

Ministry of Finance

2008/09
Annual Service Plan Report



Ministry of Finance

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Message from the Minister and Accountability Statement



British Columbia faces significant economic challenges. Events beyond the Province's control have resulted in dramatic reductions in provincial revenues and have further downgraded economic forecasts.

Despite these challenges, we continue to work towards building a competitive, vibrant provincial economy that will keep British Columbia strong. Our fiscal plan is one that continues to protect and enhance vital public services in areas such as health and education.

Through responsible management of your tax dollars, British Columbia has a solid fiscal foundation on which to build for the future. This is allowing us to act effectively during a period of economic downturn while putting British Columbia in a position to lead the nation in economic growth next year.

To take full advantage of the global economic recovery, ensure British Columbia is the best place to invest and be in a position to compete on the world stage, we announced that effective July 1, 2010 we will harmonize British Columbia's Provincial Sales Tax (PST) with the federal Goods and Services Tax (GST). The new Harmonized Sales Tax (HST) will be the lowest in Canada and once fully implemented, will make British Columbia one of the most competitive jurisdictions in the industrialized world for new investment.

Since 2001, we have reduced taxes over 120 times. In the past year, we further reduced personal income tax by an additional five per cent, retroactive to January 1, 2008. The small business corporate income tax was almost halved, to a rate of 2.5 per cent, and the corporate income tax rate was lowered to 11 per cent. These and other tax cuts support economic growth and diversification throughout British Columbia. They are especially important for British Columbians during difficult economic times.

As a result of our responsible fiscal management, British Columbia today enjoys a triple-A credit rating. That has meant lower interest rates, lower borrowing costs and savings that have been used to fund services for people rather than paying interest to banks and lenders.

To keep our communities strong, we have accelerated capital spending to build valuable infrastructure such as roads, hospitals and schools for British Columbians. These projects are providing jobs for today and a lasting legacy for future generations.

In the months ahead, the 2010 Olympic and Paralympic Winter Games will provide a powerful economic boost for our province. And as 2010 approaches, we will continue to showcase our

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position as Canada's Pacific Gateway and promote our businesses and communities. This Ministry strongly supports the development of initiatives and programs to further British Columbia's tourism sector, promote economic development and attract investment.

The *Ministry of Finance 2008/09 Annual Service Plan Report* compares the actual results to the expected results identified in the Ministry's *2008/09- 2010/11 Service Plan*. I am accountable for those results as reported.

Under the *Balanced Budget and Ministerial Accountability Act*, in 2008/09, I was accountable for earning \$200.9 million in incremental revenue in respect to revenue payable under enactments administered by the Minister of Finance. For the year ending March 31, 2009, I can confirm \$398.5 million in incremental revenue.

I am extremely proud of the talented and professional individuals at the Ministry of Finance. It is truly a privilege to work with them, and I am honoured by their commitment to the people of British Columbia.

A handwritten signature in black ink, appearing to read 'Colin Hansen', written in a cursive style.

Honourable Colin Hansen
Minister of Finance and Deputy Premier

July 27, 2009

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Highlights of the Year

British Columbia maintained its triple-A rating from Moody's Investor Services and Standard and Poor's, the highest possible rating given by these international credit rating agencies. British Columbia, along with Alberta, is one of only two provinces in Canada currently rated triple-A.

The Ministry developed a consolidated capital investment plan for 2008/09 – 2011/12 - a key component of Budget 2009 and the Province's economic stimulus strategy designed to create jobs. The plan included \$2 billion in accelerated capital projects put forth to take advantage of cost sharing under the Federal Government infrastructure stimulus programs.

The Ministry provides a central service to the Province for revenue and debt administration and collection. In 2008/09, the Ministry administered approximately \$22.06 billion in revenue, or almost 62.3 per cent of revenue¹ received by the Province. This revenue supports the provision of important government programs, such as health care, education, social services and transportation infrastructure for British Columbians.

Identifying and collecting outstanding amounts owed to government is critical to maintaining a fair and effective tax system. In 2008/09 the Ministry identified \$398.5 million in incremental revenue through audit and compliance activities. Debt collection activities recovered \$319 million in outstanding amounts owed to government.

The Office of the Comptroller General was awarded the silver medal in the Corporate Governance Category of the international Alexander Hamilton Best Practices Awards in 2008. The Alexander Hamilton Awards are given by *Treasury and Risk* magazine to recognize excellence in treasury management and finance.

The Ministry was a winner at the 2008 Public Sector Information Technology Awards for Organizational Transformation. These awards recognize leadership, innovation and excellence in the management and use of information technologies within the broader public sector of British Columbia. The Ministry was recognized for streamlining and simplifying revenue management across government while ensuring excellence in customer service.

This year, seven Ministry teams were finalists for Regional Premier's Awards, which recognize innovation, service excellence, organizational excellence, partnership and cross government integration, and leadership. The Ministry earned three gold, one silver, and two bronze awards.

¹ Based on provincial revenue reported in the *Summary Financial Statements Consolidated Statement of Operations for the Fiscal Year Ended March 31, 2009*, page 40, line items 2009 Actual (\$38.328B) less Net earnings of self-supported Crown corporations and agencies (\$2.905B).

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The Ministry was also honoured with a Provincial Premier's Award in the Service Excellence category for its Electronic Payment Solutions initiative. This award was given to the Ministry for successfully advancing a government wide shift to citizen-centred service delivery. Through e-payments, citizens now enjoy better service and greater convenience.

British Columbia's Crown Agencies Accountability System was showcased at an international Government Ownership Agencies conference with participants from around the world. This system is considered "best practice" in the field of public sector governance by other jurisdictions in Canada and internationally, and by national oversight organizations including the Conference Board of Canada and the Canadian Comprehensive Auditing Foundation.

