

2016-2017 Consolidated Financial Statements for the Province of Alberta

The Government of Alberta prepares financial statements and makes them public to inform Albertans about the province's financial performance. The Office of the Auditor General audits the consolidated financial statements of the Province of Alberta, in addition to auditing the financial statements of every ministry, government department, regulated fund and most provincial agencies.

An audit is the collection and evaluation of evidence about the fairness of financial statements. By obtaining this evidence, the auditor general is able to provide a high level of assurance to Albertans about whether the financial statements prepared by management are fairly presented and free from material misstatements. An audit includes assessing where errors (misstatements) could occur in the financial statements, testing management's internal control over financial information and performing additional audit procedures.

The audit, and the auditor's report, adds credibility to the financial statements by telling Albertans whether the financial statements are reasonable. This auditing does not mean that the auditor general examines every transaction or guarantees that the financial statements are error free. Millions of transactions are summarized into the province's financial statements. Audits, therefore, necessarily focus on areas of risk and on the places where errors that matter to users' understanding of the financial statements as a whole are likely to occur.

On June 20, 2017, we issued our unqualified independent Auditor's Report on the 2016–2017 Consolidated Financial Statements for the Province of Alberta. We had issued unqualified auditor's reports on the financial statements of all the other entities that we audit.

The province's consolidated financial statements account for the full nature and extent of the financial affairs and resources that the government controls, and provide a comprehensive view of government's financial position at its fiscal year-end.

From our perspective, the key items within the province's audited 2016–2017 consolidated financial statements were:

- A key indicator with the consolidated statements is net debt, which is the difference between the government's financial assets and liabilities. Net debt shows the government's requirement to generate future revenues to pay for past services. As of March 31, 2017, the province moved to an overall net debt position of \$8.9 billion in fiscal 2017 from an overall net financial asset position of \$3.9 billion as of March 31, 2016. (page 33, Government of Alberta 2016–2017 Annual Report)
- Expenses and liabilities of \$1.1 billion related to the phase out of coal-fired electricity generation under the Climate Leadership Plan. Recording this expense resulted in the Province's operating expenses exceeding those in Budget 2016 by more than the one per cent allowable limit under the *Fiscal Planning and Transparency Act*. (page 37, Government of Alberta 2016–2017 Annual Report)
- The results of the Balancing Pool were included in the province's consolidated statements. It had previously not been included in the government reporting entity. This increased the province's annual deficit by \$2 billion primarily because of losses incurred by the Balancing Pool from its power purchase arrangements. (page 56, Government of Alberta 2016–2017 Annual Report)
- The agreement by the Alberta Petroleum Marketing Commission with the North West Redwater Partnership is included as a commitment in the 2016-2017 province's consolidated financial statements. The project's capital costs and the commission's future toll commitments both increased in 2016-2017. The government continues to estimate a positive return over the term of the agreement. (page 58, Government of Alberta 2016–2017 Annual Report)