministry should provide for sufficient segregation of duties to ensure that personnel who authorize input to the computer do not have access to either prepared or returned cheques, or to vouchers that are rejected during the processing operation.	Agreed; however, implementation of this recommendation presents significant practical difficulties, particularly in the small outlying districts.	No work has yet been undertaken in this area.
9.112	The Ministry should review its payroll procedures to standardize them between Vancouver and Victoria. It should produce a manual to guide staff both at headquarters and in the field.	Agreed. The Comptroller was assigned this project but progress has been slow due to insufficient staff.	The Comptroller has assigned this project but progress has been slow due to insufficient staff.
9.113	To ensure that all amounts recoverable by the Ministry are controlled and followed-up, it should give priority to establishing a policy and procedures for accounts receivable.	Agreed.	The Comptroller has assigned this project but work has not yet started due to insufficient staff.
9.114	All cheques should be restrictively endorsed when received and independently compared to acknowledgement of deposit, in order to improve the control over cash receipts.	Agreed.	All cheques are now restrictively endorsed when received. Control over cash receipts will be reviewed as part of the accounts receivable project.
9.115	In order to permit an effective, ongoing assessment of the accounts processing operation, the Ministry should document procedures for monitoring this activity to detect errors and encourage prompt processing.	The Comptroller has established a reporting system which addresses this issue.	This is an ongoing activity.
	ACCOUNTING CONTROLS OVER ASSETS		
9.116	To ensure that all assets are adequately safeguarded, policies and procedures for the control of assets should be established and coordinated with other ministries or central agencies.	Agreed.	Work has started on this project.

Ministry of Lands, Parks and Housing

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ORGANIZATION OF THE FINANCIAL FUNCTION		
9.125 The Deputy Minister should formally endorse the Senior Financial Officer's role as encompassing all components of financial management and control. The role and responsibilities should then be documented and communicated to all levels of personnel throughout the Ministry to ensure that they are clearly understood.	Agree. Some facets already completed and in place with additional documentation to follow.	Consistent with the Ministry reorganization in 1981, the Executive Financial Officer's role was clearly spelled out in a Ministry-wide communication issued at that time. In addition, this role has been confirmed in the recently published Ministry organization manual. As recommended, this role does encompass all matters relating to financial management and control.
9.126 The Ministry's Senior Financial Officer should report directly to the Deputy Minister, both to ensure an appropriate reporting relationship that will support the Deputy Minister, and to emphasize the importance of the role of financial management and control.	The Ministry is prepared to give this recommendation serious consideration.	The Executive Financial Officer now reports directly to the Deputy Minister.
9.127 The Senior Financial Officer's non-financial responsibilities should be reviewed to ensure that they do not detract from his primary responsibility for the financial management and control function.	The Ministry is satisfied that the Senior Financial Officer's range of responsibilities does not jeopardize or detract from his mandate for effective financial management and control.	The Ministry is satisfied that the Executive Financial Officer's range of responsibilities does not jeopardize or detract from his mandate for effective financial management and control. The Ministry has also appointed a Senior Financial Officer whose responsibilities include only minimal central service responsibilities in addition to his financial role.

9.128	The Senior Financial Officer should develop without delay a comprehensive plan to provide adequate financial management and control within the Ministry. The plan should be approved by senior management.	Agree. This plan will be finalized and endorsed shortly and will contemplate a timetable of at least three years duration.	A comprehensive financial improvement plan has been developed by the Ministry's financial staff covering all areas of financial management and control. This plan has been endorsed by the Ministry's Executive Committee and is expected to take three years to complete.
9.129	The Ministry should evaluate the staffing of the Central Financial Group to ensure that it has enough personnel with the necessary skills to carry out its mandate.	Agree. An organization, staffing and training needs analysis review is currently underway.	The organization of the Central Financial Group has been reviewed which has resulted in staff being recruited who have the requisite professional skills to provide satisfactory levels of internal financial advice and control.
9.130	The Ministry should document the functional relationships between the Central Financial Group and all other financial officers in the Ministry. These relationships should be communicated to all personnel to ensure that the financial management and control function operates consistently and reliably throughout the Ministry.	Same comment as for 9.129.	The recent Ministry reorganization, documented and stressed the relationship between the central staff roles and those members of the line organization. In addition, a number of conferences have been held with Ministry financial officers and senior line managers to clarify the roles between central financial staff and counterpart positions elsewhere in the organization.
9.131	The Senior Financial Officer should review the non-financial responsibilities of other financial officers to ensure that they are able to devote enough time to financial matters.	Same comment as for 9.129.	The job descriptions of all managers of finance and administration have recently been rewritten and the Ministry is now satisfied that these descriptions give due emphasis to the financial management responsibility.
9.132	The Ministry should review all of its staff resources in the financial management and control function throughout the Ministry to ensure that both the number of staff and their skills are sufficient in relation to their assigned responsibilities.	Same comment as for 9.129.	Every significant responsibility centre in the Ministry now has a full time Manager of Finance and Administration attached to the unit in support of the financial management and control function.

Ministry of Lands, Parks and Housing

Auditor General's 1980 Annual Report		Ministry Comments
Recommendations	Ministry Comments	as at 31 December 1981
9.133 The Ministry should establish training programs to upgrade or provide staff with the required skills and should initiate career development plans for its financial officers.	Same comment as for 9.129.	Following extensive analysis of the training needs for the Ministry's financial officers, a comprehensive training plan is now being implemented. This plan responds to the technical, administrative and supervisory requirements of all Ministry financial officers.
9.134 To provide the framework for appropriate systems and controls, the Central Financial Group should document and communicate financial responsibilities, policies, procedures and systems throughout the Ministry.	This task has already commenced but due to size of task this will be addressed on a priority basis and will require considerable time for completion.	As noted previously, this task has been addressed in part to date. Considerable development efforts are contemplated in the area of policy and procedure consistent with the *Financial Administration Act* and the Ministry approved financial improvement plan.
PLANNING, BUDGETING AND BUDGETARY CONTROL		
9.135 The Ministry should develop and cost strategic and long-term plans. Plans should state objectives and should assess various means of meeting these objectives and the costs of doing so.	The Ministry recognizes a need for greater development in this area, but current planning strategies do apply techniques of cost effectiveness set in the context of a long-term view.	All Ministry programs are developed and costed within both a short-term (one-year) horizon and a longer term (three-year) perspective. Alternative strategies are considered in the context of program policy development and Ministry budget priority setting.
9.136 Estimates should be based upon a long-term plan. They should include measurable objectives to ensure that subsequent performance can be reliably assessed and that corrective action can be taken where appropriate.	Estimates are currently built within a management by objectives and zero-based budgeting system, but additional emphasis will be given to measurement and program evaluation.	The Ministry adopted a three-year program planning approach in 1981 to ensure that each program is developed within a three-year estimate of program objectives and financial requirements.

		As a complementary measure the Ministry has introduced a management information reporting system to report both program and financial performance.
9.137 All programs should be fully costed and reviewed together with their objectives as part of the Estimates process.	To the extent that this is useful the Ministry will continue to enhance its costing technique.	All programs are costed for presentation at the Ministry's annual priority setting and budget ranking sessions.
9.138 Operating budgets should be prepared that recognize the seasonal nature of expenditures, and which contain key performance indicators. They should be subject to challenge and approval by senior management, and consolidated to provide the necessary Ministry budget.	While benefits may be derived from the development of more specific and measurable performance indicators the Ministry believes it has an effective budget development system in place which provides ample opportunity for scrutiny and challenge.	Through the annual estimates development process and the Ministry's quarterly review of program and financial performance, it is contended that due attention is now being given to both financial planning and control.
9.139 The Ministry should formulate a policy of, and develop procedures for, providing meaningful variance analysis to all levels of management so that it can assess operations and take prompt corrective action where warranted. The Ministry should review current proposals in this area in order to ensure that they will meet the Ministry's needs for this type of information.	With the exception of minor improvements the Ministry is satisfied that its financial review policy is adequate to ensure effective program and financial control.	The Ministry now has a well established quarterly review of all Ministry program and financial operations. This executive review is supported by recent enhancements to the Ministry's expenditure and commitment control system and by the introduction of a new management information reporting system.
ACCOUNTING AND FINANCIAL REPORTING SYSTEMS		
9.140 The Central Financial Group should review all accounting and financial systems within the Ministry in detail to determine their appropriateness and the quality of information they produce.	Agree. This will be a major objective of the financial systems development plan.	This is a major and ongoing objective. In the past period the complete financial system for revenue control in respect to land leases and sales has been revised. In addition, two major projects in regard to the Crown Land Fund and the campsite fee collection systems are underway.

Ministry of Lands, Parks and Housing

Auditor General's 1980 Annual Report		
Recommendations	Ministry Comments	Ministry Comments as at 31 December 1981
9.141 The Senior Financial Officer should, as soon as possible, ensure that a complete and coordinated financial reporting system is designed in order to provide reliable financial information in a format useful to managers at all levels. Any new system should ensure the orderly processing and efficient accumulation of data on a timely basis. Existing fragmented and ad hoc reporting systems should be eliminated wherever possible.	Agree. A plan will be developed which articulates Ministry information requirements and which can be blended with central agency initiatives for a Government-wide financial systems network.	While further development is contemplated in this area the Ministry has made progress here through the adoption of standard practices for recording expenditures and commitments, and for consolidating all financial reporting practices throughout the Ministry.
9.142 A policy should be implemented to ensure that no new financial systems or modifications to existing financial systems can be developed without the approval of the Senior Financial Officer. The policy should also ensure, as appropriate, that all new systems and modifications are supported by cost/benefit analysis.	Agreed. This policy now in effect.	By executive order no financial system can be developed without the expressed approval of the Executive Financial Officer and the Ministry's Executive Committee.
9.143 The Central Financial Group should review all existing reporting systems to eliminate duplication among them. The reports produced should be reconciled to each other to ensure that the information used for monitoring and decision-making purposes is complete and consistently prepared.	Agreed. This task will be undertaken in conjunction with the development of a financial systems network, but due to the size of the task will be addressed on a priority basis and will require considerable time for completion.	Major enhancements have been made in respect to Ministry Estimates, reporting and control procedures. During the next period intense efforts are being made in respect to financial reporting and control regarding the Crown Land Fund.
FINANCIAL CONTROL OF EXPENDITURE AND REVENUE		
9.144 To ensure that transactions are accurately and consistently approved and processed, the Ministry should develop a manual that documents account-	The development of revised and enhanced procedure manuals will be given priority attention.	As part of the training program in support of the Ministry's Managers of Finance and Administration, a complete procedures

	ing policies, responsibilities and procedures for processing transactions, both in field offices and at headquarters.		manual and reference guide has been published. This will be further enhanced through the current accounting and reporting project for the Crown Land Fund.
9.145	The Central Financial Group should establish a training program for financial staff, and should visit field offices regularly in order to resolve problems and monitor adherence to policies and procedures.	Training program review presently underway and additional on-site field reviews will be expanded.	See comments under 9.133 and 9.144 above. In addition, it is now established practice to have central financial staff visit every regional office at least once per year and to hold training conferences of financial officers semi-annually.
9.146	The Ministry should review internal controls over hiring and paying auxiliary staff and should standardize these controls throughout the Ministry in order to ensure the integrity of payroll expenditures.	It is agreed that a review of payroll procedures for auxiliary staff is warranted.	This task has been incorporated within the approved financial improvement plan, but has not been completed to date.
9.147	To ensure that only authorized personnel can approve expenditures, the Ministry should institute a policy and associated procedures for delegating commitment, spending and payment authority.	A project is already underway to institute a new financial signing authority policy.	The Ministry now has an approved financial signing authorities policy in place.
9.148	A manual that documents all policies, responsibilities, and procedures for parks revenue should be developed to ensure adequate internal controls over revenue.	This will be examined in concert with the requirements noted under Section 9.144 above.	Short-term improvements have been made to the existing parks revenue collection manual. Further development is planned in this area over the next year.
9.149	The Ministry should consider transferring ongoing responsibility for monitoring revenue to parks regional offices, supplemented centrally by regular analytical review and annual internal audit work.	This will be considered as part of the organization review currently underway.	This matter has been reviewed but no decision has yet been made to decentralize the monitoring function to regional offices. Annual audits are now projected for review of this revenue system.
9.150	The Ministry's Computer Enhancements Committee should review the land lease revenue system before it carries out major proposed enhancements in order to ensure that the system incorporates adequate internal controls.	The Computer Enhancements Committee has a detailed working list of enhancements required to remedy certain internal control deficiencies.	The land lease revenue system has been completely revised during the past year and does now incorporate adequate internal control.

Ministry of Lands, Parks and Housing

Auditor General's 1980 Annual Report		Ministry Comments
Recommendations	Ministry Comments	as at 31 December 1981
9.151 The Central Financial Group should establish adequate accounting systems, procedures and records for controlling land sales and receivables.	The Computer Enhancements Committee has already identified this task and will incorporate land sales and receivables into the system.	The land sales control issues were addressed as part of the project noted in 9.150 above and are now deemed adequate.
9.152 Responsibilities for monitoring and controlling land leases and sales should be established, both in the field and at headquarters.	This will be considered as part of the organization review currently underway.	Specific responsibility has now been assigned for monitoring land leases and sales in both regional offices and in the central financial office.
9.153 In order to ensure reliable processing of data, the Ministry should establish a formal training program for computer operators and supervisors responsible for the land lease system.	The Computer Enhancements Committee has taken on the design of such a program as part of their mandate.	Progress has been made in training of operators through the development and distribution of training cassettes to regional offices. It is recognized that further development is required here that will be pursued over the next period.
ASSET CONTROLS		
9.154 The Ministry should develop, document and communicate an asset control policy. It should cover the assets being controlled, the levels of control required, systems and procedures, and ongoing monitoring responsibilities in order to ensure an effective and efficient asset control system.	Ministry agrees that further development is warranted here but efforts on asset control will require slotting into the overall priorities for a longer-term financial management enhancement plan.	The development of enhanced asset control policies has been recognized in the financial improvement plan, but no further progress has been made to date.
9.155 The Ministry should assign responsibility for systems that control assets to the Central Financial Group.	This recommendation will be considered.	This is now part of the Central Financial Group's mandate.

CROWN LAND FUND

9.156	The Ministry should clearly establish and communicate responsibilities for recording, monitoring, and controlling transactions in the Crown Land Fund.	A project is currently underway which will address some of the concerns noted in this recommendation as they pertain to regional offices. Further review will be taken in respect to central and external relationships.	Substantial resources are now being devoted to this task. For the next period this will constitute the Ministry's prime financial improvement objective.
9.157	The Ministry should reconcile and correct account balances for existing and old projects as soon as possible to ensure that the fund balance is correctly stated.	An analysis of existing and old projects is now in progress.	This project was completed during the last period and the Ministry is satisfied that account balances are correctly stated. Some difficulties had been experienced in adapting to the new policies regarding accrual accounting, but these have been subsequently rectified.
9.158	Given that the current reporting system for the Crown Land Fund does not appear to be meeting the information needs of management, the Ministry should assess whether or not its continued use is appropriate.	While it is agreed that a review of potential revisions to the Crown Land Fund is warranted, the Ministry believes that the fund statement as currently constituted does provide a useful management information tool.	This item is also being addressed as part of the project noted in 9.156 above.

BRITISH COLUMBIA HOUSING MANAGEMENT COMMISSION (BCHMC)

9.159	The Ministry should establish monitoring responsibilities and reporting requirements for all programs administered by BCHMC and subsidized by the Ministry's vote in order to ensure proper control over assets and program expenditures.	In recognition of the potential for differing assumptions to be made in respect to responsibilities between the Ministry and BCHMC, the Ministry will undertake a review that will articulate each party's role in respect to program and financial monitoring, controlling and reporting.	The Ministry is about to conclude a formal operating agreement with BCHMC that addresses all matters of responsibility and accountability in respect to both program and financial management.
9.160	The Ministry should conclude a written agreement with BCHMC covering the above requirements.	Same comment as for 9.159.	See 9.159 above.

Ministry of Lands, Parks and Housing

Auditor General's 1980 Annual Report		
Recommendations	Ministry Comments	Ministry Comments as at 31 December 1981
9.161 The Central Financial Group should work closely with BCHMC to ensure that the Commission's existing accounting controls are adequate.	Same comment as for 9.159.	See 9.159 above.
9.162 The Ministry should direct BCHMC auditors to report on certain programs, such as High Impact Grants, that have created problems in the past.	Same comment as for 9.159.	Through the Ministry's representative on the Board of Directors of BCHMC the matter of appropriate terms of reference for the external auditors of BCHMC is being addressed. In future it is expected that the auditors will be requested to review issues of compliance with program policy.
INTERNAL AUDIT		
9.163 In order to provide for internal audit commensurate with its needs, the Ministry should review its requirements. Then, in consultation with the Comptroller General, the Ministry should determine how its needs can most efficiently be met. A comprehensive internal audit program, based upon the results of this review, should then be implemented.	Agree. Discussions are now being arranged to review the Ministry's requirements for internal audit and to determine the most effective means of meeting these needs.	The Ministry has conveyed to the Comptroller General a complete set of requirements for internal audit. The Ministry's needs are now being assessed by the Internal Audit Division of the Comptroller General's office toward the development of an annual master audit plan.

Part 3
Comprehensive Audit

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Part 3:

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Ministry of Environment—Waste Management Program

Introduction

PREFACE

9.1 This section of my Annual Report presents the findings of our second comprehensive audit of Ministries in the Province of British Columbia—the audit of the Ministry of Environment. We focused on the systems and procedures necessary to deliver the Ministry's Waste Management Program. We also reviewed certain Ministry-wide functions.

9.2 This project is part of the continuing development of the comprehensive audit approach described in Part 2 of my 1979 Report to the Legislative Assembly.

9.3 Once again the audit team had the support of a small advisory team made up of senior personnel who have been involved in the development of comprehensive auditing. Because of the technical nature of the issues involved, we supplemented the advisory team with a senior consultant with extensive experience in Waste Management issues. We also contracted for necessary non-financial skills.

9.4 We greatly appreciated the help of the Ministry's executive and staff. We conducted our audit while they were restructuring the Ministry's programs and organization. Despite the demands that our work placed on their time, they showed interest in our audit and gave us their full cooperation.

9.5 We have provided the Ministry with supporting documentation for this section of my Annual Report. It is intended to help management both to review and respond to our findings, and to take corrective action where necessary.

9.6 Managers already knew about many of the deficiencies that we noted. In many cases, they were working to correct them even before our audit had begun. In other cases, management started work to correct problems during our audit.

AUDIT SCOPE

9.7 OBJECTIVES: We designed our audit to allow us to report on the quality of the Ministry's systems of management and financial control. Specifically, we wanted to find out:

- whether these systems were providing reasonable assurance that ministry programs were being delivered reliably and efficiently; and

- whether the Ministry had provided the Legislative Assembly with enough financial and operational information to allow Members to assess how the organization was carrying out its responsibilities.

9.8 We focused on the Waste Management Program because controlling pollution is central to the Ministry's mandate. Further, although the direct costs of the Program are relatively small, they represent only a fraction of its total cost. The Ministry has estimated the annual cost of the program may exceed one hundred million dollars if costs to industry are included.

9.9 SCOPE: Under section 8 (2) of the *Auditor General Act* we examined the extent to which ministry officials had established performance measurement systems that would allow them to assess and improve program performance where it would be reasonable and appropriate to do so. We then established the extent to which the Ministry had reported information that would indicate how it was managing its programs.

9.10 Our review of the Waste Management Program concentrated on key elements of systems that would help the Ministry to:

- identify and assess waste problems; and
- direct and control the Program.

9.11 We also examined the Ministry's financial management and control systems. The purpose of our review was to assess the role of financial management in the Ministry and how important aspects of the role were organized and implemented. In particular, we wanted to determine the extent to which financial management systems helped managers to determine the costs of their activities, allocate their resources, and control assets, liabilities, revenues and expenditures.

9.12 Because the Ministry depends to a great extent on skilled personnel to operate its programs, our audit included a review of manpower planning systems. These are the systems for ensuring that the right number of appropriately qualified staff are in the right place at the right time.

9.13 APPROACH: Our field work was carried out during the June to December 1981 period. We reviewed documentation that described the Ministry's objectives, policies, operations and systems. We interviewed ministry staff at all levels at Headquarters and in four regions. To enable us to better understand the Ministry's operations, we attended as observers a limited number of meetings between ministry staff and officials from organizations that discharged wastes into the environment. Finally, we selected and reviewed a sample of pollution control permits and related files and reports.

9.14 At the conclusion of our field work, we reviewed our findings with ministry personnel and conducted follow-up work as necessary.

9.15 Our audit was designed to allow us to assess whether the Ministry's systems and procedures could provide reasonable assurance of efficient and reliable program implementation. It was not designed to uncover specific instances of inefficiency, error or abuse.

MINISTRY OVERVIEW

9.16 HISTORY: The Ministry was formed in 1975, and in December 1978, assumed its present responsibilities.

9.17 ROLE: As defined in the *Ministry of Environment Act*, the role of the Ministry is to:

> " . . . manage, protect and conserve all water, land, air, plant life and animal life, having regard to the economic and social benefits they may confer on the Province."

9.18 ENABLING LEGISLATION: To carry out this role the Ministry administers 20 enabling Acts, including:

- *Environmental Management Act*
- *Fisheries Act*
- *Pesticide Control Act*
- *Pollution Control Act*
- *Water Act*
- *Wildlife Act*

It is also involved in the administration of 35 other Acts.

9.19 The *Pollution Control Act* is the key enabling legislation for the Waste Management Program. It established a Pollution Control Board and a Director of Pollution Control authorized to:

- "determine what . . . constitute(s) a polluted condition;
- prescribe standards regarding . . . waste materials . . . discharged;
- conduct tests and surveys to determine the extent of pollution;" and
- issue permits, without which a " . . . person shall not, directly or indirectly, discharge . . . waste material."

9.20 DELIVERY SYSTEM: In 1979, the Ministry decided to adopt a decentralized delivery system. Eleven programs (excluding administration) were defined. Of these, seven were to be delivered, in whole or in part, through eight regional offices under the direction of Regional Directors. Exhibit 1 sets out these programs as they are described in the 1981-82 Estimates and shows the resources allocated to them for the 1981-82 fiscal year.

Exhibit 1 MINISTRY PROGRAMS Resourcing 1981, 82

	$000	Established Positions
Air Management Program - Provides for the management of the air as a resource so that a clean and healthy atmospheric environment is maintained for British Columbians, now and in the future, and assists in the management of British Columbia's other natural resources by providing atmospheric information and interpretations.	958	28
Coastal and Estuary Management Program - Provides for the development and implementation of a program which promotes the sensitive and orderly planning, assessment and management of British Columbia's coastal and estuarine environments in the long term based on an understanding of the natural attributes of these environments.	918	11
Fisheries Management Program - Provides for the production of the maximum economic, cultural, recreational and scientific benefits for present and future generations of British Columbians by: maintaining all native and desirable introduced species of fish at optimum levels of distribution, abundance and health, participating in Federal/Provincial Salmonid Enhancement Programs, protecting or enhancing essential freshwater habitat, and providing an equitable distribution of opportunities for a wide variety of uses of fish.	7643	194
Marine Resource Program - Provides for the management and economic development of the oyster and marine plant industries and regulation and development of the fish processing sector of the British Columbia commercial fishing industry. The program provides services for these responsibilities under the British Columbia *Fisheries Act* and the *Fish Inspection Act* by representing the province at international fisheries negotiations, and by functioning as a liaison between provincial and federal agencies whose activities affect marine resources.	2153	16
Pesticide Control Program - Provides for the administration of the *Pesticide Control Act*.	486	16
Terrestrial Environment Management Program - Provides for the development and implementation of a program which promotes the sensitive and orderly planning, assessment and management of British Columbia's terrestrial environments in the long term based on an understanding of the natural attributes of these environments.	4806	124
Waste Management Program - Provides for the administration of the *Pollution Control Act*, the *Litter Act* and waste management programs including the recycling of derelict automobiles.	6077	204
Water Management Program - Provides for the administration and control of the use of surface water and the administration of the *Water Utility Act, Dyke Management Act* and dam safety inspections.	19876	345
Wildlife Management Program - Provides for the maintenance, diversity and viability of species representative of the major biophysical zones of land capability and biological limits of each species, and ensures wildlife is available in sufficient abundance to meet the social, recreational, ecological and economic needs of society.	6073	170
Provincial Emergency Program - is responsible for developing throughout British Columbia the capability to cope and deal with disaster and emergency situations with minimal disruption of essential services.	7523	38
Survey and Mapping Program - provides aerial photographs, control surveys, primary base mapping and program co-ordination services.	6110	151
Services & Support Programs		
Administration	5735	122
Premises costs	7692	
Data Processing charges	2242	
Environmental Laboratory services	2764	78
	81056	1497

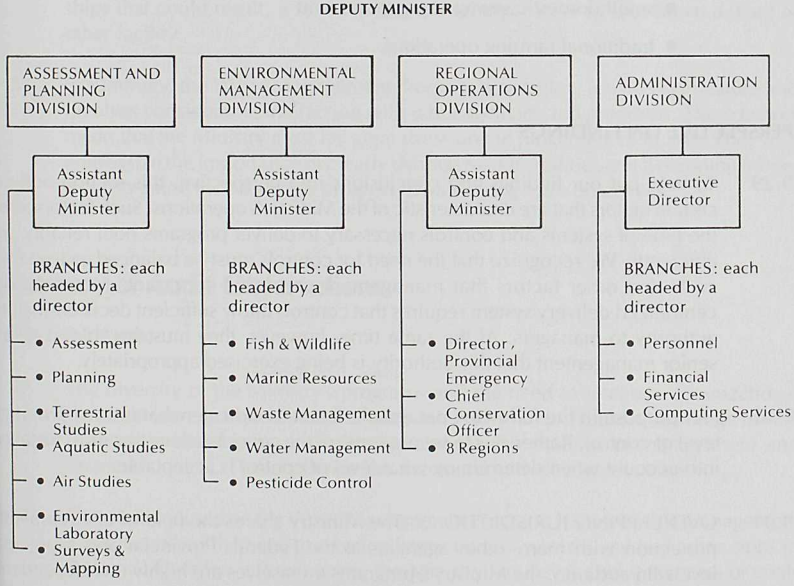
9.21 Regional Directors are accountable for delivering these programs within their regions. They are assisted by regional managers, who are responsible for delivering specific programs.

9.22 For each program, whether delivered through the regions or directly from Victoria, there is a Program Director at Headquarters. He is responsible for advising the Ministry Executive on program goals, objectives and priorities. He is also responsible for preparing program budgets and monitoring program performance.

9.23 Headquarters staff operate specialized programs and provide technical expertise where these are not required on a full time basis in the regions. Headquarters staff also provide administrative and support programs and services such as finance, personnel, building, computer and laboratory services. In addition, the Conservation Officer Service provides enforcement support for all programs.

9.24 At the time of our audit, decentralization was still proceeding and was scheduled for completion in late 1982. Exhibit 2 presents a summary chart showing the Ministry's organization as it was in July 1981, shortly after we had begun our field work.

Exhibit 2 Ministry Organization



9.25 THE PERMIT SYSTEM: The primary strategy for managing wastes in the Province has been to control pollution at the point where it is discharged into the environment. Control is exercised through a system of permits. At the time of our audit, there were approximately 3,000 active permits on file.

9.26 After a series of public inquiries, the Pollution Control Board published "Objectives" for discharges from particular sectors of industry. The Objectives established guidelines for determining permit conditions. The guidelines cover the characteristics of allowable discharges and the effects that discharges should have on concentrations of contaminants in the receiving environment.

9.27 The Objectives are not considered as prescriptive standards. Instead, they are intended to be applied flexibly, taking into account the particular circumstances of each case.

9.28 Under the *Pollution Control Act*, the onus is upon dischargers to apply to the Ministry for a permit before releasing contaminants into the environment. All discharges are subject to the legislation unless specifically exempted. Exemptions defined in the Act and Regulations include:

- the burning of leaves or foliage for domestic purposes;
- emissions from motor vehicles;
- small domestic sewage operations; and
- traditional farming operations.

PERSPECTIVE ON FINDINGS

9.29 To help put our findings and conclusions into perspective, this section outlines certain factors that are characteristic of the Ministry's operations. Such factors affect the type of systems and controls necessary to deliver programs both reliably and efficiently. We recognize that the need for controls must be balanced against their costs and other factors that management considers important. Further, a decentralized delivery system requires that controls allow sufficient decision-making authority to managers. At the same time, however, they must be able to assure senior management that this authority is being exercised appropriately.

9.30 Our purpose in the following paragraphs is not to indicate what is an appropriate level of control. Rather, it is to set out some of the considerations that must be taken into account when determining what level of control is acceptable.

9.31 OVERLAPPING JURISDICTIONS: The Ministry shares the field of environmental protection with many other agencies at the Federal, Provincial and Municipal levels. In addition, the Ministry's programs themselves are highly interdependent.

9.32 TIME FRAMES: Many of the Ministry's activities, such as bringing dischargers up to the highest level of treatment specified and collecting and analysing information on contaminant concentrations, are long-term in nature.

9.33 COMPLEXITY OF ISSUES: The environmental issues the Ministry deals with are complex and involve both scientific and social factors. In some cases, complexity is compounded by scientific uncertainty (as is the case for the long-term effects of non-lethal doses of certain contaminants). The Ministry must sometimes make decisions whose effects can only be completely assessed following long-term monitoring by qualified, trained staff.

9.34 In addition, some decisions are influenced by non-technical considerations. For example, the Pollution Control Board Objectives set out different levels of acceptable concentrations for most types of discharge. The Objectives specify that all discharges should ultimately be brought up to the most stringent of these levels. This is true even where requiring a less stringent level might not result in unacceptable concentrations of contaminants in the environment. Clearly, decisions to require a higher level of treatment in such cases, and the timing of such decisions, involve economic and social factors. These decisions become more complex in situations where discharges raise concentrations of contaminants in the environment beyond acceptable limits, but where the discharger claims to be unable to bear the cost of installing more pollution control equipment. The Ministry must then balance the possibility of environmental degradation against the social and economic hardships that could result, if for example, a discharger were to shut down a plant or other facility.

9.35 In summary, the Waste Management Program is complex, long-term in nature and involves considerable interaction with other agencies and programs. These factors mean that the Ministry must lay great stress on the judgement of its staff. They also emphasize the importance of clearly defined responsibilities and a planning framework to guide the Ministry's progress towards long-term objectives.

Summary of Audit Observations

INTRODUCTION

9.36 The diversity of the Ministry's programs and the need to integrate organizational units that were previously part of other Ministries have created a challenge for the Ministry in developing cost effective and reliable systems of management and financial control. This challenge has increased with decentralization.

9.37 Our audit focused on the Waste Management Program. It showed that management had recognized the need to develop better control systems and had taken steps to that end. Over the last two years, the Ministry has developed statements of goals

and objectives. These statements are necessary if the Ministry is to set clear expectations of performance. It has also initiated a strategic and operational planning process, and has been attempting to define reliable measures of performance that would allow senior management to better monitor and control program performance.

9.38 While the Ministry has made progress, we have concluded that it must continue to devote substantial effort to completing these systems. Until they have been completed, the Ministry's procedures will not provide management and the Legislative Assembly with appropriate assurance about the efficiency or reliability of the Waste Management Program. Nor will they provide such assurance about the effectiveness of day-to-day controls over program implementation. We have also concluded that the Ministry will have to further develop its financial and accounting systems and controls and its manpower planning systems before they can contribute fully to the efficient and economic management of the Ministry.

9.39 An important observation was that management had identified most major areas requiring improvement. Many of these areas had been identified and considered when the planning for decentralization was under way. Others had been explored in later studies.

PROGRAM MANAGEMENT AND ACCOUNTABILITY INFORMATION

9.40 DEFINING PROGRAM STRUCTURES AND OPERATIONAL OBJECTIVES: The Ministry had developed statements of the goals and objectives of each of its programs. These statements required further development and clarification before they would describe clearly the results the Ministry wanted to obtain. Until it has clear statements of intended results, the Ministry will have difficulty in holding managers accountable for their performance and in defining the information needed to monitor and improve performance.

9.41 The Ministry had recognized that, particularly with decentralization, it would require more complete management information to monitor program performance. It had assigned primary responsibility for developing performance measurement systems to program directors. We found that the Ministry must devote substantial further effort to this task.

9.42 REPORTING PERFORMANCE AND ACCOUNTABILITY INFORMATION: Because performance information sytems are still being developed within the Ministry, it has not yet been able to report the results it obtains, relative to program goals and objectives, for the funds it administers. The Ministry has been taking steps over the past three years to show more clearly the objectives of expenditures in the Estimates and Public Accounts and provide an Annual Report on its activities. Until these three documents are better linked, and include appropriate performance information, they will not clearly demonstrate how well the Ministry has managed the funds

entrusted to it, and which it causes others to spend as a result of its regulatory activites.

9.43 MANAGEMENT AND ACCOUNTABILITY INFORMATION IN THE WASTE MANAGEMENT PROGRAM: This can be illustrated with reference to the Waste Management Program. Its key operational objective is to prevent unacceptable concentrations of waste contaminants in the environment. The Ministry has been measuring the concentrations of contaminants at selected sites in the Province for many years. However, the usefulness of the measures that have been taken would be improved by better overall control over data selection and collection and more precise specification of acceptable levels.

9.44 The Ministry needs other performance information, both qualitative and quantitative, to enable senior management to monitor and improve the performance of the Waste Management Program. Certain information was available; for example, the Ministry measures and reports the number of permits issued. In addition, complaints and comments from the public, together with personal contact, provide senior management with information on the operation of the Program. However, these types of indicators alone do not serve as the basis for a complete assessment of how the Waste Management Program was operating. The Ministry has recognized the need for better quantitative and qualitative information on key aspects of program performance.Information such as backlogs of identified sources to be controlled and the compliance status of current permit holders would assist the Ministry in assessing program performance and allocating resources. Linked to estimates of the cost of installing pollution control equipment, it would assist in ensuring that cost effective regulatory strategies were adopted.

9.45 If information of this type were gathered and included in the Ministry's Annual Report, Estimates and Public Accounts, it would allow a better assessment of the Ministry's performance. While there are limitations on the accuracy that can be reasonably attained for some of these measures, we feel that they are necessary to improve accountability, feasible and probably cost justified. Regulatory bodies in other jurisdictions have developed and published such measures.

CONTROLS IN THE WASTE MANAGEMENT PROGRAM

9.46 With the increasing complexity, maturity and decentralization of the Program, the Ministry has recognized that it needs more formal control over program implementation to provide senior management with assurance that the program is being carried out reliably and efficiently.

9.47 In particular, the Ministry needs to:

- explain its policies in a clear fashion to both its staff and dischargers;
- provide for more formal program planning;

- ensure that permits provide a sound basis for controlling discharger performance;
- exercise better control over dischargers' performance reports and Ministry verification; and
- develop a consistent approach to non-compliance situations.

FINANCIAL MANAGEMENT AND CONTROL

9.48 In recent years, the Ministry has taken action to provide a stronger role for financial management and control in its affairs. A suitable role has been defined, additional positions have been established and filled and new financial procedures developed.

9.49 We noted areas in which the financial function could contribute further to the economic and efficient management of the Ministry. Particularly, there were opportunities for the financial function to improve the quality, reliability and timeliness of financial information and to provide appropriate guidance to operating managers in ensuring the adequacy of controls.

9.50 INTERNAL AUDIT: In a decentralized organization such as the Ministry of Environment, a well directed, independent internal audit group has an important role to play in indicating to management whether or not the systems and procedures it has established are operating satisfactorily. The Ministry had established and filled an internal audit position. However, the Ministry had not yet received the full benefit of internal audit, because the internal auditor had been diverted to other tasks.

9.51 In addition the Ministry could obtain greater benefit from internal audit if it were to strengthen the independence of internal audit and improve its methods of reviewing and approving audit plans and reviewing audit findings.

MANPOWER PLANNING

9.52 The Ministry was taking action, primarily through increased training, to ensure that it had sufficient trained staff available, where and when needed. We found that there was a need for further development of systems to plan for the deployment and training of available manpower. Because manpower represents the largest single component of the Ministry's costs, such systems are necessary to provide assurance that its operations are efficiently run.

CONCLUSION

9.53 As we stated previously, managers were aware of most of the major problems we noted and were looking for solutions. In many cases, action intended to resolve them had been undertaken prior to the start of our audit. These problems need to be successfully resolved if the Ministry and the Legislature are to have reasonable assurance that the Ministry's operations are being carried out reliably and efficiently.

9.54 Resolving some of the issues facing the Ministry will not be easy and will likely require considerable time. First, the task of clearly defining and communicating ministry objectives, policies and procedures to guide its staff will require careful attention from senior personnel. Second, there are technical challenges to be met in defining information requirements and designing cost effective systems to obtain information not now available. These tasks will place demands on the Ministry's finite supply of skilled resources. Finally, many ministry staff will have to acquire new skills and approaches to help them use performance information to improve efficiency, as it becomes available.

Program Management and Accountability Information

INTRODUCTION

9.55 This section of our Report deals with the extent to which the Ministry has established satisfactory systems and procedures for producing information that would assist it in controlling and directing its programs. These systems and procedures would allow the Ministry to:

- measure how well its programs were achieving their goals and objectives; and
- assess the performance of managers and hold them accountable for their success in implementing its programs.

9.56 The section also deals with the adequacy of the information that the Ministry provides to the Legislative Assembly.

EXTENT OF EXAMINATION

9.57 Before we could examine the quality of the Ministry's program management and accountability information, we had to assess whether the Ministry had clearly defined and explained the activities necessary to deliver its programs and the results these activities were intended to produce. We also assessed whether measurable operational objectives and performance standards had been established. To do this

we had to clearly understand the Ministry's programs, their operational objectives, and how they were carried out. Accordingly, we worked with ministry staff to learn about their activities and the outputs or products of these activities. We also considered the results they were intended to produce and, finally, how the achievement of results contributed to attaining the programs' operational objectives.

9.58 We reviewed the extent to which the Ministry has reported, through the Estimates, Public Accounts and Annual Reports, information that would indicate how its programs were being managed.

9.59 Because our audit focused on the Waste Management Program, we reviewed the feasibility of measuring that Program's performance against objectives and performance standards. We then examined the Ministry's current systems and procedures for measuring the performance of the Program and using that information to improve performance.

9.60 In accordance with the provisions of the *Auditor General Act*, we did not evaluate the effectiveness of the Waste Management Program. To do so would have required us to ask whether or not it had been effective in meeting more broadly defined or ultimate objectives. These include protecting the health of people, fish and wildlife, and matching the quality of the environment to the social and economic needs of the population. In the government of British Columbia, program evaluation is a responsibility of Deputy Ministers, in cooperation with the Treasury Board and its staff.

DEFINING PROGRAM STRUCTURES AND OPERATIONAL OBJECTIVES

9.61 When plans were being developed for decentralization, the Ministry recognized the need to clearly define its programs, their operational objectives and performance standards. Clear definitions were necessary so that it could assess actual performance against objectives and performance standards. The Ministry could then use the results of the assessment to direct and control its programs and hold managers accountable for the results they obtained.

9.62 The Ministry had produced statements of goals and objectives for each of its programs and had recognized that measurable objectives and performance measures were then largely non-existent. Accordingly, it assigned program directors primary responsibility for defining performance measures and for designing systems and procedures to collect and use them.

9.63 Stating program goals and objectives represented an essential first step toward improving accountability and performance. However, we concluded that these statements needed to be further developed before the Ministry could use them as a basis either for measuring and improving program performance, or for holding managers accountable for the results they achieve.

9.64 This is because in some cases, the Ministry's descriptions of program goals and objectives did not yet accurately describe what the programs should be doing. Accordingly, the Ministry's written descriptions of its expectations for programs conflicted with what managers could reasonably be held accountable for. Therefore these descriptions could not yet be used as the basis for assessing performance.