Purpose of Ministry

The Ministry of Finance plays a key role in establishing, implementing and reviewing government's economic, fiscal and taxation policies. The Ministry also delivers fair, efficient and effective tax administration and revenue management processes to provide revenues that fund essential government programs, such as health care, education, social services and transportation infrastructure for British Columbians.

The Ministry continues to focus on the priorities of fiscal sustainability and a competitive economy that will ensure the Province's success in meeting its strategic goals.

The Ministry is responsible for:

- government's economic forecasting, fiscal planning, budgeting and reporting;
- tax and non-tax revenue administration and collection;
- oversight of financial, procurement and administrative governance for the broader provincial public service;
- banking, accounting, risk and debt management services for government;
- policy development for the financial and real estate sectors, and provincial taxation; and
- implementation and administration of a management framework for Crown corporations.

The Ministry publishes the government's annual *Budget and Fiscal Plan, Estimates, Public Accounts, Quarterly Reports*, and *Financial and Economic Review*. These documents are available at www.fin.gov.bc.ca/pubs.htm. Ministry clients include the citizens of British Columbia, Treasury Board, Cabinet, ministries, Crown corporations, boards and commissions, agencies, businesses, investors and financial sector agencies.

Providing excellent customer service is a priority for the Ministry of Finance. The Ministry conducts its business based on the fairness and customer service principles detailed in the [Taxpayer Fairness and Service Code \(5th Edition\)](#)² and upholds the core values of government -- integrity, fiscal responsibility, accountability, respect and choice -- identified in the [Province of British Columbia's 2009/10 - 2011/12 Strategic Plan](#)³.

² See Hyperlinks to Additional Information.

³ View the Province of British Columbia's Strategic Plan at www.bcbudget.gov.bc.ca/2009/stplan/2009_Strategic_Plan.pdf.

Strategic Context

The dramatic downturn in international economic activity that began toward the end of 2008 has continued into 2009, reducing demand for British Columbia's exports and negatively affecting the province's domestic economy. Statistics Canada reports that British Columbia's real gross domestic product (GDP) declined by 0.3 per cent in 2008.

The provincial government recorded its fifth consecutive surplus in 2008/09. The series of surpluses have resulted in a significant reduction in taxpayer-supported debt and the debt-to-GDP ratio since the 2003/04 fiscal year, leading Moody's and Standard & Poor's to upgrade the province's debt to triple-A status in 2006 and 2007, respectively.

The combination of prudent fiscal management and relatively low debt provided the provincial government the flexibility to mitigate, through stimulus measures, the impact of any further deterioration in the international economy.

Report on Performance

In January 2009, the revenue portfolio of the Ministry of Small Business and Revenue was consolidated with the Ministry of Finance. This section reflects performance related to the goals, objectives, performance measures and targets contained in the [2008/09-2010/11 Service Plans](#)⁴ for the Ministry of Finance, as well as those pertaining to the revenue portfolio of the former Ministry of Small Business and Revenue.

In developing and reporting on performance measures and targets in the service plan, the Ministry incorporates input and data from reliable independent and government sources. These sources include Ministry financial and business information systems, major credit rating agencies, *Public Accounts*, customer surveys, and provincial statutes. The Ministry also considers past performance trends, government priorities, continuous improvement and the availability of resources. Setting meaningful performance measures and targets, and objectively measuring results allows the Ministry to introduce corrective actions as necessary to ensure that it achieves the goals set out in the Service Plan. Comparable information from prior years is provided for the purpose of historical comparison.

Ministry revenue is audited by the Office of the Auditor General as part of the Summary Financial Statements and reported in the annual *Public Accounts* of the Government of British Columbia. Ministry incremental revenue and debt collection data are monitored by the managers responsible and reviewed by the Ministry's Executive Financial Officer. Customer survey data regarding satisfaction with the Ministry's audit processes are collected and analyzed by BC Stats. All other data are approved by the manager responsible for completeness of records and data integrity.

The table on the following two pages provides an overview of Ministry performance in 2008/09, compared to established targets, for each of the Ministry's goals and associated objectives.

⁴ For details on how the 2008/09 - 2010/11 Service Plans for the Ministry of Finance and the Ministry of Small Business and Revenue have been integrated for this Annual Service Plan Report, please see [Hyperlinks to Additional Information](#).

Performance Plan Summary Table

Goal 1: A sustainable fiscal environment built on a balanced budget For greater detail see pages 13 to 14	2008/09 Target	2008/09 Actual
1.1 Effective Management of government's Fiscal Plan		
Taxpayer-supported debt-to-GDP ratio (three- year rolling average)	Declining Trend (less than 14.7%)	13.8% ACHIEVED
Provincial credit rating	Aaa	Aaa ACHIEVED
Goal 2: A strong, competitive and vibrant economy For greater detail see pages 15 to 16	2008/09 Target	2008/09 Actual
2.1 A fair and competitive tax environment		
Provincial ranking of corporate income tax rate	Remain in the lowest four	Second Lowest ACHIEVED
Provincial ranking of personal income tax rates for the bottom two tax brackets	Lowest	Lowest ACHIEVED
Goal 3: Provide governance frameworks that support government in effectively achieving its objectives and providing the public with value for money For greater detail see pages 16 to 19	2008/09 Target	2008/09 Actual
3.1 Effective frameworks for financial management, accountability and performance		
Savings from self-insurance (five -year rolling average)	\$76.8 million	\$80.9 million EXCEEDED
Compliance and controls monitoring savings, and potential Internal Audit and Advisory Services savings	\$15 million	\$20 million EXCEEDED
Release of <i>Public Accounts</i> with an unqualified audit opinion by June 30	On or before June 30, 2009	Released on July 9, 2009; received a qualified opinion. SUBSTANTIALLY ACHIEVED

