

February 2016 Recommendations

We conducted our audits in accordance with the *Auditor General Act* and the standards for assurance engagements as set out in the CPA Canada Handbook—Assurance.

This report contains one repeated and 15 new recommendations to government. The repeated recommendation has been made because we do not believe there has been sufficient action taken to implement our previous recommendation.

As part of the audit process, we provide recommendations to government in documents called management letters. We use public reporting to bring recommendations to the attention of Members of the Legislative Assembly. For example, members of the all-party Standing Committee on Public Accounts refer to the recommendations in our public reports during their meetings with representatives of government departments and agencies.

The auditor general is the auditor of every ministry, department, regulated fund and provincial agency. Under the *Government Organization Act*, ministers are responsible for administering departments and provincial legislation. Deputy ministers are delegated responsibility to support the minister in his or her role, and to act as the chief operator of a department. Ministers may also establish any boards, committees or councils they consider necessary to act in an advisory or administrative capacity for any matters under the minister's administration. A minister is responsible for oversight of the work and actions of the department and any provincial agencies under his or her administration. However, we make our recommendations to departments and provincial agencies rather than to the minister directly, given the delegated operational responsibilities and that they are in the best position to respond to and implement our recommendations. With respect to recommendations related to ministerial oversight of a provincial agency, we generally make the recommendation to the department supporting and providing advice to the minister.

Reporting the status of recommendations

We follow up on all recommendations. The timing of our follow-up audits depends on the nature of our recommendations. To encourage timely implementation and assist with the planning of our follow-up audits, we require a reasonable implementation timeline on all recommendations accepted by the government or the entities we audit that report to the government. We recognize some recommendations will take longer to fully implement than others, but we encourage full implementation within three years. Typically, we do not report on the progress of an outstanding recommendation until management has had sufficient time to implement the recommendation and we have completed our follow-up audit work.

We repeat a recommendation if we find that the implementation progress has been insufficient.

We report the status of our recommendations as:

- **Implemented**—We explain how the government implemented the recommendation.
- **Repeated**—We explain why we are repeating the recommendation and what the government must still do to implement it.

On occasion, we may make the following comments:

- **Satisfactory progress**—We may state that progress is satisfactory based on the results of a follow-up audit.
- **Progress report**—Although the recommendation is not fully implemented, we provide information when we consider it useful for MLAs to understand management's actions.

SYSTEMS AUDITING – NEW AUDITS

Energy – Systems to Manage Royalty Reduction Programs

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RECOMMENDATION 1: EVALUATE AND REPORT ON ROYALTY REDUCTION PROGRAM OBJECTIVES

We recommend that the Department of Energy annually evaluate and report whether the department's royalty reduction programs achieve their objectives.

Implications and risks if recommendation not implemented

Without effective systems and processes to annually evaluate and report on its royalty reduction programs, the department is unable to show whether the programs are achieving their objectives and providing the intended value through the use of royalty incentives.

Energy – IT Security for Industrial Control Systems in Alberta's Oil and Gas Industry

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RECOMMENDATION 2: FURTHER ASSESS PROVINCIALY REGULATED INDUSTRIAL CONTROL SYSTEMS

We recommend that the Department of Energy and Alberta Energy Regulator work together to determine whether a further assessment of threats, risks and impacts to industrial control systems used in provincially regulated oil and gas infrastructure would benefit Alberta.

Implications and risks if not implemented

If the Department of Energy and Alberta Energy Regulator are unaware of the possible risks and impacts from unsecured ICS, they cannot ensure that oil and gas operators are properly mitigating those risks to protect Albertans.

Human Services – Office of the Public Guardian and Trustee – Surplus Management and Results Reporting

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RECOMMENDATION 3: DETERMINE AND MANAGE SURPLUS

We recommend that the Public Trustee develop processes to effectively manage the growth and use of the accumulated surplus in the Common Fund.

Implications and risks if recommendations not implemented

If the Public Trustee does not complete an analysis of the accumulated surplus balance, there is a risk that the Public Trustee will hold in reserve more funds than are necessary to mitigate the risks of interest fluctuations, and errors and omissions. Further, the opportunity to maximize the return to client accounts may be missed.

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RECOMMENDATION 4: IMPROVE RESULTS ANALYSIS PROCESSES AND REPORTING

We recommend that the Public Trustee and Ministry of Human Services improve the performance reporting for the operations of the Public Trustee.

Implications and risks if recommendation not implemented

In the absence of quality results analysis reporting, stakeholders will not receive sufficient information to assess whether the Public Trustee is achieving its desired results. Further, an evaluation into whether the costs to achieve the results are reasonable cannot be performed because of insufficient information.

Justice and Solicitor General—Victims of Crime Fund—Systems to Manage Sustainability and Assess Results

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RECOMMENDATION 5: DEVELOP AND PUBLICLY REPORT ON A PLAN FOR THE VICTIMS OF CRIME FUND PROGRAM

We recommend that the Department of Justice and Solicitor General:

- develop and approve a business plan with measurable desired results for the Victims of Crime Fund
- publicly report on the results of this business plan

Implications and risks if recommendation not implemented

If the department does not set out goals for the Victims of Crime Fund, with accompanying targets and measures, it cannot know whether the money being spent is achieving program objectives.

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RECOMMENDATION 6: DETERMINE BEST USE OF VICTIMS OF CRIME FUND ACCUMULATED SURPLUS

We recommend that the Department of Justice and Solicitor General, supported by sufficient analysis, determine an appropriate use of the Victims of Crime Fund accumulated surplus.