9.65 Further, program goals and objectives still tended to emphasize activities to be carried out rather than the results that activities were intended to achieve. Only rarely were expected results expressed in measurable terms. In our review of material supporting 1982-83 budgets, we found that 2 of 11 programs had expressed the results they hoped to achieve in terms that would allow subsequent performance to be compared against targets.

9.66 It had been recognized that managers would need help both in defining measurable goals and in designing performance measurement systems. The Ministry had considered acquiring in-house expertise to provide functional guidance and assistance in these areas, but had decided to rely on training in the form of individual attendance at courses and seminars. In addition, goals and objectives have been reviewed annually as part of the budget preparation and review process. We noted, however, that these steps had resulted in uneven improvement in the clarity with which programs had been defined and their objectives specified.

9.67 We also found that review procedures and timetables to control the implementation of performance measurement systems had not been developed.

9.68 We recognize the difficulties involved in clearly defining and measuring program performance. Nevertheless, it is particularly important that the Ministry complete development of reliable measures of performance so that decentralization is accompanied by appropriate accountability.

9.69 The Ministry has recently taken steps to speed development of clearer statements of goals and objectives, and performance measurement. In December 1981, the Ministry began to review the goals and objectives of the Coastal and Estuary Management and Terrestrial Environmental Management Programs. Goals and objectives for these Programs had been particularly difficult to state clearly. In addition, individual managers have been experimenting with alternative approaches to measuring performance. We concluded that strengthened functional guidance and direction and more specific timetables for resolving existing deficiencies would enable the Ministry to better coordinate development of improved systems for measuring performance.

9.70 *The Ministry should complete development of its statements of goals and objectives so that they clearly identify the measurable results managers should be held accountable for. The Ministry should complete development of systems for measuring performance and should establish target dates and review procedures to control their development.*

9.71 *The Ministry should make functional guidance and direction available to program directors to assist them in developing performance measurement systems.*

INFORMATION CURRENTLY REPORTED TO THE LEGISLATIVE ASSEMBLY

9.72 Although the Ministry publishes a large number of special-purpose reports and papers each year, the primary vehicles for informing the Legislative Assembly and the public about its activities and performance are the Estimates, the Public Accounts and the Annual Report the Ministry provides. The information contained in the Estimates and Public Accounts includes a brief statement of program objectives, together with summarized data on estimated and actual expenditures. The Annual Report contains information on the nature and intent of Ministry programs, describes activities carried out and presents statistical information in summary form.

9.73 Over the last three years, as the Ministry has been developing its statements of program goals and objectives, it has taken steps to reflect this development in the Estimates and Public Accounts. Clear linkage of expenditures with the objectives they are intended to produce is an essential step towards improved accountability. As previously stated, however, performance measurement systems are still being developed. Accordingly, the Ministry has not yet been able to report the results it obtains, relative to the goals and objectives of its programs, for the funds it administers. In addition to developing and reporting reliable measures of program performance against goals and objectives, a number of other improvements are needed before these three documents will, in our opinion, provide adequate insight into the performance of the Ministry in delivering its programs.

9.74 *The format of the Annual Report should be consistent with the way in which the* Estimates are broken down. Up to the time of our audit, the Annual Report presented information on activities on an organizational basis which was not always consistent with, or adequately linked to, the Ministry's programs. This inconsistency contributes to the difficulty of linking or associating program performance with expenditures. The Ministry intends to remedy this problem before it issues its 1981-82 Report.

9.75 Further, the Ministry could improve disclosure by ensuring that program objectives stated in the Estimates and Public Accounts were the same as those developed internally. For some programs the published objectives have been phrased in terms of the legislation administered. Where the Ministry has developed statements that indicate its operational objectives in administering legislation, it would be more informative to use these. In addition, there were opportunities to improve the completeness and accuracy with which the costs of individual programs are determined and reported.

9.76 For the Waste Management Program, important information the Ministry could provide would include trends in concentrations of contaminants in the environment against acceptable limits, compliance levels, compliance costs and trends in the amount of specific contaminants discharged. We recognize that there are practical limitations to some of these measures. For example, measuring compliance costs would necessarily involve approximations and estimates, and monitoring concentrations of contaminants in the environment would have to be highly selective to be cost effective. Nevertheless, these measures have been reported in other jurisdictions, and we believe they are feasible, and probably cost effective. If information of this type were gathered and reported, it would allow a better assessment of the Ministry's performance and assist Ministry managers in directing the Waste Management Program.

9.77 The Ministry could also provide additional information in its Annual Report that would provide insight into the Ministry's performance. Historical information covering several years, comparing and analyzing Ministry expenditures and outputs, would be particularly useful in providing a general picture of significant performance trends.

9.78 *The Ministry should ensure that its Financial and Performance Reports to the Legislative Assembly are compatible so that program expenditures can be compared with objectives and performance.*

9.79 *The Ministry should report performance information to the Legislative Assembly in enough quantity and detail to indicate the extent to which Ministry programs are reliably and efficiently delivered.*

THE WASTE MANAGEMENT PROGRAM: PERFORMANCE AND ACCOUNTABILITY INFORMATION

9.80 STRUCTURE AND OPERATIONAL OBJECTIVES: Because our audit concentrated on the Waste Management Program, we examined in more detail both the feasibility of measuring its performance, and the Ministry's current systems and procedures for doing so. Exhibit 3 displays the operational model of the Waste Management Program that we developed, and which the Ministry agreed accurately reflected the Program's structure and operational objectives.

9.81 *Program structure:* The model shows that a logical relationship exists between the activities, products and results intended to contribute to attaining the operational objective.

Exhibit 3

Operational Model:
Waste Management Program . . . Pollution Control

9.82 *Definition of responsibilities:* As noted earlier, many agencies share the field of environmental regulation. Further, some of the activities shown in the model are carried out, in whole or in part, by other organizational units in the Ministry. For example, the Assessment and Planning Division carries out many of the research and special studies activities. Similarly, monitoring of concentrations of contaminants in the air is now the responsibility of the Air Management Program. In addition, until December 1981, the Pollution Control Board (which we did not audit) carried out the task of defining acceptable limits for concentrations of contaminants in discharges and in the environment.

9.83 We found that the Ministry has reached formal agreements on the respective responsibilties of the Waste Management Program and other programs (of the Ministry and other agencies) in a number of areas where they interact. For other areas of interaction, the process of clearly defining responsibilities has still to be completed. For example, while the respective responsibilities of the Air and Waste Management Programs for monitoring airborne pollution were finalized in late 1981, the same had not yet been done for Waste and Water Management. In addition, we were told that the Waste Management Program did not always have formal input into determining the terms of reference for studies of waste-related problems undertaken by the Assessment and Planning Division.

9.84 *The Ministry should clearly establish respective responsibilities in remaining areas in which the Waste Management Program interacts with other Ministry programs or with programs of other agencies.*

9.85 *Operational objectives:* Our analysis of the Waste Management Program and responses from senior officials led us to conclude that its key operational objective is to: *prevent unacceptable concentrations of waste contaminants in the environment.* As noted in paragraph 9.60, our audit did not examine other, higher level objectives that underlie the Waste Management Program. We concerned ourselves instead with the potential for measuring and reporting on the extent to which the Ministry was meeting its operational objective. We also looked at the extent to which the results of certain key intermediate goals could be measured. These goals are intended to contribute to meeting the operational objective. These intermediate results are discussed in paragraphs 9.105 to 9.113.

9.86 Knowing how well the Ministry was achieving its operational objective of limiting concentrations of contaminants in the environment is important. Information on the extent to which the Ministry was meeting this objective would serve as an indicator of how well its key strategy for controlling pollution (the regulation of wastes at the point of their discharge to the environment) was working.

9.87 The importance of this information is accentuated by the fact that for a number of reasons, a significant portion of all pollutants discharged may not be amenable to control through permits. First, estimates, in the Province and elsewhere, have

shown that non-point sources (such as runoff from farms and roads) can contribute significantly to concentrations of contaminants in the environment. Secondly, discharges from some individually small but numerous sources or points are not covered by permits because of the impracticality of administering them. Finally, pollutants from many sources are discharged into municipal sewer systems. In such cases, these discharges may contain contaminants that the municipal sewage treatment cannot cope with. Bringing these different types of discharge sources under control through a permit system presents jurisdictional and administrative difficulties.

9.88 Accordingly, reliable measures of the level of concentration of contaminants in the environment are important. They would allow the Ministry to identify circumstances in which either modifications to control strategies are required, or more stringent permit administration is called for.

9.89 *Feasibility of measurement and reporting:* The feasibility of measuring concentrations of pollutants in the environment has been demonstrated both by the Ministry and by regulatory bodies in other jurisdictions. As well, a variety of techniques has been developed for reporting this information. For example, both the Ontario counterpart of the Ministry and the Environmental Protection Agency in the United States publish information on trends in concentrations of the most common air contaminants in selected centres.

9.90 In 1977, the Ministry published a "Trend Study" showing 10 year trends in concentrations of selected pollutants at 24 air-monitoring sites, and at 14 water-monitoring sites in the Province.

9.91 In summary, the feasibility of measuring concentrations of contaminants in the environment is well established. Difficulties arise in ensuring that measurements produce meaningful information cost-effectively. In order to meet these criteria the location, frequency, extent and reliability and precision of measurements must be controlled and related to the intended use of the information.

9.92 MINISTRY SYSTEMS AND PROCEDURES—MEASURING CONCENTRATIONS: The Ministry has carried out, and has required others to carry out, extensive measurements of concentrations of pollutants in the environment at significant, but undetermined cost. The usefulness of these data has been impaired because:

- Controls over selecting the data to be collected have not ensured that all needed data of appropriate quality and only needed data were collected;
- Acceptable concentrations have not been established in measureable terms for all the contaminants that the Ministry has identified as requiring control.
- The Ministry has not developed procedures for interpreting and reporting the information in readily understandable form.

9.93 *Control over data selection and collection:* We found that responsibility had not been assigned for ensuring that the Ministry's needs for information on concentrations were identified and reviewed and that the measurements actually taken cost-effectively satisfied those needs. The selection of measurement sites and the frequency and extensiveness of measurement were left, with limited central guidance, to the discretion of local staff. Monitoring sites were primarily based on the location of major discharges although, as mentioned earlier, substantial amounts of some contaminants can come from non-point sources.

9.94 More recently, in the face of budget cuts, local managers have been reducing their monitoring activity. Managers have had limited guidance on criteria to use in deciding where to make these reductions. Because the reductions were not centrally coordinated, management lacks assurance that monitoring of concentration levels is being maintained in a cost-effective manner.

9.95 *Defining acceptable limits:* In this Province, acceptable concentration limits, both for discharges and for the receiving environment, were established by the Pollution Control Board after a series of public inquiries had been held. The level of acceptable concentrations in discharges has been defined in quantitative terms for most contaminants dealt with in the Objectives. The Ministry had decided not to set Provincial standards for acceptable environmental concentrations of most of the contaminants specified in the Objectives. This was especially true for water.

9.96 Uniform (or single-value) standards for acceptable concentrations of some contaminants in water are widely seen as scientifically inappropriate and may lead to treatment that is not cost-effective. For a variety of reasons, the acceptability of concentrations may vary from one site to another. However, without defining acceptable limits for concentrations in specific terms, the acceptability of observed concentrations and the Ministry's operational performance cannot be reliably assessed. Accordingly, a combination of Province-wide and site-specific standards may be necessary.

9.97 The Ministry has recognized the need for more extensive and precise definitions of acceptable concentration limits, preferably related to specific locations. It also has recognized that setting these limits will require cooperation with other agencies, and possibly, further input from the public. At the time of our audit, the mechanisms to meet these needs had not yet been decided upon.

9.98 *Interpreting and reporting the information:* The Ministry has gathered a great deal of data on actual concentrations of contaminants in the environment. However, mechanisms have not been developed to organize these data and report to senior management on whether concentration levels were exceeding acceptable limits. (Exceptions to these findings were cases where the Ministry had undertaken major studies to prepare management plans.)

9.99 *Ministry initiatives:* A good example of the way the Ministry has recognized and defined problems is provided by a study to define the information needed to support the Ministry's planning thrust. This study, reported in August 1981, identified the information required to make planning decisions for environmental management (including waste management). It also assessed whether information of appropriate quality was available in the Ministry and identified deficiencies to be overcome. After the study had been completed, the Ministry formed an Environmental Information Systems Committee with executive level participation. The committee's purpose was to review the Ministry's information requirements and recommend systems and procedures to improve both the availability and quality of the Ministry's data.

9.100 In addition, the Ministry has recently assigned responsibility to the Director of the Air Management Program for designing and coordinating the network of air sampling stations. A proposal for coordinating the Ministry's air-monitoring activities has been prepared and was under consideration. However, the responsibility for monitoring concentrations of contaminants in water has not been similarly determined.

9.101 *The Ministry should assign ongoing responsibility for the design, operation and review of its network of water quality monitoring stations.*

9.102 *The Ministry should set up procedures to report on the results of monitoring ambient concentrations against acceptable limits.*

9.103 MINISTRY PROCEDURES—OTHER PERFORMANCE INFORMATION: In addition to having information on concentrations of contaminants in the environment,the Minstry needs other quantitative and qualitative information. Such information should allow senior management to determine when and how the emphasis of the Waste Management Program should be changed, or staffing levels adjusted, so that the Program may be delivered efficiently. It would also allow managers to be held accountable.

9.104 Such information would include indicators of workload, levels of service, the quality of work done, and results obtained (for example, compliance rates or trends in the introduction of certain contaminants into the environment).

9.105 Ministry management was receiving certain information that could help in operating the Program. For example, management receives information on the number of permits administered and issued by each region. In addition, complaints and comments from the public, regional visits by senior managers, the results of appeals, group meetings of waste managers and discussions of individual situations all play a role in providing senior management with information on the operation of the Program.

9.106 However, these indicators did not allow a complete assessment of how the Waste Management Program was operating. In general, we found that:

- Measures to monitor performance of the Program had not been fully developed.
- Levels of acceptable performance against which to judge actual performance, whether in terms of activities or results, had not been established.
- Systems to accumulate and report available performance information to senior management had not been established.

9.107 *Development of measures:* At the time of our audit, ministry officials were redefining the information they required in order to determine whether the Program was being delivered consistently and efficiently. We found that senior management did not yet have reliable information on performance for key areas such as:

- the backlog of identified dischargers to be brought under permit or otherwise controlled;
- the compliance status of current permit holders; and
- the extent and frequency with which the Ministry inspected dischargers.

9.108 We also found that the reliability and usefulness of the performance information that had been reported to senior management was limited by two key factors. First, the measures in use were too general to provide reliable indications of either the amount of work involved in achieving a result or the significance of the result obtained. Second, the Ministry had not established what would constitute satisfactory performance, either in terms of level of activity or results. Without such benchmarks it is difficult to hold managers accountable.

9.109 The Ministry has set standards of performance for some activities. For example, it had set a target for each region to process twenty permits per year. However, while managers distinguished between significant and insignificant discharges in permit administration, the Ministry had not established consistent criteria for making the distinction, and did not reflect this distinction when reporting results against the target.

9.110 We appreciate that each case represents a unique set of circumstances. It is clear that the small size of the organizational groups and high judgement levels preclude rigid time standards for activities or mathematical formulae for assessing the significance of individual cases. Nevertheless, it should be possible to classify the Ministry's inventory of dischargers into meaningful groups based on their significance. This classification system should reflect an assessment of the volume of the discharge, the nature of the contaminents and the sensitivity of the receiving environment. A consistent classification of dischargers according to their significance would help the Ministry to interpret performance information and enable it to use this information to better direct and control the Program.

9.111 We also noted that mechanisms had not been developed to report information available in regions to senior Ministry staff. For example, we noted that some regions had developed information on the extent to which they had verified and inspected dischargers under their jurisdiction. However, the mechanisms to report this information had remained largely undeveloped.

9.112 *The Ministry should develop ranking mechanisms for dischargers to allow it to better assess the significance of the performance information it receives.*

9.113 *As a basis for Ministry action where warranted and for better allocation of resources, the Ministry should develop systems and procedures for measuring and reporting performance of the Waste Management Program, against long and short-term expectations.*

Controls in the Waste Management Program

INTRODUCTION

9.114 This section in our Report deals with the operational and management controls that Ministry officials had established for the Waste Management Program.

EXTENT OF EXAMINATION

9.115 Our audit examined the principal activities associated with delivering the Waste Management Program. Activities included were:

- program planning;
- identifying discharges and dischargers (inventory maintenance);
- permit application and amendment review;
- monitoring discharger performance; and
- enforcement and compliance.

9.116 We considered the circumstances under which each activity was carried out. In addition, we looked at the types of controls which might be appropriate to ensuring that the program was being carried out reliably and efficiently. Guidance and supervision are dealt with separately in this section of the Report because they are key controls over activities that involve high levels of judgement. All the principal activities of the Waste Management Program require that staff exercise considerable judgement.

WRITTEN GUIDANCE, SUPERVISION AND REVIEW

9.117 *Written guidance:* Up to the time of our audit, the Ministry had relied on the Pollution Control Board "Objectives", together with some circulars on specific topics and supervisory contact, to ensure that staff and dischargers alike clearly understood its policies and procedures. The Objectives and the circulars were also intended to help ministry staff in exercising their judgement when administering permits and reviewing and negotiating permit conditions.

9.118 Taken together, we found that the Objectives and the circulars tended to stress technical matters, but had not clearly set out the Ministry's approach to strategic and non-technical issues. In particular, they did not provide clear guidance on the manner in which staff were to approach such topics as:

- identifying and flagging significant dischargers;
- clearly defining those to be brought under control;
- considering financial and other information about the discharger when writing and administering permits;
- identifying non-compliance; and
- responding appropriately to different types of non-compliance situations.

9.119 In the absence of clear written guidance, we noted inconsistencies in the way the Program had been implemented in different regions. For example, in one region, instructions had been issued that legal action should be initiated in all cases where unregistered discharges were discovered, regardless of mitigating circumstances. In other regions, no formal instructions covering legal action had been issued. However, we were told that it would only be considered as a last resort if the discharger could not be persuaded to apply for a permit.

9.120 Developing policy and procedures flexible enough to allow staff to use discretion in dealing with local conditions (and, at the same time, ensure that dischargers are treated consistently and equitably) will not be easy. Given the highly judgemental nature of the program, procedures cannot be specified to cover every situation. However, clear guidance should be available to ensure that the factors to be considered in the Ministry's approach to individual situations are set out for the guidance of both staff and dischargers.

9.121 At the time of our audit, the Ministry was preparing a policy and procedures to guide staff in carrying out the Program.

9.122 *Supervision and review:* Managers at all levels in the Ministry had extensive knowledge, on a case-by-case basis, of individual dischargers who had been identified as causing problems. Accordingly, the judgements that subordinate staff had reached in such cases were subject to extensive reviews. However, this type of

review was applicable primarily where staff had concluded that a situation was either serious or significant enough to consider taking action, or where a complaint had been received from the public. Procedures did not always provide for review of judgements where staff had concluded that situations involving non-compliance were not significant enough to warrant action. In the absence of clear guidance, different staff members used different criteria for assessing the significance of non-compliance situations. As a result, staff did not follow a consistent approach to notifying managers and section heads of problem dischargers.

9.123 We noted that the job descriptions of managers and other material stressed the technical and professional aspects of their roles. Given the nature of the judgements that must be made, this is clearly their major responsibility. However, the necessity of carrying out professional and technical reviews on a case-by-case basis must be balanced with the need for routine supervision and monitoring of the activities of staff.

9.124 The Ministry has identified a need to provide a better balance between the professional and technical aspects of managers' jobs and their supervisory role. At the time of our audit, it was working to provide more training for its managers, to meet this need.

9.125 *The Ministry should complete the development of policy and procedures for the Waste Management Program.*

9.126 *The Ministry should continue its efforts to improve the managerial and supervisory skills of its section heads and managers.*

PROGRAM PLANNING

9.127 The nature of the Waste Management Program is such that results tend to be achieved over long periods of time. In addition, the costs of achieving results are largely external to the Ministry, since they are primarily borne by dischargers. These factors highlight the need for careful long-term planning to ensure that the Program addresses the most important problems first and in the most cost-effective manner. Plans also play a crucial role in establishing what results the Ministry expects its managers to achieve.

9.128 During what was seen as the Program's first phase (identifying all major dischargers and bringing them under permit), formal planning was not seen as necessary because of the centralized delivery system. In the circumstances, this initial approach appears to have been not unreasonable.

9.129 However, by 1979, the first phase of implementation had been completed, to the extent intended. Senior management informed us that in future, the thrust of the Waste Management Program would be directed toward bringing existing permit

holders into better compliance with their permits and addressing non-point sources of pollution. The Program would also be aimed at upgrading the treatment of discharges to meet the higher standards described in the Objectives as being ultimately desirable. In addition, the Ministry has developed two sub-programs, Resource Recovery and Environmental Safety. The former is intended to promote the conservation of energy and resources, the latter to institute more stringent control over particularly hazardous or persistent pollutants.

9.130 In view of the increasing complexity of the Program, the time frames over which results are to be obtained, and the separation (as a result of decentralization) of responsibility for program implementation and program design, we concluded that more formal program plannning would be appropriate.

9.131 The Ministry had also concluded that it required more formal long-term planning and had developed an approach based on geographic areas, or strategic planning units. Forty such planning units had been designated and, at the time of our audit, plans for the first three were being prepared. Plans for the remaining units are to be prepared over the next five to six years. The Ministry had recognized that more formal program plans would also be necessary and that program plans would have to be integrated with geographic plans. Mechanisms to do so had not yet been designed.

.132 However, before it can develop program plans that identify the most cost effective options open to it, the Ministry needs to further develop its information base. We found that the Ministry did not have reliable information available on:

- pollutant discharge estimates—including both point and non-point sources;
- complete inventories of known dischargers, whether or not permitted;
- the breakdown of current permits by level;
- estimates of the cost to dischargers of upgrading their discharge treatment to meet different levels of treatment; and
- the compliance status of current permit holders.

.133 The Ministry has developed some of this information on a local basis, either as part of joint Federal-Provincial studies, or in preparation for strategic area plans. However, even on a local basis, the Ministry lacks detailed knowledge of discharges not covered by permits. Nor does it have estimates of the cost of installing pollution control equipment. Because it does not have this information, the Ministry cannot assess the cost effectiveness of the various control options open to it. For instance, a recent study of pollution problems in the lower Fraser River acknowledged that there was insufficient data to estimate and compare the costs of alternative methods of controlling indirect discharges.

9.134 It should be noted that there are practical difficulties in gathering or estimating and using some of this information. For example, expenditures on pollution control equipment can also improve plant efficiency. Consequently, not all such expenditures are properly chargeable to pollution control. Nevertheless, consideration of the costs of pollution control is essential to identification of cost-effective control strategies. We also recognize that cost-effectiveness is not the only criterion that affects the selection process; however, the costs involved are significant and should be considered to the extent that it is practical to do so.

9.135 *To ensure that the Waste Management Program identifies the most cost-effective control strategies, the Ministry should determine the information it requires to support long and short-term program planning. Where this information is not currently available, the Ministry should set up procedures to collect it.*

9.136 *The Ministry should develop a formal Waste Management Program plan to guide implementation of the program in the long and short-terms. Further, the Ministry should develop mechanisms for integrating program plans with geographically based plans.*

IDENTIFICATION OF DISCHARGERS AND DISCHARGES

9.137 Under this Province's Legislation, the onus is upon dischargers to identify themselves to the Ministry before discharging pollutants. Since the installation of pollution control equipment involves costs to the discharger, there is a risk that not all dischargers will identify themselves. Accordingly, we looked for systems and procedures that would provide assurance to the Ministry that all dischargers had done so.

9.138 In the initial phases of the Program, between 1967 and 1971, dischargers were required to register themselves. The Ministry had set up a master inventory of dischargers. As dischargers were considered for permits, they were checked off the inventory. With certain exceptions, such as some placer mines and tank vents (which the Ministry does not consider significant enough to bring under permit), this list has now been cleared.

9.139 The Ministry has relied on informal methods to identify new or unregistered discharges. Examples of such methods include contact with other government agencies, local knowledge and, in particular, complaints from the public. A variety of methods were being used to log and control information on unregistered discharges at the regional office level. The Ministry's central inventory had not been updated to reflect unregistered discharges known to local offices. We concluded that this has weakened the Ministry's control over unregistered discharges.

9.140 We also noted that the Ministry's inventory of discharges under permit had not been updated promptly when dischargers closed their operations.

9.141 The accuracy of the Ministry's inventories of dischargers and permits also affects its ability to allocate its resources efficiently. Senior managers did not know either how many unregistered dischargers regional offices had to deal with, or how many active permits regional offices were administering.

9.142 *The Ministry should institute procedures to update and maintain its inventories of dischargers to include identified discharges and to flag dischargers that have closed their operations.*

APPLICATION AND AMENDMENT REVIEW

9.143 Permits, which specify the amount and characteristics of allowed discharges, are central to the Ministry's strategy of controlling pollution at the point of discharge to the environment. For two reasons, it is normally easier to control discharges by means of a permit which specifies discharge characteristics than it is to enforce standards for ambient concentrations of contaminants. First, it may be difficult to prove that ambient concentrations of a contaminant have come from a specific source. Second, discharges may be so diluted in the receiving environment that it would not be possible to accurately measure their concentrations.

9.144 Further, the Objectives specify as policy that discharges of the same type should ultimately conform to uniform standards. Because some discharges are not significant enough to affect ambient concentrations, this policy may not be the most efficient approach to preventing excessive concentrations of contaminants in the environment. However, there are other factors to be considered, including equitable treatment of dischargers. Because of the importance of permits, strong controls are needed to ensure that they provide a sound basis for program administration.

9.145 Either the discharger or the Ministry can request amendment of permit conditions. Amendments might be required to reflect a change in a production process or to set more or less stringent permit conditions where experience has shown that the original requirements or standards were inappropriate. A permit would also be amended where discharge treatment was being upgraded to meet the more stringent standards set out by the Objectives as being ultimately required.

9.146 We reviewed the type of information considered by the Ministry in adjudicating permit applications and reviewing existing permits. We also reviewed the controls it had instituted to ensure permit quality and consistency.

9.147 INFORMATION CONSIDERED: We found that the permit files we reviewed had taken into account the following:

- the production process responsible for the discharge;
- the amount and characteristics of the discharge; and
- the environment that would receive the discharge.

9.148 The files did not also reflect consideration of the discharger in terms of his ability to pay for initial or additional pollution control works, future plans for expansion or previous performance record in other parts of the Province. There are a number of situations where such information may be relevant. For example, the Ministry requires performance bonds or security deposits where it considers there is a risk that a permitee may abandon works or where the Ministry has doubts about the appropriateness of treatment and wishes to ensure that funds are available to provide corrective facilities if necessary. Consideration of the discharger would assist in making a consistent assessment of such risks.

9.149 Information on the background of the discharger may also be relevant in enforcing permit conditions. While no statistics were kept, we were frequently told that dischargers have, for economic reasons, requested deferral or cancellation of plant modifications that had been agreed to. If the Ministry is to reliably assess such requests for delay, particularly when general economic conditions do not provide a useful overall indicator, it needs more assurance as to their validity than it now has.

9.150 QUALITY CONTROL: To ensure that permits would be of appropriate quality, the Ministry had instituted extensive review procedures. Until December 1981, all permits were signed by the Director or the Assistant Director of Pollution Control. Permits were signed after extensive referrals of applications to other agencies for comment and after as many as four levels of internal review of the permit file. In addition, most applications are advertised and are subject to appeal to the Board or to the courts.

9.151 Despite the extensive review procedures, we found that permits as written did not always provide a suitable basis for establishing control over dischargers. Permits did not always specify the characteristics of the discharge that was allowed in terms that would allow performance to be enforced. For example, we found instances of permits which specified that the discharge should be typical of a particular industry operation.

9.152 We recognize that, in part, variations among permits reflected changes in the Objectives over time and experience gained with earlier permits.

9.153 The Ministry has recognized that many of its current permits need to be revised so that they can provide a sounder basis for monitoring and enforcing discharger performance. To ensure that the review process is carried out cost-effectively, it

should concentrate on revising the permit conditions controlling the most significant discharges.

9.154 The Ministry had established a goal of reviewing all permits over a five-year cycle to provide for an ongoing review and updating of permit conditions. Approximately two-thirds of the permits that we reviewed had been written or reviewed within the last five years.

9.155 In addition, particularly with decentralization, management has recognized that it needs to know whether the permits it issues reflect appropriate standards. Accordingly, the Ministry has identified the need for a selective, systematically applied quality control review of permits. Such a review would provide managers with reliable, current information that would indicate whether permit decisions are being made in accordance with Ministry policy, and on the basis of appropriate information.

9.156 *The Ministry should reconsider the extent to which it obtains information on the background of dischargers for the purposes of issuing and administering permits. As a minimum, it should develop alternative approaches to verifying the reasonableness of requests based on economic grounds to delay or defer negotiated abatement agreements.*

9.157 *The Ministry should introduce a selective and systematic permit quality review function.*

9.158 *The Ministry should institute a selective program of review of current permits based on significance and need.*

MONITORING DISCHARGER PERFORMANCE

9.159 Surveillance, or monitoring of discharger performance is essential. Through monitoring, the Ministry can identify dischargers who are failing to comply with their permits. It can then take action to remedy the situation. The Ministry uses three main forms of surveillance:

- It monitors the concentrations of pollutants surrounding the discharge.
- It reviews the results of samples taken from the discharge and tested by the discharger.
- It inspects dischargers' premises and samples their discharges.

9.160 INFORMATION SUPPLIED BY DISCHARGERS: Under the terms of their permits, dischargers may be required to monitor discharges and periodically report the results to the Ministry. Two purposes are served by having dischargers monitor their discharges. First, it makes dischargers aware of their own performance and empha-

sizes their responsibility for controlling their discharges. Secondly, it alerts the Ministry to non-compliance situations.

9.161 *Controlling report submission:* We found that controls over the submission of discharger information needed to be strengthened before they could provide assurance that discharger reports were being received on a complete and timely basis. We found that the central computer at Headquarters was not programmed to identify missing reports. In the regions we found that procedures for determining whether discharger reports were received on time varied. Sometimes, and particularly for permits covering small volume discharges, the Ministry had relied on the staff member responsible for administering the permit to ensure that a report was due, without adequate bring forward systems.

9.162 Administrative penalties for failure to supply specified information are common features of regulatory programs that depend, partly or wholly, on the regulated parties to submit information. For example, there are prescribed penalties for failing to file income tax returns or information forms. The *Pollution Control Act* does not establish administrative penalties for failure to supply information.

9.163 *Data submitted:* Our audit indicated that in the absence of administrative penalties, and because of weaknesses in the Ministry's procedures for detecting and following up missing information, dischargers commonly ignored requirements to supply information.

9.164 We reviewed the information supplied in a 12 month period for a sample of 130 permits. Since the central computer records held little information on these permits, we obtained all available information for the 69 of those permits that had unconditional reporting requirements and clearly specified discharge characteristics. The Ministry had received complete reports from dischargers for approximately 15 percent of these permits, and partial information on another 25 percent. There was generally more complete submission of information for high volume discharges than for low volume discharges.

9.165 The failure of dischargers to supply information specified in their permits may mean that they have not carried out the required monitoring, or it may simply reflect failure to report the information to the Ministry. In either case, its control over discharger performance is seriously weakened. The Ministry will become aware of non-compliance situations only when it detects them during its own inspections (which are generally less frequent than the monitoring required of dischargers), or when the Ministry receives a complaint.

9.166 *Recording information on the computer:* For some time, the Ministry has been attempting to develop a policy covering the selection of discharger data for submission to its central computer system. To develop this policy, the Ministry must resolve questions regarding the intended use of the data and reliability considerations

Until this policy has been implemented, the criteria that regional managers use to decide which discharger data to submit to the computer system will vary. In some cases, regional staff submitted discharger data to the computer if they thought the data were reliable. In other cases, the significance of the discharge or the availability of staff time to input the data determined whether or not it would be submitted.

9.167 *The Ministry should set up procedures for identifying overdue and missing reports from dischargers.*

9.168 *The Ministry should complete the development of its policy covering the submission of discharger data to Headquarters, and should set up procedures for controlling the completeness of data submission.*

9.169 MINISTRY INSPECTION AND VERIFICATION: The Ministry inspects dischargers' premises to ensure that they are maintaining and using pollution control equipment properly. It also takes samples to test whether discharges are in compliance with the conditions specified in the permit.

9.170 We found that schedules of proposed Ministry inspections had been developed on a local basis. We noted, however, that these schedules were not always kept up to date to reflect inspections actually carried out. Moreover, senior management was not kept informed of the level or extent of inspections being done.

9.171 We found, in general, that individual Ministry inspections were reasonably well documented. The inspection reports we looked at showed that supervisors had read them and provided guidance to their staff on the basis of the review.

9.172 The Ministry has not established policy governing the extent and frequency of inspections. The permit administration files we reviewed (those where the permit clearly specified discharge characteristics and there were unconditional reporting requirements) showed, as might be expected, that the Ministry's inspection and sampling activities tended to focus on larger dischargers. The Ministry had taken samples related to permit conditions for approximately 40 percent of high volume permits and 26 percent of lower volume permits.

9.173 *The Ministry should establish policy governing the extent and frequency of inspections. Further, it should ensure that inspection coverage provided is reported to senior management.*

COMPLIANCE WITH PERMITS

9.174 Using the data available, including both Ministry samples and discharger submissions, we reviewed the compliance status of 69 permits where the permits clearly specified discharge conditions. (Some permits for operations such as refuse sites

and septic tanks may not specify such conditions.) Our sample showed a high incidence of permit violation.

9.175 *Extent of non-compliance:* The Ministry had complete data on 9 permits, and partial data on 30 more, out of our sample of 69. The 39 permits for which data (whether or not complete) were available, represented 21 out of 23 high volume permits and 18 out of 46 low volume permits in our sample. No data were available on the remaining 30 permits (2 high volume, 28 low volume). We recognize that partial data submitted may or may not accurately represent the characteristics of discharges. Further, volume alone does not provide a reliable indicator of the significance of a particular discharge.

9.176 Because the Ministry had not established criteria for determining when non-compliance is serious, we developed our own. We classified a violation as "serious" when one or more permit conditions were exceeded for more than 4 consecutive months during the year, and where the concentration of contaminant in the discharge averaged more than 50 percent above the permit limit set by the Ministry. The four-month period was selected to allow for seasonal changes. The "more than 50 percent" figure was an arbitrary one.

9.177 Using the above criteria, we classified 14 of the 39 permits (where we were able to assess compliance) as seriously violating permit conditions.

9.178 In assessing the significance of permit violations, three factors should be taken into account. First, the environmental impact of permit violations has not been determined. To reliably assess the impact of violations on concentrations of contaminants in the environment a number of variables would have to be assessed against criteria. As a minimum, consideration would have to be given to:

- the receiving environment at the time the permit was violated, and its sensitivity to additional loadings of contaminants; and
- other discharges, both point and non-point, to the same environment.

9.179 Second, as previously mentioned, bringing dischargers into compliance is a long-term activity. Therefore, knowledge of discharger performance over a number of years is necessary to assess fully the performance of the Program.

9.180 Third, a gross violation of the conditions of one permit may be less significant than a minor violation of the terms of another permit for a similar discharge.

9.181 However, two things are clear. First, permit violations run contrary to the operational objective of preventing excess concentrations of contaminants in the environment. Second, the Ministry needs more reliable information on the extent and severity of violations of the permits it has issued. Unless it has such information, the Ministry will have difficulty in reliably assessing the emphasis it should place on enforcement.

9.182 *The Ministry should ascertain the extent and severity of non-compliance with permit conditions, and should develop and implement procedures to bring dischargers into acceptable compliance over a reasonable period of time.*

ENFORCEMENT

9.183 The Ministry's efforts to enforce its permits serve two important purposes. The first, and most important, is to reduce the incidence of non-compliance. This can be done by various means, ranging from persuading dischargers to comply with the terms of permits, to punishing those who do not. The second purpose of enforcement is to enhance the credibility of the permit system by showing those dischargers who might be tempted to ignore or abuse the system, that the risk of punishment is real.

9.184 Ministry staff have a range of enforcement options available to them. As far as possible, the Ministry tries to negotiate solutions with dischargers, without invoking its statutory powers. However, the Ministry does have the power to order dischargers to install abatement equipment. It can also seek fines in court and order plant closures.

9.185 The Ministry has not developed a clear policy on appropriate responses to non-compliance. Instead, it had tended to rely on negotiation and persuasion as its primary means of achieving compliance. The analysis of our sample of permits indicated that a more stringent, structured approach may be required.

9.186 In the lower mainland, an environmental enforcement team made up of conservation officers and Waste Management staff has recently demonstrated an alternative approach, involving more use of legal sanctions. The Ministry has decided that in future, the Conservation Officers will provide enforcement support for all programs, including Waste Management. Up to the time of our audit, the Ministry had not yet fully defined the role Conservation Officers were to play in enforcing the *Pollution Control Act*.

9.187 Our findings point to the need for the Ministry to develop a clear policy on the type of response it expects to non-compliance. This policy should provide graduated responses to situations of varying significance. Such a policy would provide for more consistent and equitable treatment of dischargers across the Province. It would also enable senior management to hold their staff accountable for local non-compliance.

9.188 *The Ministry should develop a clear policy and procedures to guide staff in their responses to non-compliance.*

Financial Management and Control

INTRODUCTION

9.189 The Ministry's 1981-82 budget of $81 million in net expenditures, and $46 million in revenues is not large when compared to that of other ministries. The largest single element of its expenditure budget is the cost of its staff. Together, salaries and related costs, such as travel, account for approximately 60 percent of the expenditure budget. However, the diversity of Ministry programs and their interaction, together with a decentralized delivery system, does introduce an element of complexity to the task of achieving effective financial management and control.

EXTENT OF EXAMINATION

9.190 We reviewed the role financial management plays in the Ministry and how important aspects of this role are organized and carried out. We wanted to assess whether the Ministry had defined an appropriate role for its financial function and if the financial function was appropriately organized to fulfil that role. In our review of the operations of financial management, we reviewed the strengths and weaknesses of financial management and control systems and procedures to find out if they could provide reasonable control over Ministry budgets, revenue and expenditures, and over assets and liabilities.

9.191 We also reviewed the role and organization of internal audit in the Ministry. The Ministry had established an internal audit function in 1978, and accordingly, we wanted to see whether it was organized in such a way that it could indicate to ministry management whether or not the Ministry's control systems and procedures were operating effectively.

MANAGEMENT OF THE FINANCIAL FUNCTION

9.192 In recent years the Ministry has taken a number of steps intended to strengthen financial management. For example it has designated as its executive financial officer the Executive Director, Finance and Administration. It has also established and staffed the positions of budget and financial review officers and has instituted a more formal system of budgetary review.

9.193 ROLE: The role assigned to the financial function is Ministry-wide. It includes appropriate responsibility for accounting, control of assets, liabilities, revenues and expenditures, budgeting and budgetary control and the provision of financial information and advice. The Executive Director is supported in carrying out this role by the Director of Financial Services, 4 financial officers and 22 staff. In addition, 17 administration officers provide direct financial support to regional, branch and program directors.

9.194 In practice however, during this period while the Ministry has been reorganizing and consolidating its operations, the financial function had not played an important enough role. Its limited qualified staff had been more involved in day-to-day tasks than in ensuring that financial responsibilities were clearly understood throughout the Ministry, that managers received the type of financial information they needed and that financial controls throughout the Ministry were appropriate.

9.195 Managers did not always recognize the role that the financial function could and should play in advising them on the design of systems and ensuring that these systems both contained appropriate controls and showed the costs of their activities. In a number of cases, systems with financial or control implications had been implemented without input from the Senior Financial Officer.

9.196 The Ministry had identified the need to establish clearly the respective responsibilities of financial and operating managers in providing sound financial management and control. Accordingly, it has given priority to developing a financial policy that will set out these responsibilities.