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Goal 4: Responsive, effective and trusted revenue, tax and benefit administration For greater detail see pages 19 to 23	2008/09 Target	2008/09 Actual
Percentage of amounts owed to government paid	96.52%	96.96% ACHIEVED
4.1 The Province receives the outstanding amounts owed		
Percentage of incremental revenue target achieved	100% (\$200.9M)	198.3% (\$398.5 M) EXCEEDED
Percentage of overdue amounts collected	36.15%	41.02% EXCEEDED

Goal 5: Quality service that meets or exceeds customer service targets For greater detail see pages 24 to 25	2008/09 Target	2008/09 Actual
Proportion of service excellence standards met	20 of 20 standards will meet target	17 of 20 standards met target NOT ACHIEVED

Goals, Objectives, Strategies and Performance Results

Goal 1: A sustainable fiscal environment built on a balanced budget

Confidence in British Columbia's economy is enhanced by a sound and sustainable fiscal environment. Responsible fiscal policies ensure the government can maintain and enhance the delivery of key public services, and that the costs of public services are not passed on to future generations.

The deterioration in the pace of provincial economic activity in the fiscal year 2008/09 has significantly reduced provincial revenues. As a result, the British Columbia government will run temporary deficits during 2009/10 and 2010/11 before returning to balance in 2011/12. The return to a balanced budget in the third year of the fiscal plan will ensure sustainable fiscal policies over the medium-to-long term. The provincial government will work to strengthen British Columbia's economic competitiveness by investing in core services and accelerating infrastructure investments.

Objective 1.1: Effective management of government's fiscal plan

The government's ability to achieve a sustainable fiscal environment relies upon the development and maintenance of a prudent and resilient fiscal plan. The Ministry plays a critical role in overseeing the fiscal plan and works closely with the federal government, ministries and other public sector partners to ensure that government's annual and three-year revenue and expenditure targets are met.

Strategies

- Continuously monitor revenues, spending and debt set out in the fiscal plan, and take corrective action as required to meet targets.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Taxpayer-supported debt-to-GDP ratio (three-year rolling average)	16.1%	14.7%	Declining Trend (less than 14.7%)	13.8% ACHIEVED

Data Source: Public Accounts; Statistics Canada.

Discussion of Results

This performance measure assesses the ratio of taxpayer-supported debt compared to the gross domestic product (GDP) of the province. Maintaining a relatively low taxpayer-supported debt-to-GDP ratio signifies a healthy balance sheet and ensures that debt remains affordable. Rating agencies rely on this balance sheet measure as a key credit rating consideration. The target for this performance measure was achieved. The three-year rolling average of the taxpayer-supported debt-to-GDP ratio is estimated at 13.8 per cent in 2008/09, down from 14.7 per cent in 2007/08.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Provincial credit rating	Aaa	Aaa	Aaa	Aaa ACHIEVED

Data Source: Moody's Investor Service (Credit Rating Agency).

Discussion of Results

This measure is the rating of provincial debt by Moody's Investor Services, an independent rating agency. Bonds are rated in descending alphabetical order from A to C – highest to lowest. Triple-A (Aaa) is the highest possible rating, provided to those public and private sector organizations that offer excellent financial security and are considered high investment grade entities. The interest rate paid by the Province when it borrows in the domestic and international capital markets is influenced by the credit ratings supplied by third party agencies. In determining the Province's credit rating, rating agencies evaluate debt as a percentage of GDP and interest owing as a percentage of gross receipts. Agencies also consider the government's track record in meeting its fiscal targets, its transparency in budgeting and reporting, the economic outlook, and business and consumer confidence in the economy.

In 2008/09, British Columbia maintained its triple-A rating from Moody's Investor Services, the highest possible rating given by the international credit rating agency. British Columbia, along with Alberta, is one of only two provinces in Canada currently rated triple-A.

Goal 2: A strong, competitive and vibrant economy

Objective 2.1: A fair and competitive tax environment

The Province's ability to develop a strong and vibrant economy depends on a tax and regulatory environment that is both nationally and internationally competitive. Jurisdictions with competitive tax regimes and regulatory frameworks are successful in attracting and retaining personal and business investment. This in turn enhances economic development and creates stable revenues to support critical government services such as health care and education. In addition, a tax system that is perceived to be fair increases the confidence of British Columbians in their government.

Strategies

- Continue to improve the fairness, competitiveness, and sustainability of the provincial tax system.
- Ensure financial and corporate regulatory frameworks are efficient and effective while protecting the public interest.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Provincial ranking of corporate income tax rate	In the lowest four	In the lowest four	Remain in the lowest four	Second Lowest ACHIEVED

Data Source: Published legislation from all 10 provinces.

Discussion of Results

This measure compares the general corporate income tax rate in British Columbia, as of March 31st each year, to those of other provinces in Canada. A competitive tax environment fosters economic growth by encouraging business investment and promoting a business friendly environment. The revenue-neutral carbon tax has allowed government to reduce the corporate income tax rate from 12 to 11 per cent resulting in British Columbia achieving the second lowest corporate income tax rate in Canada and meeting this performance target.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Provincial ranking of personal income tax rates for the bottom two tax brackets	Lowest	Lowest	Lowest	Lowest ACHIEVED

Data Source: Personal income tax legislation and budgets from all 10 provinces.

