

Introduction by the Auditor General

The February 2018 Report of the Auditor General to Members of the Legislative Assembly (MLAs) has eight reports on topics of interest and importance to all Albertans, including:

- our seventh annual update—or “report card”—on the financial control systems and processes of 16 of Alberta’s post-secondary institutions
- an audit of the processes to manage the Class Size Initiative in Alberta’s schools, an initiative in which \$2.7 billion has been invested since 2004
- a progress report on improving student attendance in Northland School Division
- an audit of the management by the Alberta Petroleum Marketing Commission (APMC) of the \$26 billion commitment to supply bitumen to the Sturgeon refinery over a 30-year period
- an audit, prompted by a request from a Member of the Legislative Assembly, of the contracting processes for two Alberta Health grants
- our follow-up audit on whether the Department of Transportation is consistently applying its policy of progressive sanctions against commercial carriers that persistently fail to comply with transportation legislation
- and an audit of six departments’ systems to verify compliance with policies for travel, meal and hospitality expenses of the offices of the premier, ministers and their staff. We examine the compliance systems in an annual rotation.

This document also includes an initial audit on Alberta’s Climate Leadership Plan (CLP), the findings of which will be included in a National Collaborative Audit on Climate Change to be released in the coming weeks.

Each of these reports contains significant matters that need to be brought to the attention of MLAs and Albertans for them to urge improvement in accountability for the cost-effective use of public resources.

The Importance of Oversight—by Albertans, their MLAs, their government and their public service

Despite the diversity of the departments, agencies and topics of the eight reports that make up this document, there is a common underlying theme to our findings in each of them—that is, oversight is the glue that holds results management together. Good oversight will invariably produce better systems to achieve desired results. Think of oversight as the exchange of resources for expectations.

We continue to state that those who are responsible for oversight need to:

- be vigilant
- check that processes and systems, including the accountability-for-results system, are working well
- signal and model preferred behaviour

all in the pursuit of desired results.

Oversight should exist at multiple levels—in other words, cascading oversight. Ministers, with the assistance of their deputy ministers, exercise oversight of their departments and the boards put in place to oversee provincial agencies. And Albertans together with their MLAs (responsible for legislative oversight) should exercise oversight of government ministers’ oversight of boards and the public service working to deliver desired results.

Oversight, at multiple levels, is a recurrent theme in this report. Our findings show where oversight is working, but unfortunately, we also found many cases where it needs to be improved. Improvement will result in better risk management and increased likelihood of identifying waste and missed opportunities.

An excellent example of where oversight at different levels has worked to achieve results is Alberta's Climate Leadership Plan. The government established a Climate Leadership Policy Committee, comprising five ministers, to make recommendations to Cabinet on initiatives and programs. Before matters were brought to the committee, a cross-ministry committee of deputy ministers and a separate cross-ministry committee of assistant deputy ministers reviewed the proposals to ensure their alignment. This rigour undoubtedly contributed to the progress so far. We have recommended the government develop and use comprehensive implementation plans for the Climate Leadership Plan and for each of its programs. Such plans are essential when there are a large number of actions, multiple parties and complex interrelations. Such plans are the means by which those responsible for their execution can demonstrate accountability for their commitments to achieve desired results. It is therefore troubling that the Climate Leadership Policy Committee has now been disbanded. The potential of such an oversight committee in terms of ensuring objective monitoring of benefits and costs and encouraging learning and corrective action from that information is the key to ongoing success.

The findings reported in our annual report card on post-secondary institutions demonstrate where oversight has led to improvements at the majority of Alberta's public colleges and technical institutes. In the cases of the Alberta College of Art + Design, Keyano College, MacEwan University and Northern Lakes College, our findings indicate that oversight needs to be improved. The report card should help those boards and management groups to focus their efforts, which we believe in turn will also better inform their decision-making.

Legislative oversight, by the Standing Committee on Alberta's Economic Future, of the budget estimates of the Ministry of Education has not caused consideration of the Class Size Initiative. The Department of Education has not been held to account for its spending of billions of dollars to reduce class sizes, without publicly explaining why school jurisdictions have been unable to achieve the target for the K-3 grade group over the past 13 years.

Regarding student attendance at Northland School Division, the Department of Education has taken a number of actions supporting the division broadly and focusing on attendance in schools generally. These actions are important, but the division still needs help with its attendance right now. The department must ensure it oversees the immediate implementation of an effective plan to improve attendance in the division. In our opinion, this oversight by the public service of Alberta is the key to not failing another generation of the division's children.

The APMC's management of the agreement to process bitumen at the Sturgeon refinery is management of a complex, significant investment with a long-term impact on the government and Albertans. By its very nature it presents significant potential benefits and risks to Albertans. For an agency like the APMC to be successful and demonstrate stewardship when managing substantial commercial agreements, three elements are essential: the agency must have highly developed processes for managing risk, as well as the expertise and capacity to act on those processes; the agency should be subject to strong oversight processes to ensure risk management processes and staffing

requirements are in place to support the success of the agreements; and the agency has an obligation to report on its operations to Albertans, whose resources it uses. We found improvements are needed both in risk management processes and in the need to report important information to Albertans.

Oversight is also critical to Alberta Transportation's commercial vehicle safety program. It is the means to assuring Albertans that reasonable steps are being taken to identify high-risk carriers, deal with them appropriately, and ultimately help reduce risks while ensuring the goods transported on our highways make it to their destination. The Department of Transportation was still not, as of July 1, 2017, consistently following its policy of taking timely and appropriate enforcement action against non-compliant carriers. In the eight years since we conducted an initial audit on this program, the department has made improvements to certain aspects of its systems. However, in this second follow-up audit since the original audit in 2009, we again found insufficient improvement in the consistency of enforcement actions. Senior management in the department was not aware of this continued deficiency.

In the case of the first of two Pure North grants we audited at Alberta Health, in 2013 oversight was voided through ministerial override of departmental grant processes. The department did follow its processes to award the 2016 grant to Pure North.

In conclusion, and to summarize, oversight is at the very core of good government. It is the means by which those who serve, either through being elected or as members of the public service, can earn the public's confidence that they are managing public resources wisely.

Our identification of areas in which oversight is weak should be of concern to MLAs and the public. The opportunity to demonstrate, with evidence, cost-effective short- and long-term management of public resources has been missed.

Acknowledgments

On behalf of everyone at the Office of the Auditor General, I thank the staff of all the government entities we worked with to complete the performance audits included in this report.

I also extend our thanks to the members of the Provincial Audit Committee for their ongoing work to review our audit results and provide us with advice on relevancy and understandability, and whether our recommendations are practical.

Also, our thanks to the members of the Public Accounts Committee of the Assembly. By discussing our work with public services managers and seeking assurance that they are taking meaningful steps to implement our recommendations, the Committee plays a critical role in holding the public service accountable for results and ensuring our work is acted upon.

This report is a significant undertaking. I truly appreciate the contributions of our legislative auditors and our operations staff.

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