9.197 STAFFING AND TRAINING: The quality of financial management depends on the experience and skills of financial staff. The Ministry provided us with profiles of its financial staff. According to these profiles, many staff members had been with the government for some time, although they were relatively new to the Ministry. Two financial officers, the Director of Financial Services and one branch administration officer, held recognized accounting designations, which include formal training in assessing control requirements in systems.

9.198 Up to the time of our audit, the Ministry had not identified the training needs of its financial officers as a group, and had provided limited training related to the ministry-specific requirements of financial officers' jobs.

9.199 Because of a shortage of appropriately qualified staff, the Ministry had assigned the task of developing financial procedures to its internal auditor. We concluded that this staff shortage had contributed to the fact that the financial function had not played an active enough role in ensuring that sound financial management practices were in place throughout the Ministry.

9.200 During our audit, the Ministry prepared a review of the staff resources it would need to implement the Financial Administration Policy introduced in December 1981 by Treasury Board. However, this review needs to be further developed to:

- specify the skill levels required for financial staff; and
- include a comparison of requirements with existing staff.

9.201 GUIDANCE AND DIRECTION: At the time of our audit the Ministry had not yet provided sufficient clear guidance to financial and non-financial staff on financial systems and procedures. Written guidance had been fragmented and incomplete.

As a result, staff, particularly in the regions and branches, were unclear about what financial procedures to follow. A number of approaches had been used to provide informal guidance to staff while decentralization proceeded. As a temporary measure, the internal auditor had been providing guidance pending issue of an accounting procedures manual. This manual was in draft at the time of our audit. Substantial portions of it were issued after we had finished our field work.

9.202 *The Ministry should complete and circulate its policy covering the role of financial management; the policy should specify:*

- *responsibilities of operating and financial managers; and*
- *lines of direct and functional authority.*

9.203 *The Ministry should further develop its assessment of the number and quality of staff it requires to provide effective financial management and control, taking into account both skill levels required and available staff.*

9.204 *The Ministry should ensure that the training requirements of financial staff are determined and satisfied.*

9.205 *To provide appropriate guidance to staff using financial systems and procedures, the Ministry should complete the documentation of existing systems and procedures and the development of its accounting procedures manual. The development process should include an assessment of the appropriateness of existing controls against requirements.*

PLANNING, BUDGETING AND BUDGETARY CONTROL

9.206 PLANNING: The Ministry has adopted the modified Zero-Based Budgeting process developed by Treasury Board for the annual Estimates of the government. As mentioned elsewhere in this Report, the Ministry had not yet developed its short and long-term operational and manpower planning processes to the point at which they could be integrated with budgets. Integration of planning and budgeting processes would help management ensure that resources were allocated efficiently. Accompanied by reliable reporting of performance indicators, integration of the planning and budgeting processes would enable the Ministry to exercise more complete and effective budgetary control.

9.207 BUDGET PREPARATION: The Ministry had issued directions and timetables to guide the preparation of the 1982-83 budget. In addition, training sessions were held with administration officers and advice was given on an individual basis to responsibility centre managers who have prime responsibility for budget preparation. Managers generally felt that this had been useful and that the budget preparation process had been facilitated as a result. Our review of material supporting budgets indicated that 1982-83 material had improved over that of the previous

year. However, there remain considerable variations in the quality of the submissions, which indicates that continuing guidance may be necessary in this area. For example, regional Waste Management Program submissions:

- varied greatly in their length, the amount of supporting material provided, and the manner in which they were compiled; and
- reflected few tangible measures of output that would allow future comparison of actual performance against plans.

9.208 BUDGETARY CONTROL: The usefulness of the Ministry's financial reports for budgetary control purposes has been limited by:

- untimely reports;
- an inappropriate level of detail in financial reports (both too much and too little);
- a failure to reflect costs that are committed or spent, but not yet paid; and
- the fact that financial information has not been associated with available performance information to permit meaningful variance analysis.

9.209 The Ministry has been working towards improved budgetary control. For example, a manual system had been designed and partly implemented to record and report unpaid expenses. Operating managers were designing other systems to meet their individual budgetary control needs. For example, the Regional Operations Division was attempting to develop a reporting format that would combine available performance information with expenditure information to allow more complete budgetary control. Another example is a project cost and control system designed by the Assessment and Planning Division. We noted, however, that these developments were undertaken without involving the Senior Financial Officer.

9.210 *The Ministry should integrate its emerging planning processes with its budgeting process.*

9.211 *The Ministry should review the quality of current budget submissions. Depending on the results of the review, it should provide specific and targeted guidance to staff involved in the budget preparation process.*

9.212 *The Ministry should ensure that the Senior Financial Officer is involved in the development of budgetary control and other systems with financial implications.*

ACCOUNTING AND FINANCIAL REPORTING

9.213 The main accounting system used in the Ministry is the Financial Management Reporting (FMR) system. This system assigns costs to Ministry-designated responsibility centers.

9.214 Our audit indicated several shortcomings in the FMR system. At the time of our audit it did not allow the Ministry to completely identify all costs associated with major ministry activities, functions and programs in a timely fashion.

9.215 The FMR system is not well adapted either for producing detailed project cost information, or for accounting for the costs of specialist support units that serve more than one program. Examples include the Aquatic Studies Branch, Conservation Officer Service and the Provincial Laboratory. The Ministry needs a reliable basis for allocating the costs of such units to programs so that the actual costs of operating individual programs can be accurately determined. The Ministry has certain information available to do this and has developed systems that will provide a basis for allocating the costs of the Conservation Officer Service and the Provincial Laboratory to programs. In other cases, the Ministry has still to develop its systems to provide such a basis.

9.216 *The Ministry should complete development of accounting systems that will allow it to allocate support costs to programs where it is reasonabe to do so.*

9.217 *Where costs cannot be practically allocated to programs, the Ministry should develop consistent and supportable methods for prorating such costs.*

CONTROLS OVER REVENUES, EXPENDITURES, ASSETS AND LIABILITIES

9.218 In the last two years, the Ministry has strengthened control over a number of areas. For example, the Ministry has strengthened its review of billings for accommodation and computer services and has obtained credit for overcharges. We noted further instances in which control could be or was being improved. Our specific suggestions are as follows:

9.219 *The Ministry should strengthen controls over revenue collection activities by providing more supervision, increasing the use of control accounts and reporting regularly to management on revenue generated.*

9.220 *The Ministry should provide a reference file of names, sample signatures and areas of spending authority to staff who pre-audit expenditures.*

9.221 *The Ministry should complete its review of weaknesses in its control over payroll costs. As an interim measure, the Ministry should clearly establish that responsibility centre managers are responsible for the accuracy of recording leave taken and for leave benefit costs.*

9.222 *From time to time, the Ministry should arrange to have pay cheques distributed on a "surprise" basis by persons independent of those who usually do so.*

9.223 *In the interest of promoting economy, the Ministry should complete the development and implementation of policies and procedures for acquiring and controlling its assets. These policies and procedures should address:*

- *the levels of control required for different types of assets;*
- *year end valuation procedures for assets held for resale; and*
- *ongoing monitoring procedures and responsibilities (such as utilization reports and physical inventory counts).*

9.224 *In order to ensure that recoverable cash advances may be adequately controlled, the Ministry should regularly review outstanding advances.*

9.225 *The Ministry should finish implementing its commitment accounting system in those areas of expenditure where it is cost-beneficial to do so.*

INTERNAL AUDIT

9.226 In a decentralized organization with diverse programs, such as those in the Ministry of Environment, a strong internal audit function could provide management with an independent assessment of whether or not controls are operating reliably and effectively. Experience has shown that this assessment can be most reliably provided if the internal auditor is independent of the groups he is auditing, has an appropriate reporting relationship and if the Ministry adopts appropriate procedures to plan audit coverage and deal with audit reports.

9.227 The Ministry has appointed a Financial Review Officer, who reports to the Director of Financial Services. He is responsible for developing, implementing and maintaining internal audit and financial review programs, and for conducting reviews and audits of specific areas within the Ministry. During 1980, he prepared a number of reports, primarily on revenue and cost recovery systems. However, he has been increasingly assigned to other tasks, including the design of accounting systems and providing guidance to regional administration staff.

9.228 The internal audit group of the Office of the Comptroller General has prepared a plan to provide audit coverage of the Ministry and has reviewed it with the Director of Financial Services. However, the Ministry had not comprehensively assessed its own internal audit requirements. Accordingly it was not in a position to assess whether the Comptroller General's proposed coverage would adequately meet its internal audit needs, or what further developments the Ministry should undertake.

9.229 Because the internal auditor reports to the Director of Financial Services he is not independent of those on whom he reports. Further, we believe that the Ministry would obtain greater benefit from its internal audit if it provided for an audit committee to review internal audit coverage and reports.

9.230 *The Ministry should comprehensively assess its internal audit requirements and develop a plan to meet those requirements, taking into account the audit coverage proposed by the office of the Comptroller General.*

9.231 *The Ministry should provide reporting relationships that will ensure the independence of its internal audit function. It should provide a suitable forum to review internal audit coverage and the results of internal audit reviews.*

Manpower Planning

INTRODUCTION

9.232 This section of our Report deals with the extent to which the Ministry has established appropriate manpower planning systems. These systems should enable management to arrive at short-term and long-term estimates of the number of staff with particular skills that the Ministry will need to deliver its programs. Manpower planning systems should also allow management to compare current and future requirements for properly qualified staff with their availability, both within and outside the Ministry. Sometimes, a long or short-term surplus or deficiency of staff with appropriate skills may exist. Where this is the case, sound manpower planning calls for staff to be either trained, recruited or redeployed. In essence, it ensures that the right number of qualified staff will be available, when and where they are needed.

9.233 We reviewed the Ministry's manpower planning systems because, like many other organizations, it depends to a large extent on skilled manpower to deliver its programs. The current move to decentralization has accentuated the need for effective manpower planning to acquire, retain and deploy appropriately skilled personnel. Further, since manpower costs consume the largest proportion of the Ministry's budget, manpower planning is essential to maintaining effective budgetary control.

9.234 A recently issued ministry policy has recognized that " . . . the management of (the Ministry's) human resources is the most critical factor in the attainment of its organizational goals and objectives."

EXTENT OF EXAMINATION

9.235 Our audit was designed to assess whether the Ministry had adequate systems for determining the number and type of staff needed to deliver its programs. We also wanted to know whether appropriate systems were in place both for recruiting and deploying staff, and for providing them with training and development programs.

9.236 The audit was not designed to assess the efficiency or utilization of the Ministry's current staff.

9.237 We reviewed Ministry-wide manpower planning systems and procedures and how they were operating in the Fisheries, Wildlife, and Waste Management Programs, both at Headquarters and in two regions. We then assessed the design and operation of the Ministry's systems and procedures against criteria that we felt were appropriate.

9.238 These criteria were based on those developed, tested and accepted in other jurisdictions. The criteria are as follows:

- Manpower requirements should be based on operational objectives and work plans.
- The availability of human resources should be forecast.
- Action plans to resolve differences between manpower requirements and availability should be developed.
- Manpower planning should be integrated with other management functions.
- Responsibility for manpower planning should be clearly assigned and performance monitored.

9.239 The small occupational and organizational groups typically found in the Ministry might not always require sophisticated systems and procedures. The Ministry agreed with our conclusion that these criteria would, nevertheless, be applicable to varying extents, to the organization.

BASIS FOR MANPOWER PLANNING

9.240 Manpower requirements, including the numbers and skills of staff and their training and deployment, should be based on the services the Ministry plans to deliver. We have already referred in our Report to the fact that the Ministry's long-term and operational planning systems and performance measures were still in the development stage. Until these systems are developed, become operational and are used as the basis for manpower planning, the Ministry will lack reliable assurance that its staffing represents the most efficient use of available resources. In the Ministry's decentralized operating environment, staffing deployments cannot be easily or quickly changed. Therefore, it is particularly important that manpower requirements be addressed in the medium and long-term to ensure the efficient use of staff and control natural pressures to increase their number.

9.241 In the absence of more formalized systems, ministry managers have based manpower allocations on available information and their personal knowledge of situa-

tions. Section 3 of our Report has already discussed the limitations of available information. Accordingly, some of these decisions have, of necessity, been somewhat arbitrary.

RESPONSIBILITY FOR MANPOWER PLANNING

9.242 In 1981, the Ministry issued a policy on staff development. It stipulated the responsibilities of ministry staff for:

- identifying staff training needs;
- formulating and implementing training, development, and career path plans to meet those needs; and
- evaluating the results of training.

9.243 At the time of our audit, however, the Ministry had not issued a policy covering other manpower planning functions. In particular, it had not clarified the respective roles of program directors and Regional Operations staff for reviewing the skills, number and deployment of staff needed to carry out planned program activites in the regions. In the absence of ongoing reviews, there is a danger that manpower costs will be perceived as fixed in the long-term as well as for the short-term.

9.244 *As the Ministry develops its strategic and operational plans, it should use them as a basis for determining manpower requirements.*

9.245 *The Ministry should issue a comprehensive policy that clarifies responsibility for all components of the manpower planning process.*

TRAINING AND DEVELOPMENT ACTIVITIES

9.246 The Ministry carries out two kinds of training and development activities: it conducts training for managers who have manpower planning responsibilities; it also provides training and development for other staff, covering various job-related topics.

9.247 TRAINING FOR MANAGERS: When the Ministry was planning to decentralize its operations, it concluded that its managers would need training in management techniques and methods appropriate to the new situation. For example, managers would need skills in planning and performance evaluation. Such skills, it was felt, would be necessary to maintain accountability as decision making became more decentralized; these skills would also be useful to managers carrying out manpower planning functions. Accordingly, the Ministry provided them with the opportunity to acquire training in these areas. Usually, individual managers took this training by attending courses and seminars. However, the Ministry did not provide

additional guidance for managers on a regular basis; nor did it provide continuing on-the-job support. As a result, almost all the managers that we interviewed expressed concern about being able to acquire the skills they needed to cope with the new kinds of managerial functions resulting from decentralization.

9.248 The lack of Ministry guidance and on-the-job support for managers after their initial training period may have affected the ability of some to address manpower planning issues. We found that some managers were unable to adequately assess the numbers and skill levels of staff that they would need to deliver their programs.

9.249 In some instances, managers did not base their assessment of the type of staff they would need on an analysis of operational objectives and the activities required to support them. For example, in the Waste Management Program, as noted earlier, dischargers often asked for more time in which to meet their permit conditions. They frequently justified their requests by citing their inability to pay for the necessary pollution control equipment. The Ministry, however, did not have staff who were trained to assess the reasonableness of such requests.

9.250 *The Ministry should provide more extensive in-house and continuing Ministry-specific training and guidance to managers in the skills necessary to enable them to carry out their manpower planning responsibilities effectively.*

9.251 TRAINING FOR NON-MANAGERIAL STAFF: We were told that historically, and in common with other ministries in the B.C. public service, the Ministry of Environment had relied on attracting and retaining qualified professional and technical staff rather than on training and developing its existing staff. More recently, in response to changing circumstances (decentralization) and the limited availability of qualified staff, the Ministry had increased its emphasis on staff training and development. This change is evidenced by a proposed increase in the training budget.

9.252 We noted that these proposals provided for a system to identify not only the direct costs of instructor time and materials, but also the indirect costs of staff attendance at courses. This is one aspect of the cost of training that is frequently overlooked, but is important to the full review of the cost effectiveness of training.

9.253 TRAINING NEEDS IDENTIFICATION: The Ministry has concentrated on satisfying individual training needs. To this end, it has introduced a scheme that encourages individuals to assess their own training needs in consultation with their supervisors.

9.254 The Ministry was also trying to identify group training needs and ensure that course offerings would reflect these needs. At the time of our audit, the Ministry had just begun to develop methods for determining group training needs. It had also taken the first steps to ensure that course offerings would address these needs.

9.255 An example of the importance of identifying group training needs is provided by the experience of the Waste Management Program in writing permits. While staff lacked documented analysis or records, they estimated that approximately ten percent of permits were rejected at each level of review. The fact that up to four levels of review took place, would indicate that an analysis of the reasons for the rejection of permits might provide useful information on group needs.

9.256 We noted that ministry policy requires both program and regional directors to prepare a staff development plan which identifies training and development needs. However, the Ministry had not developed the mechanisms to ensure that these plans were prepared on a regular basis, and that courses were developed and offered in response to identified needs. We also found that some managers did not yet clearly understand their responsibilities under the Ministry's training and development policy. Specifically, they did not understand their role in developing and selecting courses, i.e., in ensuring that the courses offered addressed training needs. At the time of our audit, the Ministry had not developed a means of resolving this problem—either by instituting user committees to monitor course development, or by otherwise encouraging input from the regional and program directors.

9.257 We realize that this ministry policy was new at the time of our audit, and that it will take time to develop the systems and procedures needed to implement it.

9.258 COURSE EVALUATION: The Ministry's efforts to evaluate courses was limited primarily to soliciting comments from trainees who had taken instruction. Evaluation procedures did not include an ongoing review to determine whether individual or group training had improved trainees' on-the-job performance. We feel that meaningful course evaluation should include an assessment of the extent an employee's performance at work has improved as a result of having undergone training.

9.259 *To obtain maximum benefit from its current training efforts the Ministry should:*

- *establish mechanisms to provide regional and program input into training course design and selection; and*
- *establish evaluation mechanisms to determine the extent to which the training offered improves the on-the-job performance of those who have undergone training.*

Summary of Recommendations and Ministry Comments

MINISTRY OF ENVIRONMENT

Recommendations		Ministry Comments
PROGRAM MANAGEMENT AND ACCOUNTABILITY INFORMATION		
9.70	The Ministry should complete development of its statements of goals and objectives so that they clearly identify the measurable results managers should be held accountable for. The Ministry should complete development of systems for measuring performance and should establish target dates and review procedures to control their development.	Agreed—Care must be taken to recognize qualitative as well as quantitative values in measuring performance as reliance on the latter will not necessarily lead to protection of the environment.
9.71	The Ministry should make functional guidance and direction available to program directors to assist them in developing performance measurement systems.	Agreed—Management training programme is under development.
9.78	The Ministry should ensure that its Financial and Performance Reports to the Legislative Assembly are compatible so that program expenditures can be compared with objectives and performance.	Agreed—The 1981/82 fiscal year activities will be reported in a consistent form.
9.79	The Ministry should report performance information to the Legislative Assembly in enough quantity and detail to indicate the extent to which Ministry programs are reliably and efficiently delivered.	Agreed.
9.84	The Ministry should clearly establish respective responsibilities in remaining areas in which the Waste Management Program interacts with other Ministry programs or with programs of other agencies.	Agreed—The first agreement in Canada regarding joint spill response actions has been signed with Federal Agencies and the Ministry. Other agreements are under development.
9.101	The Ministry should assign ongoing responsibility for the design, operation and review of its network of water quality monitoring stations.	Agreed—Responsibility for each function is being confirmed consistent with Ministry planning strategy.

MINISTRY OF ENVIRONMENT
Recommendations and Ministry Comments

Recommendations		Ministry Comments
9.102	The Ministry should set up procedures to report on the results of monitoring ambient concentrations against acceptable limits.	Agreed.
9.112	The Ministry should develop ranking mechanisms for dischargers to allow it to better assess the significance of the performance information it receives.	Agreed—Recognizing the sensitivity of the environment in specific parts of the province may require that greater attention be given to certain discharges that may be less significant elsewhere.
9.113	As a basis for Ministry action where warranted and for better allocation of resources, the Ministry should develop systems and procedures for measuring and reporting performance of the Waste Management Program, against long and short-term expectations.	Agreed—As part of Ministry reorganization a programme evaluation and policy group has been established. The 1977 Environmental Quality Trend Study is now ready for the 5 year review.
CONTROLS IN THE WASTE MANAGEMENT PROGRAM		
9.125	The Ministry should complete the development of policy and procedures for the Waste Management Program.	Agreed.
9.126	The Ministry should continue its efforts to improve the managerial and supervisory skills of its section heads and managers.	Agreed—Management Training Programme is under development.
9.135	To ensure that the Waste Management Program identifies the most cost-effective control strategies, the Ministry should determine the information it requires to support long and short-term program planning. Where this information is not currently available, the Ministry should set up procedures to collect it.	Agreed—A ministry information systems committee was established mid 1981 and is well advanced in this issue.
9.136	The Ministry should develop a formal Waste Management Program plan to guide implementation of the program in the long and short-terms. Further, the Ministry should develop mechanisms for integrating program plans with geographically based plans.	Agreed—The strategic planning process now under way in the Ministry is expected to provide the basic elements of this integration.

MINISTRY OF ENVIRONMENT

Recommendations and Ministry Comments

Recommendations		Ministry Comments
9.142	The Ministry should institute procedures to update and maintain its inventories of dischargers to include identified discharges and to flag dischargers that have closed their operations.	Agreed—Presently being developed where cost effective as part of decentralization.
9.156	The Ministry should reconsider the extent to which it obtains information on the background of dischargers for the purposes of issuing and administering permits. As a minimum, it should develop alternative approaches to verifying the reasonableness of requests based on economic grounds to delay or defer negotiated abatement agreements.	Agreed—However, the main consideration in the issuance of permits must remain the protection of the environment.
9.157	The Ministry should introduce a selective and systematic permit quality review function.	Agreed. See 9.113.
9.158	The Ministry should institute a selective program of review of current permits based on significance and need.	Agreed.
9.167	The Ministry should set up procedures for identifying overdue and missing reports from dischargers.	Agreed—Some regions have already accepted this function.
9.168	The Ministry should complete the development of its policy covering the submission of discharger data to Headquarters, and should set up procedures for controlling the completeness of data submission.	Agreed.
9.173	The Ministry should establish policy governing the extent and frequency of inspections. Further, it should ensure that inspection coverage provided is reported to senior management.	Agreed—However, the policy should not be too rigid such as to interfere with the initiative and judgement of Regional Managers and their awareness of site specific problems.
9.182	The Ministry should ascertain the extent and severity of non-compliance with permit conditions, and should develop and implement procedures to bring dischargers into acceptable compliance over a reasonable period of time.	Agreed — Already being addressed.

MINISTRY OF ENVIRONMENT
Recommendations and Ministry Comments

Recommendations	Ministry Comments
9.188 The Ministry should develop a clear policy and procedures to guide staff in their responses to non-compliance.	Agreed—The initial policy and procedure is now in place.
FINANCIAL MANAGEMENT AND CONTROL	
9.202 The Ministry should complete and circulate its policy covering the role of financial management; the policy should specify: • responsibilities of operating and financial managers; and • lines of direct and functional authority.	Agreed—The policy framework is presently under development consistent with Treasury Board policy.
9.203 The Ministry should further develop its assessment of the number and quality of staff it requires to provide effective financial management and control, taking into account both skill levels required and available staff.	Agreed.
9.204 The Ministry should ensure that the training requirements of financial staff are determined and satisfied.	Agreed—Key positions are currently being analyzed for training needs.
9.205 To provide appropriate guidance to staff using financial systems and procedures, the Ministry should complete the documentation of existing systems and procedures and the development of its accounting procedures manual. The development process should include an assessment of the appropriateness of existing controls against requirements.	Agreed—The accounting procedures manual is now complete. Control procedures are to be reviewed.
9.210 The Ministry should integrate its emerging planning processes with its budgeting process.	Agreed.
9.211 The Ministry should review the quality of current budget submissions. Depending on the results of the review, it should provide specific and targeted guidance to staff involved in the budget preparation process.	Agreed.

MINISTRY OF ENVIRONMENT

Recommendations and Ministry Comments

Recommendations		Ministry Comments
9.212	The Ministry should ensure that the Senior Financial Officer is involved in the development of budgetary control and other systems with financial implications.	Agreed.
9.216	The Ministry should complete development of accounting systems that will allow it to allocate support costs to programs where it is reasonable to do so.	Agreed.
9.217	Where costs cannot be practically allocated to programs, the Ministry should develop consistent and supportable methods for prorating such costs.	Agreed.
9.219	The Ministry should strengthen controls over revenue collection activities by providing more supervision, increasing the use of control accounts and reporting regularly to management on revenue generated.	Agreed—A revenue manager is being appointed in recognition of substantial increases in revenue.
9.220	The Ministry should provide a reference file of names, sample signatures and areas of spending authority to staff who pre-audit expenditures.	Agreed—A file now exists.
9.221	The Ministry should complete its review of weaknesses in its control over payroll costs. As an interim measure, the Ministry should clearly establish that responsibility centre managers are responsible for the accuracy of recording leave taken and for leave benefit costs.	Agreed—There are weaknesses in the Leave Management System to be corrected.
9.222	From time to time, the Ministry should arrange to have pay cheques distributed on a "surprise" basis by persons independent of those who usually do so.	Agreed.

MINISTRY OF ENVIRONMENT
Recommendations and Ministry Comments

Recommendations	Ministry Comments
9.223 In the interest of promoting economy, the Ministry should complete the development and implementation of policies and procedures for acquiring and controlling its assets. These policies and procedures should address: • the levels of control required for different types of asset; • year end valuation procedures for assets held for resale; and • ongoing monitoring procedures and responsibilities (such as utilization reports and physical inventory counts).	Agreed—An asset control system is under development.
9.224 In order to ensure that recoverable cash advances may be adequately controlled, the Ministry should regularly review outstanding advances.	Agreed—Level of cash advances should be regularly reviewed.
9.225 The Ministry should finish implementing its commitment accounting system in those areas of expenditure where it is cost-benefical to do so.	Agreed.
9.230 The Ministry should comprehensively assess its internal audit requirements and develop a plan to meet those requirements, taking into account the audit coverage proposed by the office of the Comptroller General.	Agreed.
9.231 The Ministry should provide reporting relationships that will ensure the independence of its internal audit function. It should provide a suitable forum to review internal audit coverage and the results of internal audit reviews.	Agreed.
MANPOWER PLANNING	
9.244 As the Ministry develops its strategic and operational plans, it should use them as a basis for determining manpower requirements.	Agreed.

MINISTRY OF ENVIRONMENT

Recommendations and Ministry Comments

Recommendations		Ministry Comments
9.245	The Ministry should issue a comprehensive policy that clarifies responsibility for all components of the manpower planning process.	Agreed.
9.250	The Ministry should provide more extensive in-house and continuing Ministry-specific training and guidance to managers in the skills necessary to enable them to carry out their manpower planning responsibilities effectively.	Agreed.
9.259	To obtain maximum benefit from its current training efforts the Ministry should: • establish mechanisms to provide regional and program input into training course design and selection; and • establish evaluation mechanisms to determine the extent to which the training offered improves the on-the-job performance of those who have undergone training.	Agreed.

Status of Recommendations from Previous Annual Report—Comprehensive Audit

Ministry of Human Resources

Auditor General's 1980 Annual Report		
Recommendations	Ministry Comments	Ministry Comments as at 31 December 1981
REPORTING OF PERFORMANCE AND ACCOUNTABILITY INFORMATION		
8.113 As part of its efforts to improve management control, the Ministry should develop clearly defined performance indicators and work expectations, in terms of both quality and quantity. These should then be used as the basis for accumulating and reporting performance information at all levels in the Ministry in order to allow management to act promptly when warranted and to improve the allocation of resources.	Agreed. The Ministry is reorganizing headquarters staff to establish a Strategic Planning Branch. One of the core functions of this branch will be to assist management of the Ministry by providing the necessary leadership and technical support to develop key indicators of the efficiency, effectiveness and economy of Ministry programs and operations.	The manager of the Strategic Planning Branch has been appointed and the new organization encompasses the Research Division, the program evaluation section and the Federal-Provincial Agreements section. These groups will be assigned responsibilities which will address the issues identified.
8.114 The Ministry should ensure that it reports performance information to the Legislative Assembly which indicates the extent to which it has been successful in delivering an efficient program. The information should include data on the cost-effectiveness of various alternative methods of delivering the program.	Agreed. The Ministry will revise the format and content of the 1981 Annual Report to permit this.	The 1981 Annual Report format has been changed to present additional information about Ministry programs. Subsequent reports will further improve on the quality of information being provided.
FINANCIAL MANAGEMENT AND CONTROL		
8.132 In order to ensure that it realizes the full benefits of a strong financial management and control function the Ministry should: • review the number and level of personnel in the financial function to ensure that it is strong enough to effectively carry out its responsibilities; and	Agreed. Work is underway to develop a comprehensive operational plan for the Comptroller's Office. The Ministry also recognizes the need to upgrade the quality and quantity of financial personnel. A review of the organization and	The Ministry has been able to upgrade the quality of financial staff in filling several vacant positions particularly in the area of computerized financial systems and accounting policies and procedures. The Ministry continues to experience diffi-

• ensure that it prepares a comprehensive operational plan detailing the goals and objectives, activities, timing, performance criteria and priorities for the Comptroller's Office.	staffing of the Comptroller's Office is underway; however, it should be noted that the Ministry has experienced some considerable difficulty in securing qualified accounting staff given the current Government-wide classification plan.	culty in recruiting qualified accounting staff.
8.133 The Comptroller's Office should: • develop its lines of functional responsibility and provide more guidance and advice to line managers in order to help them achieve the necessary levels of control over program expenditures in a flexible, efficient manner; • ensure that it further develops planning, budgeting and reporting systems to make them more useful in measuring performance and in allocating resources; • improve systems and procedures designed to ensure that revenues and expenditures and assets in the Ministry's care are being adequately safeguarded; and • ensure that all financial and control implications of new systems such as computer-based systems, have been taken into account and that all key systems and procedures are adequately documented.	Agreed. These are ongoing activities within the Comptroller's Office.	The Ministry has established a pilot project in one region designed to establish the responsibilities and role which a regional accountant would have. This is a forerunner to establishing accountants directly in regions who would report to the Regional Managers but would be functionally responsible to the Ministry Comptroller. Each year a post-budget review takes place at which inadequate processes are identified and improvements recommended for ensuing years. This practice, together with Treasury Board policies and procedures, ensures continued improvement of the process. The Ministry proposes to construct its 1983/84 budget using quantitative measurements wherever feasible and this will allow more meaningful variance analysis. The project for developing policies and procedures to better control revenues has been assigned to staff but work has not yet started. The hiring of a qualifed person in the area of computerized financial systems is enabling the Ministry to address this problem.

Ministry of Human Resources

Auditor General's 1980 Annual Report		Ministry Comments
Recommendations	Ministry Comments	as at 31 December 1981
CONTROLS IN THE INCOME ASSISTANCE SYSTEM		
8.153 In order to improve the supervisory function, the Ministry should: • clarify the role and authority of District Supervisors; • establish standards for expected performance; • monitor performance against the indicators established to improve accountability and to ensure that these are considered when Supervisors are being appraised; and • continue to provide more and better training at the supervisory level.	Agreed. A job content and training profile review for supervisors is underway. As part of this process all District Supervisors have received an updated statement of their role and authority. Also, a three-year plan to address supervisory training needs has been developed.	A job analysis for District Supervisors has been completed and is to be reviewed by the Ministry's Executive Committee by March 31, 1982. A five-week training program for District Supervisors should be available by July 1982. The first three-week course will be available by March 31, 1982.
8.166 The Ministry should continue its efforts to augment its training program. Particular emphasis should be given to: • improving the process for identifying training needs; • ensuring effective coordination of training efforts; • evaluating and reporting the results of training; and • accumulating and reporting information showing all training costs.	Agreed. Management reports relating to staff training activities are being revised.	A job analysis is being done on each major field services job and will be completed by January 31, 1982. This will aid in needs identification. A task force has been assigned the job of revising the staff training portion of the management reports.
8.172 The Ministry should re-examine the extent to which it has made use of accounting and internal controls at the District Office level and should ensure that those types of controls are consistently used whenever possible.	Agreed.	The Ministry has not yet been able to address this issue.

8.173	The Ministry should review its procedures for maintaining physical security over documents to ensure that only authorized persons have access to them.	Agreed. The matter of confidentiality and security of files is seen as a high priority within the Ministry.	A security analyst has been hired to be responsible for file security in EDP systems.
8.176	In conjunction with developing performance measurement indicators and criteria, the Ministry should consider implementing a quality control function to provide managers with reliable, current information about how efficiently and accurately claimant files are processed.	Agreed. Technical assistance to develop quality control plans will be provided by the new Strategic Planning Branch noted above in the Ministry's response to recommendation 8.113.	The new Strategic Planning Branch will be addressing this issue.
8.181	In order to realize the potential benefits of the inspection function, the Ministry should give guidance to staff in identifying cases which they should refer to the Inspection Group.	Agreed.	This is being addressed.
	IDENTIFIED OVERPAYMENT AND ERRORS—CONTROL AND COLLECTION		
8.196	Responsibility for dealing with cases of overpayment should be clearly established for individuals and groups within the Ministry. The Ministry must also provide sufficient instruction to staff to ensure that overpayments are identified and are disposed of appropriately and consistently from district to district.	Agreed.	This project has been assigned as part of the Ministry's objective to improve control over revenues. Work has not yet started.
8.197	In order to ensure that the Ministry meets adequate standards of accounting and control for identified overpayments, it should establish an overpayment and collection system to ensure that identified overpayments are recorded, properly controlled and accounted for, and that write-offs are properly authorized. This system should be incorporated into the overall performance information system and the information produced should be reported promptly to appropriate levels of management.	Agreed.	See the previous comment.

Ministry of Human Resources

Auditor General's 1980 Annual Report		
Recommendations	Ministry Comments	Ministry Comments as at 31 December 1981
COST-SHARING		
8.210 To ensure that the Ministry realizes as much as it can from cost-sharing agreements, it should direct its attention toward: • ensuring that cost-sharing responsibilities are documented and understood within the Ministry, and that other ministries also understand their cost-sharing responsibilities; • refining assessment criteria and reporting procedures used to monitor performance; • allocating enough staff to ensure that claims for cost-sharing are complete and up to date; and • ensuring that all operating systems work toward supporting optimum cost-sharing.	Agreed. The Ministry has allocated three permanent staff positions and another four temporary staff to cost-sharing activities.	The Ministry has circulated cost-sharing guidelines to all ministries and inter-ministry communication has already taken place. All programs have been reviewed to ensure that the cost-shared percentage is maximized. The Canada Assistance Plan section is now adequately staffed and temporary assistance is used as and when required for major cost-sharing analysis projects.
ELECTRONIC DATA PROCESSING		
8.231 To ensure that controls have been adequately provided for in the Ministry's new On-line Version II system, the Ministry should: • review the system to ensure that all necessary control criteria have been met before fully implementing it; and • adopt clear control standards to be adhered to in any future computer system developments.	Agreed. The Ministry has recognized this deficiency and plans to conduct a formal review as recommended. The Ministry will also develop a project administration manual to provide control standards and guidance for Ministry staff involved in computer systems development.	A formal review has been completed and as a result of that review the Ministry has established a project to examine the adequacy of Version II and correct its deficiencies.
8.232 To ensure that due regard to economy is achieved in future development projects, the Ministry should ensure that it has sufficient qualified personnel before undertaking such projects, that a	Agreed. The organization and staffing levels relating to Ministry computer systems development and operations have been revised to better ensure appropriate	The Ministry has completed hiring staff to fill the management positions within an organizational structure which addresses this issue. A system change control proj-

	suitable organization structure is established (including provision for user and functional direction), and that responsibilities of all key project participants are clearly articulated and understood.	staffing and controls (including provision for independent quality assurance reviews and for user and functional direction) for all such projects.	ect is underway which will result in a project administration manual.
8.233	The Ministry should adopt a clear set of generally acceptable electronic data processing system development standards including provisions for: • preparing complete cost benefit analyses during the planning stage; • properly monitoring costs and technical specifications; • reporting in a complete and useful format information to senior management; • establishing user-acceptance criteria; • evaluating the system before and after implementation; and • ensuring that controls provided for in and over the operating systems are adequate.	Agreed. Such standards will be set out in the project administration manual noted above.	This project is underway as noted above. The B.C. Systems Corporation uses the Systems Development Notebook for project management and this methodology will be included in the manual.
INTERNAL AUDIT			
8.247	To ensure that Internal Audit plays an effective part in the managerial control systems, its role should be expanded to enable it to independently appraise the financial function as well as management and operating control systems in the Ministry.	Agreed. The mandate, organization and staffing levels of the Internal Audit Group have been revised to enable the Group to effectively perform this expanded role.	This has been done.
8.248	The Internal Audit Group should report directly to the Deputy Minister to ensure independence and adequate, direct communication.	Agreed. The Internal Audit Group now reports to the Office of the Deputy Minister.	This has been done.
8.249	The Audit Committee now under consideration should be established and should be given sufficient scope and authority to establish appropriate manpower resources, to provide operational direction and to endorse the independent status of Internal Audit.	Agreed. The Audit Committee has been established.	The Audit Committee will complete a comprehensive review of audit mandate, plans and required services within the next quarter.

Ministry of Human Resources

Auditor General's 1980 Annual Report		
Recommendations	Ministry Comments	Ministry Comments as at 31 December 1981
8.250 To ensure that appropriate audit coverage is provided for, an audit plan should be developed and documented for approval by the Audit Committee. The plan would include: • a long-term plan that divides the Ministry into manageable audit units to ensure audit coverage of all important areas; • an assessment of potential audits according to criteria based on materiality, importance, degree of risk and opportunity for improvement; • the audit objectives and scope for each audit unit; • staff training and recruiting objectives; and • an annual schedule and related work plan.	Agreed. A long-range audit plan will be developed. When completed this plan will be presented for approval by the Audit Committee.	Work is underway. A preliminary report will be presented to the Ministry's Audit Committee in February 1982.
8.251 The level, quantity and mix of staff resources in the Internal Audit Group, should be reviewed in light of the Ministry's audit needs and efforts should be made to augment staff resources where appropriate.	Agreed. The Ministry has recently completed a review of the organization and staffing of the Internal Audit Group. Recruitment efforts are now underway to augment existing staff resources, with particular attention being given to the selection of qualified staff with extensive experience in systems-based and related audit techniques.	A qualified audit manager has been hired and additional staff will be hired as required.
8.252 In order to ensure that Internal Audit can provide effective audit coverage, systems-based audit techniques and supporting procedures should be progressively introduced.	Agreed. As appropriately qualified staff are recruited more advanced audit techniques will be introduced progressively.	As appropriately qualified staff are recruited more advanced audit techniques will be introduced progressively.

Part 4

General Matters

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Part 4:

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General Matters

Organization and Activities of the Audit Office

INTRODUCTION

10.1 The year 1981 was a relatively stable period in the development of the Office of the Auditor General. Although there has been little change in the number of persons employed and the general plan of organization, continued progress has been made in enhancing the technical capabilities of the Office and extending the scope of its audits.

STAFF RESOURCES

10.2 Our staffing situation continued to cause concern during the year. A country-wide shortage of appropriately qualified accountants, a sharp rise in the cost of housing in Victoria, and occasional difficulties with salary levels have combined to limit the number of staff we were able to attract. Nevertheless, the Office has been able to maintain its staff strength at 70, including 36 professionally qualified accountants, and 25 employees enrolled in courses of study leading to professional accounting designations. Approximately 20 professional positions remain vacant.

10.3 The inability to meet staffing objectives has somewhat limited our capacity to examine and report on some aspects of my mandate. New avenues are being explored in our recruiting programs, and it is hoped that those factors beyond our control which inhibit our recruiting efforts will be of lesser concern in the future. The Office's commitment to its student training program continues, as this is seen to be a preferred long-term source of trained staff available to the Office.

ORGANIZATION

10.4 The basic plan of organization established in late 1979 continues to serve the Office well. Responsibility for the audit work in individual ministries and the public bodies closely related to them had been divided among each of three audit divisions. A fourth audit division was formed during 1981 and work assignments adjusted accordingly.

10.5 Divisional responsibilities are assigned to the following senior members of my staff: Frank Barr, Gordon W. Dawson, Raymond L. Hunter and Robert B. Wallace. In addition, Michael S. Weir, a partner in MacGillivary & Co., served as an audit director responsible for comprehensive auditing projects. These audit directors, together with the Deputy Auditor General, Robert J. Hayward and myself, constitute the Executive Committee of the Office.