Discussion of Results

This measure provides a comparison of British Columbia’s personal income tax rates, for the bottom two tax brackets, with those of the other 10 provinces. Maintaining low tax rates supports individuals and families living and working in British Columbia. With annual indexing, the upper limit of British Columbia’s bottom two tax brackets has risen to \$71,433 in 2009. As of March 31, 2009, the tax rates for the bottom two income tax brackets in British Columbia were the lowest among all provinces in Canada at 5.06 per cent and 7.7 per cent, respectively.

Goal 3: Provide governance frameworks that support government in effectively achieving its objectives and providing the public with value for money

The Ministry of Finance is responsible for establishing governance frameworks for financial management, accountability and performance that apply to ministries and the broader public sector. This involves establishing appropriate legislation, policies and procedures and reporting at the corporate level to ensure the Province’s resources and obligations are appropriately managed in support of effective service delivery to British Columbians.

Objective 3.1: Effective governance frameworks for financial management, accountability and performance

Governance frameworks are implemented to inform, direct, manage and monitor the activities of government to support achieving its objectives. These frameworks define the authority, direction and control exercised in government to facilitate transparency and accountability, which ultimately contributes to public confidence in government.

Additionally, the Ministry is responsible for monitoring government’s performance and compliance with defined standards and expectations. The Ministry also supports government with tools and training to build capacity to effectively apply these frameworks.

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The Ministry uses a risk-based approach to monitoring performance through compliance and controls monitoring and a corporate internal audit program. This approach optimizes the use of limited resources while ensuring that the Ministry examines, assesses, adjusts and mitigates government's most significant risk exposures.

One of the benefits of effective governance frameworks is achieving increased value with public funds. Other Ministry strategies that contribute to increased value for money include a risk-based approach to public sector self-insurance programs and prudent investment practices.

Strategies

- Use risk-based approaches to effectively manage government's resources.
- Provide timely and transparent information to clients and citizens.
- Meet statutory reporting requirements and comply with Generally Accepted Accounting Principles (GAAP).
- Ensure appropriate financial and management capacity, systems and guidance are in place.
- Maximize investment returns on surplus cash to minimize borrowing costs and requirements.
- Ensure Crown Agencies are publicly accountable for their programs, services and fiscal management.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Savings from self- insurance (five-year rolling average)	\$68.0 million	\$81.7 million	\$76.8 million	\$80.9 million EXCEEDED

Data Source: Ministry of Finance, Risk Management Branch.

Discussion of Results

The Ministry of Finance measures the five-year rolling average of cost savings that are realized by government as a result of public sector self-insurance programs. Self-insurance involves government assuming the role of a traditional insurer by investigating, defending and paying claims for some public sector losses. These programs allow government to cost-effectively retain selected risks rather than transfer them at a premium to third parties. Since 1986, self-insurance programs have saved the Province more than \$900 million. These cost savings allow participating ministries, hospitals, health care agencies, school boards and social service agencies to direct their resources to the delivery of core services. At the end of 2008/09, the five-year

rolling average of savings to government as a result of its self-insurance program was \$80.9 million. This performance exceeded the Ministry's target of \$76.8 million.

Ministry Response

Private insurance costs are influenced by the number and size of claims received by the insurer, as well as by the insurer's investment returns. Four and five years ago, private insurance costs increased significantly, resulting in higher premiums. Conversely, government self-insured losses have grown at a slower rate over the same time period. The effect on our five year rolling average has been to show savings in excess of the target for our self-insurance program.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Compliance and controls monitoring savings, and potential Internal Audit and Advisory Services savings	\$36.5 million	\$32 million	\$15 million	\$20 Million EXCEEDED

Data Source: Office of the Comptroller General: Corporate Compliance and Controls Monitoring, Internal Audit and Advisory Services, and Activity Based Management.

Discussion of Results

This measure demonstrates estimated annual savings realized by government from utilizing a risk-based approach for compliance and controls monitoring. It also includes a five-year rolling average of potential annual benefits from implementing improvement recommendations. The Ministry's delivery of cross government risk-based financial processing and independent management review services provide a basis for evaluating the adoption of best practices and savings. For example, the Ministry provides consulting services that combine process and cost analysis to assist programs to improve performance and reduce costs.

In 2008/09 the target for this measure was \$15 million. This Ministry exceeded its target by realizing an estimated \$20 million in savings. These savings were achieved through the adoption of recommendations, as well as more effective payment review processes.

Ministry Response

The Ministry reduces risk and strengthens internal controls through ongoing assessment and deployment of new methodologies, technologies and improved processes resulting in increased savings to government.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Release of <i>Public Accounts</i> with an unqualified audit opinion by June 30	July 11, 2007	July 17, 2008	On or before June 30, 2009 ¹	Released on July 9, 2009; received a qualified opinion. SUBSTANTIALLY ACHIEVED ²

Data Source: Office of the Comptroller General.

¹ The performance target in the 2008/09 Service Plan was incorrectly shown as "On or before June 30, 2008". The target shown above is correct.

² This measure is considered substantially achieved if the Office of the Auditor General provides a qualified but positive opinion of the *Public Accounts* and the *Public Accounts* are released within 10 business days of the target date.

Discussion of Results

This measure addresses both the timeliness and completeness of government financial reporting. Timely release of financial reporting is critical for effective use of the information, while a positive, independent review of government's financial reporting helps instil public confidence in government's ability to manage its resources. Both recent performance and future performance targets provide timelier reporting than required in the *Budget Transparency and Accountability Act*, which requires release of the Province's financial statements (*Public Accounts*) by August 31, following each March 31 fiscal year end.

