

**From:** [Howden, Denise FIN:EX](#)  
**To:** [Cyr, Ashleigh OAG:EX](#)  
**Cc:** [Kok, Eugene S FIN:EX](#)  
**Subject:** RE: Ministry of Finance-Revenue Audit  
**Date:** January 30, 2018 10:06:36 AM  
**Attachments:** [Audit Risk Report CTAB 2017-2018.docx](#)  
[Branch Business Plan template one page New Format CTAB.docx](#)  
[KPI FY2018 ctab.pdf](#)

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Hi Ashleigh

Please see attached reports as requested:

- The 2017/18 CTAB Audit Risk Report
- The 2017/18 CTAB Business Plan
- The KPI CTAB Report – By Quarter and by Act

Denise R. Howden, CPA, CGA, MBA  
Audit Manager  
Ministry of Finance  
Consumer Taxation Audit Branch  
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**From:** Cyr, Ashleigh [<mailto:ACyr@bcauditor.com>]  
**Sent:** Thursday, January 11, 2018 1:36 PM  
**To:** Howden, Denise FIN:EX  
**Subject:** RE: Ministry of Finance-Revenue Audit

Thanks Denise.

We were hoping to have the documents by the end of January if possible.

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**From:** Howden, Denise FIN:EX [<mailto:Denise.Howden@gov.bc.ca>]  
**Sent:** January-11-18 10:34 AM  
**To:** Cyr, Ashleigh  
**Subject:** Re: Ministry of Finance-Revenue Audit

Hi Ashleigh  
Yes, I can, what is your deadline?

Sent from my iPhone  
Denise R. Howden, CPA, MBA  
Audit Manager, Workload  
Ministry of Finance

Consumer Taxation Audit Branch

On Jan 10, 2018, at 9:37 AM, Cyr, Ashleigh <[ACyr@bcauditor.com](mailto:ACyr@bcauditor.com)> wrote:

Good Morning Denise,

I had sent the below request to Eugene, s.22 . I was wondering if you would be able to provide any of the requested documentation?

Please let me know if you have an questions.

Thank you,

**Ashleigh Cyr, CPA**

Auditor

<image001.jpg>

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**From:** Cyr, Ashleigh

**Sent:** January-09-18 11:59 AM

**To:** 'Eugene.Kok@gov.bc.ca'

**Subject:** Ministry of Finance-Revenue Audit

Hello Eugene,

We are currently working on the 2017/18 financial audit of the Ministry of Finance. As part of the planning process we look at what is occurring at the Consumer Taxation Audit Branch to gain an understanding of the work performed.

Would you be able to provide:

- The 2017/18 CTAB Audit Risk Report
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Thank you very much,

**Ashleigh Cyr, CPA**

Auditor

<image001.jpg>

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**From:** [Howden, Denise FIN:EX](#)  
**To:** [Cyr, Ashleigh OAG:EX](#)  
**Subject:** Re: Ministry of Finance-Revenue Audit  
**Date:** January 11, 2018 10:34:21 AM

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Hi Ashleigh  
Yes, I can, what is your deadline?

Sent from my iPhone  
Denise R. Howden, CPA, MBA  
Audit Manager, Workload  
Ministry of Finance  
Consumer Taxation Audit Branch

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<image001.jpg>

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**Ashleigh Cyr, CPA**

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## Consumer Taxation Audit Branch (“CTAB”) - Overview

### AUDIT GOALS

- Focus on areas of greatest risk.
- Guided by risk, audit all business sectors, industries and geographic areas.
- Inform, educate and assist business to facilitate voluntary compliance.
- Adhere to the Taxpayer Service and Fairness Code.
- Workload Development (“WLD”) directly derives its mandate from the long-term goals and objectives under the General Audit Plan for the CTAB including:
  - a. Focus resources in areas of greatest non-compliance, to increase compliance and to recover lost tax revenues.
  - b. Manage and develop audit resources (specifically, Auditor FTE’s and Travel Budget), to maximize the efficiency and effectiveness of the audit process.
  - c. Achieve sufficient and appropriate audit coverage in all business sectors and industries to gauge and maintain voluntary compliance.