PROFESSIONAL DEVELOPMENT AND OTHER ACTIVITIES

10.6 During the year the Office embarked on a professional development program. The program, which embodies various subject areas including accounting, auditing and management techniques, is designed to maintain and enhance the technical expertise of my staff. Such a program is necessary to ensure that staff members stay abreast of ongoing developments and continue to carry out their work assignments with professional competence.

10.7 Members of the Office take an active part in professional and community affairs. Through this involvement my staff contribute to the development and promulgation of knowledge on accounting and auditing in government, enhance their own skills, and benefit the Office in various ways. During the past year staff members of the Office have:

- participated as panelists and discussion leaders at the annual conferences of the Canadian Institute of Chartered Accountants and the Canadian Comprehensive Auditing Foundation.
- served on various committees of the Canadian Institute of Chartered Accountants and the Institute of Chartered Accountants of British Columbia.
- lectured on accounting, auditing and business subjects at post-secondary educational institutions and at the newly-formed School of Chartered Accountancy.

I appreciate the efforts made by those involved in these activities.

TIME MANAGEMENT SYSTEM

10.8 The operation of an audit office is a labour-intensive activity. Virtually the entire budget of the Office of the Auditor General consists of salaries or expenses closely related to salary expenditures. It is important that proper means be established to measure and evaluate the efficiency of audit operations.

10.9 During 1981 a new computerized time reporting system was introduced in the Office. This system, which accumulates and analyses the time of all professional staff and direct audit expenses, has helped to monitor time and cost budgets, and to allocate resources to areas where the most benefit can be derived.

Accounting and Auditing Research

10.10 In recognition of the growing importance of financial reporting at all levels of government in Canada, the Canadian Institute of Chartered Accountants has established the Public Sector Accounting and Auditing Committee (PSAAC). This is a

research committee formed to review public sector accounting theory and practice, and issue guidelines and recommendations where they are considered appropriate.

10.11 The committee is made up of representatives from both the public and private sectors from across Canada. I was invited to serve on the committee, and have been actively involved in its work since its inception.

Legislative Auditors' Task Force on Income Taxes

10.12 The Government of Canada, by agreement with the Province of British Columbia, collects income taxes on behalf of the Province. The agreement provides that the Auditor General of British Columbia may examine relevant books and records in order to permit her to report in respect of payments made to the Province. However, it limits the scope of this examination and prevents the Auditor General from examining the income tax data filed with returns and, consequently, from verifying the calculations of provincial income taxes assessed on behalf of the Province.

10.13 Since most other provinces have similar agreements with the Government of Canada, and the Auditor General of Canada is not restricted in any way in the scope of his examination, the Legislative Auditors of Canada established a task force in 1979 to review the audit work of the Auditor General of Canada with a view to using that work to satisfy the audit requirements of the provincial auditors with respect to income tax revenues.

10.14 During 1981 I was asked to join the legislative auditors of Canada, Alberta and Ontario as a member of the task force. Since then members of my staff have been actively involved on the project. At the time of presenting this Report, a report of the Task Force with respect to the 1981 fiscal year was not complete.

Canadian Conference of Legislative Auditors

10.15 The Canadian Conference of Legislative Auditors, an informal association of the auditors of the senior governments of Canada, facilitates the sharing of information important to the legislative auditing community. This takes various forms including an annual conference, cooperative audit and research projects, and regular direct exchange of information by the various audit offices.

10.16 The 9th annual meeting of the Conference was held at St. Andrews, New Brunswick in July 1981. Among the speakers and participants were: The Honourable Richard B. Hatfield, Premier of New Brunswick; T. Patrick Reid, Chairman of the Public Accounts Committee of Ontario; Kenneth M. Dye, Auditor General of Canada; Harry G. Rogers, Comptroller General of Canada; and James J. Macdonell, Chairman of the Canadian Comprehensive Auditing Foundation and former Auditor General of Canada.

10.17 Senior officials of the Public Accounts Committees of Canada, the provinces and the territories also held meetings at St. Andrews. A joint session of the two groups afforded a valuable opportunity for the exchange of views on a number of subjects of common interest.

10.18 The Conference will hold its 1982 meeting in Victoria.

Canadian Comprehensive Auditing Foundation

10.19 The Canadian Comprehensive Auditing Foundation is a cooperative association of legislative auditors, public accountants, management consultants and others who share a common interest in the development of improved methodologies to incorporate value for money considerations into the audit process. The Foundation carries out research, conducts training programs, and promotes the exchange of information and views.

10.20 This Office has been involved with the Foundation since its inception, and continues to participate actively in its affairs including a panel presentation at the second annual conference of the Foundation in Toronto. The subject of the discussion was the first comprehensive audit performed by my staff in the Ministry of Human Resources. I continue to serve on the Board of Governors of the Foundation.

Public Accounts Committee

10.21 The Annual Report of the Auditor General, after being tabled in the Legislative Assembly, is referred to the Public Accounts Committee which is composed of a wide cross-section of Members of the Assembly. The Committee has based most of its discussion in recent years on matters contained in the Auditor General's Report.

10.22 My last Annual Report was tabled in the Legislative Assembly on 31 March 1981. Discussion of matters contained in that Report began at regular meetings of the Committee on 22 April and continued to 24 June 1981. In all, the Committee met 10 times in 1981, and discussed matters arising from the Report at all but one meeting. I attended all Committee meetings at which matters contained in the Auditor General's Report were discussed.

10.23 The report of the Public Accounts Committee was tabled in the Legislative Assembly on 6 July 1981.

Advisory Council

10.24 I wish to acknowledge the valuable contribution made by the following senior members of the accounting profession who have served on the Auditor General's Advisory Council during the past year:

Michael J. Ashby, F.C.A.

Arthur Beedle, F.C.A.

Harold G. Craven, F.C.A.

Ronald W. Park, F.C.A.

Denham J. Kelsey, F.C.A.

10.25 Mr. Dennis F. Culver, F.C.A., who served for three years as a member of this Council, was elected president of the Canadian Institute of Chartered Accountants in September 1981. I am pleased that this professional association has seen fit to recognize in this way the contribution Mr. Culver has made in so many ways to his profession and community, and I congratulate him on this honour.

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Appendix I

Sections of the *Auditor General Act* Relevant to the Responsibilities of the Auditor General

EXAMINATION OF ACCOUNTS

6. (1) The Auditor General shall examine in the manner he considers necessary the accounts and records of the government relating to the consolidated revenue fund and all public money, including trust and special funds under the management of the government, and to public property.

(2) Notwithstanding any other Act, the Auditor General

(a) shall be given access to the records of account and administration of any ministry; and

(b) may require and receive from any person in the public service, information, reports and explanations necessary for the performance of his duties.

REPORT ON FINANCIAL STATEMENTS

7. (1) The Auditor General shall report annually to the Legislative Assembly on the financial statements of the government, including those required by section 40 of the *Financial Control Act*, respecting the fiscal year then ended.

(2) The report shall form part of the public accounts and shall state

(a) whether he has received all of the information and explanations he has required; and

(b) whether in his opinion, the financial statements present fairly the financial position, results of operations and changes in financial position of the government in accordance with the stated accounting policies and as to whether they are on a basis consistent with that of the preceding year.

(3) Where the report of the Auditor General does not contain the unqualified opinion required under this section, the Auditor General shall state the reasons why.

ANNUAL REPORT

8. (1) The Auditor General shall report annually to the Legislative Assembly on the work of his office and call attention to anything resulting from his examination that he considers should be brought to the attention of the Legislative Assembly including any case where he has observed that

(a) accounts have not been faithfully and properly kept or public money has not been fully accounted for;

(b) essential records have not been maintained;

(c) the rules, procedures or systems of internal control applied have been insufficient

(i) to safeguard and protect the assets of the Crown;

(ii) to secure an effective check on the assessment, collection and proper allocation of the revenue;

(iii) to ensure that expenditures have been made only as authorized; or

(iv) to ensure the accuracy and reliability of the accounting data; or

(d) public money has been expended for purposes other than for which it was appropriated by the Legislature.

(2) In the report the Auditor General may also include an assessment

(a) as to whether the financial statements of the government are prepared in accordance with the most appropriate basis of accounting for the purpose of fair presentation and disclosure; or

(b) as to whether any program being administered by a ministry is being administered economically and efficiently.

TRIVIAL MATTERS

9. The Auditor General need not report to the Legislative Assembly on any matter he considers immaterial or insignificant.

SUBMISSION OF ANNUAL REPORT

10. (1) A report of the Auditor General to the Legislative Assembly shall be submitted by him through the Minister of Finance.

(2) On receipt of a report of the Auditor General, the Minister of Finance shall lay the report before the Legislative Assembly as soon as possible.

(3) If the Minister of Finance does not lay the report before the Legislative Assembly on the first sitting day following the receipt of the report by him, the Auditor General shall transmit the report to the Speaker and the Speaker shall lay the report before the Legislative Assembly.

(4) On being laid before the Legislative Assembly, the annual report of the Auditor General shall be referred to the Public Accounts Committee of the Legislative Assembly.

SPECIAL REPORT

11. The Auditor General may at any time make a special report to the Legislative Assembly on a matter of primary importance or urgency that, in his opinion, should not be deferred until he makes his annual report.

OTHER REPORTS

12. The Auditor General may at any time make a report to the Minister of Finance, the Treasury Board, the Lieutenant Governor in Council, or any public officer on any matter that in the opinion of the Auditor General should be brought to his or their attention.

SPECIAL ASSIGNMENTS

13. The Auditor General may undertake special assignments at the request of the Lieutenant Governor in Council, but he is under no obligation to carry out any requested assignment if, in his opinion, it would interfere with his primary responsibilities.

STAFF IN MINISTRIES

14. (1) The Auditor General may station in any ministry a person employed in his office to enable him to more effectively carry out his duties, and the ministry shall provide the necessary office accommodation for a person so stationed.

(2) The Auditor General shall require every person employed in his office who is to examine the accounts or the administration of a ministry pursuant to this Act to comply with any security requirements applicable to, and to take any oath of secrecy required to be taken by, persons employed in that ministry.

INQUIRY POWERS

15. The Auditor General may examine any person on oath on any matter pertaining to his responsiblities and for that examination the Auditor General has all the powers, protection and privileges of a commissioner under sections 12, 15 and 16 of the *Inquiry Act*.

PUBLIC BODIES

16. (1) Notwithstanding any other Act, where the Auditor General is not the auditor of a public body,

(a) the public body shall, on the request of the Auditor General, supply the Auditor General with a copy of all financial statements and reports relating to the public body;

(b) the auditor of the public body shall, on the request of the Auditor General, within a reasonable time, make available to the Auditor General, all working papers, reports and other documents in his possession relating to the public body; and

(c) the Auditor General may conduct examinations of the records and operations of the public body he considers necessary or advisable to carry out his duties under this Act.

(2) Notwithstanding any other Act, the Auditor General

(a) shall be given access to the records of account and administration of any public body; and

(b) may require and receive from any officer or employee of a public body information reports and information necessary for the performance of his duties.

ELIGIBILITY AS AUDITOR

17. Notwithstanding any other Act, the Auditor General is eligible to be appointed the auditor, or a joint auditor, of a Crown corporation, Crown agency or public body.

TRANSFER OF AUDIT DUTIES

18. The Lieutenant Governor in Council may transfer to the Auditor General the duty imposed by any Act on the Comptroller General to conduct an audit.

Appendix II

Public Bodies, of Which the Auditor General was not the Appointed Auditor, Whose Financial Statements are Included in Section F of the Public Accounts

British Columbia Buildings Corporation
British Columbia Cellulose Company
British Columbia Development Corporation
British Columbia Ferry Corporation
British Columbia Housing Management Commission
British Columbia Hydro and Power Authority
British Columbia Petroleum Corporation
British Columbia Railway Company
British Columbia Research Council
British Columbia Steamship Company (1975) Ltd.
British Columbia Systems Corporation
Discovery Foundation
Housing Corporation of British Columbia
Insurance Corporation of British Columbia
Metro Transit Operating Company
Ocean Falls Corporation
Pacific Coach Lines Limited
Science Council of British Columbia
Surrey Farm Products Investments Ltd.
T.S. Holdings Ltd.
Universities Council
Urban Transit Authority

Appendix III

Sections B and C of the Public Accounts

The material which forms Appendix III is an excerpt from the Public Accounts of British Columbia for the fiscal year ended 31 March 1981.

SECTION B

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

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COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

PREAMBLE ON ACCOUNTING POLICY

This year's Public Accounts mark a change to the reporting of revenue—except for income tax revenue—and expenditure on an accrual accounting basis. In prior years the cash basis of accounting was used, modified to allow for certain receipts and payments made to April 30 of the following fiscal period to be included as revenue and expenditure of the prior year. With accounting on an accrual basis, accounts receivable and expenditures incurred during the fiscal year are reported, regardless of the date of receipt and payment, whereas when accounting on a cash basis, only revenue received and payments made during the period are reported.

In addition, the activities of the General Fund and Special Purpose Funds, comprising the transactions and balances of the Consolidated Revenue Fund, have been combined in a single set of financial statements for reporting purposes. Other accounting policy changes have been made and these are described in Note 1, "Summary of Significant Accounting Policies". In order to present this information in a manner that maintains the reporting of expenditure against the authority provided by the Estimates or supplementary statutes and special warrrants, and also to present some comparison with prior years, the figures for 1980/81 have been prepared on both an accrual and a cash basis, with the comparative figures for 1979/80 on a cash basis. Where possible, all accounting policy adjustments have been disclosed separately.

In the Combined Financial Statements, the transfers between the General Fund and Special Purpose Funds have been eliminated, but General Fund figures have been reported separately in order to ensure the reporting of General Fund expenditures is consistent with the legislative authority.

The effect of the changes in the accounting policies is described in Note 2, "Changes in Accounting Policies", together with a breakdown of the effect on the restated net equity at March 31, 1980.

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS INCLUDED IN THE PUBLIC ACCOUNTS OF THE PROVINCE OF BRITISH COLUMBIA

the Legislative Assembly
of the Province of British Columbia
rliament Buildings
ctoria, British Columbia

have examined the financial statements of the Combined General nd and Special Purpose Funds (Consolidated Revenue Fund) of the vernment of the Province of British Columbia for the fiscal ar ended March 31, 1981 as presented in Section B of the Public counts, and the related supplementary statements contained in b-sections B26 through B61. These financial statements are:

Balance Sheet.
Statement of Net Equity.
Statement of Operating Results.
Statement of Changes in Cash and Marketable Securities.
Notes to Combined Financial Statements.

th respect to the supplementary statements, I did not examine d do not express an opinion on the figures reported in Combined neral Fund and Special Purpose Funds Revenue by Sources (B28) d Expenditure by Functions (B31) for the fiscal years ended rch 31, 1977 through 1979.

examination was made in accordance with generally accepted diting standards, and accordingly included such tests and other ocedures as I considered necessary in the circumstances. I ve received all the information and explanations I have quired for the purpose of my examination.

report in accordance with section 7 of the *Auditor General t*. In my opinion, these financial statements present fairly e financial position of the Government of the Province of itish Columbia as at March 31, 1981 and the results of its erations and the changes in its financial position for the year en ended on a combined basis in accordance with the stated counting policies as set out in Note 1 to the financial atements. This is the first year of implementing the accrual sis of accounting, and comparative figures for the year ended rch 31, 1980 on an accrual basis are not presented in these atements; however, opening balances for the 1981 fiscal year ve been adjusted to give retroactive effect to the change. I so report that, in my opinion, the figures presented for 1981 a cash basis are consistent with those for 1980.

I emphasize that this report is limited under section 7 of the Act to an opinion on presentation of the financial statements accordance with the stated accounting policies of the Government. Under section 8 of the Act I report separately or other matters resulting from my examination that I consider should be brought to the attention of the Legislative Assembly That report will be presented at a future date.

ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
30 September 1981

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

BALANCE SHEET AS AT MARCH 31, 1981

	1981		1980
	Accrual Basis (Note 1)	Cash Basis (Note 2)	Cash Basis (Note 2)
ASSETS	$	$	$
sh and short-term deposits (note 3)	514,736,436	514,688,081	1,030,976,433
rketable securities (note 4)	236,440,991	238,421,675	31,582,414
counts receivable (note 5)	356,852,098	156,309,996	218,226,692
e from Crown corporations and agencies (note 6)	137,959,164	82,599,769	73,898,590
ventories (note 7)	37,829,254	2,106,599	1,948,621
rtgages receivable (note 8)	182,929,682	181,057,553	213,904,364
estment in and advances to Crown corporations (note 9)	295,286,045	295,286,045	359,917,953
perty under development (note 10)	69,634,858	68,345,722	74,100,102
ner investments (note 11)	332,101,290	354,072,605	178,004,820
ed assets (note 12)	1	2,888,685,270	2,601,850,257
	2,163,769,819	4,781,573,315	4,784,410,246
LIABILITIES			
counts payable and accrued liabilities	250,234,225	194,862,864	181,058,837
matured debt (note 13)	209,247,790	209,247,790	235,347,790
	459,482,015	404,110,654	416,406,627
NET EQUITY			
t equity (note 14)	1,704,287,804	911,909,737	1,257,621,788
pital surplus (note 2)	—	3,465,552,924	3,110,381,831
	1,704,287,804	4,377,462,661	4,368,003,619
	2,163,769,819	4,781,573,315	4,784,410,246
UST FUNDS UNDER ADMINISTRATION (note 15)			
Superannuation and pension funds	3,134,161,266	3,134,161,266	2,624,339,352
Trust funds	2,037,152,002	2,037,152,002	2,050,444,957
	5,171,313,268	5,171,313,268	4,674,784,309
NTINGENT LIABILITIES			
Guaranteed debt (note 16)	8,287,209,507	8,287,209,507	7,817,426,763
Other (note 17)			

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

Approved on behalf of the Ministry of Finance:

L. I. BELL
Deputy Minister of Finance

D. R. ALEXANDER
Comptroller General

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
(CONSOLIDATED REVENUE FUND)

STATEMENT OF NET EQUITY
FOR THE FISCAL YEAR ENDED MARCH 31, 1981

	1981				1980
	Accrual Basis			Cash Basis	Cash Basis
	Appropriated Assets	Unappropriated Assets	Total	Total	Total
	$	$	$	$	$
Net Equity—Beginning of Year (note 2)	1,115,785,515	845,236,834	1,961,022,349	1,257,621,788	767,134,577
Flows During Year					
Net revenue (expenditure) for the year	(246,217,858)	(10,516,687)	(256,734,545)	(345,712,051)	490,487,211
Amounts transferred from the General Fund to Special Purpose Funds during the year	507,889,218	(507,889,218)	—	—	—
	261,671,360	(518,405,905)	(256,734,545)	(345,712,051)	490,487,211
Net Equity—End of Year (note 14)	1,377,456,875	326,830,929	1,704,287,804	911,909,737	1,257,621,788

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

(CONSOLIDATED REVENUE FUND)

STATEMENT OF OPERATING RESULTS
FOR THE FISCAL YEAR ENDED MARCH 31,1981

	1981					1980
	Accrual Basis				Cash Basis	Cash Basis
	General Fund	Special Purpose Funds	Adjustments For Transfers Between Funds	Total	Total	Total
	$	$	$	$	$	$
Revenue						
Taxation	3,007,904,660	666,224		3,008,570,884	2,967,029,897	2,674,540,251
Natural resources	862,370,360			862,370,360	988,202,065	1,298,036,393
Other	430,351,922	635,380,078	(533,210,746)	532,521,254	537,085,008	411,221,269
Contributions from Government enterprises	293,115,747			293,115,747	313,971,707	244,310,996
Contributions from other governments	1,106,146,797			1,106,146,797	1,098,566,124	976,035,589
Total revenue	5,699,889,486	636,046,302	(533,210,746)	5,802,725,042	5,904,854,801	5,604,144,498
Expenditure						
General government	253,551,740	1,309,447		254,861,187	255,276,944	242,579,657
Protection of persons and property	286,122,737	75,621		286,198,358	287,009,895	262,097,238
Transportation and communications	577,315,553	8,107,737	(30,000,000)	555,423,290	558,942,932	515,718,281
Health and social services	2,499,905,310	3,802,954		2,503,708,264	2,501,112,029	2,018,853,822
Recreation and cultural services	71,251,811	11,750,441	(8,000,000)	75,002,252	75,428,239	69,979,733
Education	1,317,935,924			1,317,935,924	1,322,152,082	1,199,078,679
Natural resources and primary industries	504,176,773	47,687,346	(186,349,982)	365,514,137	367,346,295	318,287,426
Trade and industrial development	116,709,210	13,185,789	(52,500,000)	77,394,999	87,383,482	68,165,125
Housing	86,504,825	31,433,475	(160,764)	117,777,536	309,162,556	93,420,392
Aid to local government	380,107,283	173,104,611	(256,200,000)	297,011,894	298,892,627	207,015,131
Interest on public debt	19,299,398			19,299,398	19,299,398	21,681,023
Grants and contributions	94,197,784	11,641,105		105,838,889	107,204,170	39,562,420
Other	71,859,232	11,634,227		83,493,459	61,356,203	57,218,360
Total expenditure	6,278,937,580	313,732,753	(533,210,746)	6,059,459,587	6,250,566,852	5,113,657,287
Net Revenue (Expenditure) for the Year	(579,048,094)	322,313,549	—	(256,734,545)	(345,712,051)[1]	490,487,211[1]

[1] Net revenue (expenditure) as reported on the cash basis for the fiscal years ended March 31, 1980 and 1981 excludes an adjustment in each year for the repayment of unmatured debt of $26,100,000. The net revenue (expenditure) as previously reported included these adjustments and reported net revenue (expenditure) of $464,387,211 and ($371,812,051) respectively.

The accompanying notes are an integral part of these financial statements

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

STATEMENT OF CHANGES IN CASH AND MARKETABLE SECURITIES FOR THE FISCAL YEAR ENDED MARCH 31,1981

	$	$
Balance—Beginning of Year		
As previously reported on cash basis:		
Cash and short-term deposits	1,030,976,433	
Marketable securities	31,582,414	
	1,062,558,847	
Accounting policy changes	1,576,061	
		1,064,134,908
Operating Transactions		
Revenue	5,802,725,042	
Expenditure	6,059,459,587	
Net Revenue (Expenditure)	(256,734,545)	
Plus: non-cash items included in net revenue (see below)	36,839,826	
Used for operations		**(219,894,719)**
Financing Transactions		
Receipts:		
Repayment of loans and advances	96,750,701	
Repayment of investments	5,799,760	
Mortgage principal repayments	46,415,710	
Property sales—net	4,465,244	
	153,431,415	
Disbursements:		
Loans and advances	17,548,674	
Debt retirement	26,100,000	
Mortgages issued	16,441,028	
Advances re: Housing Initiative Program Agreement	186,404,475	
	246,494,177	
Used for financing transactions		**(93,062,762)**
Decrease in Cash, Short-Term Deposits and Marketable Securities		**(312,957,481)**
Balance—End of Year		
Cash and short-term deposits	514,736,436	
Marketable securities	236,440,991	
		751,177,427

Non-Cash Items Included in Net Revenue

Change in accounts receivable	6,767,295
Change in inventories	(1,990,666)
Change in accounts payable	32,063,197
	36,839,826

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

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Significant Accounting Policies

PORTING ENTITY

These financial statements include the accounts of the Consolidated Revenue Fund and of certain funds posited with and administered by the Minister of Finance pursuant to various statutes. They do not include accounts of Crown corporations, except to the extent of investments or advances which are carried at the ver of cost or underlying net book values. Separate consolidated financial statements of the Province have en prepared which include the activities of certain of these entities. (*See* Section C).

For purposes of these financial statements the accounts of the Province are presented as one Consolied Revenue Fund, which is comprised of:

General Fund—this includes the main operating accounts of the Province; it includes all transactions of the Government not otherwise earmarked by legislative action, including the accounts of the British Columbia Liquor Distribution Branch, the Queen's Printer and the Purchasing Commission; and

Special Purpose Funds—these include earmarked revenues and funds set aside from the General Fund for specific or special purposes.

In addition, the accounts disclose, on a memorandum basis, Trust Funds Under Administration, which nprise monies administered by the Government but over which it has no power of appropriation and i udes trust deposits, sinking funds, certain assurance funds and superannuation funds.

NCIPLES OF COMBINATION

The accounts of the Special Purpose Funds have been combined with the General Fund after adjusting tm to a basis consistent with the accounting policies as described below. In order to maintain the reporting General Fund expenditures consistent with legislative authority, inter-fund revenue and expenditure nsactions from these various appropriations have not been eliminated from the General Fund accounts tailed in Section B), but they have been eliminated from both accounting entities upon combination.

IS OF ACCOUNTING—GENERAL FUND AND SPECIAL PURPOSE FUNDS

The accrual basis of accounting is used which, for these financial statements, is specifically expressed as ows:

Revenue:

Taxes on income are recorded on a cash basis because of the impracticality and uncertainty involved in their estimation. With this exception, all other revenue received into the General Fund and Special Purpose Funds and to which the Government is entitled is recorded in these accounts and, at year-end, where the Government has a legal claim upon outside parties, all amounts are recorded provided the amount has been billed.

Expenditure:

All expenditure, including the cost of fixed assets, has been recorded for all goods received and services rendered during the year and, at year-end, where the Government has recorded its obligation to outside parties, the amounts are recorded provided an invoice has been received or the expenditure can be reasonably estimated. Accumulated employee sick leave, vacation and other entitlements are recorded as expenditure in the accounts when they are paid.

Assets:

All assets are recorded to the extent that they represent claims of the Government upon outside parties or items held for resale to outside parties as a result of events and transactions prior to the year-end. Consistent with the reporting of fixed assets as expenditure, they are recorded at a nominal value of $1. Rental payments for leases which transfer the benefits and risks incident to the ownership of certain assets are reported as expenditure at the dates of inception of the leases.

Liabilities:

All liabilities are recorded to the extent they represent claims payable by the Government to outside parties as a result of events and transactions prior to the year-end.

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—*Continued*

BASIS OF ACCOUNTING—TRUST FUNDS UNDER ADMINISTRATION

These Funds are maintained on the cash basis whereby revenues are taken into the accounts in the fiscal period in which they are received and expenditures are charged when the actual payments are made. This basis of accounting has no effect on the operating results of the Government.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currency have been translated to Canadian dollars at the exchange rate prevailing at the year-end. Adjustments arising as a result of foreign currency translation are charged or credited to expenditure at the time the adjustments arise.

CASH AND SHORT-TERM DEPOSITS

Cash balances are shown after deducting outstanding cheques issued prior to the year-end; those issued subsequent to the year-end relating to the previous year are included with accounts payable.

MARKETABLE SECURITIES

Investments in marketable securities represent temporary investments and they are recorded at the lower of cost or market value.

ACCOUNTS RECEIVABLE

Accounts receivable represent only valid accounts receivable from outside parties. Provision is made where collectibility is considered doubtful.

DUE FROM CROWN CORPORATIONS AND AGENCIES

Amounts due from Crown corporations and agencies represent short-term investments and advances which will be realized in the following year. No provision for doubtful collection has been considered necessary with respect to these accounts.

INVENTORIES

Inventories comprise items held for resale and are valued at cost; inventories of supplies are charged to the respective programs when the cost is incurred.

MORTGAGES RECEIVABLE

Mortgages receivable comprise mortgages secured by real estate and repayable over periods ranging up to twenty-five years; provision is made where collectibility is considered doubtful.

INVESTMENTS IN AND ADVANCES TO CROWN CORPORATIONS

Investments in and advances to Crown corporations represent long-term investments and are recorded at cost, unless significant impairment in value has occurred since the aquisition date, in which case they are written down to recognize this loss in value.

PROPERTY UNDER DEVELOPMENT

Property under development is comprised of all property which will eventually be sold to outside parties; such property is recorded at original cost together with related development costs incurred since acquisition less a provision for future losses.

OTHER INVESTMENTS

Other investments include loans, investments and advances which are considered to be recoverable; they are recorded at the lower of cost or net realizable value.

2. Changes in Accounting Policies

Subsequent to the year-end, Treasury Board approved new accounting policies to take effect in the preparation of the Public Accounts for 1980/81 and subsequent years. In order to provide a sound basis for comparative purposes and to present the figures in a meaningful manner, these accounting policies have been applied retroactively for financial statement purposes and the net assets at April 1, 1980 have been restated.

In these financial statements, figures using these new policies have been prepared and disclosed under the "accrual basis" column. Figures have also been prepared in accordance with the accounting policies in effect in prior years ("cash basis") for the year ended March 31, 1981 with comparative figures on the same basis for the year ended March 31, 1980.

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

2. Changes in Accounting Policies—Continued

In previous years the cash basis of accounting, modified as described below, was used to report on the stewardship of the Government with respect to taxes and other revenues raised and funds appropriated and expended for Government programs. On this basis, revenues were taken into the accounts in the fiscal period in which they were received and expenditures were charged when the actual payments were made.

Under the basis used in prior years, payments for fixed assets, recoverable loans and advances, transfers to other funds and investments in Crown corporations were recorded as expenditures. Furthermore, certain modifications were made at year-end to the cash basis used in determining the operating results, including: the establishment of accounts receivable for monies received in April under cost-sharing agreements with other governments and of accounts payable for all payments made in April; the inclusion of net income of certain Crown entities—the British Columbia Liquor Distribution Branch and the British Columbia Systems Corporation—and of working capital advances made to certain Crown agencies—the Queen's Printer and the Purchasing Commission; and the accrual of interest payable at the year-end on unmatured debt. Finally, certain items recorded as expenditures in determining the Revenue Surplus for the year were reinstated as assets, on a memorandum basis, to a Capital Surplus account.

In accordance with the Government's new accounting policies, the Capital Surplus account has been removed and appropriate adjustments made to the net equity as at April 1, 1980. The effect of the changes in accounting policies on the net equity of the Consolidated Revenue Fund, as restated, is as follows:

	General Fund	Special Purpose Funds	Consolidated Revenue Fund Total
	$	$	$
Net equity as at March 31, 1980, per 1979/80 Public Accounts	309,388,866	945,288,357	1,254,677,223
Reclassification of certain Special Purpose Funds		2,944,565	2,944,565
	309,388,866	948,232,922	1,257,621,788
Accounting policy adjustments:			
Items previously recorded in Capital Surplus:			
Accounts receivable	458,519,073		458,519,073
Due from Crown corporations	71,605,591		71,605,591
Other investments	1,897,671		1,897,671
Other items:			
Accounts receivable	171,483,194	5,732,996	177,216,190
Accounts payable	(10,100,503)		(10,100,503)
Inventories	7,645,665		7,645,665
Fixed assets	(3,945,656)		(3,945,656)
Advances re: Housing Initiative Program Agreement	200,000,000	(199,437,470)	562,530
Net equity as at March 31, 1980, as restated	1,206,493,901	754,528,448	1,961,022,349

The effect of the changes in accounting policies on the operating results for the fiscal year ended March 31, 1981 is as follows:

	General Fund	Special Purpose Funds	Consolidated Revenue Fund Total
	$	$	$
Net revenue (expenditure) for the year—cash basis	(496,737,586)	124,925,535	(371,812,051)
Debt repayment adjustment	26,100,000	—	26,100,000
	(470,637,586)	124,925,535	(345,712,051)
Net accounting policy adjustments	(108,410,508)	197,388,014	88,977,506
Net revenue (expenditure) for the year—accrual basis	(579,048,094)	322,313,549	(256,734,545)

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

3. Cash and Short-Term Deposits

	1981		1980
	Accrual Basis	Cash Basis	Cash Basis
	$	$	$
Cash			
Cash overdrawn at chartered banks in Canada	(193,467,785)	(193,467,785)	(116,849,362)
Cash in banks in England	124,893	124,893	59,289
Cash in banks in United States	106,831	106,831	143,692
Cash on hand	105,261	56,906	13,892
	(193,130,800)	(193,179,155)	(116,632,489)
Short-term deposits	836,205,461	836,205,461	1,315,141,483
	643,074,661	643,026,306	1,198,508,994
Less amounts applicable to Trust Funds	128,338,225	128,338,225	167,532,561
Total cash and short-term deposits	514,736,436	514,688,081	1,030,976,433

Other than statutory requirements or administrative policies which specifically provide for the maintenance of separate bank accounts, the Government's cash balances and short-term deposits are all held in General Fund bank and investment accounts. This facilitates cash management and administration, although interest due to funds other than the General Fund is allocated or paid to those funds at market rates. At year-end, balances applicable to funds outside the Consolidated Revenue Fund are deducted from the General Fund balance and reported in the other fund accounts.

4. Marketable Securities

	1981			1980
	Market Value	Cost	Lower of Cost or Market Value	Cost
	$	$	$	$
B.B.C. Mortgage Ltd.	1,923,644	2,000,000	1,923,644	—
Canadian Dominion Leasing Corporation Ltd. notes	14,494,622	15,093,853	14,494,622	2,442,450
Canada Treasury bills	130,673,547	131,162,142	130,673,547	9,090,600
Export Development Corporation	—	—	—	49,364
First Canadian Investment Limited	30,247,985	30,990,456	30,247,985	—
Globe Realty Limited	11,432,013	11,430,564	11,430,564	—
Government of Canada bonds	3,574,000	3,544,400	3,544,400	—
Hydro Quebec notes	—	—	—	20,000,000
Province of Newfoundland Treasury bills	4,890,457	4,885,550	4,885,550	—
Province of Quebec Treasury bills	6,769,749	6,759,870	6,759,870	—
Province of Saskatchewan notes	9,884,113	9,880,900	9,880,900	—
Province of Saskatchewan Treasury bills	4,875,148	4,870,700	4,870,700	—
Roylease Limited	4,156,153	4,153,446	4,153,446	—
Roymor Limited	2,960,954	3,000,000	2,960,954	—
Scotia Leasing Limited	865,015	900,000	865,015	—
Scotia Mortgage Corporation	984,772	984,690	984,690	—
Tordom Corporation	8,777,559	8,765,104	8,765,104	—
	236,509,731	238,421,675	236,440,991	31,582,41

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

5. Accounts Receivable

	1981		1980
	Accrual Basis	Cash Basis	Cash Basis
	$	$	$
Government of Canada—			
Shared-cost programs	80,249,081	36,891,056	22,013,696
French language program	129,625	129,625	733,031
British Columbia municipalities—re: shared-cost programs	3,499,488	3,499,488	1,806,542
Taxes receivable (net of provision for doubtful recoveries of $838,230)	142,484,373	25,454,860	21,646,090
Timber royalty and stumpage and grazing fees	12,350,377	16,351,385	112,355,270
School districts, library districts, improvement districts, water districts, co-operative associations, local areas and other	41,725,801	41,725,801	36,066,147
Ministerial advances and sundry agencies (net of provision for doubtful recoveries of $625,925)	4,151,442	4,151,442	3,679,623
Trade accounts and other receivables of the—			
Crown Land Fund	24,332,605	24,054,761	17,274,881
British Columbia Liquor Distribution Branch	702,657	—	—
Queen's Printer	252,350	252,350	318,857
Accrued interest receivable	28,029,483	—	—
Land sales—principal	1,110,672	1,110,672	1,301,642
Water and power licence fees	2,240,907	2,240,907	117,065
Court fees	5,181,431	—	—
Sundry fees	5,067,120	—	—
Miscellaneous accounts receivable	5,344,686	447,649	913,848
	356,852,098	156,309,996	218,226,692

6. Due From Crown Corporations and Agencies

	1981		1980
	Accrual Basis	Cash Basis	Cash Basis
	$	$	$
British Columbia Assessment Authority	2,280,671	2,280,671	2,262,391
British Columbia Buildings Corporation	17,448,860	366,705	321,368
British Columbia Development Corporation	14,403	14,403	9,241
British Columbia Ferry Corporation	2,490,852	1,738,621	2,011,230
British Columbia Housing Management Commission	55,041	55,041	—
British Columbia Hydro and Power Authority	27,585,498	26,020,269	18,313,238
British Columbia Liquor Distribution Branch	—	4,479,407	5,868,415
British Columbia Petroleum Corporation	41,984,837	6,016	—
British Columbia Place Ltd.	(1,496,435)	—	—
British Columbia Railway Company	38,078,168	38,063,082	40,258,690
British Columbia Steamship Company (1975) Ltd.	26,005	26,005	2,630
British Columbia Systems Corporation	1,983,074	1,709,942	359,906
Insurance Corporation of British Columbia	(2,248,666)	1,334	9,892
Medical Services Commission of British Columbia	1,587,305	77,961	936,503
Metro Transit Operating Company	627,903	627,903	—
Public Service Superannuation Fund	1,239,771	1,239,771	—
Urban Transit Authority	20,813	20,813	71,704
Workers' Compensation Board of British Columbia	1,789,337	1,789,337	439,830
Other agencies	4,491,727	4,082,488	3,033,552
	137,959,164	82,599,769	73,898,590

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

7. Inventories

	1981		1980
	Accrual Basis	Cash Basis	Cash Basis
	$	$	$
Ministry of Finance, Purchasing Commission	—	361,412	324,369
Queen's Printer	—	1,745,187	1,624,252
British Columbia Liquor Distribution Branch	28,741,009	—	—
Ministry of Education	5,725,129	—	—
Ministry of Health	2,896,116	—	—
Ministry of Environment	467,000	—	—
	37,829,254	2,106,599	1,948,621

8. Mortgages Receivable

	1981		1980
	Accrual Basis	Cash Basis	Cash Basis
	$	$	$
Crown Land Fund—first mortgages, fully secured, with terms of up to 25 years and interest rates varying from 4% to 19%	21,646,519	19,574,390	20,140,492
Provincial Home Acquisition Fund—first and second mortgages pursuant to the *Provincial Home Acquisition Act* and the *Home Conversion and Leasehold Loan Act*, fully secured, with terms of up to 5 years and interest rates varying from 8% to 15¾% (net of provision for doubtful recoveries of $200,000)	161,283,163	161,483,163	193,763,87
	182,929,682	181,057,553	213,904,36

9. Investments in and Advances to Crown Corporations

	1981			1980
	Shares	Advances	Total	Cash Basis
	$	$	$	$
British Columbia Buildings Corporation	—	166,346,873	166,346,873	203,984,10
British Columbia Cellulose Company	2	—	2	
British Columbia Development Corporation	42,500,000	9,003,480	51,503,480	71,500,00
British Columbia Ferry Corporation	5,849,700	—	5,849,700	5,849,70
British Columbia Harbours Board	—	18,838,693	18,838,693	18,838,69
British Columbia Housing Management Commission	—	4,909,475	4,909,475	3,000,00
British Columbia Railway Company	1	—	1	
British Columbia Steamship Company (1975) Ltd.	5	—	5	
British Columbia Systems Corporation	—	10,000,000	10,000,000	10,000,0
Housing Corporation of British Columbia	1	—	1	6,699,7
Pacific Coach Lines Ltd.	2	—	2	
Provincial Rental Housing Corporation	633,511	37,204,301	37,837,812	38,045,9
Surrey Farm Products Investments Limited	1	—	1	
T. S. Holdings Ltd.	—	—	—	
Thompson-Okanagan Transit Ltd.	—	—	—	50,0
Urban Transit Authority	—	—	—	1,949,6
	48,983,223	246,302,822	295,286,045	359,917,9

(a) Recorded Investments

The above amounts are the Province's recorded investments and advances to Crown corporations. T entire issued capital stock for each of the above recorded investments is owned by the Province. In addition number of other Crown corporations and agencies exist in which the Province has no recorded investme Crown corporations and agencies are listed in Note 1 to the Consolidated Financial Statements.

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

9. Investments in and Advances to Crown Corporations—Continued

(b) British Columbia Railway Company

The Province holds the entire issued share capital of the British Columbia Railway Company and, pursuant to the *British Columbia Railway Finance Act* (formerly the *British Columbia Railway Construction Loan Act*), guarantees the payment of the principal and interest on all monies borrowed by the Railway. The historic cost of the shares was $185,572,900 and, at March 31, 1981 the amount of the debt guaranteed by the Province (net of sinking funds) was $713,226,540.