The *Public Accounts* were released on July 9, 2009. The Auditor General of British Columbia expressed a positive opinion on the *Public Accounts* and identified a few points of reservation where his judgement on the application of Generally Accepted Accounting Principles (GAAP) differed from that of government.

Goal 4: Responsive, effective and trusted revenue, tax and benefit administration

The Ministry manages revenue in relation to statutes it directly administers and, increasingly, statutes administered by other ministries.⁵ These revenues support the provision of important government programs and services — such as health care, education, social services and transportation infrastructure — for British Columbians.

The Ministry is committed to identifying and collecting amounts owed to government in a manner that is fair and respectful to citizens and taxpayers.

⁵ See Hyperlinks to Additional Information.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Percentage of amounts owed to government paid ¹	96.50%	96.33% ²	96.52%	96.96% ACHIEVED

Data Source: Ministry of Finance business information systems.

¹ This measure includes all amounts owed to government and administered by the Ministry of Finance where the Ministry is responsible for both revenue and debt collection functions. This measure includes revenue identified during the fiscal year and payments on overdue accounts from the current and previous fiscal years. This measure excludes some revenues, for example, federal government transfers for personal and corporate income tax (approximately \$8.14 billion in 2008/09) collected by the Canada Revenue Agency on behalf of the Province. As such, this measure reports on approximately 66 per cent of the total revenue and debt administered by the Ministry.

² The 2007/08 actual for this measure has been restated as a result of a decision regarding the application of accounting principles. It was previously reported as 96.44 per cent.

Discussion of Results

Through a variety of programs and initiatives, the Ministry of Finance encourages British Columbians to fulfill their financial obligations to government. The majority of British Columbians voluntarily pay the amounts they owe.

This measure reports on the Ministry's overall success in collecting amounts owed to government in a specific fiscal year where both revenue and debt collection functions are under the administration of the Ministry.

In 2008/09, the Ministry collected \$14.1 billion in revenue and overdue accounts — 96.96 per cent of the amount owed — achieving the target. This result reflects the Ministry's ongoing efforts to provide information, tools and quality customer service — making it easier for British Columbians to understand and fulfill their obligations.

Objective 4.1: Individuals and businesses understand their entitlements and obligations, and pay the correct amount on time

This objective focuses on increasing the receipt of revenue through voluntary compliance. Voluntary compliance, the most efficient and effective means of administering revenue owed to government, means individuals and businesses meet their financial obligations without Ministry intervention through audit, compliance or collection activities. Increased voluntary compliance results in additional funds available to support government programs and services.

The Ministry's success in meeting this objective is dependent on the willingness and ability of customers to pay the correct amount on time. It is expected voluntary compliance will increase during periods of strong economic growth, and if individuals and businesses can easily identify and understand their financial obligations to government.

Strategies

- Assist British Columbians to better understand their financial obligations to government; improving service and information to the public.
- Provide a centre of excellence for revenue management in government and work with ministries to transition their revenue management functions to the Ministry's centralized revenue management system.

Objective 4.2: The Province receives the outstanding amounts owed

To promote fairness, the Ministry seeks to identify and collect all outstanding amounts owed to the Province and under the administration of the Ministry. This levels the playing field for the vast majority of British Columbians who meet their financial obligations to government voluntarily.

When an individual or business fails to meet their financial obligations, either wilfully or due to an error, the Ministry undertakes audit, compliance or collection activities. These activities ensure amounts owed are paid, educate taxpayers and debtors on their obligations, deter those who might otherwise avoid paying and contribute to increasing voluntary compliance.

Strategies

- Focus compliance and audit activities on areas with the highest risk of non-compliance while ensuring all industry sectors and types of taxpayers are treated fairly and equally.
- Explore further opportunities for applying technological solutions to improve audit practices.
- Improve collaboration and accountability across jurisdictions to help ensure revenue due to the Province is identified and received in a timely manner.
- Improve practices used to collect outstanding amounts owed to government.
- Manage student loan repayment.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Percentage of incremental revenue target achieved	158% (\$338.9M) ¹ (\$245.5M) ³	122% (\$263.1M) ¹ (\$234.5M) ³	100% (\$200.9M) ²	198.3% (\$398.5 M) ¹ (\$266.36M) ³ EXCEEDED

Data Source: Ministry of Finance business information systems.

¹ Incremental revenue identified.

² Incremental revenue target approved by Treasury Board.

³ Incremental revenue normalized to remove extraordinary recoveries. Extraordinary recoveries include unanticipated and one-time incremental revenue. For example, in 2008/09, \$398.5M incremental revenue was identified of which \$132.14M was extraordinary recoveries resulting in \$266.36M of incremental revenue normalized to remove extraordinary recoveries.

Discussion of Results

The Ministry undertakes audit and compliance activities to detect and address non-compliance. The Ministry focuses its efforts in areas where the risk and potential revenue consequences of non-compliance are highest, while maintaining a presence across all industry sectors and all types of taxpayers to ensure fair and equal treatment. This approach encourages voluntary compliance by increasing the credibility and visibility of the Ministry's audit and compliance programs.

This measure is an indication of the Ministry's success in identifying outstanding amounts owed to government through audit and compliance activities. The amounts identified are incremental revenue. Incremental revenue targets are approved annually by Treasury Board as required under the *Balanced Budget and Ministerial Accountability Act*. Achievement of the annual target is a key accountability of the Minister of Finance.

In 2008/09, the Minister was accountable for \$200.9 million in incremental revenue in respect of revenue payable under the enactments he administers. The Ministry exceeded this target, identifying \$398.5 million. The Ministry's strong performance is the result of multiple factors, not the least of which is the presence of an effective compliance program — conducting over 170,000 reviews and audits in 2008/009. Additionally, the strength of the economy through the first half of the 2008/09 fiscal year, as well as certain extraordinary revenues have all contributed to the performance achieved.