### RISK ASSESSMENT METHODOLOGY

#### Workload Development

- Every new lead, data source, or database is subjected to a risk analysis before any action is taken.
- Risk exists where there is a potential of lost tax revenue to the Province.
- Must consider the past, present and future tax revenue implications in determining risk.
- Prioritize lead cases to focus staff on the areas of greatest risk of revenue loss.
- Monitor and analyze current projects and program results and make changes as appropriate.
- Employ technology to increase effectiveness and efficiency.
- Follows the Province’s lean initiative.
  - Example: Lead Case Creation Tool

Automated Lead Case Generation- Benefits:

- Software pre-screens leads uploaded to system
- Lead cases automatically populated into our system so that:
  - there is minimal data entry required
  - errors reduced thus enhancing consistency
  - the speed of the process of raising a lead is increased
- Allows more time for research and analysis
- Lead cases generated on ad-hoc or scheduled basis
- System assigns risk factor for prioritization
- Produces leads for final analysis by Officers based on pre-programmed business rules, which can be generated on a regular schedule-basis. These rules, which are customized to each data source, have the flexibility to adjust values within the parameters so that materiality thresholds can be established according to the objective, e.g. we may be looking for a specific number of leads to be generated, or we may be looking for a certain risk-level regardless of the number of leads produced.
- An added benefit of Discovery is that once a rule is run, the leads can then automatically populate the system so that there is minimal data entry required thereby reducing errors, enhancing consistency, and increasing the speed of the process of raising a lead.
- Overall, it allows the Officers to devote more time to research and analysis of new projects or leads that are more complex in nature, without having to sacrifice the audit inventory level.

## **DATABASE INFORMATION VERIFICATION**

- Taxpayer information is continually updated by:
- Review of BC business publications  
s.15
- During audit process, profile updated for associated companies.

## **AUDIT SIZE CLASSIFICATION**

- Audit size is a reflection of the economic size of the business, and the audit complexity.
- Audit size helps Audit Managers / Team Leaders identify appropriate audits for assignment to audit staff.
- More experienced staff may be allocated larger files because they have the required knowledge or experience to conduct such complex and involved audits in an effective and efficient manner.

## **AUDIT INVENTORY**

- Lead Cases are commenced based on program/project priority rating and lead information rating. Tax at risk is the primary factor.
  - Projects are for new areas where we wish to initiate audit coverage. The results are reviewed to determine the next appropriate action. May be industry, business sector, taxpayer or geographically specific.
  - Programs are successful projects which are now run on a regular basis. s.15  
s.15
- Programs/projects descriptions capture reason for raising the audit.
- Rating is assigned when raised.

## **PROGRAM EXAMPLE: RECURRING AUDIT PROGRAM (“RAP”)**

- Recurring Audits are the:
  - Foundation of the audit plan,
  - Scheduled for audits on a three (3) year cycle
- Primarily audits of national and international firms that carry on interprovincial and international trade. These are companies with large sales volumes, multiple locations, or whose nature requires an extraordinary amount of audit time, planning, or coordination.
- Audits of companies that carry on business in more than one region of the province. These companies are usually characterized as recurring audits as described above. Generally, each location operates as a



separate division or cost centre, but audit assessments typically require approval of head office. These audits typically require coordination between audit staff in more than one branch office.

- Recurring Audit 3 year cycle benefits:
  - Implemented to address:
    - Customer concerns with 4 year audit period.
    - Better utilize ministry resources.
  - 3 year cycle means:
    - Errors/issues are found sooner.
    - Retrieval and retention of documentation is reduced.
    - Facilitates timely communication.
    - Reduces disruption to business.
    - Better coordination of audit activities.

### **SPECIAL PROGRAMS**

Educating taxpayers to promote voluntary compliance continues to be one of the CTAB's key goals, in fiscal year 2016/17, together with Consumer Taxation Programs Branch, and Public Information and Corporate Services Branch CTAB managers participated in 13 taxpayer presentations. Presentations ranged from overall general PST presentations for small business to industry specific (real property contractors, legal services). The Outreach programs were presented in the Lower Mainland, Fraser Valley, Terrace, and Kamloops.