During the year ended March 31, 1980, in view of the cumulative deficit of the Railway, the Province's investment was written down to one dollar.

During the year the *British Columbia Railway Finance Act* was amended to allow the Government to provide $70 million to be applied against the debt service charges of the Railway for its fiscal year ended January 2, 1981. The Government has provided $70 million from the General Fund to be applied against debt service charges of the Railway during its fiscal year ending January 1, 1982, and intends to provide for the debt service charges on an ongoing basis.

The Railway's debt service charges for each of the next five fiscal years ending March 31, 1982 through 1986 are estimated to be $109.9, $79, $77.6, $77.6 and $77.6 million respectively.

(c) Ocean Falls Corporation

The Province, through Ocean Falls Corporation, is the owner of the newsprint mill and townsite at Ocean Falls, which were acquired in 1973 for a payment of $789,952. In subsequent years, the Province made additional advances to the Corporation which, together with accrued interest, approximated $12 million at March 31, 1980. Because of continuing losses incurred by the Corporation, both the investment and advance were fully provided for in the 1979/80 Public Accounts and written off by Order in Council in the 1980/81 fiscal year. After the debt to the Province had been forgiven, the Corporation had outstanding obligations of approximately $36 million at March 31, 1981.

No provision has been made in these financial statements for the existing liabilities of Ocean Falls. However, in order to prevent the accumulation of interest on the Corporation's loans, arrangements have been made with a financial institution in the 1981/82 fiscal year, under which the Government maintains a deposit account equal to the Corporation's loan. No interest is to be earned on this deposit. In turn no interest is to be charged on the Ocean Falls loans. This arrangement will be maintained until a final evaluation of the Corporation's business is made.

There are outstanding claims being pursued in the courts against the Corporation for alleged failure to meet contractual obligations following the decision to cease operations in June, 1980. The Corporation disputes any liability under these claims. No provision has been made by the Corporation in estimating its liabilities and no provision has been made in these financial statements.

(d) Housing Corporation of British Columbia

The operations of the Corporation are in the process of voluntary liquidation and the investment at March 31, 1980 has been recovered. Pending dissolution the investment has been written down to a nominal value of $1.

(e) T. S. Holdings Ltd.

Effective March 31, 1981 the Company distributed its remaining assets to the Province (as sole shareholder) in satisfaction of its share capital and retained earnings and was struck from the Register of Companies on that date.

(f) Thompson-Okanagan Transit Ltd.

The advance of $50,000 was repaid to the Province upon dissolution of the Company at March 31, 1981.

(g) Urban Transit Authority

An operating advance of $1,949,681 outstanding at March 31, 1980 was repaid to the Province in the 1980/81 fiscal year.

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

10. Property Under Development

	1981		1980
	Accrual Basis	Cash Basis	Cash Basis
	$	$	$
Crown Land Fund—real estate	69,634,858	68,345,722	74,100,102

11. Other Investments

	1981		1980
	Accrual Basis	Cash Basis	Cash Basis
Investments—	$	$	$
British Columbia Regional Hospital Districts Financing Authority bonds	22,000,000	22,000,000	22,000,000
British Columbia School Districts Capital Financing Authority bonds	59,071,501	59,071,501	59,071,501
British Columbia Resources Investment Corporation[1]	25,020,361	47,025,219	45,206,242
Kootenay Dehydrators[2]	100,000	100,000	100,000
Loans under the—			
Farm Product Industry Act	2,225,613	2,225,613	3,752,149
Ministry of Industry and Small Business Development Act[3]	19,531,896	19,498,353	27,890,596
Agricultural Land Development Act	16,990,418	16,990,418	15,191,495
Oyster Seed Program	44,496	44,496	45,420
Advances—			
City of Penticton	150,000	150,000	—
University Endowment Lands[3]	—	—	4,184,887
British Columbia Central Credit Union under Housing Initiative Program Agreement	186,967,005	186,967,005	562,530
	332,101,290	354,072,605	178,004,820

[1] 4.84 per cent interest, 4,654,955 common shares at market value (accrual basis).
[2] 35.9 per cent interest, 2,000 Class A common shares at cost, and entire issued capital stock of 98,000 Class B common shares at cost
[3] Net of provision for doubtful recoveries aggregating $35,968,017.

12. Fixed Assets

Fixed assets are carried at a nominal value of $1 having been recorded as expenditures when purchased On a memorandum basis, fixed assets, other than highways and the Songhees Reserve (land) account, ar depreciated on the straight-line method over a 40 year period. Highways were placed on the books at March 31, 1926 based on mileage classification and average value determined by the then Department of Publi Works. No value has been determined for approximately 76 million hectares (293,000 square miles) o Crown land which is comprised of parks, forests and all other publicly held land in the Province. No value ha been determined for office equipment, furniture and automobiles which have been recorded as expenditure when purchased.

	1981			1980
	Gross	Accumulated Depreciation	Net	
	$	$	$	$
Highways	2,510,053,781	—	2,510,053,781	2,244,847,78
Bridges	465,785,424	138,437,415	327,348,009	309,240,81
Wharves	203,250	203,240	10	1
Ferries and ferry landings	42,044,358	9,705,217	32,339,141	28,558,45
Buildings	24,110,559	5,939,920	18,170,639	18,429,50
Songhees Reserve, Victoria	773,690	—	773,690	773,69
	3,042,971,062	154,285,792	2,888,685,270	2,601,850,2

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

13. Unmatured Debt

	1981	1980
	$	$
Province of British Columbia bonds	209,247,790	235,347,790

The bonds bear interest at 9⅛ per cent per annum and are repayable in nine annual installments of $26,100,000 each commencing on May 1, 1979, through 1987, plus a final $26,547,790 on May 1, 1988. The Province has the right at any time to redeem the bonds in whole or in part. As at March 31, 1980 and 1981 the total unmatured debt was held in the investment accounts of the Public Service Superannuation and other Trust Funds.

14. Net Equity

Net equity is represented by assets which have been appropriated for specific purposes and assets which are unappropriated and available for future appropriation.

Unappropriated assets are comprised of the cash, short-term deposits, marketable securities, accounts receivable and inventories less accounts payable and accrued liabilities of the General Fund. All other assets of the General Fund less unmatured debt, and all assets less liabilities of the Special Purpose Funds are considered to be appropriated.

15. Trust Funds Under Administration

These comprise monies held in trust for third parties which are administered by the Government but over which the Legislature has no power of appropriation and they include trust deposits, sinking funds, certain assurance funds and superannuation funds.

	1981	1980
Trust Deposits	$	$
Courts	41,147,448	35,228,635
Intestate estates	27,172,001	21,786,756
Long term disability fund—Public Service	16,246,722	10,335,222
Long term disability fund—Crown corporations	3,443,582	2,283,435
Official Committee	47,212,557	32,855,355
Official Guardian	9,922,416	8,087,984
Other	29,794,871	366,559,474
	174,939,597	477,136,861
Sinking Funds		
British Columbia Buildings Corporation	5,735,100	3,317,512
British Columbia Ferry Corporation	17,629,635	20,698,377
British Columbia Hyro and Power Authority	467,390,192	411,141,419
British Columbia Railway Company	139,229,543	118,431,893
British Columbia Regional Hospital Districts Financing Authority	90,910,745	70,087,999
British Columbia School Districts Capital Financing Authority	295,779,843	240,938,748
Greater Vancouver Sewerage and Drainage District	19,660,831	22,451,440
Other	9,445,599	7,573,489
	1,045,781,488	894,640,877
Superannuation and Pension Funds		
Public Service Superannuation Fund	982,343,070	823,384,647
Municipal Superannuation Fund	987,225,852	833,613,321
Teachers' Pension Fund	740,455,223	613,069,104
College Pension Fund	50,843,221	37,928,219
British Columbia Hydro and Power Authority Pension Fund	263,891,507	224,318,343
British Columbia Power Commission Superannuation Fund	24,416,744	23,239,083
British Columbia Railway Company Pension Fund	54,207,200	42,994,894
Members of the Legislative Assembly Superannuation Account	2,252,338	1,811,372
Workers' Compensation Board of British Columbia Superannuation Fund	28,526,111	23,980,369
	3,134,161,266	2,624,339,352
Miscellaneous[1]	816,430,917	678,667,219
	5,171,313,268	4,674,784,309

[1] See Section G of the Public Accounts for a list of these accounts.

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

15. Trust Funds Under Administration—Continued

(a) Trust Deposits

Trust Deposits are the funds which are administered by the Government under statutes such as the Patients Property, Estate Administration or Infants Acts. Patient accounts for some Government institutions as well as surplus working capital funds for several Crown corporations are also administered in this section.

(b) Sinking Funds

Sinking Funds are the accumulation of installment payments and interest earned for the purpose of debt retirement at some future date. The amount and number of installments as well as the type of securities in which installments and interest earnings may be invested, may be specified in the debt issue.

(c) Superannuation and Pension Funds

The Government manages the administration of and is responsible for employee contributions to certain superannuation and pension plans in accordance with the following Acts and Regulations:

Pension (Public Service) Act
Pension (Municipal) Act
Pension (Teachers') Act
Pension (College) Act
Legislative Assembly Allowance and Pension Act
British Columbia Hydro and Power Authority Pension Fund Regulations
British Columbia Power Commission Superannuation Fund Regulations
British Columbia Railway Company Pension Fund Rules and Regulations
Workers' Compensation Board Superannuation Fund Plan

The Government is responsible for the employer contributions, and has statutory responsibilities with respect to unfunded liabilities under the *Pension (Public Service) Act*, the *Pension (Teachers') Act* and the *Legislative Assembly Allowance and Pension Act*. The Government has no statutory responsibilities with respect to unfunded liabilities under the other Acts and Regulations noted above.

Summarized actuarial balance sheets of the pension and superannuation funds are set out on the following page.

(d) Miscellaneous Trust Funds

Miscellaneous Trust Funds include those accounts which have been established by statutes to protect the citizens of British Columbia. Included are the Workers' Compensation Board, Crop Insurance, Land Registry Assurance and Travel Agents Assurance Funds.

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

15. Trust Funds Under Administration—Continued

Summarized Actuarial Balance Sheets of Superannuation and Pension Funds as at the dates of the latest actuarial valuation:

	Funds for Which the Government Has Statutory Responsibility With Respect to Unfunded Liabilities		Other Funds				
	Public Service Superannuation as at March 31, 1980	Teachers' Pension as at December 31, 1977	Municipal Superannuation as at December 31, 1979	College Pension as at August 31, 1976	British Columbia Hydro and Power Authority Pension as at December 31, 1979	British Columbia Railway Company Pension as at December 31, 1978	Workers' Compensation Board Superannuation as at March 31, 1977
Assets—	$	$	$	$	$	$	$
Fund	1,069,594,000	545,957,000	900,499,000	18,023,000	219,737,000	30,770,000	18,330,000
Present value of future contributions	1,071,750,000	1,395,627,000	1,531,071,000	53,152,000	355,854,000	75,612,000	20,204,000
	2,141,344,000	1,941,584,000	2,431,570,000	71,175,000	575,591,000	106,382,000	38,534,000
Unfunded Liability (Surplus)	631,172,000[1]	547,688,000	407,272,000[2]	12,290,000	(11,754,000)	6,756,000	4,477,000
Total Actuarial Liability	2,772,516,000	2,489,272,000	2,838,842,000	83,465,000	563,837,000	113,138,000	43,011,000

No actuarial valuations are required of the Members of the Legislative Assembly and the British Columbia Power Commission Superannuation Funds. Key actuarial assumptions on which the above balance sheets are based differ from plan to plan; the major assumptions include salary growth, the interest rate on fund assets, mortality rates, withdrawal rates and retirement age[3].

[1] The actuarial report indicated that present funding levels would amortize the unfunded liability in 30 years.
[2] The unfunded liability is arrived at after taking into account changes in contribution rates and benefits which became effective in 1980.
[3] Audited financial statements of these superannuation and pension funds and details of key actuarial assumptions are contained in Section G of the Public Accounts.

16. Contingent Liabilities—Guaranteed Debt

Debt of municipalities, other local governments, Crown agencies and outside enterprises guaranteed by the Province as to net principal and accrued interest outstanding.

		1981			1980
		Gross Outstanding	Net Sinking Funds	Net Outstanding	Net Outstanding
		$	$	$	$
Municipalities and other local governments—					
(1) Guarantees authorized pursuant to the *School Act*, sec. 232, (principally funded)	1,137,385,570				
Less: held by British Columbia School Districts Capital Financing Authority	1,134,532,487	2,853,083	—	2,853,083	6,198,925
(2) Guarantees authorized pursuant to sec. 41, *Hospital District Act*,	530,954,727				
Less: held by British Columbia Regional Hospital Districts Financing Authority	530,954,727	—	—	—	—
(3) Guarantees authorized pursuant to sec. 3, *Municipalities Assistance Act*, (serials)		20,971,927	—	20,971,927	28,767,010
(4) Guarantees authorized pursuant to sec. 854, *Municipal Act*, Part 25: debentures (principally serials)		25,610,880	6,149,509	19,461,371	20,273,163
(5) Greater Vancouver Sewerage and Drainage District debentures (some serials)		16,789,464	14,619,296	2,170,168	2,955,320
Subtotal, municipalities and local governments		66,225,354	20,768,805	45,456,549	58,194,418
Crown agencies—					
(6) Guarantees authorized pursuant to sec. 9, *Educational Institution Capital Finance Act*—debentures—funded		122,056,870	2,698,190	119,358,680	59,635,384
(7) Guarantees authorized pursuant to sec. 44, *Hydro and Power Authority Act*					
Bonds and debentures—funded		6,339,093,289	476,745,811	5,862,347,478	5,679,102,569
Parity bonds—unfunded		—	—	—	25,177,101
Notes		48,902,630	—	48,902,630	—
(8) Guarantees authorized pursuant to sec. 10, *British Columbia Railway Finance Act*—					
Bonds and debentures—funded		826,936,517	142,168,780	684,767,737	727,124,398
Notes—unfunded		28,458,803	—	28,458,803	33,166,229
(9) Guarantees authorized pursuant to sec. 18, *Ferry Corporation Act*—					
Bonds and debentures—funded		14,748,469	14,748,469	—	—
(10) Guarantees authorized pursuant to sec. 9, *School District Capital Finance Act*—					
Debentures—funded		1,119,219,818	303,023,767	816,196,051	800,332,414
Debentures—unfunded		15,312,669	—	15,312,669	19,196,771

Debentures—funded	568,217,054	92,858,339	475,358,715	411,106,485
(12) Guarantees authorized pursuant to sec. 8, *British Columbia Cellulose Company Act*	21,044,259	—	21,044,259	29,097,337
(13) Guarantees authorized pursuant to sec. 66, *Ministry of Transportation and Highways Act,* re: British Columbia Steamship Company (1975) Ltd.	3,726,086	—	3,726,086	3,027,696
(14) Guarantees authorized pursuant to sec. 13, *British Columbia Buildings Corporation Act*—				
Debentures—funded	160,036,710	5,801,455	154,235,255	85,050,559
Notes—unfunded	30,221,304	—	30,221,304	49,653,488
(15) Guarantees authorized pursuant to sec. 15, *Development Corporation Act*—Notes	65,368,630	—	65,368,630	31,676,430
(16) Guarantees authorized pursuant to sec. 22, *Urban Transit Authority Act*	20,001,567	—	20,001,567	—
(17) Guarantees authorized pursuant to sec. 6, *British Columbia Place Act, 1980*	44,807,873	—	44,807,873	—
Subtotal, Crown agencies[1]	9,428,152,548	1,038,044,811	8,390,107,737	7,953,346,861
Outside Resource enterprises—				
(18) Guarantees authorized pursuant to sec. 2, *Farm Product Industry Act*	8,572,501	—	8,572,501	7,293,889
(19) Guarantees authorized pursuant to sec. 3, *Agricultural Credit Act*	4,100,765	—	4,100,765	3,718,456
(20) Guarantees authorized pursuant to sec. 3 (3), *Ministry of Industry and Small Business Development Act*	—	—	—	45,080
Subtotal, resource enterprises	12,673,266	—	12,673,266	11,057,425
Grand total, all guaranteed debt	9,507,051,168	1,058,813,616	8,448,237,552	8,022,598,704
Less: Amounts included above held as investments by General and Special Purpose Funds	185,095,364	24,067,319	161,028,045	205,171,941
Net total, all guaranteed debt	9,321,955,804	1,034,746,297	8,287,209,507	7,817,426,763

[1] See Section F of the Public Accounts for details of maturity dates, interest rates, and redemption features of the outstanding debt of these Crown agencies.

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

16. Contingent Liabilities—Guaranteed Debt—Continued

Gross outstanding debt as at March 31, 1981 includes accrued interest of $228.3 million. In previous years gross outstanding guaranteed debt was reported exclusive of accrued interest. In order to reflect this change, gross outstanding guaranteed debt as at March 31, 1980, previously reported as $8.2 billion, has been increased by accrued interest of $213.7 million.

Debt payable in United States currency is recorded in Canadian dollars at the rate of exchange prevailing at March 31, 1981, and the comparative 1980 guaranteed debt has been restated in Canadian dollars at the rate of exchange prevailing at March 31, 1980.

Sinking funds comprise cash and investments recorded at cost, plus accrued interest of $23.1 million, with the exception of item 9 which is shown at an adjusted value equivalent to the gross outstanding debt. The market value of these sinking fund investments was approximately $838 million at March 31, 1981; however, these are not considered to be temporary investments, since it is generally the Government's policy not to redeem them prior to maturity, at which time the par value is realised. Sinking fund investments were previously reported at par value and in 1981 sinking funds would total $1.1 billion if par value were to be used for investments. In order to reflect this change for 1980, net sinking funds included in the comparative figures as at March 31, 1980 have been reduced from their par value of $910.3 million to their cost of $904 million.

The Government has guaranteed debt securities issued by local governments, Crown corporations and agencies, and the obligations of other enterprises under certain Government programs. This debt is generally self-sustaining, although that issued by School and Regional Hospital Districts and Educational Institutions is serviced in part by contributions from the Government through existing grant formulas. In 1980/81 these contributions were approximately $112.4 million or 60 per cent of the total debt costs payable. The debt of the British Columbia Railway is not recorded as direct debt of the Province since the Government is providing for the debt service charges of the Railway on an ongoing basis. In 1981 this amounted to $70 million.

As a result of overall Government financing policies $3.9 billion of the guaranteed debt is held in investment accounts included in these financial statements and in other Provincial public sector superannuation and pensions funds. Canada Pension Plan funds made available to the Government ($2.7 billion) are also invested in these securities but are subject to redemption on six months' notice by the Federal Minister of Finance.

Subsequent to the year end there have been additional net debt issues guaranteed by the Province totalling $994 million.

17. Contingent Liabilities and Commitments

The Government has various contingent liabilities outstanding in the form of litigation, indirect guarantees and outstanding claims. Because such amounts are uncertain, no liability has been recorded in these financial statements.

In addition, at the end of each year the Government has a number of general commitments outstanding for ongoing programs and operations. Such future expenditures are charged to the appropriation in the year in which the work or service is performed. These include a liability for credits frozen under the Government's former sick leave plan which is estimated at a maximum of $97 million.

18. Workers' Compensation Board of British Columbia—Unfunded Liability

The Workers' Compensation Board of British Columbia, established under the *Workers' Compensation Act*, delivers compensation and preventive medical services, sets and controls working conditions throughout the Province and provides education and rehabilitation services to injured employees. The Board funds its operations from assessments on businesses throughout the Province.

The Board is required in each year to provide capitalized reserves under the Accident and Silicosis Funds sufficient to meet future payments of compensation accruing in future years in respect of all injuries occurring during the year. Provisions have proven to be insufficient and at December 31, 1980 cumulative actuarial liabilities exceeded the funded balances by approximately $380 million. The balance of the unfunded liability has increased to the point that it now exceeds one year's total class income. At this time, the Board considers that the deficiencies will be recovered from future assessments by 1986.

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

NOTES TO COMBINED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

19. Subsequent Events

(a) Amendment to the *Resource Investment Corporation Act*

During the 1981 spring and summer session of the Legislature the *Resource Investment Corporation Act* was amended to enable the Terry Fox Medical Research Foundation to hold more than 1 per cent of the issued and outstanding voting shares in the British Columbia Resources Investment Corporation. The amendment requires that the voting rights attached to the shares held in excess of 1 per cent may not be exercised and that any shares which may be transferred by the Government to the Foundation, may not be sold or transferred although they may be mortgaged, charged or pledged.

(b) *Provincial Debt Repayment Act*

Under the *Provincial Debt Repayment Act* the Legislature authorized the expenditure of $26.1 million in the 1981/82 fiscal year to reduce the Provincial unmatured debt of $209,247,790.

(c) *British Columbia Railway Company—Tumbler Ridge Branch Line*

The British Columbia Railway Company has begun construction on the Tumbler Ridge Branch Line for the North East Coal Project to be completed in 1983 at a total estimated cost of $500 million. The Government has expressed its intention to make appropriate financial arrangements to ensure that the British Columbia Railway Company fully recovers the project's capital costs.

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

STATEMENT OF GENERAL FUND AND SPECIAL PURPOSE FUNDS OPERATING RESULTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981

	1981		1980
	Accrual Basis (Note 1)	Cash Basis (Note 2)	Cash Basis (Note 2)
GENERAL FUND	$	$	$
Revenue	5,699,889,486	5,811,925,591	5,515,443,926
Expenditure	6,278,937,580	6,308,663,177	5,327,317,127
Increase (decrease) in net equity for the year	(579,048,094)	(496,737,586)	188,126,799
Balance of net equity from April 1976 to date—			
Beginning of year	1,441,841,691	544,736,656	356,609,857
Adjustments re:			
Deficit at March 31, 1976 funded	(209,247,790)	(209,247,790)	(235,347,790)
Debt repayment	(26,100,000)	—	—
	1,206,493,901	335,488,866	121,262,067
End of year	627,445,807	(161,248,720)	309,388,866
SPECIAL PURPOSE FUNDS			
Revenue			
Transfers from General Fund	520,549,982	520,549,982	392,967,816
Interest on investment and loans	72,286,304	63,799,670	62,939,006
Other receipts	43,210,016	41,790,304	25,761,566
	636,046,302	626,139,956	481,668,388
Expenditure			
Transfers to General Fund	12,660,764	12,660,764	2,324,256
Grants	233,369,761	230,385,034	182,459,583
Administration and other expenditure	67,702,228	258,168,623	20,624,137
	313,732,753	501,214,421	205,407,976
Net increase in funds	322,313,549	124,925,535	276,260,412
Balance of funds			
Beginning of year	754,528,448	948,232,922	671,972,510
End of year	1,076,841,997	1,073,158,457	948,232,922
RECONCILIATION TO STATEMENT OF NET EQUITY			
General Fund—balance	627,445,807	(161,248,720)	309,388,866
Special Purpose Funds—balance	1,076,841,997	1,073,158,457	948,232,922
Net equity—end of year	1,704,287,804	911,909,737	1,257,621,788

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

STATEMENT OF GENERAL FUND AND SPECIAL PURPOSE FUNDS REVENUE BY MAJOR SOURCES FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Estimated Cash Basis 1981		1981 Accrual Basis (Note 1)	1981 Cash Basis (Note 2)	1980 Cash Basis (Note 2)
$		$	$	$
	General Fund—			
2,905,000,000	Taxation	3,007,904,660	2,966,363,673	2,673,868,887
1,180,000,000	Natural resources	862,370,360	988,202,065	1,298,036,393
364,629,000	Other	430,351,922	444,822,022	323,192,061
274,000,000	Contributions from Government enterprises	293,115,747	313,971,707	244,310,996
1,076,000,000	Contributions from other governments	1,106,146,797	1,098,566,124	976,035,589
5,799,629,000	Total General Fund revenue	5,699,889,486	5,811,925,591	5,515,443,926
	Special Purpose Funds—			
	Taxation	666,224	666,224	671,364
	Other revenue	635,380,078	625,473,732	480,997,024
	Total Special Purpose Funds revenue	636,046,302	626,139,956	481,668,388

STATEMENT OF GENERAL FUND AND SPECIAL PURPOSE FUNDS EXPENDITURE BY MAJOR FUNCTIONS FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Estimated Cash Basis 1981		1981 Accrual Basis (Note 1)	1981 Cash Basis (Note 2)	1980 Cash Basis (Note 2)
$		$	$	$
	General Fund—			
260,475,289	General Government	253,551,740	253,967,497	241,538,445
290,483,951	Protection of persons and property	286,122,737	286,934,274	262,056,886
471,971,214	Transportation and communications	577,315,553	581,929,247	515,718,281
2,341,000,715	Health and social services	2,499,905,310	2,497,321,493	2,015,715,164
53,455,542	Recreation and cultural services	71,251,811	71,327,798	60,300,036
1,301,482,003	Education	1,317,935,924	1,322,152,082	1,199,078,679
349,868,708	Natural resources and primary industries	504,176,773	507,655,091	322,921,033
116,039,423	Trade and industrial development	116,709,210	126,684,544	104,728,548
91,484,885	Housing	86,504,825	86,522,261	268,611,031
388,299,222	Aid to local government	380,107,283	381,988,016	203,650,786
19,500,000	Interest on public debt	19,299,398	45,399,398	47,781,023
84,000,000	Advances and grants	94,197,784	97,059,500	39,562,420
31,568,048	Other expenditure	71,859,232	49,721,976	45,654,795
5,799,629,000	Total General Fund expenditure	6,278,937,580	6,308,663,177	5,327,317,127
	Special Purpose Funds—			
	General Government	1,309,447	1,309,447	1,041,212
	Protection of persons and property	75,621	75,621	40,352
	Transportation and communications	8,107,737	7,013,685	—
	Health and social services	3,802,954	3,790,536	3,138,658
	Recreation and cultural services	11,750,441	12,100,441	9,679,697
	Natural resources and primary industries	47,687,346	46,041,186	9,134,209
	Trade and industrial development	13,185,789	13,198,938	936,577
	Housing	31,433,475	222,801,059	24,809,361
	Aid to local government	173,104,611	173,104,611	145,064,345
	Advances and grants	11,641,105	10,144,670	—
	Other expenditures	11,634,227	11,634,227	11,563,565
	Total Special Purpose Funds expenditure	313,732,753	501,214,421	205,407,976

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
(CONSOLIDATED REVENUE FUND)

STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS REVENUE BY SOURCES
FOR THE FISCAL YEARS ENDED MARCH 31, 1977 THROUGH 1981

	Cash Basis					Accrual Basis
	1977	1978	1979	1980	1981	1981
	$	$	$	$	$	$
Taxation revenue—						
Personal income	810,577,894	985,990,685	1,220,087,814	1,215,963,618	1,369,211,996	1,369,211,996
Corporation income	236,893,932	245,699,084	301,470,437	434,676,109	456,608,866	456,608,866
Social services	663,026,914	748,383,192	652,407,667	630,280,209	726,251,917	757,974,947
Gasoline	158,856,768	167,031,542	175,458,113	191,829,815	195,362,249	202,536,160
Motive-fuel use	18,387,023	19,792,152	22,402,440	25,762,109	28,536,417	28,983,775
Fuel oil	2,474,949	2,458,145	2,306,297	2,197,075	16,763	16,763
Cigarette and tobacco	32,042,971	33,255,747	63,578,662	66,837,073	71,739,328	74,654,794
Corporation capital	37,628,253	41,452,916	45,335,130	46,802,306	52,867,281	52,676,696
Property	22,381,711	22,206,099	19,845,498	22,181,640	25,893,898	25,961,274
Insurance premiums	10,937,059	12,356,562	13,522,399	15,795,129	17,196,825	17,484,993
Hotel and motel room	7,362,993	8,251,499	9,772,099	12,306,581	15,224,412	15,487,945
Pari mutuel betting	7,042,894	8,002,981	8,748,736	8,443,861	6,035,987	6,035,987
Succession and gift	39,081,334	14,050,675	1,932,604	1,464,726	2,083,958	936,688
Total taxation revenue	**2,046,694,695**	**2,308,931,279**	**2,536,867,896**	**2,674,540,251**	**2,967,029,897**	**3,008,570,884**
Natural resource revenue—						
Minerals—						
Petroleum and natural gas—						
British Columbia Petroleum Corporation	149,500,000	170,800,000	164,250,000	320,825,000	220,075,000	208,326,333
Permits and fees	60,267,792	213,148,412	155,457,896	229,784,585	156,459,474	156,459,474
Royalties	45,349,230	42,743,179	41,568,986	48,055,392	50,904,912	50,896,824
Revenue from other minerals	60,693,516	35,373,217	41,837,490	68,742,594	118,811,186	119,593,185
	315,810,538	462,064,808	403,114,372	667,407,571	546,250,572	535,275,816
Forests—						
Logging tax	17,702,434	48,461,112	51,859,999	44,054,140	45,309,833	45,556,100
Timber sales	50,793,003	79,234,093	228,623,991	538,642,080	329,678,480	233,525,954
Other forest revenue	8,420,080	9,777,306	9,003,684	16,828,912	15,962,992	12,122,787
	76,915,517	137,472,511	289,487,674	599,525,132	390,951,305	291,204,841
Land leases, rentals and fees	4,996,339	7,050,778	7,565,961	9,841,518	9,750,349	9,518,087
Water resources	12,731,620	14,588,575	15,238,851	14,994,374	35,035,705	20,157,482
Wildlife Act—fees and licences	5,250,154	5,541,912	5,810,802	6,267,798	6,214,134	6,214,134

Other revenue—						
Farm income assurance	12,927,747	22,428,405	9,118,050	5,364,916	8,939,518	8,939,518
Lottery	6,160,881	14,757,432	1,472,835	16,049,465	24,459,859	25,424,417
Land Registry	17,407,618	19,269,289	19,996,742	24,081,433	36,399,084	36,399,084
Forest scaling fees	5,202,107	7,374,248	7,563,342	8,519,501	9,085,999	9,085,999
Other	91,004,465	39,257,431	54,457,216	36,105,083	48,029,247	45,560,825
	132,702,818	103,086,805	92,608,185	90,120,398	126,913,707	125,409,843
Licences and permits—						
Motor vehicle licences and permits	58,945,136	57,791,570	61,321,112	67,927,334	81,370,166	81,561,138
Other	14,801,900	23,227,765	27,520,983	29,695,796	35,819,266	35,961,487
	73,747,036	81,019,335	88,842,095	97,623,130	117,189,432	117,522,625
Fines and penalties	9,295,256	10,377,029	11,238,761	12,807,290	15,102,370	14,709,493
Interest from investments	49,156,313	72,959,256	97,936,254	147,363,634	218,805,400	225,716,888
Recoveries of grants and contributions	—	—	—	2,500,000	6,257,904	2,182,223
Miscellaneous	90,265,163	126,436,580	44,788,391	60,806,817	52,816,195	46,980,182
Total other revenue	**355,166,586**	**393,879,005**	**335,413,686**	**411,221,269**	**537,085,008**	**532,521,254**
Contributions from Government enterprises—						
Liquor Distribution Branch	162,596,937	173,541,597	207,008,920	224,073,996	280,410,865	274,548,747
British Columbia Buildings Corporation	—	15,000,000	20,000,000	20,000,000	32,038,842	17,045,000
British Columbia Systems Corporation	—	—	2,228,587	237,000	1,522,000	1,522,000
Total contributions from Government enterprises	**162,596,937**	**188,541,597**	**229,237,507**	**244,310,996**	**313,971,707**	**293,115,747**
Contributions from other governments—						
Canada—						
Established programs financing	423,448,293	373,854,000	482,929,000	593,409,000	638,388,000	638,388,000
Canada assistance plan	182,790,189	198,562,599	204,111,652	254,873,813	312,856,926	312,856,926
Statutory and other subsidies	4,306,740	2,594,468	2,352,248	3,041,043	7,352,468	7,352,468
Other shared costs and grants in aid	28,762,377	99,648,684	103,494,619	95,674,089	108,183,252	117,927,500
Subtotal, Canada	639,307,599	674,659,751	792,887,519	946,997,945	1,066,780,646	1,076,524,894
Municipal and other governments' share	32,423,203	32,758,925	25,448,537	29,037,644	31,785,478	29,621,903
Total contributions from other governments	**671,730,802**	**707,418,676**	**818,336,056**	**976,035,589**	**1,098,566,124**	**1,106,146,797**
Total gross revenue	**3,651,893,188**	**4,225,489,141**	**4,641,072,805**	**5,604,144,498**	**5,904,854,801**	**5,802,725,042**

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS REVENUE BY SOURCES FOR THE FISCAL YEARS ENDED MARCH 31, 1977 THROUGH 1981—Continued

	Cash Basis					Accrual Basis
	1977	1978	1979	1980	1981	1981
	$	$	$	$	$	$
Reconciliation with Summaries of Revenue—						
General Fund	3,618,905,867	4,139,742,931	4,568,926,231	5,515,443,926	5,811,925,591	5,699,889,486
Less transfers from Special Purpose Funds	(40,560,388)	—	—	—	(12,660,764)	(12,660,764)
Special Purpose Funds	173,151,493	136,792,903	212,581,047	481,668,388	626,139,956	636,046,302
Less transfers from General Fund	(99,603,784)	(51,046,693)	(140,434,473)	(392,967,816)	(520,549,982)	(520,549,982)
	3,651,893,188	**4,225,489,141**	**4,641,072,805**	**5,604,144,498**	**5,904,854,801**	**5,802,725,042**

STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS EXPENDITURE BY FUNCTIONS FOR THE FISCAL YEARS ENDED MARCH 31, 1977 THROUGH 1981

	Cash Basis					Accrual Basis
	1977	1978	1979	1980	1981	1981
	$	$	$	$	$	$
General Government—						
Administrative—						
General	52,627,559	57,578,892	76,206,511	112,684,544	118,102,526	116,804,428
Employees' benefits	70,457,989	87,587,282	108,019,797	115,329,031	126,288,943	127,167,355
Construction and maintenance of public buildings[1]	31,686,303	7,093,202	992	1,451,310	1,222,123	1,226,423
Legislative—						
Elections	1,075,665	651,959	2,660,370	6,353,693	1,256,709	1,249,087
Legislative Assembly and Government House	4,103,574	6,447,931	7,215,956	6,761,079	8,406,643	8,413,894
	159,951,090	**159,359,266**	**194,103,626**	**242,579,657**	**255,276,944**	**254,861,187**
Protection of Persons and Property—						
Law enforcement	55,854,146	63,271,352	75,101,371	84,793,917	93,118,646	92,233,330
Corrections	41,904,792	54,220,014	63,339,654	72,902,779	80,030,357	80,054,935
Police protection	23,650,152	28,946,764	32,863,304	40,934,527	47,663,154	47,555,148
Registration, regulation, inspection, trusteeship	45,378,574	55,373,309	63,075,742	63,466,015	66,197,738	66,354,945
	166,787,664	**201,811,439**	**234,380,071**	**262,097,238**	**287,009,895**	**286,198,358**
Transportation and Communications—						
Highways, roads, bridges and airports	274,387,012	399,866,001	422,155,275	434,764,816	474,094,761	470,423,809
Waterways, ferries, docks and wharves	15,742,399	18,599,713	21,844,987	26,684,761	26,919,787	27,071,097
British Columbia Ferries[2]	78,497,138	48,378,500	51,384,050	54,268,704	57,928,384	57,928,384
Provincial Transit Services	30,565,266	6,653,670	9,755	—	—	—
	399,191,815	**473,497,884**	**495,394,067**	**515,718,281**	**558,942,932**	**555,423,290**

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS (CONSOLIDATED REVENUE FUND)

STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS EXPENDITURE BY FUNCTIONS FOR THE FISCAL YEARS ENDED MARCH 31, 1977 THROUGH 1981

	Cash Basis					Accrual Basis
	1977	1978	1979	1980	1981	1981
	$	$	$	$	$	$
Health and Social Services—						
Health—						
Administration	6,770,462	6,437,194	8,302,963	11,605,423	18,979,847	19,017,552
Public Health	51,872,534	59,415,730	73,624,051	83,750,844	100,615,455	99,538,913
Medical, dental and allied services	247,046,117	268,943,696	294,620,293	378,330,217	460,767,041	462,443,017
Hospital care—						
Administration	3,725,365	3,967,597	4,237,158	6,072,814	6,529,393	6,489,577
Payments to local hospitals	538,896,041	574,343,921	628,956,436	723,984,450	961,138,039	961,139,110
Provincial mental hospitals	72,812,729	90,071,818	98,710,807	101,679,535	114,075,163	113,777,485
Provincial tuberculosis hospitals	6,826,386	7,983,660	8,637,846	10,515,843	9,971,878	9,971,878
Social Services—						
Administration	24,543,231	33,492,253	64,925,252	72,242,824	83,676,020	83,583,974
Aid to aged persons	13,417,582	18,106,256	28,332,899	25,488,166	28,173,437	30,424,335
Social assistance	356,297,854	407,143,974	445,548,126	528,160,903	620,984,559	621,143,192
Child welfare	49,694,903	56,980,539	59,561,941	66,113,689	83,954,529	83,927,614
Labour relations, industrial conciliation and arbitration	6,831,141	8,179,123	11,462,598	10,909,114	12,246,668	12,251,617
	1,378,734,345	**1,535,065,761**	**1,726,920,370**	**2,018,853,822**	**2,501,112,029**	**2,503,708,264**
Recreation and Cultural Services—						
Archives, art galleries, museum and libraries	8,159,296	10,264,571	11,666,328	13,469,498	17,542,447	17,531,068
Parks, beaches and other recreational areas	30,275,619	36,451,189	47,025,362	41,760,790	43,846,935	43,782,327
Physical culture	2,880,735	3,874,187	5,874,046	6,848,744	7,624,107	7,624,107
Other	4,582,647	6,055,391	6,319,095	7,900,701	6,414,750	6,064,750
	45,898,297	**56,645,338**	**70,884,831**	**69,979,733**	**75,428,239**	**75,002,252**
Education—						
Administration	4,077,952	8,992,563	7,936,126	6,715,693	7,609,204	7,599,854
Schools operated by local authorities—						
Operating grants	374,674,856	400,836,648	415,586,128	434,359,225	465,827,304	465,827,304
Home-owner grants (School-levy portion)	134,529,726	144,864,949	153,610,603	204,230,118	217,889,730	216,220,230
Aids and services	19,618,846	26,558,435	32,317,388	24,738,045	32,900,347	33,532,447
Universities, colleges, vocational and other schools	289,194,543	323,454,328	378,560,923	477,337,765	525,346,805	522,171,688
Education of the handicapped	3,257,846	6,745,732	7,212,559	2,755,394	3,532,246	3,537,955
[illegible]	45,086,397	38,225,809	52,777,589	48,942,439	69,046,446	69,046,446
[illegible]	870,440,166	949,678,464	1,048,991,316	1,199,078,679	[illegible]	[illegible]

Natural Resource and Primary Industries—						
Forests (including fire suppression)	84,579,012	98,853,483	132,002,844	163,506,750	186,098,397	186,131,039
Lands-settlement and agriculture	87,736,997	98,986,836	75,269,548	76,033,692	104,135,207	100,523,937
Minerals and mines	7,779,137	8,143,781	15,116,446	12,302,593	19,143,208	20,822,162
Water resources	23,602,776	27,029,903	31,964,981	30,284,086	34,425,825	34,414,297
Other	34,046,238	25,357,729	9,316,530	16,514,828	8,279,312	8,360,472
	250,455,122	**270,866,055**	**279,035,860**	**318,287,426**	**367,346,295**	**365,514,137**
Trade and Industrial Development	**20,166,142**	**22,329,626**	**44,501,641**	**68,165,125**	**87,383,482**	**77,394,999**
Housing—						
Home-owner grants (nonschool-levy portion)	14,947,635	16,116,250	17,592,486	23,492,215	25,337,139	25,337,139
Home-acquisition grants	9,038,160	5,950,663	5,575,131	18,561,201	26,387,636	25,587,784
Renters' grants[3]	—	16,061,161	16,087,615	15,484,034	21,688,625	21,688,625
Other	23,463,642	22,423,826	32,367,040	35,882,942	235,749,156	45,163,988
	47,449,437	**60,551,900**	**71,622,272**	**93,420,392**	**309,162,556**	**117,777,536**
Aid to Local Government—						
Grants in aid of local government	112,850,863	130,801,417	169,720,872	176,289,842	218,635,287	218,483,744
Metropolitan transit subsidy	2,568,872	3,361,777	6,856,665	25,136,184	74,481,900	72,853,435
Planning and development	2,052,141	2,253,405	2,657,997	2,582,839	3,145,859	3,136,542
University Endowment Lands	3,212,154	3,757,446	3,087,259	3,006,266	2,629,581	2,538,173
	120,684,030	**140,174,045**	**182,322,793**	**207,015,131**	**298,892,627**	**297,011,894**
Debt Servicing[5]	**15,606,747**	**22,507,492**	**23,657,670**	**47,781,023**	**45,399,398**	**19,299,398**
Other Expenditure—						
Provincial Emergency Program	1,451,683	1,614,968	7,261,534	7,778,953	9,505,861	9,755,561
Disaster relief, training, and development aid in foreign countries	1,364,740	350,025	358,991	361,671	393,000	393,000
Summer Employment Program	6,796,770	20,178,703	20,004,091	25,039,282	25,200,837	25,204,041
Interest on deposits	3,373,587	3,430,358	5,281,877	8,759,964	13,839,943	13,839,943
Power subsidy	3,000,000	3,000,000	3,167,816	3,221,491	—	—
Lottery Fund grants	196,200	1,136,797	12,979,676	11,563,565	11,634,227	11,634,227
British Columbia Resources Investment Corporation revaluation adjustment	—	—	—	—	—	22,004,858
Sundry	70,730	23,436	196,197	493,434	782,335	661,829
	16,253,710	**29,734,287**	**49,250,182**	**57,218,360**	**61,356,203**	**83,493,459**

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
(CONSOLIDATED REVENUE FUND)

STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS EXPENDITURE BY FUNCTIONS FOR THE FISCAL YEARS ENDED MARCH 31, 1977 THROUGH 1981

	Cash Basis					Accrual Basis
	1977	1978	1979	1980	1981	1981
	$	$	$	$	$	$
Other Payments and Charges—						
Crown corporations—						
Investment and advances	312,505	2,000,000	19,000,000	12,500,000	2,100,000	—
Grants[4]	58,554,524	85,668,080	21,008,480	23,200,000	101,844,670	103,341,105
Advances, other (net)	4,274,774	2,129,428	9,115,349	3,862,420	3,259,500	2,497,784
Investments, other	—	9,456,192	—	—	—	—
Book adjustment to capital surplus account	2,873,008	—	—	—	—	—
	66,014,811	**99,253,700**	**49,123,829**	**39,562,420**	**107,204,170**	**105,838,889**
Total Combined Expenditure	**3,557,633,376**	**4,021,475,257**	**4,469,198,528**	**5,139,757,287**	**6,276,666,852**	**6,059,459,587**
Reconciliation With Summaries of Expenditure—						
General Fund	3,542,776,137	3,999,253,953	4,428,935,082	5,327,317,127	6,308,663,177	6,278,937,580
Less transfers to Special Purpose Funds	(99,103,784)	(51,046,693)	(140,434,473)	(392,967,816)	(520,549,982)	(520,549,982)
Special Purpose Funds	154,521,411	73,267,997	180,697,919	205,407,976	501,214,421	313,732,753
Less transfers to General Fund	(40,560,388)	—	—	—	(12,660,764)	(12,660,764)
	3,557,633,376	**4,021,475,257**	**4,469,198,528**	**5,139,757,287**	**6,276,666,852**	**6,059,459,587**

[1] The British Columbia Buildings Corporation assumed responsibility for constructing public buildings on October 1, 1976. In fiscal 1976/77 the amount therefore does not include $25,954,524 relating to construction projects reported on by the Corporation for the period October 1, 1976 to March 31, 1977. Pursuant to the *British Colulmbia Buildings Corporation Act*, the Province made grants to the Corporation in the fiscal year 1976/77 totalling $25,954,524. This amount is included in grants to Crown corporations under the "Other Payments and Charges" category.

