

REVIEW OF:

Financial Management at Government House

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Introduction

The Lieutenant Governor

The Lieutenant Governor is the Queen's provincial representative and the legal Head of State in British Columbia (the Province). The Lieutenant Governor is appointed by the Governor General of Canada, acting by and with the advice of the Queen's Privy Council for Canada.

The Lieutenant Governor fulfills several roles, including:

- representing the Crown in the Province;
- upholding Constitutional responsibilities through appointments, royal assent of provincial legislation, delivering the speech from the Throne, and by summoning, dissolving, and proroguing the Legislature;
- promoting and celebrating the history, culture and achievements of the Province and its people; and
- fostering the relationship between the Crown and Indigenous Peoples.

Government House Estate

The Government House estate (the Estate) hosts the office and official residence of the Lieutenant Governor. It is the ceremonial home of all British Columbians and acts as a centre of hospitality for the Province. The Estate is designated as a National Historic site, and its surrounding 36 acres of gardens are open year-round to the public. Given its historic significance and the permanency of its continued official and special use, the Estate has unique facility management needs.

Government House

Government House is an organization within the Ministry of Finance (Finance) overseen by an Executive Director. The organization employs 15 full-time equivalent public-sector employees and is also supported by contractors and volunteers. Operations are funded by a combination of public, private and internal sources, which totaled \$2.4 million in fiscal 2018/19.

The Executive Director also serves as the Private Secretary to the Lieutenant Governor, by leading the Office of the Lieutenant Governor (the Office). Operating the Office is one of the key roles of Government House, as it supports the mandate of the Lieutenant Governor by:

- organizing and hosting events;
- planning and implementing the Lieutenant Governor's Priority Programs;
- promoting the heritage and tradition of the Office and Estate; and
- maintaining the Estate.

Purpose, Scope and Approach

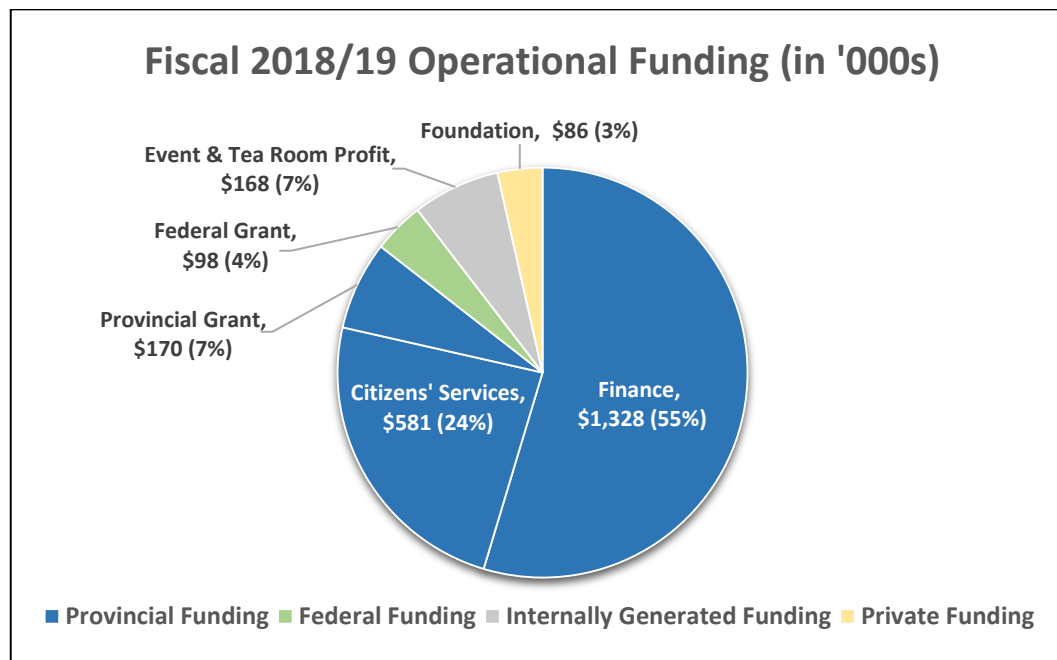
The purpose of this review was to assess whether Government House had established sound financial management practices and controls, and whether those controls were operating effectively. Internal Audit & Advisory Services reviewed, and as appropriate, made recommendations related to financial oversight, budget management, and procurement.

