



# Environment and Parks

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October 2017



## Summary

### Department

There are no new recommendations for the Department of Environment and Parks in this report. The department implemented our October 2015 recommendation to improve its financial reporting processes—see below.

### Energy Efficiency Alberta

There are no new recommendations to EEA in this report.

### Natural Resources Conservation Board

There are no new recommendations to the NRCB in this report.

## Findings and Recommendations

### Department

Matters from prior audits

#### Improve financial reporting process—**recommendation implemented**

##### Background

In 2015<sup>1</sup> we recommended that the Department of Environment and Parks improve its process for preparing timely and reliable financial statements by:

- improving the quality of documentation and working papers to support financial statement items and disclosures
- preparing reconciliations for key financial statement balances
- scheduling and evidencing management reviews of financial statements, working papers and supporting documentation before the audit

In our 2015 audit, we found the department's finance group did not promptly prepare financial statements, reconcile transactional listings of revenues from revenue systems to the general ledger or account for restatement transactions until year end.

##### Our audit findings

The department has implemented the recommendation.

The department made the following process improvements:

- designing an implementation plan and following up on actions to work through problem areas in its financial reporting process
- performing an assessment of staffing in finance, giving the department capacity to prepare additional working papers, and higher quality key account reconciliations, and allowing secondary review of working papers
- completing the accounting for reorganization transactions earlier in the reporting cycle
- implementing a soft close in the third quarter of the fiscal year to simulate the year-end process

<sup>1</sup> Report of the Auditor General of Alberta—October 2015, no. 11, page 91.

- putting into place an effective working paper preparation, cut-off and review process supported with strict enforcement of timelines
- fixing reconciliation differences between the asset management systems and general ledger
- communicating regularly with the Office of the Controller and receiving advice on difficult accounting matters

We verified the process improvements and found that they resulted in better analyses, improved quality of working papers and prompt preparation of the financial statements. The yearend draft financial statements were prepared within prescribed timelines and had fewer errors compared to prior years. Also there has been an increase in the number of higher quality supporting working papers to support financial statement line items. Based on the process improvements, we concluded the department has put in place a structure to sustain financial reporting.

## Outstanding Recommendations

### Department

The following recommendations are outstanding and not yet ready for follow-up audits:

**Sand and gravel: Flat fee security deposit—October 2008, no. 41, p. 362**

We recommend that the Department of Environment and Parks assess the sufficiency of security deposits collected under agreements to complete reclamation requirements.

**Climate change: Public reporting—October 2012, no. 10, p. 38  
(originally October 2008, no. 11, p. 101)**

We again recommend that the Ministry of Environment and Parks improve the reliability, comparability and relevance of its public reporting on Alberta's results and costs incurred in meeting climate change targets.

**Climate change: Improve planning—July 2014, no. 2, p. 41  
(originally October 2008, no. 9, p. 97)**

We again recommend that the Department of Environment and Parks improve Alberta's response to climate change by:

- establishing overall criteria for selecting climate change actions
- creating and maintaining a master implementation plan for the actions necessary to meet the emissions intensity target for 2020 and the emissions-reduction target for 2050
- corroborating—through modelling or other analysis—that the actions chosen by the ministry result in Alberta being on track for achieving its targets for 2020 and 2050

**Climate change: Improve monitoring processes—July 2014, no. 3, p. 44  
(originally October 2008, no. 10, p. 100)**

We again recommend that for each major action in the 2008 Climate Change Strategy, the Department of Environment and Parks evaluate the action's effect in achieving Alberta's climate change goals.

**Sand and gravel: Enforcement of reclamation obligations—July 2014, no. 4, p. 51 (originally October 2008, no. 40, p. 360)**

We again recommend that the Department of Environment and Parks improve processes for inspecting aggregate holdings on public land and enforcing land reclamation requirements.

**Flood mitigation systems: Update flood hazard maps and mapping guidelines—March 2015, no. 10, p. 76**

We recommend that the Department of Environment and Parks improve its processes to identify flood hazards by:

- mapping flood areas that are not currently mapped but are at risk of flooding communities
- updating and maintaining its flood hazard maps
- updating its flood hazard mapping guidelines

**Flood mitigation systems: Assess risk to support mitigation policies and spending—March 2015, no. 11, p. 78**

We recommend that the Department of Environment and Parks conduct risk assessments to support flood mitigation decisions.

**Flood mitigation systems: Assess effects of flood mitigation actions—March 2015, no. 13, p. 82**

We recommend that the Department of Environment and Parks establish processes to assess what will be the cumulative effect of flood mitigation actions in communities when approving new projects and initiatives.