[2] In fiscal 1976/77, the amount for British Columbia Ferries represents gross Ministry expenditure up to and including December 31, 1976. Subsequently, the amounts are comprised of a subsidy equivalent to the net operating loss of the British Columbia Ferry Corporation for the period January 1 to March 31, 1977; and for the following years the annual highway equivalent subsidy plus certain rental leases paid by the Government.

[3] In the fiscal year 1976/77, renters' grants were deducted from personal income tax revenues on page B 28. The total amount of grants deducted was $16,098,032.

[4] Excludes British Columbia Ferry Corporation subsidy commencing fiscal year 1977/78 which is shown under "Transportation and Communications—British Columbia Ferries".

[5] Includes a principal repayment of $26,100,000 in the years ended March 31, 1980 and 1981 (cash basis), while previous years and the 1980/81 accrual basis include only interest.

A GUIDE TO STATEMENT CLASSIFICATION OF EXPENDITURE BY OBJECT (pages B 36 and B 37)

The following are details of the types of expenditures included in each of the object classifications:

Salaries and Wages

Salaries and wages for persons in established and temporary positions and allowances and expenses for Members and Officers of the Legislative Assembly.

Travel

Travelling expenses of public servants on government business and members of Boards, Commissions, etc. Also includes lease and operation of motor vehicles used for staff travel and relocation purposes.

Services

Fees and expenses for services rendered by professionals, by British Columbia Systems Corporation and by Boards, Commissions, etc. Also includes costs associated with advertising and publications.

Utilities, Materials and Supplies

Office operating expenses, materials and supplies, and purchases of office furniture and equipment.

Acquisition of Physical Assets

Acquisition of land, buildings, works, machinery, equipment and motor vehicles.

Rentals

Lease or rental of land, buildings, aircraft and equipment from outside suppliers including British Columbia Buildings Corporation.

Grants, Contributions and Subsidies

Payments, other than for goods and services, made for the purpose of furthering ministerial programs.

Other Expenditures

All other expenditures not otherwise classified including interest on deposits, loans and advances, transfers to special purpose funds, and supplementary personnel costs.

Recoveries

Cost recoveries in cash or by transfer billings to other votes.

COMBINED GENERAL FUND (CONSOLIDATED

STATEMENT OF COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS FOR THE FISCAL YEAR

Ministry	Salaries and Wages	Travel	Services	Utilities, Materials and Supplies
	$	$	$	$
Legislation	5,062,537	32,738	88,673	725,811
Auditor General	1,539,546	200,248	285,263	79,855
Ombudsman	709,167	66,923	114,228	101,329
Premier's Office	403,776	125,214	4,369	68,114
Agriculture and Food	13,600,760	1,480,913	2,400,483	2,705,040
Attorney General	107,185,902	4,108,720	70,340,966	12,398,395
Consumer and Corporate Affairs	10,466,241	501,505	2,231,322	895,210
Education	12,447,963	661,942	9,588,020	11,976,893
Energy, Mines and Petroleum Resources	8,401,440	916,393	3,582,339	871,667
Environment	37,099,387	3,958,661	8,489,964	4,564,240
Finance	41,173,253	959,455	10,562,729	3,124,712
Forests	99,061,051	5,994,504	26,150,666	20,630,308
Health	126,110,006	4,221,957	38,757,576	29,473,987
Human Resources	100,293,068	3,165,337	55,519,291	7,180,772
Industry and Small Business Development	5,106,324	533,347	4,121,141	464,586
Intergovernmental Relations	867,748	151,557	439,463	280,854
Labour	21,166,262	1,849,553	2,737,900	1,290,261
Lands, Parks and Housing	29,017,543	1,570,652	2,734,320	5,455,219
Municipal Affairs	2,429,885	206,226	698,667	139,968
Provincial Secretary and Government Services	30,176,111	1,070,744	12,048,765	20,391,261
Tourism	2,570,769	345,540	5,900,155	1,580,141
Transportation and Highways	163,536,401	8,191,758	11,146,427	73,171,585
Universities, Science and Communications	2,286,304	152,423	746,124	300,305
Statutory Appropriations				
Other Expenditure			2,947,778	
Special Purpose Appropriation Act, 1980	12,958,379	611,204	1,587,148	12,074,641
Special Funds Act, 1980				
Forest and Range Resource Fund Act				
Less: Transfers to Special Purpose Funds				
Special Purpose Funds	816,811	48,078	6,202,743	562,522
Less: Transfers to General Fund				
Combined Expenditure—Cash Basis	834,486,634	41,125,592	279,426,520	210,507,676
Accounting Policy Changes	(16,547)	(205,275)	(138,129)	(745,515
Combined Expenditure—Accrual Basis	834,470,087	40,920,317	279,288,391	209,762,161
Comparative—1980 Combined Expenditure—Cash Basis	753,448,077	34,678,914	241,011,381	186,092,767

[1] Represents advance re rural school taxes ($153,064,416 recovered).

[2] Includes $19,299,398 interest on public debt, $13,989,942 interest on deposits, $32,608,855 of loans and advances under various statutes ($32,444,978 recovered), and $481,709, of sundry expenditure.

[3] Transfers to Special Purpose Funds of $520,549,982 include Agriculture (Farm Income Assurance) $9,749,982, Municipal Affairs (Revenue Sharing Fund) $176,200,000, Statutory Appropriations $150,000,000, *Special Funds Act, 1980* $38,000,000, and Forest and Range Resource Fund $146,600,000.

[4] Transfers of $41,774,133 include (a) revenue to the General Fund of $12,660,774 composed mainly of recovery of Vancouver and Victoria Trade and Convention Centre Fund balances of $12,500,000 and (b) recoveries of expenditure to General Fund votes of $29,113,359 consisting principally of recoveries to various Forests votes of $23,949,141 from the Forest and Range Resource Fund

AND SPECIAL PURPOSE FUNDS REVENUE FUND)

EXPENDITURE BY OBJECTS OF EXPENDITURE CLASSIFICATION (GROUPED) ENDED MARCH 31, 1981

Acquisition of Physical Assets	Rentals	Grants, Contributions and Subsidies	Other Expenditures	Less: Recoveries	Total Expenditures
$	$	$	$	$	$
1,948	66,345	67,500	81,404		6,126,956
	218,118	25,400			2,348,430
	148,346				1,139,993
	787		463		602,723
883,442	4,833,293	30,101,392	16,518,469[3]	(1,614,568)	70,909,224
1,657,442	37,904,250	9,630,687	11,658		243,238,020
115,437	1,484,357	232,670			15,926,742
349,413	2,412,659	1,014,614,081	156,324,044[1]	(171,486,711)	1,036,888,304
544,651	1,780,277	1,220,712	3,921		17,321,400
13,955,331	10,557,755	3,412,673	5,206	(325,971)	81,717,246
294,795	5,658,906	13,993,185	66,379,903[2]	(34,099,861)	108,047,077
12,369,525	26,036,539	1,671,100	115,729	(29,264,728)	162,764,694
4,475,385	30,660,745	1,502,833,634	4,554,338	(11,059,903)	1,730,027,725
1,130,322	17,460,255	571,926,068	230,559	(2,394,920)	754,510,752
15,022	685,546	20,762,606	22,564,224		54,252,796
	156,046	86,980	120,731	(14,328)	2,089,051
247,445	2,162,828	15,834,757	11,118,677	(1,009,047)	55,398,636
1,354,558	3,135,257	24,011,801	76,734	(2,492,173)	64,863,911
	410,028	145,048,965	176,899,776[3]		325,833,515
945,922	9,583,989	12,386,231	128,071,974	(28,283,168)	186,391,829
83,117	722,343	692,223	40,632		11,934,920
165,622,649	42,957,912	73,024,604	376,172	(49,630,318)	488,397,190
711,376	17,654,390	265,920,909	7,296,199	(2,548,642)	292,519,388
		83,501,609	150,000,000[3]		233,501,609
		10,914,693	2,100,000		15,962,471
51,149,716	31,174,171	25,700,705	26,100,000	(7,389)	161,348,575
			38,000,000[3]		38,000,000
			146,600,000[3]		146,600,000
			(520,549,982)[3]		(520,549,982)
6,299,541	523,473	230,385,034	256,376,219		501,214,421
			(41,774,133)[4]	29,113,369	(12,660,764)
262,207,037	248,388,615	4,058,000,219	647,642,917	(305,118,358)	6,276,666,852
688,190	39,136	(33,916,056)	(213,359,546)	30,446,477	(217,207,265)
262,895,227	248,427,751	4,024,084,163	434,283,371	(274,671,881)	6,059,459,587
231,147,171	230,088,591	3,293,775,383	425,495,227	(255,980,224)	5,139,757,287

COMBINED GENERAL FUND AND SPECIAL PURPOSE FUNDS
(CONSOLIDATED REVENUE FUND)

STATEMENT OF SPECIAL PURPOSE FUNDS TRANSACTIONS AND BALANCES
FOR THE FISCAL YEAR ENDED MARCH 31, 1981

	Balance March 31, 1980	Revenue and Credits	Expenditures and Debits	Balance March 31, 1981 Cash Basis	Accounting Policy Changes	Balance March 31, 1981 Accrual Basis
Perpetual Funds—						
British Columbia Cultural Fund—						
Capital Account	$ 20,000,000	$ —	$ —	$ 20,000,000	$ —	$ 20,000,000
Current Account	165,861	4,213,204	4,294,667	84,398	392,223	476,621
Drug, Alcohol and Cigarette Education, Prevention and Rehabilitation Fund—						
Capital Account	25,000,000	—	—	25,000,000	—	25,000,000
Current Account	4,481,900	2,698,037	3,790,536	3,389,401	226,715	3,616,116
First Citizens' Fund—						
Capital Account	25,000,000	—	—	25,000,000	—	25,000,000
Current Account	2,956,586	2,337,015	2,088,053	3,205,548	702,736	3,908,284
Physical Fitness and Amateur Sports Fund—						
Capital Account	20,000,000	—	—	20,000,000	—	20,000,000
Current Account	1,220,451	3,988,060	5,057,288	151,223	325,862	477,085
Total Perpetual Funds	98,824,798	13,236,316	15,230,544	96,830,570	1,647,536	98,478,106
Other Funds—						
Barkerville Historic Park Development Fund	—	5,000,000	628,403	4,371,597	—	4,371,597
British Columbia Place Fund	—	15,000,000	4,304,928	10,695,072	626,823	11,321,895
Crop Insurance Stabilization Fund	17,949,113	2,202,834	—	20,151,947	215,383	20,367,330
Crown Land Fund—						
Permanent—Cash, Investments and Other Assets	249,867,635	29,441,906	4,683,980	274,625,561	4,460,018	279,085,579
First Mortgage Program	199,437,470	—	190,567,736	8,869,734	(8,869,734)	—
Downtown Revitalization Fund	—	25,000,000	160,462	24,839,538	—	24,839,538
Elderly Citizens' Housing Aid Fund	1,556,462	—	1,161,707	394,755	—	394,755
Energy Development Fund	—	10,000,000	568,278	9,431,722	(81,159)	9,350,563
Farm Income Assurance Fund	10,000,000	18,689,500	17,170,825	11,518,675	—	11,518,675
Farm Product Industry Fund	1,216,785	173,506	538,476	851,815	2,201,263	3,053,078
Ferries Insurance Fund	5,309,773	655,433	—	5,965,206	139,775	6,104,981
Forest and Range Resource Fund	—	146,600,000	23,949,141	122,650,859	—	122,650,859
Fraser River Crossing Fund	—	30,000,000	7,013,685	22,986,315	(1,094,051)	21,892,264
Lottery Fund	12,227,787	24,459,859	17,825,404	18,862,242	2,817,606	21,679,848
Lower Mainland Stadium Fund	25,000,000	25,000,000	5,839,742	44,160,258	(2,123,258)	42,037,000
North East Coal Development Fund	—	20,000,000	4,352,942	15,647,058	(1,565,000)	14,082,058
Provincial Computerization of Libraries Fund	—	3,000,000	32,030	2,967,970	—	2,967,970
Provincial Home Acquisition Fund—Cash, Investments and						

Other Funds—Continued						
Urban Transit Fund	—	55,000,000	—	55,000,000	—	55,000,000
Vancouver Trade and Convention Centre Fund	10,000,000	—	10,000,000	—	—	—
Victoria Trade and Convention Centre Fund	2,500,000	—	2,500,000	—	—	—
Miscellaneous Statutory Accounts	3,484,518	1,180,295	1,026,790	3,638,023	92,409	3,730,432
Total Special Purpose Funds	948,232,922	631,021,686[1]	506,096,151[2]	1,073,158,457	3,683,540[3]	1,076,841,997

[1] Total revenue of $631,021,686 includes net other revenue of $626,139,956 and inter-fund transfers of $4,881,730 to British Columbia Cultural Fund ($2,585,917) and Physical Fitness and Amateur Sports Fund ($2,295,813).

[2] Total expenditure of $506,096,151 includes net other expenditure of $501,214,421 and inter-fund transfers of $4,881,730 from the Lottery Fund.

[3] Accounting policy changes of $3,683,540 are allocated as follows:

	Balance March 31, 1980	Revenue and Credits	Expenditure and Debits	Balance March 31, 1981
	$	$	$	$
Cash basis	948,232,922	631,021,686	506,096,151	1,073,158,457
Accounting policy changes	(193,704,474)	9,906,345	(187,481,669)	3,683,540
Accrual basis	754,528,448	640,928,031	318,614,482	1,076,841,997

DETAILS OF GENERAL FUND REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Estimated	Source	Revenue (Cash Basis)	Accounting Policy Changes	Revenue (Accrual Basis)
$	**Taxation Revenue—**	$	$	$
1,287,000,000	Personal Income	1,369,211,996	—	1,369,211,996
526,000,000	Corporation Income	456,608,866	—	456,608,866
680,000,000	Social Services	726,251,917	31,723,030	757,974,947
199,000,000	Gasoline	195,362,249	7,173,911	202,536,160
28,000,000	Motive-fuel Use	28,536,417	447,358	28,983,775
1,000,000	Fuel Oil	16,763	—	16,763
72,000,000	Cigarette and Tobacco	71,739,328	2,915,466	74,654,794
47,000,000	Corporation Capital	52,867,281	(190,585)	52,676,696
23,000,000	Property	25,227,674	67,376	25,295,050
17,000,000	Insurance Premiums	17,196,825	288,168	17,484,993
14,000,000	Hotel and Motel Room	15,224,412	263,533	15,487,945
10,000,000	Pari Mutuel Betting	6,035,987	—	6,035,987
1,000,000	Succession and Gift	2,083,958	(1,147,270)	936,688
2,905,000,000	Total Taxation Revenue	2,966,363,673	41,540,987	3,007,904,660
	Natural Resource Revenue—			
	Minerals—			
	Petroleum and Natural Gas—			
452,000,000	British Columbia Petroleum Corporation	220,075,000	(11,748,667)	208,326,333
250,000,000	Permits and Fees	156,459,474	—	156,459,474
62,000,000	Petroleum and Natural Gas Royalties	50,904,912	(8,088)	50,896,824
20,000,000	Mining Tax	10,173,247	785,070	10,958,317
52,000,000	Mineral Resource Tax	84,712,742	—	84,712,742
12,000,000	Mineral Land Tax	10,358,140	(3,071)	10,355,069
6,000,000	Coal, Minerals and Metal Royalties	5,249,914	—	5,249,914
4,000,000	Miscellaneous Mining Receipts	8,317,143	—	8,317,143
858,000,000		546,250,572	(10,974,756)	535,275,816
	Forests—			
40,000,000	Logging Tax	45,309,833	246,267	45,556,100
234,000,000	Timber Sales (net of allowance for road building, reforestation, etc.—$80,859,192)	329,678,480	(96,152,526)	233,525,954
15,000,000	Timber Royalties	13,706,404	(3,840,155)	9,866,249
1,530,000	Grazing Permits and Fees	1,447,193	—	1,447,193
970,000	Miscellaneous Forests Receipts	809,395	(50)	809,345
291,500,000		390,951,305	(99,746,464)	291,204,841
7,500,000	Land Leases, Rentals and Fees	9,750,349	(232,262)	9,518,087
	Water Resources—			
16,000,000	Water Rental and Recording Fees	35,035,705	(14,878,223)	20,157,482
7,000,000	Wildlife Act—Fees and Licences	6,214,134	—	6,214,134
1,180,000,000	Total Natural Resource Revenue	988,202,065	(125,831,705)	862,370,360
	Other Revenue—			
	Sales and Service Fees—			
3,800,000	Land Sales	3,407,137	41,290	3,448,427
4,400,000	Motor Vehicle Lien and Search Fees	5,164,381	—	5,164,381
8,100,000	Medical Services Recoveries	9,351,461	(208,860)	9,142,601
2,500,000	Ferry Revenue	3,115,428	—	3,115,428
2,800,000	Ambulance Service	3,556,801	353,521	3,910,322
9,000,000	Forest Scaling Fees	9,085,999	—	9,085,999
2,400,000	Land Clearing Receipts	2,658,962	(2,658,962)	—
25,000,000	Land Registry Fees	36,299,084	—	36,299,084
1,300,000	Sheriffs' Fees	1,319,674	1,082	1,320,756
750,000	Publications Service Branch	1,080,071	(7,642)	1,072,429

DETAILS OF GENERAL FUND REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

Estimated	Source	Revenue (Cash Basis)	Accounting Policy Changes	Revenue (Accrual Basis)
$	**Other Revenue**—Continued	$	$	$
1,950,000	Receipts from Beautiful British Columbia Magazine	1,958,014	—	1,958,014
2,500,000	Miscellaneous Parks Receipts	1,532,792	(44,973)	1,487,819
5,500,000	Miscellaneous Sales and Services	7,566,324	37,454	7,603,778
70,000,000		86,096,128	(2,487,090)	83,609,038
	Licences and Permits—			
70,000,000	Motor Vehicle Licences and Permits	81,370,166	190,972	81,561,138
5,950,000	Companies Branch	7,400,167	—	7,400,167
2,400,000	Electrical Energy Inspection Fees	2,919,202	1,010	2,920,212
1,900,000	Fire Services Act—Fees, etc.	1,919,797	—	1,919,797
2,000,000	Law Stamps	2,310,655	—	2,310,655
9,300,000	Liquor Licensing Branch—Permits and Fees	11,764,787	—	11,764,787
1,000,000	Mobile Home Registry	1,152,072	—	1,152,072
150,000	Probate Fees	43,314	(31,440)	11,874
2,340,000	Camp-site Permits and Park Use	2,402,966	—	2,402,966
4,960,000	Miscellaneous Licences and Permits	5,878,245	172,651	6,050,896
100,000,000		117,161,371	333,193	117,494,564
15,000,000	Fines and Penalties	15,101,190	(392,877)	14,708,313
145,000,000	Interest from Investments	155,166,494	(2,011,111)	153,155,383
	Miscellaneous—			
	Institutional Maintenance Receipts—			
9,600,000	Maintenance of Children	10,069,641	(730,954)	9,338,687
3,750,000	Other Maintenance Receipts	3,849,206	207,659	4,056,865
13,350,000		13,918,847	(523,295)	13,395,552
	Miscellaneous Revenue—			
4,300,000	Insurance Claim Receipts	5,464,887	23,961	5,488,848
5,500,000	Superannuation Branch—Cost Recoveries	6,119,511	—	6,119,511
11,479,000	Other Miscellaneous Receipts	25,138,019	(3,439,529)	21,698,490
34,629,000		50,641,264	(3,938,863)	46,702,401
	Recoveries from Special Purpose Funds—			
	Vancouver Trade and Convention Centre	10,000,000	—	10,000,000
	Victoria Trade and Convention Centre	2,500,000	—	2,500,000
		12,500,000	—	12,500,000
	Recovery of advances to Urban Transit Authority	2,131,904	(1,949,681)	182,223
	Recovery of advances to British Columbia Assessment Authority	2,126,000	(2,126,000)	—
	Recovery of funds granted to Provincial Capital Commission re Trade and Convention Centre	2,000,000	—	2,000,000
	Standard Brands—Note Settlement	1,897,671	(1,897,671)	—
		20,655,575	(5,973,352)	14,682,223
364,629,000	Total Other Revenue	444,822,022	(14,470,100)	430,351,922

DETAILS OF GENERAL FUND REVENUE FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

Estimated	Source	Revenue (Cash Basis)	Accounting Policy Changes	Revenue (Accrual Basis)
$	**Contributions From Government Enterprises—**	$	$	$
240,000,000	Liquor Distribution Branch	280,410,865	(5,862,118)	274,548,747
30,000,000	British Columbia Buildings Corporation	32,038,842	(14,993,842)	17,045,000
4,000,000	British Columbia Systems Corporation	1,522,000	—	1,522,000
274,000,000	Total Contributions from Government Enterprises	313,971,707	(20,855,960)	293,115,747
	Contributions From Other Governments—			
	Canada—			
636,900,000	Established Programs Financing	638,388,000	—	638,388,000
302,700,000	Canada Assistance Plan	312,856,926	—	312,856,926
	Other Shared-cost Programs—			
38,000,000	Adult Occupational Training	37,137,877	3,017,266	40,155,143
4,600,000	Water Planning and Management	4,740,706	345,198	5,085,904
32,500,000	Economic Development	29,446,335	10,626,752	40,073,087
11,200,000	Transportation and Highways	11,357,186	1,294,500	12,651,686
20,500,000	Other Federal Payments	25,501,148	(5,539,468)	19,961,680
1,046,400,000		1,059,428,178	9,744,248	1,069,172,426
1,500,000	Percentage of Power Corporation Tax	5,235,620	—	5,235,620
2,100,000	Statutory Subsidies	2,116,848	—	2,116,848
1,050,000,000	Subtotal, Canada	1,066,780,646	9,744,248	1,076,524,894
26,000,000	Municipal and Other Governments share of Joint-service Programs	31,785,478	(2,163,575)	29,621,903
1,076,000,000	Total Contributions from Other Governments	1,098,566,124	7,580,673	1,106,146,797
5,799,629,000	Total General Fund Revenue	5,811,925,591	(112,036,105)	5,699,889,486

Summary by Ministry Showing Expenditure Compared With Main Estimates and Other Authorizations

	Total Appropriations			Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Main Estimates Voted	Other Authorizations	Total				
	$	$	$	$	$	$	$
Legislation	6,113,160	22,762	6,135,922	(8,966)	6,126,956	(14,561)	6,112,395
Auditor General	2,866,094	—	2,866,094	(517,664)	2,348,430	(5,097)	2,343,333
Ombudsman	1,018,203	160,000	1,178,203	(38,210)	1,139,993	(3,981)	1,136,012
Premier's Office	551,612	60,000	611,612	(8,889)	602,723	(6,452)	596,271
Ministry of Agriculture and Food	71,409,198	448,266	71,857,464	(948,240)	70,909,224	(3,715,332)	67,193,892
Ministry of Attorney General	239,692,590	6,355,340	246,047,930	(2,809,910)	243,238,020	(1,536,686)	241,701,334
Ministry of Consumer and Corporate Affairs	15,962,220	313,591	16,275,811	(349,069)	15,926,742	5,085	15,931,827
Ministry of Education	1,013,394,581	28,736,065	1,042,130,646	(5,242,342)	1,036,888,304	(4,226,729)	1,032,661,575
Ministry of Energy, Mines and Petroleum Resources	21,126,079	925,815	22,051,894	(4,730,494)	17,321,400	299,816	17,621,216
Ministry of Environment	71,086,164	11,638,465	82,724,629	(1,007,383)	81,717,246	(20,164)	81,697,082
Ministry of Finance	102,184,359	8,787,514	110,971,873	(2,924,796)	108,047,077	(803,486)	107,243,591
Ministry of Forests	156,927,188	9,911,295	166,838,483	(4,073,789)	162,764,694	45,297	162,809,991
Ministry of Health	1,550,985,584	205,683,413	1,756,668,997	(26,641,272)	1,730,027,725	672,840	1,730,700,565
Ministry of Human Resources	762,945,641	7,604,370	770,550,011	(16,039,259)	754,510,752	(326,599)	754,184,153
Ministry of Industry and Small Business Development	59,147,907	220	59,148,127	(4,895,331)	54,252,796	(9,382,924)	44,869,872
Ministry of Intergovernmental Relations	2,414,211	1,508	2,415,719	(326,668)	2,089,051	25,746	2,114,797
Ministry of Labour	56,864,044	269,425	57,133,469	(1,734,833)	55,398,636	96,019	55,494,655
Ministry of Lands, Parks and Housing	69,317,920	447,433	69,765,353	(4,901,442)	64,863,911	(91,327)	64,772,584
Ministry of Municipal Affairs	331,107,857	160,000	331,267,857	(5,434,342)	325,833,515	(1,789,325)	324,044,190
Ministry of Provincial Secretary and Government Services	195,692,356	2,251,636	197,943,992	(11,552,163)	186,391,829	722,541	187,114,370
Ministry of Tourism	12,506,446	3,701	12,510,147	(575,227)	11,934,920	(614,388)	11,320,532
Ministry of Transportation and Highways	513,785,590	3,198,401	516,983,991	(28,586,801)	488,397,190	(4,737,933)	483,659,257
Ministry of Universities, Science and Communications	292,529,996	2,192,202	294,722,198	(2,202,810)	292,519,388	(386,088)	292,133,300
	5,549,629,000	289,171,422	5,838,800,422	(125,549,900)	5,713,250,522	(25,793,728)	5,687,456,794
Statutory Appropriations	250,000,000	—	250,000,000	(16,498,391)	233,501,609	—	233,501,609
Other Expenditure	—	15,962,471	15,962,471	—	15,962,471	22,154,858	38,117,329
Other Appropriations	—	353,250,000	353,250,000	(7,301,425)	345,948,575	(26,086,727)	319,861,848
Total General Fund Expenditure	5,799,629,000	658,383,893	6,458,012,893	(149,349,716)	6,308,663,177	(29,725,597)	6,278,937,580

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation

Vote No.	Description	Total Appropriations: Main Estimates Voted	Total Appropriations: Other Authorizations	Total Appropriations: Total	Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Legislation	$	$	$	$	$	$	$
1	Legislation	5,685,160						
	Statutory—*Constitution Act* (R.S.B.C. 1979, chap. 62, sec. 64)		22,756	5,707,916	—	5,707,916	(14,561)	5,693,355
2	Crown Corporation Reporting Committee	428,000		428,000	(8,966)	419,034	—	419,034
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		6	6	—	6	—	6
		6,113,160	22,762	6,135,922	(8,966)	6,126,956	(14,561)	6,112,395
	Auditor General							
3	Auditor General	2,472,094		2,472,094	(381,187)	2,090,907	(5,097)	2,085,810
4	Building occupancy charges	274,000		274,000	(55,882)	218,118	—	218,118
5	Computer and consulting charges	120,000		120,000	(80,595)	39,405	—	39,405
		2,866,094		2,866,094	(517,664)	2,348,430	(5,097)	2,343,333
	Ombudsman							
6	Ombudsman	838,203						
	Supplement—Special Warrant No. 22		160,000	998,203	(37,644)	960,559	(3,981)	956,578
7	Building occupancy charges	150,000		150,000	(1,654)	148,346	—	148,346
8	Computer and consulting charges	30,000		30,000	1,088	31,088	—	31,088
		1,018,203	160,000	1,178,203	(38,210)	1,139,993	(3,981)	1,136,012
	Premier's Office							
9	Premier's office	551,612						
	Supplement—Special Warrant No. 17		60,000	611,612	(8,889)	602,723	(6,452)	596,271

	Ministry of Agriculture and Food							
11	Deputy Minister's office	1,155,166		1,155,166	(46,584)	1,108,582	(35)	1,108,547
12	Finance and administration	1,137,221		1,137,221	2,411	1,139,632	7,897	1,147,529
13	Field operations	9,863,929		9,863,929	(155,392)	9,708,537	(7,365)	9,701,172
14	Economics and marketing services	1,200,310		1,200,310	(25,544)	1,174,766	(6,215)	1,168,551
15	Financial Assistance Program	52,793,224		52,793,224	(671,627)	52,121,597	(3,793,233)	48,328,364
16	Information services	233,196		233,196	(4,805)	228,391	(2,380)	226,011
17	Milk Board	239,987		239,987	15	240,002	(124)	239,878
18	Provincial Agricultural Land Commission	1,170,317		1,170,317	(41,799)	1,128,518	—	1,128,518
19	Building occupancy charges	3,078,000		3,078,000	1,216	3,079,216	53,816	3,133,032
20	Computer and consulting charges	408,400		408,400	(8,426)	399,974	32,687	432,661
	Statutory—							
	Agricultural Land Commission Act (R.S.B.C. 1979, chap. 9, sec. 32)—Agricultural land development		415,268	415,268	—	415,268	—	415,268
	Cattle Horn Act (R.S.B.C. 1979, chap. 44, sec. 7)—Livestock improvement		32,114	32,114	—	32,114	—	32,114
	Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		884	884	—	884	—	884
		71,409,198	448,266	71,857,464	(948,240)	70,909,224	(3,715,332)	67,193,892
	Ministry of Attorney General							
21	Minister's office	155,343		155,343	(4,431)	150,912	(617)	150,295
22	Administration and support	4,538,565		4,538,565	(41,842)	4,496,723	(17,707)	4,479,016
23	Court services	34,558,563						
	Supplement—Special Warrant No. 21		1,800,000	36,358,563	(397,965)	35,960,598	(291,930)	35,668,668
24	Criminal Justice Division	9,139,726						
	Supplement—Special Warrant No. 21		1,650,000	10,789,726	(12,210)	10,777,516	(159,951)	10,617,565
25	Police services	46,035,075		46,035,075	(2,726,336)	43,308,739	67,331	43,376,070
26	Corrections	63,679,321		63,679,321	94,264	63,773,585	(117,335)	63,656,250
27	Legal Services Society	11,715,293		11,715,293	319,792	12,035,085	(377,638)	11,657,447
28	Justice Development Fund	1,022,486		1,022,486	(79,381)	943,105	(908)	942,197
29	Legal Services to Government	4,826,766						
	Supplement—Special Warrant No. 21		1,000,000	5,826,766	859,078	6,685,844	(606,297)	6,079,547
30	Superior and County Judiciary	1,342,993						
	Supplement—Special Warrant No. 21		100,000	1,442,993	(9,338)	1,433,655	(8,416)	1,425,239

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations: Main Estimates Voted	Total Appropriations: Other Authorizations	Total Appropriations: Total	Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Ministry of Attorney General —Continued	$	$	$	$	$	$	$
31	Provincial Judiciary	6,009,712						
	Supplement—Special Warrant No. 21		450,000	6,459,712	(8,655)	6,451,057	(6,059)	6,444,998
32	Coroners	2,557,118		2,557,118	203,997	2,761,115	(56,422)	2,704,693
33	British Columbia Parole Board	382,506		382,506	(48,651)	333,855	—	333,855
34	Law Reform Commission	329,314		329,314	(11,583)	317,731	—	317,731
35	*Criminal Injury Compensation Act*	1,918,200						
	Statutory—*Criminal Injury Compensation Act* (R.S.B.C. 1979, chap. 83, sec. 2 (5))		242,023	2,160,223	—	2,160,223	—	2,160,223
36	Public Trustee	1,820,944		1,820,944	(135,341)	1,685,603	(404)	1,685,199
37	Fire Commission	1,613,155		1,613,155	(471)	1,612,684	(13,260)	1,599,424
38	British Columbia Racing Commission	1,037,410		1,037,410	(401,408)	636,002	—	636,002
39	Film Classification Branch	143,795						
	Supplement—Special Warrant No. 21		20,000	163,795	(11,290)	152,505	(277)	152,228
40	Land Registry Program	7,110,955						
	Supplement—Special Warrant No. 21		1,000,000	8,110,955	(289,711)	7,821,244	53,204	7,874,448
41	Order in Council Patients' Review Board	102,350		102,350	(23,607)	78,743	—	78,743
42	Building occupancy charges	37,903,000		37,903,000	(8,426)	37,894,574	—	37,894,574
43	Computer and consulting charges	1,750,000		1,750,000	(76,395)	1,673,605	—	1,673,605
	Statutory—							
	Police Act (R.S.B.C. 1979, chap. 331, sec. 58)—Policy Study		15,235	15,235	—	15,235	—	15,235
	Private Investigators and Security Agencies Act (1980, chap. 45, sec. 28)—Licencing and regulation of private investigators and security agencies		76,547	76,547	—	76,547	—	76,547
	Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		1,535	1,535	—	1,535	—	1,535

44 Minister's office	140,092		140,092	4,034	144,126	753	144,879
45 Executive and administration	1,196,208		1,196,208	(101,155)	1,095,053	(14,855)	1,080,198
46 Consumer affairs	2,845,649		2,845,649	(74,752)	2,770,897	(7,695)	2,763,202
47 Corporate affairs	4,828,986		4,828,986	(124,380)	4,704,606	10,604	4,715,210
48 Rentalsman	2,712,220						
Supplement—Special Warrant No. 5		288,591	3,000,811		3,000,811	(6,382)	2,994,429
49 Liquor Control and Licensing Branch	1,342,905		1,342,905	(14,007)	1,328,898	(2,698)	1,326,200
50 Corporate and Financial Services Commission	45,660						
Supplement—Special Warrant No. 6		25,000	70,660	(8,553)	62,107	(200)	61,907
51 Auditors' Certification Board	2,500		2,500	(55)	2,445	—	2,445
52 Building occupancy charges	1,489,000		1,489,000	(4,643)	1,484,357	—	1,484,357
53 Computer and consulting charges	1,359,000		1,359,000	(25,558)	1,333,442	25,558	1,359,000
	15,962,220	313,591	16,275,811	(349,069)	15,926,742	5,085	15,931,827
Ministry of Education							
54 Minister's office	191,886		191,886	(27,753)	164,133	(1,471)	162,662
55 Ministry services	6,610,769		6,610,769	(986,965)	5,623,804	(26,697)	5,597,107
56 Public schools education	711,110,274		711,110,274	(1,757,950)	709,352,324	631,102	709,983,426
57 Post-secondary educational—colleges and provincial institutes	231,873,399		231,873,399	(1,917,861)	229,955,538	75,110	230,030,648
58 Post-secondary Students' Aid Program	4,632,408						
Supplement—Special Warrant No. 3		580,000	5,212,408	(292,975)	4,919,433	1,476	4,920,909
59 Teachers' Pensions Fund	44,150,000						
Statutory—*Pension (Teachers) Act* (R.S.B.C. 1979, chap. 320, sec. 8 (7))		24,896,446	69,046,446	—	69,046,446	—	69,046,446
60 Advances *re* rural school taxes—net	10						
Statutory—*School Act* (R.S.B.C. 1979, chap. 375, sec. 196 (11))		3,259,490	3,259,500	—	3,259,500	(4,929,000)	(1,669,500)
61 Independent schools	10,985,785		10,985,785	(143,975)	10,841,810	—	10,841,810
62 Building occupancy charges	2,380,000		2,380,000	—	2,380,000	(17,850)	2,362,150
63 Computer and consulting charges	1,460,050		1,460,050	(114,863)	1,345,187	40,601	1,385,788
Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 59)—Interest on overdue accounts		129	129	—	129	—	129
	1,013,394,581	28,736,065	1,042,130,646	(5,242,342)	1,036,888,304	(4,226,729)	1,032,661,575