In order to identify areas of focus for this review, we assessed the oversight structure related to Government House's various funding sources. Our review focused on areas where financial oversight was limited to that of Government House management: the provincial grant funding, event and tea room operations, and contingency account spending. As illustrated in Appendix 3, funding sources and related operations where we identified oversight controls were excluded from the scope of our review.

We conducted this review through interviewing Government House staff; reviewing documentation, legislation and policies; testing the design, implementation and operating effectiveness of controls; and reviewing a sample of Government House purchases.

1.0 Funding Sources

Government House has a complex structure; operating as an organization within the Government of British Columbia (the Government) supported by public, private and internal funding sources.



Source: Government House and Citizens' Services data

Public Funding

The majority of Government House operating costs are provided by the Province.

An annual budget allocation from Finance to Government House pays for staff salaries, benefits, professional services and office expenses. Finance also provides an annual provincial grant to support Government House operations and the Lieutenant Governor's provincial programs and events.

A draft Service Level Agreement (SLA) between Finance, Government House and the Ministry of Citizens' Services (Citizens' Services) dictates responsibility for maintenance and long-term enhancements to the Estate. Three committees comprised of staff from those three organizations oversee the SLA: an Executive Steering committee, a Management Committee and an Asset Operations Committee. The majority of these maintenance costs are allocated from the Citizens' Services budget. In fiscal 2018/19, Government House also received \$1.5 million for capital from Citizens' Services.

An annual federal grant provides funding for Lieutenant Governor living costs, travel, and federal events. The federal government is also responsible for the Lieutenant Governor's salary.

Private Funding

Fundraising, donations and dedicated volunteers help preserve the Estate and support the Lieutenant Governor's Priority Programs.

The Government House Foundation (the Foundation) was established to support the activities and programs of the Lieutenant Governor and to maintain the Estate. The Foundation generates revenue through investment income, (fiscal 2018/19 - \$288,000) fundraising and donations, (fiscal 2018/19 - \$134,000) and is overseen by a Board of Trustees.

The Friends of Government House Garden Society (the Society), through approximately 400 members, provides garden maintenance and other volunteer duties; for example, tea room and museum staffing. The Society is funded through membership dues, fundraising and financial support from Government House and the Foundation, and is managed by a Board of Directors.

Internally Generated Funding

Government House generates a modest income by operating a tea room and hosting events.

The tea room is a joint venture between Government House, the Foundation and the Society, and profits are primarily used to support tea room operations and maintenance. Event profits are used to pay for Government House operations, maintenance and improvements not funded through the SLA. Profits are held in a bank account, which is maintained separately from the Province's Consolidated Revenue Fund (CRF).

Government House has accumulated a contingency fund primarily from unspent event profits. At the end of fiscal 2018/19 the account balance was approximately \$160,000. This bank account is also maintained separately from the CRF and is used at management's discretion to support the operation and maintenance of the Estate.

2.0 Financial Oversight

Financial oversight is a practice of good governance in which financial processes and controls are overseen by a group that is external to management, such as a board or oversight committee.

Responsibilities can include: reviewing and approving policies, procedures, and budgets, and monitoring contingency accounts and expenditures. Financial oversight can improve accountability as well as provide assurance to the public that Government funds are spent prudently.

Government House funding sources are overseen through several different oversight bodies:

- provincial funding, primarily supporting salaries and benefits, is overseen by Finance;
- capital and maintenance spending is overseen by the SLA committees;
- federal grant spending is governed by federal spending requirements; and
- Foundation funding is overseen by a Board of Trustees.