**Ministry of Finance**  
**Audit Performance Measures for CTAB - All**

Run Date: 12 January, 2018

Fiscal Year: 2017 - 2018

s.17

Quarter Ending Date	# of Audits	Total Recovery	Average Recovery Per Audit
June 30, 2017	602	\$24,050,598.52	\$39,951.16
September 30, 2017	572	\$40,189,902.42	\$70,262.07
December 31, 2017	608	\$24,334,951.59	\$40,024.59
March 31, 2018	41	\$287,420.42	\$7,010.25
<b>Total</b>	<b>1823</b>	<b>\$88,862,872.95</b>	

# of Nil Audits	Average Nil Audit Hours	# of EDP Audits
95	0.00	231
85	0.14	282
88	1.58	309
8	0.00	11
<b>276</b>		<b>833</b>

# Consumer Taxation Audit Branch 2017/2018 Business Plan

## Executive Director Message

I am pleased to present our business plan for 2017/2018.

The business plan describes our day-to-day work and sets out our goals, objectives and strategies for the year.

As a branch, we have recently worked together to create our Vision, Mission, and Culture statements along with our key values and strategic goals for the next five years. I look forward to working with each and every one of you as we continue to move forward to achieve the goals we have set for ourselves.

*Satish Perhar*



## Inside this plan

Vision, Mission & Core Work	P.1
Strategic Context & Branch Priorities	P.2
Goals, Objectives & Strategies	P.3
Outcomes & Measures	P.4

## Our Vision

Trusted and highly regarded consumption tax experts administering provincial statutes that support funding for government services.

## Our Values

Corporate Awareness	Teamwork
Accountability	Adaptability
Transparency	Respect

## Our Work

### Audit & compliance activities:

- The Branch carries out audit and other compliance activities for the province's consumption tax systems. These activities generate incremental revenues and promote future voluntary compliance to support programs for education, health care, social services and other public service needs of British Columbians.

## Our Mission

To conduct compliance activities that result in incremental revenue and promote a fair and equitable business environment in the province.

## Our Culture

We are proud to be professionals working in a collaborative, flexible environment where relationships are built on shared ideas, mutual respect, and self-awareness.

- The Branch also performs audit and other compliance activities for a variety of organizations including Tourism BC, the Translink Regional Transportation Authority, the Victoria Regional Transit Service, the Cowichan (Aboriginal) Band, the Nisga'a Lisims Government, various municipalities, and for 48 individual states and 9 provinces under the International Fuel Tax Agreement (IFTA) and the International Registration Plan (IRP).



Where ideas work

# Strategic Context and Branch Priorities

## External Factors

- Legislative, regulatory or program changes or shifting ministry strategic priorities.
- Court decisions and new legislative interpretations.
- Changes in business environment, industry practices and technology.
- Increased reliance and demand for electronic and digital records / data and services.
- Demographic and economic changes in labor market impacts retention and recruitment.

## Internal Factors

- Large and dispersed branch requiring effective virtual work environment and information sharing.
- Loss of staff through retirement and competition from industry and other government agencies.
- Succession planning and technical knowledge retention.
- Organizational structure may lead to limited promotional opportunities.
- Commitment to continuous improvement and development.
- Teamwork within branch and across division / ministry.
- Workplace Environment Survey (WES) results.

## Risks

- Non compliance in regional areas due to inability to hire in a timely manner.
- Limited travel budget impacts how audits are performed.
- Heavy reliance on electronic system increases exposure to network outage problems.
- Ability to stay current with changing technology.

## Opportunities

- Leverage strengths and diverse perspectives from all staff.
- Work collaboratively with external stakeholders to enhance customer service.
- Continue to explore virtual teams for effective compliance coverage.
- Promote formal and informal learning and development.
- Participate in outreach activities to promote voluntary compliance.

## Priorities

- Maintain a positive and engaged workplace culture, emphasizing respect, recognition, teamwork, transparency and communication.
- Continue to deliver consistent and high quality customer service.
- Leaning work processes to improve internal efficiency and effectiveness.
- Continue to develop internal technical knowledge base, particularly with regards to emerging industries.