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations: Main Estimates Voted	Total Appropriations: Other Authorizations	Total Appropriations: Total	Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Ministry of Energy, Mines and Petroleum Resources	$	$	$	$	$	$	$
64	Minister's office	153,841						
	Supplement—Special Warrant No. 7		8,500	162,341	(9,574)	152,767	521	153,288
65	*Executive management*	413,298						
	Supplement—Special Warrant No. 7		111,500	524,798	42,666	567,464	3,656	571,120
66	Finance and Administration Branch	1,245,832						
	Supplement—Special Warrant No. 7		156,000	1,401,832	(145,601)	1,256,231	(1,393)	1,254,838
67	British Columbia Utilities Commission	1,059,225						
	Supplement—Special Warrant No. 1		590,000	1,649,225	(327,995)	1,321,230	(15,105)	1,306,125
68	Energy Resources Branch	5,021,213		5,021,213	(2,122,119)	2,899,094	161,877	3,060,971
69	Mineral Resources Branch	7,370,570		7,370,570	(538,350)	6,832,220	(5,246)	6,826,974
70	Petroleum Resources Branch	3,452,553		3,452,553	(1,316,461)	2,136,092	1,380	2,137,472
71	Resource Access Program	521,500		521,500	(34,419)	487,081	—	487,081
72	Office of Coal Research	176,047		176,047	(125,232)	50,815	—	50,815
73	Building occupancy charges	1,262,000		1,262,000	(101,808)	1,160,192	37,296	1,197,488
74	Computer and consulting charges	450,000		450,000	(51,601)	398,399	116,830	515,229
	Statutory—							
	Mining Regulation Act (R.S.B.C. 1979, chap. 265, sec. 11 (2))—							
	Correction of safety hazards		55,894	55,894	—	55,894	—	55,894
	Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		2,023	2,023	—	2,023	—	2,023
	Interest on revenue refunds		1,898	1,898	—	1,898	—	1,898
		21,126,079	925,815	22,051,894	(4,730,494)	17,321,400	299,816	17,621,216
	Ministry of Environment							
75	Minister's office	152,422						
	Supplement—Special Warrant No. 8		5,000	157,422	(5,420)	152,002	(1,568)	150,434
76	General administration	3,157,388						
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 55 (3))		60,160	3,217,548	(47,852)	3,169,696	(39,650)	3,130,046
	Total	54,802,563						

[illegible]	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 Salmonid Enhancement Program	2,000,000		2,000,000	1,181	2,001,181	(8,263)	1,992,918
81 *Flood Relief Act*	10						
Statutory—							
Flood Relief Act (R.S.B.C. 1979, chap. 138, sec. 2)—							
Southwest Region Flood costs		6,945,293					
Terrace Flood costs		465,080					
Other Flood costs		367,835	7,778,218	—	7,778,218	—	7,778,218
82 Creston Valley Wildlife Management	131,468		131,468	(496)	130,972	—	130,972
83 Building occupancy charges	5,958,000		5,958,000	(50,396)	5,907,604	(37,658)	5,869,946
84 Computer and consulting charges	1,908,045		1,908,045	—	1,908,045	(3,038)	1,905,007
Statutory—							
Emergency Program Act (R.S.B.C. 1979, chap. 106, sec. 16)—Purchase of property subject to hazard		3,790,517	3,790,517	—	3,790,517	—	3,790,517
Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
Interest on overdue accounts		4,580	4,580	—	4,580	—	4,580
	71,086,164	11,638,465	82,724,629	(1,007,383)	81,717,246	(20,164)	81,697,082

Ministry of Finance

85 Minister's office	118,976						
Supplement—Special Warrant No. 9		49,000	167,976	(2,508)	165,468	(10,752)	154,716
86 Administrative and support services	2,693,853		2,693,853	(5,730)	2,688,123	(19,529)	2,668,594
87 Office of the Comptroller General	4,738,337						
Supplement—Special Warrant No. 9		74,000	4,812,337	(336,170)	4,476,167	5,703	4,481,870
88 Computer and consulting services	10,273,369		10,273,369	(634,406)	9,638,963	3,438	9,642,401
89 Purchasing Commission	2,060,615		2,060,615	(96,777)	1,963,838	(8,112)	1,955,726
90 Taxation administration	6,536,244		6,536,244	(466,849)	6,069,395	(2,275)	6,067,120
91 *Assessment Act* Appeal Boards	647,500						
Supplement—Special Warrant No. 9		400,000	1,047,500	(68,104)	979,396	(2,792)	976,604
92 Government agencies	7,478,060		7,478,060	(100,768)	7,377,292	2,151	7,379,443
93 Provincial Capital Commission	827,245		827,245	(34,812)	792,433	—	792,433
94 Deregulation	746,024		746,024	(225,785)	520,239	—	520,239
95 Interest on public debt	19,500,000		19,500,000	(200,602)	19,299,398	—	19,299,398

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations: Main Estimates Voted	Total Appropriations: Other Authorizations	Total Appropriations: Total	Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Ministry of Finance —Continued	$	$	$	$	$	$	$
96	Grants, contributions and subsidies	12,500,000						
	Supplement—Special Warrant No. 9		175,000					
	Statutory—*British Columbia Payment to Canada of Federal Income Tax on behalf of Natural Gas Producers Repeal Act* (1977, chap. 4, sec. 2)		996,340	13,671,340	(169,167)	13,502,173	—	13,502,173
97	Interest on deposits	7,410,000						
	Statutory—							
	Infants Act (R.S.B.C. 1979, chap. 196, sec. 10 (1))		582,737					
	Patients Property Act (R.S.B.C. 1979, chap. 313, sec. 25 (3))		4,070,163					
	Supreme Court Act (R.S.B.C. 1979, chap. 397, sec. 23)		1,783,714	13,846,614	(6,672)	13,839,942	—	13,839,942
98	Incidentals	2,598,500		2,598,500	(20,580)	2,577,920	—	2,577,920
99	Advances under various statutes	250,000		250,000	(86,623)	163,377	(761,715)	(598,338)
100	Contingencies (all Ministries)	19,843,653		19,843,653	(463,902)	19,379,751	—	19,379,751
101	Treasury Board Staff	1,133,983		1,133,983	(5,312)	1,128,671	3,597	1,132,268
102	Building occupancy charges	2,828,000		2,828,000	(29)	2,827,971	(13,200)	2,814,771
	Statutory—							
	Capital Commission Act (R.S.B.C. 1979, chap. 42, sec. 10)—Crystal Garden restoration		51,012	51,012	—	51,012	—	51,012
	Crown Proceeding Act (R.S.B.C. 1979, chap. 86, sec. 14)—Judgments against the Crown		581,240	581,240	—	581,240	—	581,240
	Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		579	579	—	579	—	579
	Interest on revenue refunds		23,729	23,729	—	23,729	—	23,729
		102,184,359	8,787,514	110,971,873	(2,924,796)	108,047,077	(803,486)	107,243,591

	Supplement—Special Warrant No. 10		5,000	128,272	737	129,009	—	129,009
104	Ministry Administration Program	2,193,809		2,193,809	—	2,193,809	(10)	2,193,799
105	Finance and Administrative Program	17,230,608		17,230,608	(400,000)	16,830,608	6,682	16,837,290
106	Forestry Program	60,191,667		60,191,667	(3,600,000)	56,591,667	18,991	56,610,658
107	Fire Suppression Program	7,717,500						
	Statutory—*Forest Act* (R.S.B.C. 1979, chap. 140, sec. 124 (4))		9,843,538	17,561,038	—	17,561,038	4,430	17,565,468
108	Timber, Range and Recreation Program	36,221,670		36,221,670	(74,526)	36,147,144	23,813	36,170,957
109	Field Operations Program	24,016,881		24,016,881	—	24,016,881	1,508	24,018,389
110	Reservoir Clearing Program	10						
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 55 (3))		55,910	55,920	—	55,920	4,803	60,723
111	Implementation of new legislation	3,161,974		3,161,974	—	3,161,974	(14,920)	3,147,054
112	Building occupancy charges	3,156,000		3,156,000	—	3,156,000	—	3,156,000
113	Computer and consulting charges	2,913,797		2,913,797	—	2,913,797	—	2,913,797
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		6,847	6,847	—	6,847	—	6,847
		156,927,188	9,911,295	166,838,483	(4,073,789)	162,764,694	45,297	162,809,991
	Ministry of Health							
114	Minister's office	165,162						
	Supplement—Special Warrant No. 12		50,000	215,162	(10,918)	204,244	—	204,244
115	Administration and support services	25,080,048		25,080,048	(1,207,688)	23,872,360	693	23,873,053
116	Preventive services	41,525,910		41,525,910	(1,792,296)	39,733,614	674,891	40,408,505
117	Direct community care services	257,891,426						
	Supplement—Special Warrant No. 12		7,411,000	265,302,426	(3,765,603)	261,536,823	118,720	261,655,543
118	Hospital Programs	795,254,313						
	Supplement—Special Warrant Nos. 2 and 13		188,910,752	984,165,065	(18,888,066)	965,276,999	880	965,277,879
119	Medical Service Commission	345,837,500						
	Statutory—*Medical Service Act* (R.S.B.C. 1979, chap. 255, sec. 12)		6,498,391	352,335,891	—	352,335,891	—	352,335,891
120	Emergency Health Services Commission	34,071,000						
	Supplement—Special Warrant No. 12		2,800,000	36,871,000	283,274	37,154,274	(61,639)	37,092,635

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations: Main Estimates Voted	Total Appropriations: Other Authorizations	Total Appropriations: Total	Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Ministry of Health —Continued	$	$	$	$	$	$	$
121	Forensic Psychiatric Services Commission	5,126,889		5,126,889	(191,589)	4,935,300	(1,428)	4,933,872
122	Alcohol and Drug Commission	12,797,336						
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 55 (3))		8,169	12,805,505	—	12,805,505	(64,892)	12,740,613
123	Building occupancy charges	30,919,000		30,919,000	(1,068,386)	29,850,614	5,615	29,856,229
124	Computer and consulting charges	2,317,000		2,317,000	—	2,317,000	—	2,317,000
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 59)—Interest on overdue accounts		5,101	5,101	—	5,101	—	5,101
		1,550,985,584	205,683,413	1,756,668,997	(26,641,272)	1,730,027,725	672,840	1,730,700,565
	Ministry of Human Resources							
125	Minister's office	212,051		212,051	(40,108)	171,943	—	171,943
126	Direct community services and administrative support	73,634,680		73,634,680	(4,251,695)	69,382,985	(92,046)	69,290,939
127	Services for families and children	87,159,254		87,159,254	(4,865,364)	82,293,890	(26,913)	82,266,977
128	Health services	71,279,283		71,279,283	(4,379,597)	66,899,686	(203,862)	66,695,824
129	Community projects	22,012,418						
	Supplement—Special Warrant No. 14		400,000	22,412,418	(539,979)	21,872,439	(47,457)	21,824,982
130	GAIN Programs	433,603,501						
	Supplement—Special Warrant No. 14		7,200,000	440,803,501	2,249,294	443,052,795	43,901	443,096,696
131	Special Programs for the Retarded	52,111,454		52,111,454	(2,933,538)	49,177,916	3,282	49,181,198
132	Building occupancy charges	17,569,000		17,569,000	(169,901)	17,399,099	(3,504)	17,395,595
133	Computer and consulting charges	5,364,000		5,364,000	(1,108,371)	4,255,629	—	4,255,629
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 59)—Interest on overdue accounts		4,370	4,370	—	4,370	—	4,370
		762,945,641	7,604,370	770,550,011	(16,039,259)	754,510,752	(326,599)	754,184,153

134	Minister's office	187,509		187,509	(27,838)	159,671	—	159,671
135	Administration	8,567,203		8,567,203	(884,786)	7,682,417	(21,404)	7,661,013
136	Small business development	2,031,695		2,031,695	(724,311)	1,307,384	(72,763)	1,234,621
137	Grants	5,765,500		5,765,500	(60,400)	5,705,100	—	5,705,100
138	Federal-Provincial Shared-cost Programs	41,032,000		41,032,000	(3,154,036)	37,877,964	(9,288,757)	28,589,207
139	Building occupancy charges	715,000		715,000	(43,150)	671,850	—	671,850
140	Computer and consulting charges	849,000		849,000	(810)	848,190	—	848,190
	Statutory—							
	Public Service Act (R.S.B.C. 1979, chap. 343, sec. 78)—							
	Medical expenses, London, England		204	204	—	204	—	204
	Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		16	16	—	16	—	16
		59,147,907	220	59,148,127	(4,895,331)	54,252,796	(9,382,924)	44,869,872
	Ministry of Intergovernmental Relations							
141	Minister's office	170,000		170,000	(37,901)	132,099	(284)	131,815
142	Administration	1,117,076		1,117,076	(120,663)	996,413	26,030	1,022,443
143	Special Representative's Office and British Columbia House, Ottawa	288,900		288,900	(196,124)	92,776	—	92,776
144	Agent General's Office and British Columbia House, London	726,235		726,235	43,614	769,849	—	769,849
145	Building occupancy charges	112,000		112,000	(15,594)	96,406	—	96,406
	Statutory—							
	Public Service Act (R.S.B.C. 1979, chap. 343, sec. 78)—							
	Medical expenses, London, England		1,307	1,307	—	1,307	—	1,307
	Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		201	201	—	201	—	201
		2,414,211	1,508	2,415,719	(326,668)	2,089,051	25,746	2,114,797
	Ministry of Labour							
146	Minister's office	155,758		155,758	(11,881)	143,877	—	143,877
147	Ministerial administration and support services	2,396,320						
	Supplement—Special Warrant No. 15		150,000	2,546,320	(2,146)	2,544,174	(34,850)	2,509,324

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations: Main Estimates Voted	Total Appropriations: Other Authorizations	Total Appropriations: Total	Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Ministry of Labour —Continued	$	$	$	$	$	$	$
148	Apprenticeship Training and Employment Opportunity Programs	37,087,884		37,087,884	(1,128,059)	35,959,825	73,243	36,033,068
149	Occupational Environment, Safety Engineering and Compensation Advisory Services	8,204,840		8,204,840	(317,141)	7,887,699	3,415	7,891,114
150	Labour Relations, Collective Bargaining and Labour Standards	4,969,409						
	Supplement—Special Warrant No. 15		90,000	5,059,409	(155,508)	4,903,901	(11,364)	4,892,537
151	Human Rights Programs	913,023		913,023	60	913,083	(5,011)	908,072
152	Boards of Review (*Workers' Compensation Act*)	10		10	(2,306)	(2,296)	2,296	—
153	Building occupancy charges	2,143,000		2,143,000	(45,527)	2,097,473	—	2,097,473
154	Computer and consulting charges	993,800		993,800	(72,325)	921,475	68,290	989,765
	Statutory—*Employment Standards Act* (1980, chap. 10, sec. 106)—Promotion of new statute		29,425	29,425	—	29,425	—	29,425
		56,864,044	269,425	57,133,469	(1,734,833)	55,398,636	96,019	55,494,655
	Ministry of Lands, Parks and Housing							
155	Minister's office	148,047		148,047	(2,755)	145,292	(768)	144,524
156	Administration	3,549,950		3,549,950	(143,897)	3,406,053	8,059	3,414,112
157	Lands and Housing	38,764,768		38,764,768	(3,470,186)	35,294,582	(25,494)	35,269,088
158	Parks and outdoor recreation	21,989,022		21,989,022	(981,087)	21,007,935	(68,963)	20,938,972
159	Ministry enterprises	1,927,621						
	Supplement—Special Warrant No. 4		445,939	2,373,560	(266,798)	2,106,762	(4,161)	2,102,601
160	Building occupancy charges	2,081,000		2,081,000	(26,760)	2,054,240	—	2,054,240
161	Computer and consulting charges	857,512		857,512	(9,959)	847,553	—	847,553
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 59)—Interest on overdue accounts		1,494	1,494	—	1,494	—	1,494
		69,317,920	447,433	69,765,353	(4,901,442)	64,863,911	(91,327)	64,772,584

	Ministry of Municipal Affairs							
	Supplement—Special Warrant No. 16		30,000	195,465	(2,470)	192,995	—	192,995
163	General administration	2,685,010						
	Supplement—Special Warrant No. 16		130,000	2,815,010	(53,683)	2,761,327	(9,317)	2,752,010
164	Grants, contributions and subsidies	73,450,000		73,450,000	(2,085,179)	71,364,821	(151,543)	71,213,278
165	Revenue Sharing	176,200,000		176,200,000	—	176,200,000	—	176,200,000
166	Central ministry services	445,382		445,382	(7,983)	437,399	—	437,399
167	Transit services	77,765,000		77,765,000	(3,283,100)	74,481,900	(1,628,465)	72,853,435
168	Building occupancy charges	348,000		348,000	(1,905)	346,095	—	346,095
169	Computer and consulting charges	49,000		49,000	(22)	48,978	—	48,978
		331,107,857	160,000	331,267,857	(5,434,342)	325,833,515	(1,789,325)	324,044,190
	Ministry of Provincial Secretary and Government Services							
170	Minister's office	165,770		165,770	(1,836)	163,934	—	163,934
171	Administration	3,928,498		3,928,498	(423,792)	3,504,706	1,792	3,506,498
172	Heritage, Cultural, Recreation and Fitness	23,375,403		23,375,403	(2,349,730)	21,025,673	(8,740)	21,016,933
173	Government services	12,650,340						
	Supplement—Special Warrant No. 18		1,000,000	13,650,340	(1,730,776)	11,919,564	110,886	12,030,450
174	British Columbia Lottery Branch	10		10	(10)	—	(146,519)	(146,519)
175	Unemployment Insurance and Workers' Compensation	15,000,000		15,000,000	1,591,757	16,591,757	871,551	17,463,308
176	*Public Inquiries Act*	10						
	Statutory—*Inquiry Act* (R.S.B.C. 1979, chap. 198, sec. 18)		576,446	576,456	—	576,456	(70,789)	505,667
177	*Provincial Elections Act*	697,022						
	Statutory—*Election Act* (R.S.B.C. 1979, chap. 103, sec. 191 (1))		273,146	970,168	(82,287)	887,881	(7,623)	880,258
178	Government Employee Relations Bureau	10,331,745		10,331,745	(1,924,835)	8,406,910	—	8,406,910
179	Public Service Commission administration	3,484,667		3,484,667	(367,755)	3,116,912	(19,898)	3,097,014
180	Salary and benefits—sundry employees	730,000		730,000	(343,975)	386,025	—	386,025
181	Public Service Adjudication Board	291,954		291,954	(207,827)	84,127	(633)	83,494
182	Superannuation Branch administration	2,261,882		2,261,882	(143,909)	2,117,973	(7,486)	2,110,487
183	Public Service superannuation and retirement benefits	74,245,000		74,245,000	(2,861,479)	71,383,521	—	71,383,521

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations: Main Estimates Voted	Total Appropriations: Other Authorizations	Total Appropriations: Total	Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Ministry of Provincial Secretary and Government Services —Continued	$	$	$	$	$	$	$
184	*Members of the Legislative Assembly Superannuation Act*	215,000						
	Statutory—*Legislative Assembly Allowances and Pension Act* (R.S.B.C. 1979, chap. 228, sec. 28)		5,328	220,328	—	220,328	—	220,328
185	Employee Benefits	36,701,039		36,701,039	(2,703,534)	33,997,505	—	33,997,505
186	Government information services	548,016		548,016	77,966	625,982	—	625,982
187	Building occupancy charges	9,466,000		9,466,000	(94,052)	9,371,948	—	9,371,948
188	Computer and consulting charges	1,600,000		1,600,000	13,911	1,613,911	—	1,613,911
	Statutory—							
	Transpo 86 Corporation Act (1980, chap. 59, sec. 17)—Initial planning and development costs		393,695	393,695	—	393,695	—	393,695
	Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		3,021	3,021	—	3,021	—	3,021
		195,692,356	2,251,636	197,943,992	(11,552,163)	186,391,829	722,541	187,114,370
	Ministry of Tourism							
189	Minister's office	157,334		157,334	1,108	158,442	(207)	158,235
190	Tourism	11,321,112		11,321,112	(436,074)	10,885,038	(614,181)	10,270,857
191	Building occupancy charges	691,000		691,000	(38,685)	652,315	—	652,315
192	Computer and consulting charges	337,000		337,000	(101,576)	235,424	—	235,424
	Statutory—							
	Public Service Act (R.S.B.C. 1979, chap. 343, sec. 78)—							
	Medical expenses, London, England		701	701	—	701	—	701
	Medical expenses, California, U.S.A.		2,856	2,856	—	2,856	—	2,856
	Revenue Act (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		144	144	—	144	—	144
		12,506,446	3,701	12,510,147	(575,227)	11,934,920	(614,388)	11,320,532

	Highways							
193	Minister's office	212,089		212,089	(19,682)	192,407	—	192,407
194	General administration—Highways	6,423,536		6,423,536	(9,162)	6,414,374	(31,425)	6,382,949
195	General administration—Transportation	1,118,973		1,118,973	(153,066)	965,907	(6,574)	959,333
196	Highway maintenance	179,351,848		179,351,848	(5,774,392)	173,577,456	(815,673)	172,761,783
197	Highway construction—Capital	208,209,007		208,209,007	(19,759,834)	188,449,173	(790,427)	187,658,746
198	Hydro development—Highways	10						
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 55 (3))		3,174,332	3,174,342	—	3,174,342	(2,970,095)	204,247
199	Engineering Branch	997,476		997,476	(148,419)	849,057	—	849,057
200	Weigh Scale Branch	3,556,393		3,556,393	(137,490)	3,418,903	(4,095)	3,414,808
201	Motor Vehicle Branch	15,898,017		15,898,017	(1,852,887)	14,045,130	(10,718)	14,034,412
202	Motor Carrier Branch	1,150,751		1,150,751	(14,386)	1,136,365	—	1,136,365
203	Motor Carrier Commission	329,756		329,756	(74,154)	255,602	(9,507)	246,095
204	Transportation Policy Analysis Branch	1,323,211		1,323,211	(544,149)	779,062	(49,189)	729,873
205	Air Services Branch	3,108,928		3,108,928	(25,295)	3,083,633	34,531	3,118,164
206	Local Airport Assistance Program	739,568		739,568	(65,243)	674,325	—	674,325
207	British Columbia Ferries	57,929,127		57,929,127	(743)	57,928,384	—	57,928,384
208	British Columbia Railway	14,000,000		14,000,000	—	14,000,000	—	14,000,000
209	Building occupancy charges	15,356,000		15,356,000	(7,539)	15,348,461	(84,761)	15,263,700
210	Computer and consulting charges	4,080,900		4,080,900	(360)	4,080,540	—	4,080,540
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 59)—Interest on overdue accounts		24,069	24,069	—	24,069	—	24,069
		513,785,590	3,198,401	516,983,991	(28,586,801)	488,397,190	(4,737,933)	483,659,257
	Ministry of Universities, Science and Communications							
211	Minister's office	136,479						
	Supplement—Special Warrant No. 20		25,000	161,479	(1,663)	159,816	(58)	159,758
212	Ministry administration	1,158,584		1,158,584	(274,318)	884,266	10,048	894,314
213	Universities	269,940,116						
	Supplement—Special Warrant No. 3		709,000	270,649,116	(712,890)	269,936,226	(20,000)	269,916,226
214	Metric conversion	385,812		385,812	(92,079)	293,733	(252)	293,481
215	Science and technology	3,244,175		3,244,175	—	3,244,175	—	3,244,175
216	Telecommunication Service Branch	16,559,217						
	Supplement—Special Warrant No. 20		1,456,745	18,015,962	(698,853)	17,317,109	(375,826)	16,941,283
217	Communications System Development and Regulation Branch	898,613		898,613	(386,993)	511,620	—	511,620

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation—Continued

Vote No.	Description	Total Appropriations: Main Estimates Voted	Total Appropriations: Other Authorizations	Total Appropriations: Total	Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Ministry of Universities, Science and Communications —Continued	$	$	$	$	$	$	$
218	Building occupancy charges	157,000		157,000	(622)	156,378	—	156,378
219	Computer and consulting charges	50,000		50,000	(35,392)	14,608	—	14,608
	Statutory—*Revenue Act* (R.S.B.C. 1979, chap. 367, sec. 59)—							
	Interest on overdue accounts		1,457	1,457	—	1,457	—	1,457
		292,529,996	2,192,202	294,722,198	(2,202,810)	292,519,388	(386,088)	292,133,300
		5,549,629,000	289,171,422	5,838,800,422	(125,549,900)	5,713,250,522	(25,793,728)	5,687,456,794
	Statutory Appropriations							
	Dental Care Assistance (*Medical Service Act*, R.S.B.C. 1979, chap. 255, sec. 12)	30,000,000		30,000,000	(16,498,391)	13,501,609	—	13,501,609
	Contribution to debt service charges (*British Columbia Railway Finance Act*, R.S.B.C. 1979, chap. 39, sec. 12.1)	70,000,000		70,000,000	—	70,000,000	—	70,000,000
	SPECIAL FUNDS ACT, 1980							
	Energy, Mines and Petroleum Resources:							
	Energy Development (sec. 12)	10,000,000		10,000,000	—	10,000,000	—	10,000,000
	Environment:							
	Lower Mainland Stadium (sec. 17)	25,000,000		25,000,000	—	25,000,000	—	25,000,000
	British Columbia Place (sec. 6)	15,000,000		15,000,000	—	15,000,000	—	15,000,000
	Industry and Small Business Development:							
	North East Coal Development (sec. 20)	20,000,000		20,000,000	—	20,000,000	—	20,000,000
	Municipal Affairs:							
	Downtown Revitalization (sec. 9)	25,000,000		25,000,000	—	25,000,000	—	25,000,000
	Urban Transit (sec. 26)	55,000,000		55,000,000	—	55,000,000	—	55,000,000
		150,000,000		150,000,000	—	150,000,000	—	150,000,000
	Total Statutory Appropriations	250,000,000		250,000,000	(16,498,391)	233,501,609	—	233,501,609
		5,799,629,000	289,171,422	6,088,800,422	(142,048,291)	5,946,752,131	(25,793,728)	5,920,958,403

TO CURRENT REVENUE					
CROWN CORPORATIONS					
Advance—					
British Columbia Assessment Authority (*Assessment Authority Act*, R.S.B.C. 1979, chap. 22, sec. 16 (4))	2,100,000	2,100,000	2,100,000	(2,100,000)	—
Grant—					
British Columbia Steamship Company (1975) Ltd. (Special Warrant No. 19)	7,700,000	7,700,000	7,700,000	—	7,700,000
	9,800,000	9,800,000	9,800,000	(2,100,000)	7,700,000
OTHER					
British Columbia Resources Investment Corporation adjustment of shares to market value			—	22,004,858	22,004,858
Grants—					
Fort Nelson Indian Reserve Royalties (*Fort Nelson Indian Reserve Minerals Revenue Sharing Act*, 1980, chap. 16, sec. 6)	2,214,694	2,214,694	2,214,694	—	2,214,694
Health Facilities Association of British Columbia *re* Terry Fox Laboratory (Special Warrant No. 11)	1,000,000	1,000,000	1,000,000	—	1,000,000
Insurance Corporation of British Columbia Senior Citizens' premium assistance			—	2,250,000	2,250,000
Vancouver Trade and Convention Centre (*Trade and Convention Centre Act*, 1980, chap. 58, sec. 2 (1))	2,947,777	2,947,777	2,947,777	—	2,947,777
	6,162,471	6,162,471	6,162,471	24,254,858	30,417,329
Total Other Expenditure	15,962,471	15,962,471	15,962,471	22,154,858	38,117,329

GENERAL FUND EXPENDITURE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

Summary of General Fund Expenditure by Appropriation—Continued

Description	Total Appropriations			Net Over (Under) Expenditures	Actual Expenditures Cash Basis	Accounting Policy Changes	Actual Expenditures Accrual Basis
	Main Estimates Voted	Other Authorizations	Total				
Statutory Appropriations —Continued	$	$	$	$	$	$	$
SPECIAL PURPOSE APPROPRIATION ACT, 1980							
Education:							
Delivery System—Educational Opportunities (sec. 1 (n))		1,200,000	1,200,000	—	1,200,000	—	1,200,000
Refugee Settlement (sec. 1 (l))		1,276,000	1,276,000	(26,000)	1,250,000	—	1,250,000
Energy, Mines and Petroleum Resources:							
Accelerated Construction—Sierra Yoyo Road (sec. 1 (m))		1,800,000	1,800,000	(1,301)	1,798,699	—	1,798,699
Finance:							
Reduction of Provincial Debt (sec. 1 (c))		26,100,000	26,100,000	—	26,100,000	(26,100,000)	—
Health:							
Refugee Settlement (sec. 1 (l))		1,236,000	1,236,000	(260,943)	975,057	574	975,631
Industry and Small Business Development:							
Small Business Loans in Metropolitan Areas (sec. 1 (e))		5,000,000	5,000,000	—	5,000,000	—	5,000,000
Small Manufacturers' Business Assistance (sec. 1 (f))		5,000,000	5,000,000	(3,708,299)	1,291,701	—	1,291,701
Labour:							
Youth Employment and Training (sec. 1 (p))		4,500,000	4,500,000	(404,571)[1]	4,095,429	6,857	4,102,286
Refugee Settlement (sec. 1 (l))		138,000	138,000	(18,000)	120,000	—	120,000
Lands, Parks and Housing:							
Accelerated Park Development (sec. 1 (o))		6,500,000	6,500,000	(1,594,397)[1]	4,905,603	5,842	4,911,445
Accelerated Construction of Senior Citizens' Housing (sec. 1 (q))		1,000,000	1,000,000	(1,000,000)[1]	—	—	—
Provincial Secretary and Government Services:							
Accelerated Recreational Facilities (sec. 1 (j))		5,000,000	5,000,000	—	5,000,000	—	5,000,000
Transportation and Highways:							
Establishing, Expanding and Improving Airport Facilities (sec. 1 (k))		3,400,000	3,400,000	—	3,400,000	—	3,400,000
Accelerated Highway Construction (sec. 1 (d))		100,000,000	100,000,000	(287,914)	99,712,086	—	99,712,086

Universities, Science and Communi-							
Grant to Science Council of British Columbia (sec. 1 (g))		3,500,000	3,500,000	—	3,500,000	—	3,500,000
Grant to British Columbia Research Council (sec. 1 (h))		1,000,000	1,000,000	—	1,000,000	—	1,000,000
Grant to Universities to Purchase Scientific Research Equipment (sec. 1 (i))		2,000,000	2,000,000	—	2,000,000	—	2,000,000
		168,650,000	168,650,000	(7,301,425)	161,348,575	(26,086,727)	135,261,848
SPECIAL FUNDS ACT, 1980							
Provincial Secretary and Government Services:							
Barkerville Historic Park Development (sec. 3)		5,000,000	5,000,000	—	5,000,000	—	5,000,000
Provincial Computerization of Libraries (sec. 23)		3,000,000	3,000,000	—	3,000,000	—	3,000,000
Transportation and Highways:							
Fraser River Crossing (sec. 15)		30,000,000	30,000,000	—	30,000,000	—	30,000,000
		38,000,000	38,000,000	—	38,000,000	—	38,000,000
FOREST AND RANGE RESOURCE FUND ACT							
Forests:							
Forest and Range Resource Fund (sec. 2)		146,600,000	146,600,000	—	146,600,000	—	146,600,000
Total Other Appropriations		353,250,000	353,250,000	(7,301,425)	345,948,575	(26,086,727)	319,861,848
Total General Fund Expenditure	5,799,629,000	658,383,893	6,458,012,893	(149,349,716)	6,308,663,177	(29,725,597)	6,278,937,580

[1] *Special Purpose Appropriations Act*, 1980, sections (o), (p) and (q) do not lapse until March 31, 1982.

NOTE: Transfers to Special Purpose Funds of $520,549,982 comprise $185,949,982 included in ministry appropriations, $150,000,000 included in statutory appropriations, and $184,600,000 included in the Revenue Surplus Account appropriations.

SECTION C

CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE

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CONSOLIDATED FINANCIAL STATEMENTS OF THE PROVINCE FOR THE FISCAL YEAR ENDED MARCH 31, 1981

PREAMBLE

This year's Public Accounts introduce Consolidated Financial Statements for the first time. These statements aggregate the Consolidated Revenue Fund, which comprises the General Fund and Special Purpose Funds, and certain Crown corporations: namely, those Crown corporations which exist to service the Government ("service" corporations) and those Crown corporations which conduct Government activities and complement Government programs ("provincial" corporations). These corporations are more fully described in Note 1 to these consolidated financial statements. The financial statements of those Crown corporations which have been consolidated have been adjusted to the Government's accounting policies upon consolidation to provide consistent reporting. Crown corporations which are similar to commercial enterprises and run on commercial lines (termed "commercial" and "transportation" companies) have not been consolidated; the Government's investment in those enterprises has simply been adjusted to reflect the underlying equity in them.

These comprehensive statements are presented to disclose the economic impact of the Government and the state of its finances in a manner that will assist in the assessment of these matters.

REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS INCLUDED IN THE PUBLIC ACCOUNTS OF THE PROVINCE OF BRITISH COLUMBIA

To the Legislative Assembly
of the Province of British Columbia
Parliament Buildings
Victoria, British Columbia

I have examined the Consolidated Financial Statements of the Government of the Province of British Columbia for the fiscal year ended March 31, 1981 as presented in Section C of the Public Accounts, and the related supplementary schedules contained in sub-sections C24 through C26. These financial statements are:

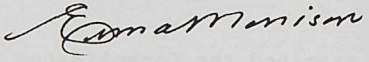
Consolidated Balance Sheet.
Consolidated Statement of Operating Results.
Consolidated Statement of Changes in Cash and Marketable Securities.
Notes to Consolidated Financial Statements.

My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances. I have received all the information and explanations I have required for the purpose of my examination.

I report in accordance with section 7 of the *Auditor General Act*. In my opinion, these financial statements present fairly the consolidated financial position of the Government of the Province of British Columbia as at March 31, 1981 and the consolidated results of its operations and changes in its consolidated financial position for the year then ended on a consolidated basis in accordance with the stated accounting policies as set out in Note 1 to the financial statements.

Since it is not feasible for me to verify the comparative figures for 1980, I have not examined and do not express an opinion on them. Consequently I do not express an opinion with respect to the consistency of the accounting bases followed as between the fiscal years 1980 and 1981.

I emphasize that this report is limited under section 7 of the Act to an opinion on presentation of the financial statements i accordance with the stated accounting policies of the Government. Under section 8 of the Act I report separately on other matters resulting from my examination that I consider should be brought to the attention of the Legislative Assembly. That report will be presented at a future date.



ERMA MORRISON, F.C.A.
Auditor General

Victoria, British Columbia
30 September 1981

CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 1981

	1981 $	1980 $
RECORDED ASSETS		
Cash and short-term deposits	630,241,869	1,097,648,543
Marketable securities (note 2)	236,683,658	31,832,499
Accounts receivable (note 3)	404,605,728	480,539,277
Due from Crown corporations and agencies (note 4)	79,062,719	66,594,120
Inventories (note 5)	37,829,254	35,838,588
Mortgages receivable (note 6)	187,945,280	218,158,191
Investments in Crown corporations—at equity (note 7)	428,935,603	328,698,781
Property under development (note 8)	69,634,858	74,100,102
Other investments (note 9)	332,101,290	158,575,830
Fixed assets (note 10)	1	1
	2,407,040,260	2,491,985,932
LIABILITIES		
Accounts payable and accrued liabilities (note 11)	462,450,398	391,652,483
Unmatured debt (note 12)	458,627,860	391,568,681
	921,078,258	783,221,164
TAXPAYERS' EQUITY		
Taxpayers' Equity (note 13)	1,485,962,002	1,708,764,768
	2,407,040,260	2,491,985,932
TRUST FUNDS UNDER ADMINISTRATION (note 14)	5,171,313,268	4,674,784,309
CONTINGENT LIABILITIES		
Guaranteed Debt (note 15)	8,064,099,060	7,712,491,202
Other (note 16)		

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

Approved on behalf of the Ministry of Finance.

L. I. BELL
Deputy Minister of Finance

D. R. ALEXANDER
Comptroller General

CONSOLIDATED STATEMENT OF OPERATING RESULTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1981

	1981				1980
	Consolidated Revenue Fund	Consolidated Crown Corporations	Transfers Between Consolidated Revenue Fund and Crown Corporations	Total	Total
Revenue	$	$	$	$	$
Taxation	3,008,570,884	—	—	3,008,570,884	2,701,382,594
Natural resources	862,370,360	2,193,199	—	864,563,559	1,295,688,027
Other	532,521,254	203,263,322	(8,093,461)	727,691,115	603,211,017
Contributions from Government enterprises	293,115,747	394,483,308	(413,254,258)	274,344,797	208,713,528
Contributions from other Governments	1,106,146,797	709,671	—	1,106,856,468	1,024,135,992
Total revenue	5,802,725,042	600,649,500	(421,347,719)	5,982,026,823	5,833,131,158
Expenditure					
General government	254,861,187	—	(6,692,975)	248,168,212	237,229,854
Protection of persons and property	286,198,358	13,771,754	(12,035,085)	287,935,027	257,024,604
Transportation and communications	555,423,290	—	—	555,423,290	510,998,313
Health and social services	2,503,708,264	579,978,092	(367,264,325)	2,716,422,031	2,181,742,737
Recreation and cultural services	75,002,252	1,154,884	—	76,157,136	70,459,215
Education	1,317,935,924	1,339,878	(3,573,100)	1,315,702,702	1,189,792,068
Natural resources and primary industries	365,514,137	131,363	(55,000)	365,590,500	302,449,513
Trade and industrial development	77,394,999	81,484,550	(14,272,175)	144,607,374	45,086,098
Housing	117,777,536	17,789,983	(12,955,059)	122,612,460	106,375,688
Aid to local government	297,011,894	—	—	297,011,894	207,015,131
Interest on public debt	19,299,398	—	—	19,299,398	21,681,023
Grants and contributions	105,838,889	—	—	105,838,889	140,894,654
Other	83,493,459	—	(4,500,000)	78,993,459	58,914,533
Total expenditure	6,059,459,587	695,650,504	(421,347,719)	6,333,762,372	5,329,663,431
Net Revenue (Expenditure) For The Year	(256,734,545)	(95,001,004)	—	(351,735,549)	503,467,727
Change in Net Equity in Commercial and Transportation Companies				128,932,783	(49,923,885)
Consolidated Net Revenue (Expenditure) for the Year				(222,802,766)	453,543,842

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

CONSOLIDATED STATEMENT OF CHANGES IN CASH AND MARKETABLE SECURITIES FOR THE FISCAL YEAR ENDED MARCH 31, 1981

	$	$
Balance—Beginning of Year		
Cash and short-term deposits	1,097,648,543	
Marketable securities	31,832,499	
		1,129,481,042
Operating Transactions		
Revenue	5,982,026,823	
Expenditure	6,333,762,372	
	(351,735,549)	
Change in net equity in commercial and transportation companies	128,932,783	
Consolidated Net Revenue (Expenditure)	(222,802,766)	
Less: non-cash items included in net revenue (see below)	3,339,416	
Used for operations		**(219,463,350)**
Financing Transactions		
Receipts:		
Debt issues of consolidated entities	96,425,000	
Repayment of loans and advances	53,706,536	
Repayment of investments	5,799,759	
Mortgage principal repayments	46,653,939	
Property sales—net	4,465,244	
	207,050,478	
Disbursements:		
Loans and advances	17,931,319	
Debt retirement	29,365,821	
Mortgages issued	16,441,028	
Advances re: Housing Initiative Program Agreement	186,404,475	
	250,142,643	
Used for financing transactions		**(43,092,165)**
Decrease in Cash, Short-term Deposits and Marketable Securities		**(262,555,515)**
Balance—End of Year		
Cash and short-term deposits	630,241,869	
Marketable securities	236,683,658	
		866,925,527

Non-cash Items Included In Consolidated Net Revenue:	
Change in accounts receivable	63,464,950
Change in inventories	(1,990,666)
Change in accounts payable	70,797,915
Change in net equity in non-consolidated entities (commercial and transportation companies)	(128,932,783)
	3,339,416

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981

1. Significant Accounting Policies

REPORTING ENTITY

These financial statements include the accounts of the following entities which have been consolidated for reporting purposes:

(a) the General Fund, which comprises all transactions of the Governnment not otherwise earmarked by legislative action, including the accounts of the British Columbia Liquor Distribution Branch, the Queen's Printer and the Purchasing Commission;

(b) the Special Purpose Funds, which comprise all amounts set aside from the General Fund by special disposition of the Legislature for specific purposes;

(c) Crown Service corporations comprised of British Columbia Buildings Corporation and British Columbia Systems Corporation which are considered to be extensions of existing Government programs; and

(d) certain Provincial corporations and agencies which are considered to support existing Government programs:

British Columbia Health Care Research Foundation
British Columbia Heritage Trust
British Columbia Housing Management Commission
British Columbia Petroleum Corporation
British Columbia Place Ltd.
British Columbia Research Council
Creston Valley Wildlife Management Authority Trust Fund
Discovery Foundation
Health Facilities Association of British Columbia
Knowledge Network of the West Communications Authority
Legal Services Society
Medical Services Commission of British Columbia
Provincial Capital Commission
Provincial Rental Housing Corporation
Science Council of British Columbia
Transpo 86 Corporation
Universities Council
University of British Columbia Health Sciences Centre

The following Crown corporations which have been identified as transportation and commercial enterprises, and which are intended to be run on commercial lines, are recorded in these financial statements on an equity basis:

British Columbia Cellulose Company
British Columbia Development Corporation
British Columbia Ferry Corporation
British Columbia Harbours Board
British Columbia Hydro and Power Authority
British Columbia Railway Company
British Columbia Steamship Company (1975) Ltd.
Housing Corporation of British Columbia
Insurance Corporation of British Columbia—excluding the Insurance (Motor Vehicle) Act Fund
Metro Transit Operating Company
Ocean Falls Corporation
Pacific Coach Lines Limited
Surrey Farm Products Investments Ltd.
T.S. Holdings Limited
Urban Transit Authority

The following entities are neither consolidated nor recorded on an equity basis because they are legally distinct from Government and they are controlled by separately elected authorities who are required to report separately on their stewardship:

British Columbia Assessment Authority
British Columbia Institute of Technology
Pacific Vocational Institute

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

1. Significant Accounting Policies—Continued

Simon Fraser University
University of British Columbia
University of Victoria

The following financing authorities are neither consolidated nor recorded on an equity basis because they are designed to finance institutions which are managed by separately elected authorities and the entities that they fund substantially derive revenues from local tax bases to repay their debt:

British Columbia Educational Institutions Capital Financing Authority
British Columbia Regional Hospital Districts Financing Authority
British Columbia School Districts Capital Financing Authority

The Workers' Compensation Board of British Columbia has neither been consolidated nor recorded on an equity basis because it carries on a quasi-insurance activity funded by contributions from employers and it is not intended to be run on commercial lines. Similarly, the activities of the Insurance (Motor Vehicle) Act Fund have neither been consolidated nor recorded on an equity basis because it operates as a self-sustaining entity.