Our review identified that there are operations occurring that do not have any financial oversight beyond that of Government House management. This includes event and tea room operations and the spending of the provincial grant and contingency fund. Finances for these operations are occurring through a bank account and are not included in reporting to Finance. The limited oversight of these revenues and expenses adds risk to the transparency and accountability in how these funds are spent and approved. An illustration of all funding sources and the oversight related to spending is included in Appendix 3.

Ensuring public funds are well-managed and accounted for are principles within Government's Core Policy and Procedures Manual (CPPM). Improving the oversight and reporting of Government House operations would ensure alignment with CPPM and provide for increased accountability and transparency.

Accordingly, consultation with Finance could help Government House to develop an oversight structure that is appropriate to the nature of the organization.

Recommendation:

- (1) Government House should consult with the Ministry of Finance to implement an appropriate oversight framework for event and tea room operations and the spending of the provincial grant and contingency fund.**

3.0 Policies and Procedures

An organization's policies and procedures outline the objectives, standards and directives for sound management and promote consistent and prudent financial administration. A robust procedural framework supports Government's objectives, contributes to effective management and assists staff in making sound decisions. It is good practice for organizations to establish a policies and procedures manual that includes a framework of controls which support the financial management activities of an organization.

Throughout this review we assessed whether Government House had sufficient policies and procedures for its financial oversight, budgeting and procurement practices. We found that there was limited documentation in place; however, we note that management is in the process of drafting a policies and procedures manual. We would encourage management to align this manual with the CPPM and incorporate a control framework to better strengthen its financial management.

Recommendation:

- (2) Government House should develop policies and procedures which align with Government's Core Policy and Procedures Manual.**

4.0 Budgeting

Planning, budgeting and reporting are fundamental to Government's performance management and accountability processes. Strong budgeting ensures the economic, efficient and effective use of government resources and alignment with strategic goals and objectives. This includes the development, implementation and tracking of budgets throughout the fiscal year.

Government House implemented a budgeting process at the beginning of fiscal 2018/19. Although this process is relatively new, it has incorporated some key budgeting controls; including management's review and approval of the initial budget, and their quarterly review of budget to actuals.

Government House could further enhance its budgeting process by aligning practises with the CPPM. This includes documenting of the budget approval process, increasing the frequency of budget to actual reviews, and performing variance analyses.

Recommendation:

- (3) **Government House should align its budgeting practices with Government's budgeting policy.**

5.0 Procurement

Government procurement practices are based on the principles of fair and open competition, value for money, transparency and accountability. This includes planning, managing and documenting the procurement process.

Government House has unique facility management needs, many of which are achieved through the procurement of goods and services. We found that Government House had implemented several controls to manage their procurement process. These include: approval of expenses by management, documentation to support the validity of expenses, and a process to ensure that expenses are allocated to the appropriate funding source. Further, a review of a sample of purchases found that expenses were supported by invoices for valid business purposes and correctly recorded.

Although Government House has a good foundation of procurement practices, they could be strengthened through better documentation and implementation of controls related to vendor selection, the receipt of goods, and vendor performance. Government House could enhance its procurement processes by aligning them with the CPPM to identify areas where controls can be improved.

Recommendation:

- (4) Government House should align its procurement practices with Government's procurement policy.**

Conclusion

Internal Audit & Advisory Services reviewed the financial management practices and controls at Government House. Our review focused on financial oversight, budget management, and procurement in areas where financial oversight was limited to that of Government House management. This included provincial grant funding, event and tea room operations, and contingency account spending.

In our areas of focus, we found that Government House had established some financial management controls. However, the control environment would be strengthened by implementing an oversight framework and policies and procedures which align with the CPPM.

* * *

Internal Audit & Advisory Services would like to thank the management and staff of Government House for their assistance and cooperation throughout this review.