Ministry Response

The Ministry continues to develop incremental revenue targets based on past experience and the best information available, recognizing the challenge associated with forecasting future assessments across a wide variety of industry sectors and types of taxpayers.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Percentage of overdue amounts collected ¹	36.06%	35.53%	36.15%	41.02% EXCEEDED

Data Source: Ministry of Finance business information system.

¹ This measure includes all debt portfolios managed by the Ministry with the exception of loan portfolios. The point in time when accounts are considered overdue varies by portfolio. Targets may be revised to reflect adjustments for debt deemed uncollectible according to government accounting practices, and for the addition of new debt portfolios or changes to existing portfolios.

Discussion of Results

Many debts are paid upon notification of the amount owing. However, in cases where financial obligations are not met, the Ministry implements debt collection activities to remind and encourage debtors to pay their overdue accounts. To reduce the risk of a debt becoming uncollectible, the Ministry focuses on collecting outstanding balances in a timely manner.

This measure reports the percentage of overdue amounts owed to government recovered through the Ministry's debt collection activities. It provides an indication of the effectiveness of these activities in collecting on a portfolio of overdue accounts.

In 2008/09, the Ministry exceeded the target of collecting 36.15 per cent of overdue amounts with performance of 41.02 per cent, collecting a total of \$319 million in overdue amounts owed to government.

Ministry Response

This measure is impacted by the overdue amounts collected in relation to the value of accounts receivable. The Ministry exceeded the target for this performance measure due to higher than expected collections of tax-related debts and a significant reduction in tax-related accounts receivable. Changes to the service delivery model enabled additional resources to focus on collection of multiple tax types, while additional efficiencies were realized through a business process improvement project.

Goal 5: Quality service that meets or exceeds customer service targets

The Ministry is committed to service excellence -- providing prompt, quality service meeting the needs of its diverse customers and partners.

Strategies

- Deliver customer service that meets or exceeds established Ministry service excellence standards.

Performance Results

Performance Measure	2006/07 Actual	2007/08 Actual	2008/09 Target	2008/09 Actual
Proportion of service excellence standards met	8 of 9 standards met target	17 of 18 standards met	20 of 20 ¹ standards will meet target	17 of 20 standards met target NOT ACHIEVED

Data Source: Ministry of Finance business information systems

¹ The 5th edition of the Taxpayer Fairness and Service Code contains 20 service standards. Individual performance targets have been established for each service standard (see Hyperlinks to Additional Information).

Discussion of Results

The Ministry's service standards publicly state the level of performance British Columbians can expect to receive, under normal circumstances, when dealing with the Ministry. Developed in consultation with British Columbia business organizations, meeting these service standards reflect the Ministry's success in delivering services that are a priority to customers and partners. Over time, the Ministry may add or change its service standards based on further consultation with the business community and taxpayer feedback.

This measure reports on the Ministry's success in meeting performance targets established for 20 service standards detailed in the *Taxpayer Fairness and Service Code* (5th Edition). Service standards address timeliness, accessibility and customer satisfaction for a broad range of Ministry services and programs, including among others:

- Timely response to general and complex tax inquiries from individuals, tax practitioners and businesses (timeliness);
- Having helpful information about the Ministry's programs available on the website 24 hours a day, every day (accessibility); and
- Client satisfaction with Provincial Sales Tax seminars (satisfaction).

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A standard is considered “met” if, over the 12 months of the fiscal year, performance meets or exceeds the established target. A complete list of standards, and their respective targets and performance for 2008/09 can be found at

www.fin.gov.bc.ca/serviceplan/2008-09/Annual_Service_Plan_Report_Appendices.pdf.

In 2008/09, the Ministry exceeded, met or substantially met 17 of 20 service standards. For example, the Ministry:

- Completed 87 per cent of tax audits within 15 business days achieving 84 per cent satisfaction with the timeliness of tax audits.
- Processed 97.8 per cent of sales, hotel, fuel or tobacco tax refunds within 30 calendar days of receiving all of the necessary information.
- Achieved 96.3 per cent customer satisfaction with Provincial Sales Tax seminar content.

Ministry Response

The percentage of correspondence completed within 14 business days was 86.2 per cent as compared to the target of 97 per cent. Several steps were taken to streamline the correspondence process and significant improvements in performance were realized in the fourth quarter.

The percentage of clients satisfied with their tax audit experience fell below the target of 90 per cent. However, the actual performance of 83 per cent shows a high level of satisfaction and reflects the professionalism of Ministry staff.

The average elapsed time from receipt of appeal to final decision was 5.6 months in 2008/09, not meeting the target of 4.5 months. This was largely due to a concerted effort to address aged appeals.

The Ministry will focus on continuous improvement or maintaining already high levels of customer service.

Report on Resources

The Report on Resources provides an overview of Ministry funding, expenditures and revenue administered during 2008/09. This section also provides a Resource Summary for 2008/09 by business area.

Ministry Funding

Funding available for ministry operations in 2008/09 was \$200.9 million, including:

- An appropriation of \$111.4 million.
- Recoveries of \$89.5 million.⁶

Ministry Expenditures

Ministry operating expenditures during 2008/09 totaled \$210.9 million of which \$100.3 million was recovered from revenues administered by the Ministry.

The Ministry made financing transactions and disbursements totaling \$1.1 billion. These disbursements, directed by legislation, return a percentage of specific revenue to identified entities.