Separate financial statements for the entities noted above are published in Section F of the Public Accounts.

Principles of Consolidation

The accounts of the Crown Service and Provincial corporations have been consolidated, in accordance with stated Government policies, with the General Fund and Special Purpose Funds after adjusting those accounts to a basis consistent with the accounting policies described below.

The transportation and commercial enterprises which maintain their accounts in accordance with accounting principles applicable to commercial entities, are included on an equity basis without adjusting them to a basis consistent with the accounting policies described below.

No adjustments have been made, on consolidation, to those consolidated entities whose year-ends are not coterminous with those of the Government, since the effect of adjustment would not be significant to the consolidated operating results.

Inter-company accounts and inter-fund revenue and expenditure transactions have been eliminated from all accounting entities upon consolidation.

Basis of Accounting

1. The accrual basis of accounting has been used which, for these consolidated financial statements, is specifically expressed as follows:

Revenue:

Taxes on income are recorded on a cash basis because of the impracticality and uncertainty involved in their estimation. With this exception, all other revenue to which the Government is entitled is recorded in these accounts and, at year-end, where the Government has a legal claim upon outside parties, all amounts are recorded provided the amount has been billed.

Expenditure:

All expenditure including the cost of fixed assets, has been recorded for all goods received and services rendered during the year and, at year-end, where the Government has recorded its obligation to outside parties the amounts are recorded provided an invoice has been received or the expenditure can be reasonably estimated. In the Consolidated Revenue Fund, accumulated employee sick leave, vacation and other entitlements are recorded as expenditure in the accounts when they are paid.

Assets:

All assets are recorded to the extent that they represent claims of the Government upon outside parties or items held for resale to outside parties as a result of events and transactions prior to the year-end. Consistent with the reporting of fixed assets as expenditure, they are recorded at a nominal value of $1. Rental payments for leases which transfer the benefits and risks incident to ownership of certain assets are reported as expenditure at the dates of inception of the leases.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

1. Significant Accounting Policies—Continued

Liabilities:

All liabilities are recorded to the extent they represent claims payable by the Government to outside parties as a result of events and transactions prior to the year-end.

2. Trust Funds under Administration are maintained on the cash basis whereby revenues are taken into the accounts in the fiscal period in which they are received and expenditures are charged when the actual payments are made. This basis of accounting has no effect on the consolidated operating results of the Government.

FOREIGN CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currency have been translated to Canadian dollars at the exchange rate prevailing at the year-end. Adjustments arising as a result of foreign currency translation are charged or credited to expenditure at the time the adjustments are made.

CASH AND SHORT-TERM DEPOSITS

Cash balances are shown after deducting outstanding cheques issued prior to the year-end; those issued subsequent to the year-end relating to the previous year are included with accounts payable.

MARKETABLE SECURITIES

Investments in marketable securities represent temporary investments and they are recorded at the lower of cost or market value.

ACCOUNTS RECEIVABLE

Accounts receivable represent only valid accounts receivable from outside parties. Provision is made where collectiblity is considered doubtful.

DUE FROM CROWN CORPORATIONS AND AGENCIES

Amounts due from Crown corporations and agencies represent short-term advances to non-consolidated entities which will be realized in the following year. No provision for doubtful collection has been considered necessary with respect to these accounts.

INVENTORIES

Inventories comprise items held for resale and are valued at cost; inventories of supplies are charged to the respective programs when the cost is incurred.

MORTGAGES RECEIVABLE

Mortgages receivable comprise mortgages secured by real estate and repayable over periods ranging up to twenty-five years; provision is made where collectibility is considered doubtful.

INVESTMENTS IN CROWN CORPORATIONS

Investments in Crown corporations wherein the Government exercises significant influence and which are considered to be commercial activities are recorded on an equity basis of accounting. Under this method the Province increases the carrying value of its investment (including long-term advances) by any unremitted earnings and reduces it by any losses in the investee entities. Since the Government ensures the ongoing activities of the enterprise, full account is taken of losses in the investee companies, over and above the original investment.

PROPERTY UNDER DEVELOPMENT

Property under development is comprised of all property which will eventually be sold to outside parties; such property is recorded at original cost together with related development costs incurred since acquisition less a provision for future losses.

OTHER INVESTMENTS

Other investments include loans, investments and advances which are considered to be recoverable they are recorded at the lower of cost or net realizable value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

2. Marketable Securities

	1981			1980
	Market Value	Cost	Lower of Cost or Market Value	Lower of Cost or Market Value
	$	$	$	$
B.B.C. Mortgage Ltd.	1,923,644	2,000,000	1,923,644	—
Canadian Dominion Leasing Corporation Limited notes	14,494,622	15,093,853	14,494,622	2,442,450
Canada Treasury bills	130,673,547	131,162,142	130,673,547	9,090,600
Export Development Corporation	—	—	—	49,364
First Canadian Investment Limited	30,247,985	30,990,456	30,247,985	—
Globe Realty Limited	11,432,013	11,430,564	11,430,564	—
Government of Canada bonds	3,574,000	3,544,400	3,544,400	—
Province of Newfoundland Treasury bills	4,890,457	4,885,550	4,885,550	—
Province of Quebec Treasury bills	6,769,749	6,759,870	6,759,870	—
Province of Saskatchewan notes	9,884,113	9,880,900	9,880,900	—
Province of Saskatchewan Treasury bills	4,875,148	4,870,700	4,870,700	—
Quebec Hydro notes	—	—	—	20,000,000
Roylease Limited	4,156,153	4,153,446	4,153,446	—
Roymor Limited	2,960,954	3,000,000	2,960,954	—
Scotia Leasing Limited	865,015	900,000	865,015	—
Scotia Mortgage Corporation	984,772	984,690	984,690	—
Tordom Corporation	8,777,559	8,765,104	8,765,104	—
Marketable Securities of Consolidated Crown corporations:				
British Columbia Research Council	255,354	242,667	242,667	250,085
	236,765,085	238,664,342	236,683,658	31,832,499

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

3. Accounts Receivable

	1981	1980
	$	$
Government of Canada		
Shared-cost programs	80,249,081	69,544,39
French language program	129,625	733,03
British Columbia municipalities—*re:* shared-cost programs	3,499,488	1,806,54
Taxes receivable	142,484,373	99,954,64
Timber royalty and stumpage and grazing fees	12,350,377	112,355,27
School districts, library districts, improvement districts, water districts, co-operative associations, local areas and other	41,725,801	36,066,14
Ministerial advances and sundry agencies	4,151,442	4,918,92
Trade accounts and other receivables of the:		
Crown Land Fund	24,332,605	17,274,88
British Columbia Liquor Distribution Branch	702,657	1,114,08
Queen's Printer	252,350	318,85
Accrued interest receivable	28,029,483	24,464,84
Land sales—principal	1,110,672	—
Water and power licence fees	2,240,907	7,255,00
Court fees	5,181,431	—
Sundry fees	5,067,120	—
Miscellaneous accounts receivable	5,344,686	1,418,70
Accounts receivable of consolidated Crown corporations:		
British Columbia Buildings Corporation	4,658,000	4,841,00
British Columbia Health Care Research Foundation	113,742	25,91
British Columbia Heritage Trust	27,721	17,44
British Columbia Housing Management Commission	9,844,956	11,219,11
British Columbia Petroleum Corporation	22,483,565	78,523,07
British Columbia Place Ltd.	68,000	—
British Columbia Research Council	1,495,572	1,239,62
Creston Valley Wildlife Management Authority Trust Fund	2,745	2,88
Discovery Foundation	152,406	110,23
Health Facilities Association of British Columbia	2,892,712	2,716,83
Knowledge Network of the West Communications Authority	23,039	—
Legal Services Society	111,294	74,39
Medical Services Commission of British Columbia	1,534,395	1,588,64
Science Council of British Columbia	54,147	12,04
Universities Council	6,450	4,04
University of British Columbia Health Sciences Centre	4,284,886	2,938,69
	404,605,728	480,539,27

4. Due From Crown Corporations and Agencies

	1981	1980
	$	$
Crown corporations—		
British Columbia Assessment Authority	2,280,671	—
British Columbia Development Corporation	14,403	9,24
British Columbia Ferry Corporation	2,490,852	2,011,23
British Columbia Hydro and Power Authority	27,585,498	18,313,23
British Columbia Railway Company	38,078,168	40,258,69
British Columbia Steamship Company (1975) Ltd.	26,005	2,63
Insurance Corporation of British Columbia	(2,248,666)	—
Metro Transit Operating Company	627,903	—
Urban Transit Authority	20,813	71,70
Workers' Compensation Board of British Columbia	1,789,337	439,83
Other agencies	8,397,735	5,487,53
	79,062,719	66,594,11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

1. Inventories

	1981	1980
	$	$
ritish Columbia Liquor Distribution Branch	28,741,009	26,244,301
inistry of Environment	467,000	348,000
inistry of Education	5,725,129	6,477,200
inistry of Health	2,896,116	2,769,087
	37,829,254	35,838,588

1. Mortgages Receivable

	1981	1980
	$	$
rown Land Fund—first mortgages, fully secured, with terms of up to 25 years and interest rates varying from 4 per cent to 19 per cent	21,646,519	20,140,492
ovincial Home Acquisition Fund—first and second mortgages pursuant to the *Provincial Home Acquisition Act* and the *Home Conversion and Leasehold Loan Act*, fully secured, with terms of up to 5 years and interest rates varying from 8 per cent to 15 ¾ per cent	161,283,163	192,763,872
lortgages receivable in the following Crown corporations:		
British Columbia Petroleum Corporation	137,548	253,827
Health Facilities Association of British Columbia	4,878,050	5,000,000
	187,945,280	218,158,191

1. Investments in Crown Corporations —at equity

	1981			1980
	Shares and Advances	Unremitted Equity	Total	
	$	$	$	$
ritish Columbia Cellulose Company	2	9,108,031	9,108,033	9,107,033
ritish Columbia Development Corporation	51,503,480	5,040,351	56,543,831	74,625,323
ritish Columbia Ferry Corporation	5,849,700	39,179,357	45,029,057	28,331,901
ritish Columbia Harbours Board	18,838,693	13,774,892	32,613,585	28,610,054
ritish Columbia Hydro and Power Authority	—	392,640,000	392,640,000	279,601,000
ritish Columbia Railway Company	1	(89,032,000)	(89,031,999)	(101,673,999)
ritish Columbia Steamship Company (1975) Ltd.	5	(6,393,849)	(6,393,844)	(1,674,313)
ousing Corporation of British Columbia	1	5,787,000	5,787,001	18,084,760
surance Corporation of British Columbia	—	11,193,000	11,193,000	9,328,000
cean Falls Corporation	—	(33,125,479)	(33,125,479)	(20,492,639)
acific Coach Lines Limited	2	3,719,651	3,719,653	3,157,882
urrey Farm Products Investments Ltd.	1	(532,621)	(532,620)	(522,693)
. S. Holdings Limited	—	—	—	6,919
rban Transit Authority	—	1,385,385	1,385,385	2,209,553
	76,191,885	352,743,718	428,935,603	328,698,781

For details of the computation of these figures see pages C 25 and C 26.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

7. Investments in Crown Corporations—at equity—Continued

(a) British Columbia Railway Company

The Province holds the entire issued share capital of the British Columbia Railway Company and, pursuant to the *British Columbia Railway Finance Act* (formerly the *British Columbia Railway Construction Loan Act*), guarantees the payment of the principal and interest on all monies borrowed by the Railway. The historic cost of the shares was $185,572,900 and, at March 31, 1981 the amount of the debt guaranteed by the Province (net of sinking funds) was $713,226,540.

During the year ended March 31, 1980, in view of the cumulative deficit of the Railway, the Province's investment was written down to one dollar. In calculating the unremitted equity, full adjustment has been made to reflect this write down.

During the year the *British Columbia Railway Finance Act* was amended to allow the Government to provide $70 million to be applied against the debt service charges of the Railway for the Company's fiscal year ending January 2, 1981. The Government has provided $70 million from the General Fund to be applied against debt service charges of the Railway during the Company's fiscal year ending January 1, 1982, and intends to provide for the debt service charges on an ongoing basis.

The Railway's debt service charges for each of the next five fiscal years ending March 31, 1982 through March 31, 1986 are estimated to be $109.9, $79, $77.6, $77.6 and $77.6 million respectively.

(b) Ocean Falls Corporation

The Province, through Ocean Falls Corporation, is the owner of the newsprint mill and townsite at Ocean Falls, which were acquired in 1973 for a payment of $789,952. In subsequent years, the Province made additional advances to the Corporation which, together with accrued interest, approximated $12 million at March 31, 1980. Because of continuing losses incurred by the Corporation, both the investment and advance were fully provided for in the 1979/80 Public Accounts and written off by Order in Council in the 1980/81 fiscal year. In calculating the unremitted equity, full adjustment has been made to reflect this write down. After the debt to the Province had been forgiven, the Corporation had outstanding obligations of approximately $36 million at March 31, 1981.

No provision has been made in these consolidated financial statements for the existing liabilities of Ocean Falls. However, in order to prevent the accumulation of interest on the Corporation's loans, arrangements have been made with a financial institution in the 1981/82 fiscal year, under which the Government maintains a deposit account equal to the Corporation's loan. No interest is to be earned on this deposit. In turn no interest is to be charged on the Ocean Falls loans. This arrangement will be maintained until a final evaluation of the Corporation's business is made.

There are outstanding claims being pursued in the courts against the Corporation for alleged failure to meet contractual obligations which resulted from the decision to cease operations in June, 1980. The Corporation disputes any liability under these claims and no provision has been made by the Corporation in estimating its liabilities and no provision has been made in these consolidated financial statements.

(c) Housing Corporation of British Columbia

The operations of the Corporation are in the process of voluntary liquidation and the investment at March 31, 1980 has been recovered. Pending dissolution the investment has been written down to the nominal value of $1.

(d) T. S. Holdings Ltd.

Effective March 1, 1981 the Company distributed its remaining assets to the Province (as sole shareholder) in satisfaction of its share capital and retained earnings and was struck from the Register of Companies on that date.

(e) Urban Transit Authority

An operating advance of $1,949,681 outstanding at March 31, 1980 was repaid to the Province in the 1980/81 fiscal year.

8. Property Under Development

	1981	1980
	$	$
Crown Land Fund—real estate	69,634,858	74,100,1

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

. Other Investments

	1981	1980
oans under the:	$	$
Ministry of Industry and Small Business Development Act	19,531,895	3,399,500
Farm Product Industry Act	2,225,613	10,565,245
Agricultural Land Development Act	16,990,418	15,191,495
ritish Columbia Resources Investment Corporation	25,020,361	47,025,219
dvances issued to British Columbia Central Credit Union under Housing Initiative Program Agreement	186,967,005	562,530
ritish Columbia Regional Hospital District Financing Authority bonds	22,000,000	22,000,000
ritish Columbia School Districts Capital Financing Authority bonds	59,071,502	59,071,501
ther	294,496	760,340
	332,101,290	158,575,830

0. Fixed Assets

Fixed assets are carried at a nominal value of $1 having been recorded as expenditures when purchased. he values listed below are recorded in the accounts of the various consolidated entities, including those :corded on a memorandum basis in the Consolidated Revenue Fund:

	1981			1980
	Gross	Accumulated Depreciation	Net	Net
	$	$	$	$
onsolidated Revenue Fund	3,042,971,062	154,285,792	2,888,685,270	2,601,850,257
ritish Columbia Buildings Corporation	479,349,000	55,270,000	424,079,000	416,926,000
ritish Columbia Heritage Trust	279,402	—	279,402	176,643
ritish Columbia Housing Management Commission	678,958	206,908	472,050	332,643
ritish Columbia Petroleum Corporation	440,952	116,334	324,618	339,801
ritish Columbia Place Ltd.	68,771,760	22,760	68,749,000	—
ritish Columbia Research Council	3,483,582	2,126,967	1,356,615	1,316,059
ritish Columbia Systems Corporation	21,543,000	9,952,000	11,591,000	7,064,000
iscovery Foundation	5,899,192	10,937	5,888,255	944,718
nowledge Network of the West Communications Authority	292,751	41,891	250,860	—
rovincial Rental Housing Corporation	80,102,858	—	80,102,858	85,367,735
	3,703,812,517	222,033,589	3,481,778,928	3,114,317,856

For an analysis of those fixed assets recorded on a memorandum basis in the Consolidated Revenue Fund, see note 12) the combined financial statements on page B 18.

Depreciation on the principal Consolidated Revenue Fund assets is calculated for memorandum purposes on a straight ne basis over 40 years; all other consolidated entity assets are depreciated in the individual entities over varying periods p to 40 years.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

11. Accounts payable and accrued liabilities

	1981	1980
	$	$
Consolidated Revenue Fund	250,234,225	181,058,837
Accounts payable of consolidated Crown corporations:		
British Columbia Buildings Corporation	24,374,140	29,527,000
British Columbia Health Care Research Foundation	61,503	102,879
British Columbia Heritage Trust	22,693	12,529
British Columbia Housing Management Commission	2,470,001	2,327,562
British Columbia Petroleum Corporation	67,438,136	55,866,528
British Columbia Place Limited	2,899,000	—
British Columbia Research Council	921,920	585,966
British Columbia Systems Corporation	12,702,926	5,996,000
Creston Valley Wildlife Management Authority Trust Fund	36,594	34,234
Discovery Foundation	844,328	129,651
Health Facilities Association of British Columbia	6,331,424	3,857,808
Knowledge Network of the West Communications Authority	287,882	—
Legal Services Society	505,623	240,764
Medical Services Commission of British Columbia	79,583,706	68,951,025
Provincial Rental Housing Corporation	4,166,709	40,078,011
Science Council of British Columbia	13,760	6,086
University of British Columbia Health Sciences Centre	9,533,490	2,861,251
Universities Council	22,338	16,352
	462,450,398	391,652,483

12. Unmatured Debt

		Less			
	1981 Gross Debt	Sinking Funds Net	Debt Held by Consolidated Entities	1981 Net Debt	1980 Net Debt
Debt issued by:	$	$	$	$	$
(a) Consolidated Revenue Fund	209,247,790	—	—	209,247,790	235,347,790
(b) Crown Corporations and Agencies:					
British Columbia Buildings Corporation	321,733,000	5,757,000	166,347,000	149,629,000	83,080,000
British Columbia Place Ltd.	60,150,000	—	42,725,000	17,425,000	—
Health Facilities Association of British Columbia	36,500,000	1,952,057	—	34,547,943	25,355,391
Provincial Rental Housing Corporation	75,943,652	—	28,165,525	47,778,127	47,785,500
	494,326,652	7,709,057	237,237,525	249,380,070	156,220,891
	703,574,442	7,709,057	237,237,525	458,627,860	391,568,681

Details of the various terms of repayment are available in the financial statements of each of the consolidated entities.

13. Taxpayers' Equity

	1981			1980
	Government and Government Enterprises	Unremitted Earnings of Commercial and Transportation Companies	Total	Total
	$	$	$	$
Taxpayers' equity—beginning of year	1,484,953,833	223,810,935	1,708,764,768	1,255,220,92
Consolidated operating results for the year	(351,735,549)	128,932,783	(222,802,766)	453,543,84
Taxpayers' equity—end of year	1,133,218,284	352,743,718	1,485,962,002	1,708,764,76

Certain amounts included in taxpayers' equity in Government and Government Enterprises have been earmarked fo government programs and have been set aside in special purpose and other funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

14. Trust Funds Under Administration

These comprise monies held in trust for third parties which are administered by the Government but over which the Legislature has no power of appropriation and include trust deposits, sinking funds, certain assurance funds and superannuation funds.

	1981	1980
	$	$
Trust Deposits		
Courts	41,147,448	35,228,635
Intestate estates	27,172,001	21,786,756
Long-term Disability Fund—Public Service	16,246,722	10,335,222
Long-term Disability Fund—Crown corporations	3,443,582	2,283,435
Official Committee	47,212,557	32,855,355
Official Guardian	9,922,416	8,087,984
Other	29,794,871	366,559,474
	174,939,597	477,136,861
Sinking Funds		
British Columbia Buildings Corporation	5,735,100	3,317,512
British Columbia Ferry Corporation	17,629,635	20,698,377
British Columbia Hydro and Power Authority	467,390,192	411,141,419
British Columbia Railway Company	139,229,543	118,431,893
British Columbia Regional Hospital Districts Financing Authority	90,910,745	70,087,999
British Columbia School Districts Capital Financing Authority	295,779,843	240,938,748
Greater Vancouver Sewerage and Drainage District	19,660,831	22,451,440
Other	9,445,599	7,573,489
	1,045,781,488	894,640,877
Superannuation and Pension Funds		
Public Service Superannuation Fund	982,343,070	823,384,647
Members of the Legislative Assembly Superannuation Fund	2,252,338	1,811,372
Municipal Superannuation Fund	987,225,852	833,613,321
Teachers' Pension Fund	740,455,223	613,069,104
College Pension Fund	50,843,221	37,928,219
British Columbia Railway Company Pension Fund	54,207,200	42,994,894
British Columbia Hydro and Power Authority Pension Fund	263,891,507	224,318,343
British Columbia Power Commission Superannuation Fund	24,416,744	23,239,083
Workers' Compensation Board of British Columbia Superannuation Fund	28,526,111	23,980,369
	3,134,161,266	2,624,339,352
Miscellaneous[1]	816,430,917	678,667,219
	5,171,313,268	4,674,784,309

[1] See Section G of the Public Accounts for a list of these accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

14. Trust Funds Under Administration—Continued

(a) Trust Deposits

Trust Deposits are the funds which are administered by the Government under statutes such as the Patients Property, Estate Administration and Infants Acts. Patients' accounts for some Government institutions as well as surplus working capital funds for several Crown corporations are also administered in this group.

(b) Sinking Funds

Sinking Funds are the accumulation of installment payments and interest earned for the purpose of debt retirement at some future date. The amount and number of installments as well as the type of securities in which installments may be invested, may be specified in the debt issue.

(c) Superannuation and Pension Funds

The Government manages the administration of and is responsible for employee contributions to certain superannuation and pension plans in accordance with the following Acts and Regulations:

Pension (Public Service) Act
Pension (Municipal) Act
Pension (Teachers') Act
Pension (College) Act
Legislative Assembly Allowance and Pension Act
British Columbia Hydro and Power Authority Pension Fund Regulations
British Columbia Power Commission Superannuation Fund Regulations
British Columbia Railway Company Pension Fund Rules and Regulations
Workers' Compensation Board Superannuation Fund Plan

The Government is responsible for the employer contributions, and has statutory responsibilities with respect to unfunded liabilities under the *Pension (Public Service) Act*, the *Pension (Teachers') Act* and the *Legislative Assembly Allowance and Pension Act*. The Government has no statutory responsibilities with respect to unfunded liabilities under the other Acts and Regulations noted above.

Summarized Actuarial Balance Sheets of the Superannuation and Pension Funds are set out on the following page.

(d) Miscellaneous Trust Funds

Miscellaneous Trust Funds include those accounts which have been established by statutes to protect the citizens of British Columbia. Included are such organizations as the Workers' Compensation Board of British Columbia, Crop Insurance, Land Registry Assurance and Travel Agents Assurance Funds.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

14. Trust Funds Under Administration—Continued

Summarized Actuarial Balance Sheets of Superannuation and Pension Funds as at the dates of the latest actuarial valuation.

	Funds for Which the Government Has Statutory Responsibility With Respect to Unfunded Liabilities		Other Funds				
	Public Service Superannuation as at March 31, 1980	Teachers' Pension as at December 31, 1977	Municipal Superannuation as at December 31, 1979	College Pension as at August 31, 1976	British Columbia Hydro and Power Authority Pension as at December 31, 1979	British Columbia Railway Company Pension as at December 31, 1978	Workers' Compensation Board Superannuation as at March 31, 1977
Assets	$	$	$	$	$	$	$
Fund	1,069,594,000	545,957,000	900,499,000	18,023,000	219,737,000	30,770,000	18,330,000
Present value of future contributions	1,071,750,000	1,395,627,000	1,531,071,000	53,152,000	355,854,000	75,612,000	20,204,000
	2,141,344,000	1,941,584,000	2,431,570,000	71,175,000	575,591,000	106,382,000	38,534,000
Unfunded Liability (Surplus)	631,172,000[1]	547,688,000	407,272,000[2]	12,290,000	(11,754,000)	6,756,000	4,477,000
Total Actuarial Liability	2,772,516,000	2,489,272,000	2,838,842,000	83,465,000	563,837,000	113,138,000	43,011,000

No actuarial valuations are required of the Members of the Legislative Assembly and the British Columbia Power Commission Superannuation Funds. Key actuarial assumptions on which the above balance sheets are based differ from plan to plan; the major assumptions include salary growth, the interest rate on fund assets, mortality rates, withdrawal rates and retirement age[3].

[1] The actuarial report indicated that present funding levels would amortize the unfunded liability in 30 years.
[2] The unfunded liability is arrived at after taking into account changes in contribution rates and benefits which became effective in 1980.
[3] Audited financial statements of these superannuation and pension funds and details of key actuarial assumptions are contained in Section G of the Public Accounts.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

15. Contingent Liabilities—Guaranteed Debt

	1981 Gross Debt	Less: Sinking Funds Net	Less: Debt held by Consolidated Entities	1981 Net Debt	1980 Net Debt
	$	$	$	$	$
Municipalities and other local governments	66,225,354	20,768,805	—	45,456,549	58,194,418
Financing authorities	1,824,806,411	398,580,296	81,989,980	1,344,236,135	1,208,281,074
Outside resource enterprises	12,673,266	—	—	12,673,266	11,057,425
Transportation companies	912,710,135	156,917,249	57,848,772	697,944,114	719,600,827
Commercial enterprises	6,474,408,808	476,745,811	33,874,001	5,963,788,996	5,715,357,458
Total Guaranteed Debt	9,290,823,974	1,053,012,161	173,712,753	8,064,099,060	7,712,491,202

The Government has guaranteed debt securities issued by local governments, Crown corporations and agencies, and the obligations of other enterprises under certain Government programs. This debt is generally self-sustaining, although that issued by school and regional hospital districts and educational institutions is serviced in part by contributions from the Government through existing grant formulas. In 1980/81 these contributions were approximately $112.4 million or 60 per cent of the total debt service cost payable.

As a result of over all Government financing policies $3.9 billion of the guaranteed debt is held in investment accounts included in these financial statements and in other Provincial public sector superannuation and pension funds. Canada Pension Plan funds made available to the Government ($2.7 billion) are also invested in these securities but are subject to redemption on six months' notice by the Federal Minister of Finance.

Subsequent to the year end there have been additional net debt issues guaranteed by the Province totalling $994 million.

16. Contingent Liabilities and Commitments

There are various contingent liabilities outstanding in the form of litigation, indirect guarantees and outstanding claims. Because such amounts are uncertain, no liability has been recorded in these consolidated financial statements.

In addition, at the end of each year there are a number of general commitments outstanding for ongoing programs and operations.

For reporting purposes in these financial statements, future expenditures of fully consolidated entities are recorded as a charge in the year in which the work or service is performed. These include a liability for credits frozen under the Government's former sick leave plan which is estimated at a maximum of $97 million and commitments for capital construction projects totalling approximately $180 million. Minimum payments under operating leases total approximately $100 million over the next five years.

Approved capital commitments for those entities reported on the equity basis total approximately $1,500 million and minimum payments under operating leases total approximately $76 million over the next five years.

17. Workers' Compensation Board of British Columbia—Unfunded Liability

The Workers' Compensation Board of British Columbia, established under the *Workers Compensation Act*, delivers compensation and preventive medical services, sets and controls working conditions throughout the Province and provides education and rehabilitation services to injured employees. The Board funds its operations from assessments on businesses throughout the Province.

The Board is required in each year to provide capitalized reserves under the Accident and Silicosis Funds sufficient to meet future payments of compensation accruing in future years in respect of all injuries occurring during the year. Provisions have proven to be insufficient and at December 31, 1980 cumulative actuarial liabilities exceeded the funded balances by approximately $380 million. The balance of the unfunded liability has increased to the point that it now exceeds one year's total class income. At this time, the Board considers that the deficiencies will be recovered from future assessments by 1986.

18. Subsequent Events

a) *Amendment to the Resource Investment Corporation Act*

During the 1981 spring and summer session of the Legislature the Attorney General amended the *Resource Investment Corporation Act* to enable the Terry Fox Medical Research Foundation to hold more than 1% of the issued and outstanding voting shares in the British Columbia Resources Investment Corporation. The amendment requires that the voting rights attached to the shares held in excess of 1% may not be exercised and that any shares which may be transferred by the Government to the Foundation, may not be sold or transferred although they may be mortgaged, charged or pledged.

b) *Provincial Debt Repayment Act*

Under the *Provincial Debt Repayment Act* the Legislature authorized the expenditure of $26.1 million in the 1981/82 fiscal year to reduce the Provincial unmatured debt of $209,247,790.

c) *British Columbia Railway Company—Tumbler Ridge Branch Line*

The British Columbia Railway Company has begun construction on the Tumbler Ridge Branch Line for the North East Coal Project to be completed in 1983 at a total estimated cost of $500 million. The Government has expressed its intention to make appropriate financial arrangements to ensure that the British Columbia Railway Company fully recovers the project's capital costs.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1981

SCHEDULE OF NET POSITION OF CONSOLIDATED ENTITIES

	1981						1980
	Earnings (losses) per consolidated Crown corporations financial statements	Adjustments to net assets per consolidated Crown corporations financial statements	Earnings (losses) prior to consolidation	*Accounting Policy Adjustments* Write-off of fixed assets	Other	**Net earnings (losses) for the year**	**Net earnings (losses) for the year**
Service Corporations	$	$	$	$	$	**$**	**$**
British Columbia Buildings Corporation	17,045,000	(17,045,000)	—	(31,620,000)	9,437,645	**(22,182,355)**	**(30,258,590)**
British Columbia Systems Corporation	1,522,000	(1,522,000)	—	(4,527,000)	(630,000)	**(5,157,000)**	**3,287,000**
	18,567,000	(18,567,000)	—	(36,147,000)	8,807,645	**(27,339,355)**	**(26,971,590)**
Provincial Corporations							
British Columbia Health Care Research Foundation	(611,095)	—	(611,095)	—	—	**(611,095)**	**(516,315)**
British Columbia Heritage Trust	1,186,768	—	1,186,768	(302,259)	—	**884,509**	**(376,776)**
British Columbia Housing Management Commission	(3,502,383)	(468,192)	(3,970,575)	(139,407)	(1,396,289)	**(5,506,271)**	**9,073,045**
British Columbia Petroleum Corporation	208,326,333	(203,777,061)	4,549,272	15,183	(756,032)	**3,808,423**	**(13,497,061)**
British Columbia Place Ltd.	—	8,528,000	8,528,000	(68,749,000)	1,496,435	**(58,724,565)**	**—**
British Columbia Research Council	359,289	—	359,289	(40,556)	(6,679)	**312,054**	**48,262**
Creston Valley Wildlife Management Authority Trust Fund	20,108	—	20,108	—	—	**20,108**	**1,452**
Discovery Foundation	1,619,348	—	1,619,348	(4,943,537)	911,580	**(2,412,609)**	**12,639,816**
Health Facilities Association of British Columbia	248,729	—	248,729	—	(17,045,621)	**(16,796,892)**	**19,053,422**
Knowledge Network of the West Communications Authority	2,764,576	—	2,764,576	(250,860)	(9,761)	**2,503,955**	**—**
Legal Services Society	(114,781)	—	(114,781)	—	26,235	**(88,546)**	**693,402**
Medical Services Commission of British Columbia	7,229,623	—	7,229,623	—	—	**7,229,623**	**3,978,592**
Provincial Rental Housing Corporation	867,617	—	867,617	4,397,260	6,562	**5,271,439**	**1,419,724**
Science Council of British Columbia	2,074,373	—	2,074,373	—	(1,433)	**2,072,940**	**935,776**
Universities Council	(51,753)	—	(51,753)	—	—	**(51,753)**	**217,985**
University of British Columbia Health Sciences Centre	(5,068,578)	(79,584)	(5,148,162)	—	(424,807)	**(5,572,969)**	**(153,926)**
	215,348,174	(195,796,837)	19,551,337	(70,013,176)	(17,199,810)	**(67,661,649)**	**33,517,398**
Total	233,915,174	(214,363,837)	19,551,337	(106,160,176)	(8,392,165)	**(95,001,004)**	**6,545,808**

Accounting policy adjustments are made so that the net earnings (losses) of consolidated entities are calculated in accordance with the accounting policies adopted by the Government as described in note 1. Basis of Accounting, page C 11.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued

SCHEDULE OF EQUITY IN COMMERCIAL ENTERPRISES

Computation of Equity	British Columbia Cellulose Company	British Columbia Development Corporation[1]	British Columbia Hydro and Power Authority	Housing Corporation of British Columbia	Insurance Corporation of British Columbia[2]	Ocean Falls Corporation	Surrey Farm Products Investments Ltd.	Total
	$	$	$	$	$	$	$	$
Earnings (losses) for the year	1,000	1,915,028	113,039,000	1,402,000	1,865,000	(6,902,270)	(9,927)	**111,309,831**
Extraordinary items	—	—	—	—	—	(5,730,570)	—	**(5,730,570)**
Net earnings for the year	1,000	1,915,028	113,039,000	1,402,000	1,865,000	(12,632,840)	(9,927)	**105,579,261**
Unremitted earnings (losses)—beginning of year	9,107,031	3,125,323	279,601,000	11,385,000	9,328,000	(20,492,639)	(522,694)	**291,531,021**
Transfers to Government	—	—	—	(7,000,000)	—	—	—	**(7,000,000)**
Unremitted earnings (losses)—end of year	9,108,031	5,040,351	392,640,000	5,787,000	11,193,000	(33,125,479)	(532,621)	**390,110,282**
Recorded by the Government:								
Investments	2	42,500,000	—	1	—	—	1	**42,500,004**
Advances	—	9,003,480	—	—	—	—	—	**9,003,480**
Total Equity	9,108,033	56,543,831	392,640,000	5,787,001	11,193,000	(33,125,479)	(532,620)	**441,613,766**

[1] The amount shown above for the British Columbia Development Corporation does not include $28,764,878 of the Government of British Columbia's funds held in trust and administered by the Corporation under the Low Interest Loan Assistance Programs (L.I.L.A.).

[2] The amount shown above for the Insurance Corporation of British Columbia does not include the activities of the Insurance (Motor Vehicle) Act Fund, which operates as a self-sustaining entity; for the year ended December 31, 1980 the loss for the year in this Fund was $66,038,000 (1979 profit — $5,870,000), which amount was primarily met by appropriations from the Fund's Rate Stabilization Reserve.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED MARCH 31, 1981—Continued
SCHEDULE OF EQUITY IN TRANSPORTATION COMPANIES

Computation of Equity	British Columbia Ferry Corporation	British Columbia Harbours Board	British Columbia Railway Company	British Columbia Steamship Company (1975) Ltd.	Metro Transit Operating Company	Pacific Coach Lines Limited	T.S. Holdings Limited	Urban Transit Authority	**Transportation Companies Total**	**Commercial Companies (page C 25)**	**Grand Total**
	$	$	$	$	$	$	$	$	**$**	**$**	**$**
Earnings (Loss) for the year, not including Provincial grants	(36,409,271)	3,932,951	(51,390,000)	(4,719,531)	—	(8,103,110)	43,769	(62,178,928)	**(158,824,120)**	**111,309,831**	**(47,514,289)**
Provincial grants	53,106,427	—	64,032,000	—	—	8,664,881	—	63,304,441	**189,107,749**	**—**	**189,107,749**
Earnings for the year	16,697,156	3,932,951	12,642,000	(4,719,531)	—	561,771	43,769	1,125,513	**30,283,629**	**111,309,831**	**141,593,460**
Extraordinary items	—	70,580	—	—	—	—	—	—	**70,580**	**(5,730,570)**	**(5,659,990)**
Net earnings for year	16,697,156	4,003,531	12,642,000	(4,719,531)	—	561,771	43,769	1,125,513	**30,354,209**	**105,579,261**	**135,933,470**
Unremitted earnings (losses)—beginning of year	22,482,201	9,771,361	(101,674,000)	(1,674,318)	—	3,157,880	(43,082)	259,872	**(67,720,086)**	**291,531,021**	**223,810,935**
Transfers to Government	—	—	—	—	—	—	(687)	—	**(687)**	**(7,000,000)**	**(7,000,687)**
Unremitted earnings (losses)—end of year	39,179,357	13,774,892	(89,032,000)	(6,393,849)	—	3,719,651	—	1,385,385	**(37,366,564)**	**390,110,282**	**352,743,718**
Recorded by the Government											
Investments	5,849,700	—	1	5	—	2	—	—	**5,849,708**	**42,500,004**	**48,349,712**
Advances	—	18,838,693	—	—	—	—	—	—	**18,838,693**	**9,003,480**	**27,842,173**
Total Equity	45,029,057	32,613,585	(89,031,999)	(6,393,844)	—	3,719,653	—	1,385,385	**(12,678,163)**	**441,613,766**	**428,935,603**

Note: Unremitted earnings in both British Columbia Railway Company and Ocean Falls Corporation have been adjusted to reflect the cost of government investments written off.