Stephen A. Ward, CPA, CA, CIA
Executive Director
Internal Audit & Advisory Services
Ministry of Finance

Appendix 1 – Summary of Recommendations

1	Government House should consult with the Ministry of Finance to implement an appropriate oversight framework for event and tea room operations and the spending of the provincial grant and contingency fund.
2	Government House should develop policies and procedures which align with Government's Core Policy and Procedures Manual.
3	Government House should align its budgeting practices with Government's budgeting policy.
4	Government House should align its procurement practices with Government's procurement policy.

Appendix 2 – Abbreviations

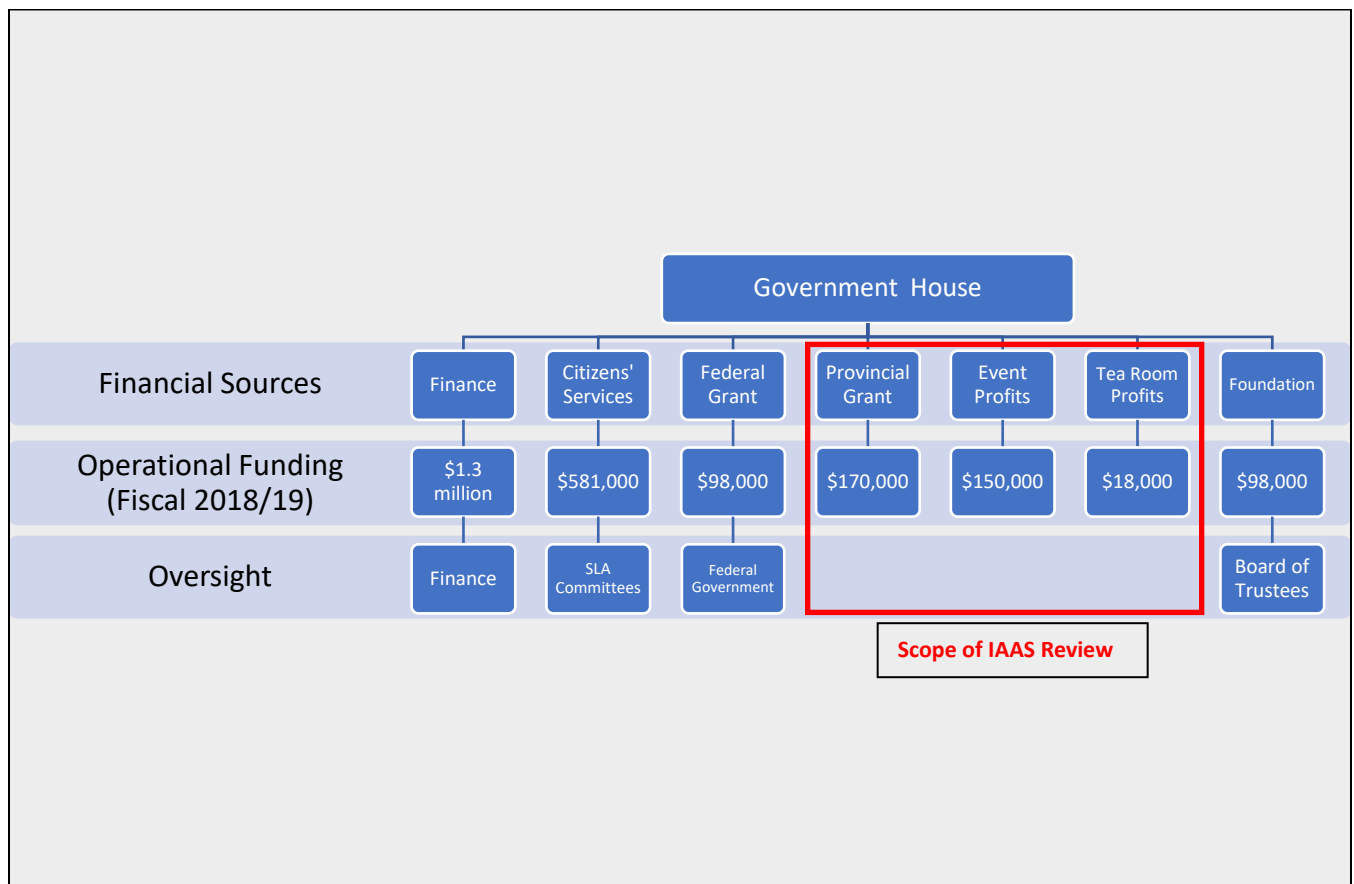
Citizens' Services	British Columbia Ministry of Citizens' Services
CPPM	Government's Core Policy and Procedures Manual
CRF	Consolidated Revenue Fund
the Estate	Government House building and its grounds and auxiliary buildings
Finance	British Columbia Ministry of Finance
the Foundation	Government House Foundation
IAAS	Internal Audit & Advisory Services
the Office	Office of the Lieutenant Governor
Priority Programs	Societal issues identified by the Lieutenant Governor to focus on during their term
Province or Government	Government of British Columbia
SLA	Service Level Agreement
the Society	Friends of Government House Garden Society