Ministry Revenue

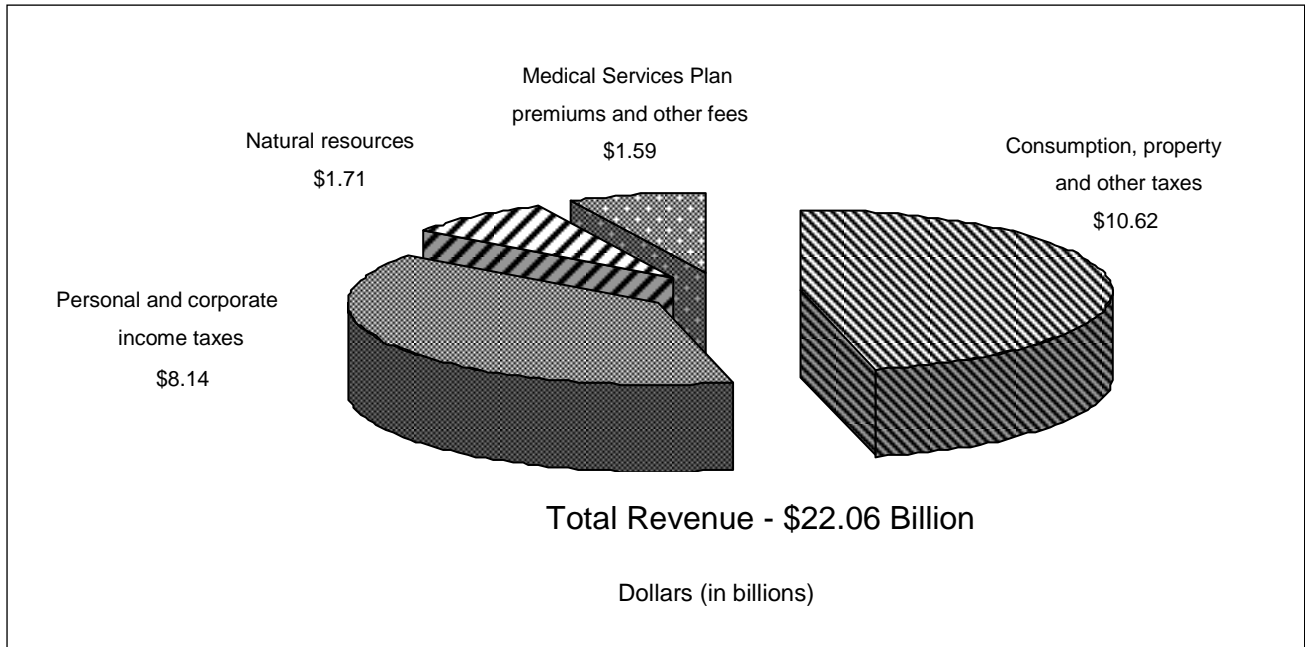
The revenues managed by the Ministry amounted to approximately \$22.06 billion in 2008/09 or 62.3 per cent of revenue⁷ received by the Province. Ministry revenues included:

- consumption taxes (provincial sales, hotel room, motor fuel and tobacco taxes);
- property taxes (rural property, provincial school and property transfer taxes);
- other taxes (corporation capital and logging taxes, and insurance premiums);
- personal and corporate incomes taxes collected by the Canada Revenue Agency on behalf of the Province;
- natural resource revenues (natural gas and petroleum royalties, permits and fees, and mineral taxes and royalties); and
- Medical Service Plan premiums and other fees (e.g. ruling fees, clearance certificates).

⁶ Ministry costs are partially recovered from the revenues within the Consolidated Revenue Fund or deducted from collected proceeds and recovered from revenue administered under statute by the Ministry.

⁷ Based on provincial revenue reported in the *Summary Financial Statements Consolidated Statement of Operations for the Fiscal Year Ended March 31, 2009*, page 40, line items 2009 Actual (\$38.328B) less Net earnings of self-supported Crown corporations and agencies (\$2.905B).

Figure 1: Ministry revenue by type, 2008/09



Resource Summary

	Estimated ¹	Other Authorizations ²	Total Estimated	Actual	Variance ³
Operating Expenses (\$000)					
Crown Agencies Secretariat	1,629	0	1,629	1,393	(236)
Treasury Board Staff	6,495	0	6,495	5,379	(1,116)
Office of the Comptroller General	12,322	0	12,322	11,468	(854)
Treasury	1	0	1	0	(1)
Capital Planning Secretariat	1,000	0	1,000	1,123	123
Revenue Programs					
Gross	56,478	0	56,478	56,153	(325)
Recoveries ⁴	(26,609)	0	(26,609)	(26,609)	0
Net	29,869	0	29,869	29,544	(325)
Revenue Solutions					
Gross	72,241	0	72,241	83,598	11,357
Recoveries ⁴	(62,867)	0	(62,867)	(73,663)	(10,796)
Net	9,374	0	9,374	9,935	561
Strategic and Corporate Policy	3,038	0	3,038	3,447	409
Executive and Support Services	47,705	0	47,705	48,291	586
Total	111,433	0	111,433	110,580	(853)
Operating Expenses (\$000) - Other Appropriations					
Provincial Home Acquisition Wind Up Special Account	25	0	25	0	(25)
StudentAid BC	5,748	0	5,748	5,758	10
Insurance and Risk Management					
Operating	46,031	0	46,031	64,376	18,345
Recoveries	(46,031)	0	(46,031)	(70,224)	(24,193)
Total	5,773	0	5,773	(90)	(5,863)
Full-time Equivalents (Direct FTEs) ⁵					
Crown Agencies Secretariat	10	0	10	9	(1)
Treasury Board Staff	55	0	55	47	(8)