**Systems to regulate dam safety: Develop plan to regulate dams—March 2015, no. 14, p. 90**

We recommend that the Department of Environment and Parks develop a plan to regulate dams and report on the results of its regulatory activities.

**Systems to regulate dam safety: Improve dam regulatory activities—March 2015, no. 15, p. 92**

We recommend that the Department of Environment and Parks improve its dam regulatory activities by:

- maintaining a reliable registry of dams
- obtaining sufficient information to assess the risk and consequences of dam failure
- retaining evidence of regulatory activities performed
- following up to ensure that owners correct deficiencies or manage them until they are corrected

**Systems to manage grazing leases: Clarify objectives, benefits and relevant performance measures—July 2015, no. 1, p. 20**

We recommend that the Department of Environment and Parks define and communicate the environmental, social and economic objectives it expects grazing leases should provide all Albertans as well as relevant performance measures to monitor and ensure those objectives are met.

**Systems to ensure sufficient financial security for land disturbances from mining: Improve program design—July 2015, no. 2, p. 29**

We recommend that the Department of Environment and Parks, as part of its regular review of the Mine Financial Security Program:

- analyze and conclude on whether changes to the asset calculation are necessary due to overestimation of asset values in the methodology
- demonstrate that it has appropriately analyzed and concluded on the potential impacts of inappropriately extended mine life in the calculation

**Systems to manage the SGE Regulation: Clarify SGE Regulation guidance documents—July 2015, no. 4, p. 43 (originally October 2009, no. 4, p. 46, repeated November 2011, no. 1, p. 17)**

We recommend for a third time that the Department of Environment and Parks clarify the guidance it provides to facilities, verifiers, offset project developers and offset protocol developers, to ensure they consistently follow its requirements to achieve the Alberta government's emission reduction targets.

**Systems to manage the SGE Regulation: Ensure offset protocols meet new standard and improve transparency—July 2015, no. 5, p. 46 (originally November 2011, no. 2, p. 23)**

We again recommend that the Department of Environment and Parks implement processes to ensure that all approved protocols adhere to its protocol development standard.

**Managing Alberta's Water Act Partnerships and Regulatory Activities: Monitor wetland restoration—October 2015, no. 6, p. 45 (originally April 2010, no. 6, p. 71)**

We again recommend that the Department of Environment and Parks formalize its wetland restoration relationships and control procedures.

**Improve capital asset monitoring and recording processes—October 2016, no. 17, p. 104**

We recommend that the Department of Environment and Parks improve its processes for monitoring and recording dam and water management structure assets by:

- reconciling the Environment Infrastructure Management System with the asset management accounting system so that the assets listed in one reasonably correspond to those in the other
- completing a comprehensive analysis of assets to verify existence, completeness and valuation in order to maintain reliable accounting records
- applying criteria to decide when to write down an asset, and documenting the assessment of such decisions

**Climate change: Outsourced service providers—May 2017, no. 5, Page 62 (originally October 2009, p. 49)**

We again recommend that the Department of Environment and Parks obtain assurance that data hosted or processed by its provider of registry services is accurate, complete and secure.

Management has identified these recommendations as implemented—to be confirmed with follow-up audits:

**Sand and gravel: Quantity of aggregate removed—July 2014, no. 5, p. 52 (originally October 2008, p. 364)**

We again recommend that the Department of Environment and Parks develop systems to verify quantities of aggregate reported as removed by industry from public lands so that all revenue due to the Crown can be assessed and recorded in the financial statements.

**Joint Canada–Alberta Plan for Oil Sands Monitoring: Ensure timely, accurate and transparent public reporting—October 2014, no. 1, p. 26**

We recommend that the Department of Environment and Parks work with the Government of Canada to ensure that public reporting on the joint plan is timely, accurate and transparent.

**Joint Canada–Alberta Plan for Oil Sands Monitoring: Improve planning and monitoring—October 2014, no. 2, p. 29**

We recommend that the Department of Environment and Parks:

- implement effective processes for monitoring project status
- develop and implement work plans, with roles and responsibilities and timelines and deliverables, for implementing all key commitments under the joint plan
- clarify what needs to be done to implement any joint plan projects and commitments remaining after March 2015

## Department and Municipal Affairs

The following recommendation is outstanding and not yet ready for a follow-up audit:

**Flood mitigation systems: Designate flood hazard areas and complete floodway development regulation—March 2015, no. 12, p. 80**

To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that the:

- Department of Environment and Parks identify flood hazard areas for designation by the minister
- Department of Municipal Affairs:
  - establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas
  - put in place processes to enforce the regulatory requirements

## Natural Resources Conservation Board

There are no outstanding recommendations to NRCB.