Appendix 3 – Funding Sources and Financial Oversight

Government House funding sources are overseen through several different oversight bodies:

- provincial funding, primarily supporting salaries and benefits, is overseen by Finance;
- capital and maintenance spending is overseen by the SLA committees;
- federal grant spending is governed by federal spending requirements; and
- Foundation funding is overseen by a Board of Trustees.

Our review focused on areas where financial oversight was limited to that of Government House management: provincial grant funding, event and tea room operations, and contingency account spending (balance as at the end of fiscal 2018/19 - \$160,000).



Source: Government House and Citizens' Services data

Appendix 4 – Detailed Action Plan

Rec. #	Recommendations	Management Comments (Action Planned or Taken)	Target Date
1.	Government House should consult with the Ministry of Finance to implement an appropriate oversight framework for event and tea room operations and the spending of the provincial grant and contingency fund.	<ul style="list-style-type: none"> In consultation, and working with the CFFS Accounting and Reporting team, event revenue and spending reports will be created and shared with this team on a quarterly basis. If more frequent reporting is required, this will be determined a later date. Working with the CFFS Accounting and Reporting Team, Tea Room revenue and expenses will be reported to both the CFFS Team and the Government House Foundation at the end of each season Contingency revenue and expenditures will be reported to Government House Foundation annually. Comprehensive revenue report will be provided to Ministry of Finance annually. 	07/31/2020
2.	Government House should develop policies and procedures which align with Government's Core Policy and Procedures Manual.	<ul style="list-style-type: none"> Complete Government House policy and procedures manual. Branch financial policies will be completed first. Ex. Establish clear policy or spending guidance for the contingency account to increase transparency. 	04/28/2020
3.	Government House should align its budgeting practices with Government's budgeting policy.	<ul style="list-style-type: none"> Establish budget schedule to include quarterly budget to actual review and bi-monthly variance analysis. Review findings will be tracked accordingly. 	02/28/20

The Detailed Action Plan represents the Government House response to the issues identified and the 4 recommendations detailed in the 2020 report: *Review of Financial Management of Government House*. This document was prepared by the Government House and submitted to Internal Audit & Advisory Services to be included as an Appendix to the report.

Rec. #	Recommendations	Management Comments (Action Planned or Taken)	Target Date
4.	Government House should align its procurement practices with Government's procurement policy.	<ul style="list-style-type: none"> • Continue to follow government procurement policy for provincial spending. • Follow guidance as closely as possible for all other funding sources, allowing flexibility for Government House Foundation (non-public fund) spending. • Complete Vendor Log and develop evaluation criteria. 	01/09/20

The Detailed Action Plan represents the Government House response to the issues identified and the 4 recommendations detailed in the 2020 report: *Review of Financial Management of Government House*. This document was prepared by the Government House and submitted to Internal Audit & Advisory Services to be included as an Appendix to the report.