## Highlights from 2016/17

- Completed a total of 2,230 audits.
- Generated \$116.8 million in incremental revenue.
- The Vancouver office was relocated to a Leading Workplace Strategies (LWS) location at Suite 800 - 900 Howe Street, Vancouver, BC.
- The two Surrey offices were combined into one LWS location at 138th Street, Surrey, BC
- Published our first CTAB Employee Newsletter



# Goals—Objectives—Strategies

## Ministry Goals & Objectives

### Goal 1: Sound and transparent management of government finances

Objective 1.1: Effective management of government's fiscal plan

Objective 1.2: Accountable, efficient and transparent financial and program management across government

### Goal 2: A strong, competitive and vibrant economy

Objective 2.1: A fair and competitive tax and regulatory environment

Objective 2.2: Responsive, effective and fair revenue, tax and benefit administration that funds provincial programs and services

### Goal 3: Confidence in public sector organizations

Objective 3.1: Government has effective oversight of public sector organizations

Objective 3.2: Public confidence in B.C.'s gaming sector

Objective 3.3: Ensure government is open and transparent

### Goal 4: Ministry is a respected centre of excellence

Objective 4.1: Attract, develop and retain employees

Objective 4.2: Enable our business through tools and technology

Objective 4.3: Ensure sound management of ministry resources

Goal 1: **OUR TEAM:** An engaging and collaborative work environment that capitalizes on individuals' strengths and promotes employee development.

#### Objective 1.1:

Foster a high engagement, high performance culture.

#### Objective 1.2:

Ongoing employee and team development that supports individual career goals and our organization's succession priorities.

Goal 2: **CONTINUOUS IMPROVEMENT:** A results-oriented organization that applies progressive solutions and works to continuously improve its services and results.

#### Objective 2.1:

Continue to apply a Lean lens to our work processes to ensure efficient and effective results.

#### Objective 2.2:

Seek opportunities to apply innovative solutions and best practices to the way that we work.

Goal 3: **OUR SERVICES:** A professional organization that works strategically and collaboratively with our stakeholders in pursuit of customer service excellence.

#### Objective 3.1:

Effective communication and collaboration with stakeholder groups.

#### Objective 3.2:

A focus on service quality, knowledge sharing and growing expertise in audit practices.



## Connecting **Goals** to **Outcomes** and **Performance**

Goals	Outcomes	Performance Measures/Targets
Goal 1: <b>OUR TEAM:</b> An engaging and collaborative work environment that capitalizes on individuals' strengths and promotes employee development.	An empowered and supported team that takes pride in achieving service excellence and results.	<ul style="list-style-type: none"> <li>• Roll out individual manager's learning days tailored to their team members' learning requirements and expectations.</li> <li>• Develop a succession plan for at risk positions.</li> </ul>
Goal 2: <b>CONTINUOUS IMPROVEMENT:</b> A results-oriented organization that applies progressive solutions and works to continuously improve its services and results.	Continued improvements to the efficiency and effectiveness of our work processes and results.	<ul style="list-style-type: none"> <li>• The Quality Assurance Program (QAP) team continues review of the program to create additional efficiencies in the QAP process.</li> <li>• The LEAN audit efficiency team to complete the rollout of improved processes to all staff.</li> </ul>
Goal 3: <b>OUR SERVICES:</b> A professional organization that works strategically and collaboratively with our stakeholders in pursuit of customer service excellence.	Service excellence working with internal and external stakeholders.	<ul style="list-style-type: none"> <li>• Complete a total of 2,400 compliance audits.</li> <li>• Generate \$90 million in incremental revenue.</li> <li>• Number of WIP files over 60 days <math>\leq</math> 40% of WIP files.</li> <li>• Management team participates in industry outreach with Public Information and Corporate Services Branch.</li> <li>• Increase Post Audit Survey results (baseline 90% agree to each of the survey questions).</li> </ul>

### Links

[Ministry of Finance Service Plan](#)  
[Ministry of Finance Business Plan](#)  
[Branch WES Results](#)  
[MyPerformance Plan](#)

### Performance Management Framework

Following each quarter, the Management team will review and report on highlights and progress on the strategic priorities, projects and initiatives. Each section will regularly track performance in relation to the established goals, objectives and performance measures.

Individual MyPerformance Plans will include goals that support the branch goals and objectives which link to the Ministry's business plan.