Ministry of Finance

	Estimated ¹	Other Authorizations ²	Total Estimated	Actual	Variance ³
Office of the Comptroller General	134	0	134	113	(21)
Treasury	76	0	76	68	(8)
Capital Planning Secretariat	10	0	10	9	(1)
Revenue Programs	562	0	562	514	(48)
Revenue Solutions	131	0	131	144	13
Strategic and Corporate Policy	133	0	133	119	(14)
Executive and Support Services	355	0	355	386	31
Total	1,466	0	1,466	1,409	(57)
Insurance and Risk Management	49	0	49	46	(3)
Total	49	0	49	46	(3)
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)					
Crown Agencies Secretariat	9	0	9	0	(9)
Treasury Board Staff	18	0	18	12	(6)
Office of the Comptroller General	999	0	999	197	(802)
Treasury	828	0	828	287	(541)
Capital Planning Secretariat	0	0	0	0	0
Revenue Programs	0	0	0	0	0
Revenue Solutions	0	0	0	0	0
Strategic and Corporate Policy	359	0	359	80	(279)
Executive and Support Services	11,820	0	11,820	6,863	(4,957)
Total	14,033	0	14,033	7,439	(6,594)
Ministry Capital Expenditures (\$000) - Other Appropriations					
Insurance and Risk Management	370	0	370	76	(294)
Total	370	0	370	76	(294)
Other Financing Transactions (\$000) ⁶					
Revenue Programs					
Receipts	1,180,060	0	1,180,060	1,091,387	(88,673)
Disbursements	1,202,970	0	1,202,970	1,126,345	(76,625)
Net Cash Source (Requirements)	(22,910)	0	(22,910)	(34,958)	(12,048)
Special Accounts – Provincial					

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	Estimated ¹	Other Authorizations ²	Total Estimated	Actual	Variance ³
Home Acquisition Wind Up⁷					
Receipts	50	0	50	63	13
Disbursements	0	0	0	0	0
Net Cash Source (Requirements)	50	0	50	63	13
Total Receipts	1,180,110	0	1,180,110	1,091,450	(88,660)
Total Disbursements	1,202,970	0	1,202,970	1,126,345	(76,625)
Total Net Cash Source (Requirements)	(22,860)	0	(22,860)	(34,895)	(12,035)

1 The "Estimated" amount corresponds to the 2008/09 Estimates as presented to the Legislative Assembly.

2 "Other Authorizations" include Supplementary Estimates, Statutory Appropriations and Contingencies.

3 Variance display convention is consistent with the display convention used in public accounts. Variance is in all cases "Actual" minus "Total Estimated". If the Actual is greater, then the Variance will be displayed as a positive number.

4 Costs are partially recovered from revenues within the Consolidated Revenue Fund or deducted from collected proceeds and recovered from revenue administered under statute by the Ministry. Refer to Appendix B for Legislation Administered by the Ministry.

5 FTEs – full-time equivalent employment is the estimate of a ministry's annual staff complement. The term full-time equivalent is defined as the employment of one person for one full year or the equivalent (i.e., the employment of two people for six months each).

6 Other Financing Transactions include disbursements by the Province under legislation to government entities. These include disbursements under the Internal Fuel Tax Agreement (Motor Fuel Tax Act), Land Tax Deferral Act, British Columbia Transit Act, Transportation Act, Greater Vancouver Transportation Authority Act, Rural Area Property Taxes, Tobacco Tax Amendment Act, Tourism British Columbia (Hotel Room Tax Act).

7 This account is established under the Special Appropriation and Control Act effective April 1, 2004, for the purpose of providing for expenditures for the winding up of the loan and financial assistance programs under the Home Conversion and Leasehold Loan Act, Home Mortgage Assistance Act, Home Purchase Assistance Act, Homeowner Interest Assistance Act and Provincial Home accounts and guarantee claims paid under the mortgage assistance programs.

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Hyperlinks to Additional Information

[Appendices](#)⁸

- Appendix A – *Taxpayer Fairness and Service Code*: Service Standards Performance Report
- Appendix B – Legislation Administered by the Ministry
- Appendix C – 2008/09 Service Plan to Annual Service Plan Report Cross-reference

Reports and Publications

- For more information on this and other Ministry Service Plans and Annual Service Plan Reports, please visit: www.bcbudget.gov.bc.ca/
- To view the *Taxpayer Service and Fairness Code* (5th edition) please visit: www.sbr.gov.bc.ca/msbr/tfsc/tfsc.htm
- For other reports and publications of the British Columbia Ministry of Finance, please visit: www.fin.gov.bc.ca/pubs.htm

The Minister of Finance is also the Minister responsible for the following Crown corporations, Boards, Commissions and Advisory Committees:

Crown Corporations:

- Partnerships BC: www.partnershipsbc.ca
- Pacific Carbon Trust Inc: www.pacificcarbontrust.ca
- BC Securities Commission – www.bcsc.bc.ca

Boards and Commissions

- Board Resourcing and Development Office - <http://www.fin.gov.bc.ca/brdo>
- Financial Institutions Commission - www.fic.gov.bc.ca
- Financial Services Tribunal - www.fic.gov.bc.ca/fst
- Insurance Council of British Columbia - www.insurancecouncilofbc.com/PublicWeb/Home.html
- Real Estate Council of British Columbia - www.recbc.ca

⁸ View appendices at: www.fin.gov.bc.ca/serviceplan/2008-09/Annual_Service_Plan_Report_Appendices.pdf

Advisory Committees:

- Accounting Policy Advisory Committee –
<http://www.fin.gov.bc.ca/brdo/boardView.asp?boardNum=191095>