Implications and risks if recommendation not implemented

If the potential uses for the accumulated surplus are not sufficiently analyzed and decided upon, potential opportunities may be missed—e.g., heightened and improved accessibility to service by victims of crime in Alberta. Further, questions will persist from Albertans about the purpose of this accumulated and growing surplus.

Municipal Affairs—Disaster Recovery Program Transition

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RECOMMENDATION 7: IMPLEMENT TRANSITION PLAN

We recommend that the Department of Municipal Affairs implement its transition work plan to improve its disaster recovery program delivery systems by:

- obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan
- improving project oversight to monitor implementation of the plan to ensure desired results are achieved within an acceptable timeframe

Implications and risks if recommendation not implemented

The department is at risk of ineffectively responding to disasters should they occur, inefficiently using resources, not properly verifying or consistently administering claims, and losing federal funding.

Treasury Board and Finance—Economy and Efficiency of Cash Management in the Government of Alberta

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RECOMMENDATION 8: EVALUATE CASH MANAGEMENT FOR EFFICIENCY AND ECONOMY

We recommend that the Department of Treasury Board and Finance:

- evaluate how it can use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs, and implement mechanisms to utilize excess liquidity
- evaluate the Consolidated Cash Investment Trust Fund and pursue opportunities to increase its use or modify its current structure to ensure it remains a relevant cash management tool

Implications and risks if recommendation not implemented

Inefficient and uneconomical cash management systems increase debt, interest and administration costs.

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RECOMMENDATION 9: DEVELOP POLICIES TO PREVENT EARLY PAYMENT OF GRANTS AND AN ACCUMULATION OF LARGE CASH BALANCES

We recommend that the Department of Treasury Board and Finance issue policies and guidance for departments to monitor the working capital needs of government-controlled entities to ensure departments only provide cash when needed.

Implications and risks if recommendation not implemented

Providing cash to entities before they need it or allowing them to accumulate large cash balances, increases provincial debt and debt costs.

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RECOMMENDATION 10: IMPLEMENT AND USE INFORMATION TECHNOLOGY TO MANAGE CASH

We recommend that the Department of Treasury Board and Finance implement an integrated treasury management system to manage treasury functions and processes, including government-wide cash pooling and management.

Implications and risks if recommendation not implemented

Lack of information technology creates inefficiencies, inaccurate and stale information, and too many manual processes that increase errors and costs. It also prevents Treasury Board and Finance from managing cash efficiently and economically across the government.

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RECOMMENDATION 11: USE LEADING BANKING AND RELATED PRACTICES AND EVALUATE COST BENEFITS OF BANK ACCOUNTS

We recommend that the Department of Treasury Board and Finance work with departments to implement leading banking practices and evaluate the benefits of existing bank accounts compared to the costs of administering them, and make changes where the costs exceed the benefits.

Implications and risks if recommendation not implemented

Government is missing opportunities by not using leading banking practices.

FEBRUARY 2016 RECOMMENDATIONS

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RECOMMENDATION 12: IMPROVE POLICIES FOR PAYMENTS

We recommend that the Department of Treasury Board and Finance:

- periodically analyze payment data to identify non-compliance with policies and seek opportunities for improvements
- ensure that cost recoveries between government entities consider costs and benefits, and a transaction threshold

Implications and risks if recommendation not implemented

When government does not use best practices for payment policies, terms and methods, it is missing opportunities to operate in the most efficient and economical way.

OTHER AUDIT WORK

Advanced Education—Report on Post-secondary Institutions

KEYANO COLLEGE

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RECOMMENDATION 13: IMPROVE FINANCIAL REPORTING PROCESSES

We recommend that Keyano College improve its financial reporting by:

- training staff on Canadian Public Sector Accounting Standards (PSAS)
- improving its monitoring and reviewing processes to ensure accurate financial information

Implications and risks if recommendation not implemented

Without effective controls over its financial reporting processes, management and the board will not have reliable financial information on which to base their decisions.

LAKELAND COLLEGE

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RECOMMENDATION 14: IMPROVE SEGREGATION OF DUTIES

We recommend that Lakeland College improve segregation of duties within the finance department.

Implications and risks if recommendation is not implemented

Without appropriate segregation of key financial reporting duties, the college will have increased risk of undetected fraud, error and inappropriate transactions occurring.

OLDS COLLEGE

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RECOMMENDATION 15: IMPROVE ACCESS CONTROLS TO INFORMATION SYSTEMS

We recommend that Olds College strengthen its information systems access controls to ensure it:

- promptly removes system access privileges when staff or contractors leave the college
- discontinues the practice of leaving accounts open for email access after staff are terminated

Implications and risks if recommendation not implemented

Without strong user access controls, the college cannot prevent unauthorized access to its applications and systems that could compromise the confidentiality and integrity of financial and student information.

RED DEER COLLEGE

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RECOMMENDATION 16: IMPROVE GENERAL COMPUTER CONTROL ENVIRONMENT – REPEATED

We again recommend that Red Deer College improve its general computer control environment by:

- finalizing its risk assessment process and implementing a comprehensive IT control and governance framework for its key processes
- managing changes to computer programs
- testing its disaster recovery plan and then assessing its adequacy

Implications and risks if recommendation not implemented

Weakness in the general computer control environment poses a risk to the integrity and availability of the college's systems and data. Without accurate information, college management cannot perform its function efficiently.