

Leslie

FAX

To: Dan Peck
On: Ministry of Finance
Fax No.: 250 356-2001
No. of Pages: 3
From: Tim Lambert
Date: Sept 28/09
Company: _____
Fax No.: _____
Comments: _____

**INTERNAL AUDIT & ADVISORY SERVICES
OFFICE OF THE COMPTROLLER GENERAL
MINISTRY OF FINANCE**

**TERMS OF REFERENCE
MINISTRY OF HEALTHY LIVING AND SPORT
ON SITE SEWAGE ASSOCIATION REVIEW - PHASE II**

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fax pad 7903E

In late February 2009, the Ministry of Healthy Living and Sport (the ministry) contacted Internal Audit & Advisory Services (IAAS) and asked that IAAS look into concerns regarding one of their funded agencies, British Columbia Onsite Sewage Association (BCOSSA).

Specifically, the ministry received a letter s.22
s.22 alleging that association funds were not being spent appropriately, and recommending that a new organization replace BCOSSA.

IAAS met with Tim Lambert, Executive Director and Clyde Macdonald, Director, Strategic Policy to discuss their concerns, as well as to request available documentation to enable us to conduct a preliminary assessment and determine whether a review of BCOSSA financial management would be warranted.

After conducting the preliminary assessment it was the opinion of IAAS that there were sufficient concerns to warrant the ministry to request a full review into the financial management of BCOSSA.

IAAS agreed to conduct the review under a cost recovery arrangement.

BACKGROUND

The ministry is responsible for the administration of the *Sewerage System Regulations (Regulation)* made pursuant to the *Health Act*. BCOSSA has been given the responsibility of providing services for the improvement of the onsite sewage industry and the protection of public health in BC. The ministry retains ultimate accountability for administration of the *Regulation*.

BCOSSA's responsibilities include administering education for practitioners in BC, assessing whether or not people meet the educational requirements of the *Regulation*, and are competent to construct and maintain type 1 or 2 sewerage systems.

BCOSSA is a registered not-for-profit society. Therefore, BCOSSA is fiscally accountable under the *Society Act*. BCOSSA has the responsibility of operating on a cost recovery basis to ensure the long-term viability of a practitioner-education process in BC that is responsive to industry needs.

Project No.: 026108

Reference No.: 221188

Private and Confidential

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Since its creation in 2004, BCOSSA's main focus has been providing education and establishing the Sewage System Standard Practice Manual. The ministry has provided BCOSSA with over \$600,000 in government grants since the society's inception in 2004.

PURPOSE

The purpose of this review is to provide the ministry with sufficient evidence to confirm or dispel their concerns over possible financial mismanagement within BCOSSA.

SCOPE & OBJECTIVES

The scope of this engagement will include a review of the governance and financial management practices, including controls, within the association.

Our specific objectives will include a review of:

- Financial Management & Governance Practices - To determine if financial management and governance practices are sufficient to ensure the association is properly directed, adequately controlled, and held to account.
- Ongoing Financial Viability of the association - To determine if BCOSSA has sufficient financial resources to continue as a going concern. This will be based on a review of BCOSSA's cash flow (current and projected).
- High Risk Financial Accounts - To evaluate whether the account balances are fairly represented, and fully disclose any related party transactions/potential conflicts of interest.
- Reliability & Transparency of Financial Reporting - To evaluate whether the financial reporting is accurate, reliable and transparent.

APPROACH

Our approach will include, as necessary:

- s.22 and other stakeholders;
- Reviewing financial documentation, practices and processes; and
- Reviewing the financial oversight role, processes and structure of the organization.

TIME FRAME & REPORTING

Fieldwork for this project will commence in October 2009. There will be ongoing communication with appropriate ministry officials and the Comptroller General. At the end of fieldwork, anticipated to be in November 2009, an exit meeting will be held with the Executive Director, Health Protection, and other relevant officials, to discuss our findings.

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We will issue the final report to the Comptroller General, and copies will be distributed to senior ministry officials, as agreed upon.

ESTIMATED COSTS

The cost of the project is fully recoverable from the Ministry of Healthy Living and Sport. The estimated cost to conduct the fieldwork is \$40,000 plus an additional \$1,000 to cover potential travel costs. IAAS will keep the ministry apprised during periodic updates as to the actual costs incurred and reach a mutual agreement should the estimated fees be insufficient to substantially conclude on the engagement objectives.

PROJECT RESPONSIBILITY

Responsibility for the engagement is assigned to Tamara McLeod, under the general direction of Dan Peck, Director, Professional Practice, Investigation & Forensic. The audit team will include Leslie Watt, and other resources as required.

CONFIDENTIALITY


IAAS will treat all information as confidential and will not, without the prior written consent of the Ministry of Healthy Living and Sport, publish, release, or disclose or permit to be published, released or disclosed, any information supplied to, obtained by, or which comes to the knowledge of IAAS as a result of this project, except insofar as such publication, release, or disclosure is necessary to enable IAAS to fulfil its obligations for this project, to comply with legislation or Treasury Board Policy, or to assist the RCMP or other law enforcement agency with a criminal investigation or prosecution. The ministry may post the audit report on its Internet site. Any such posting will be done in compliance with the *Freedom of Information and Protection of Privacy Act*.

Approved by:

Stuart Newton
Executive Director
Audit & Technical Services
Internal Audit & Advisory Services

Date: _____

Accepted by:



Tim Lambert
Executive Director
Health Protection
Ministry of Healthy Living and Sport

Date: _____