



# Glossary and Acknowledgments

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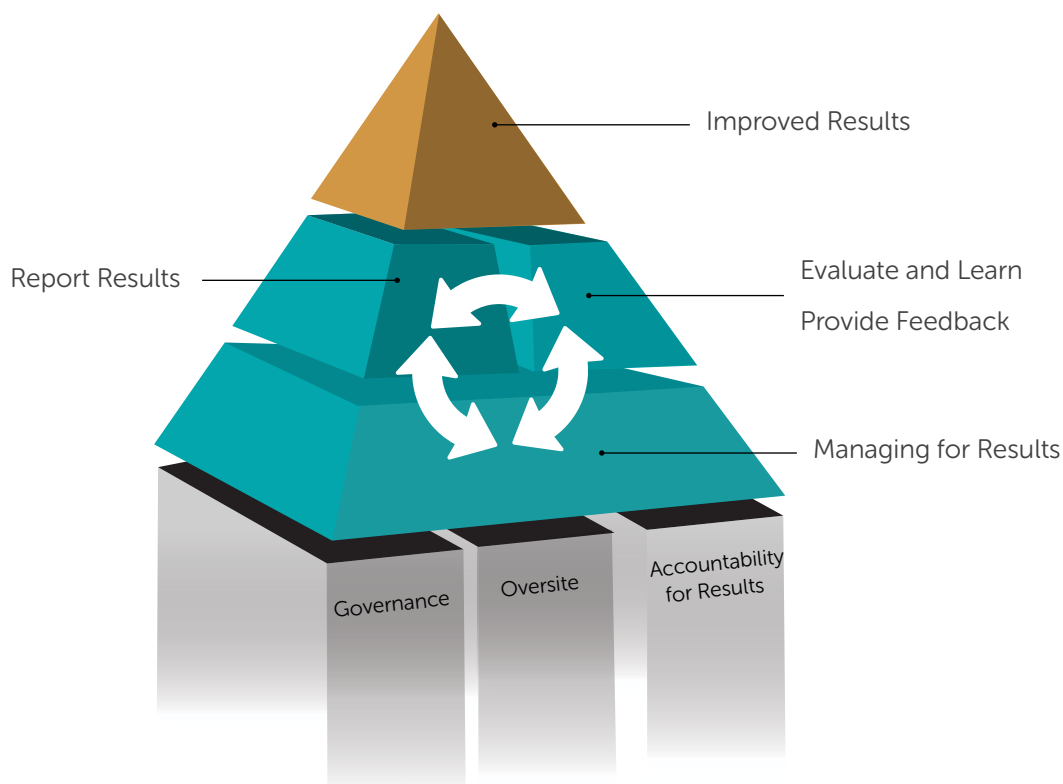


## Glossary

### Accountability for results

The obligation to demonstrate results achieved through the use of public resources in the context of fair and agreed on expectations. To demonstrate value for money for Albertans, all those who use public resources must:

- set and communicate measurable results and responsibilities
- plan what needs to be done to achieve results
- do the work and monitor progress
- identify and evaluate results, and provide feedback for continued improvement
- publicly report on results



### Accrual basis of accounting

A way of recording financial transactions that puts revenues and expenses in the period when they are earned and incurred.

### Adverse auditor's conclusion

An auditor's written statement that the underlying subject matter being audited does not meet the applicable criteria, and that the effect of the deviations are material and pervasive.

### Assurance

An auditor's written conclusion about something audited. Absolute assurance is impossible because of several factors, including the nature of judgment and testing, the inherent limitations of control and the fact that much of the evidence available to an auditor is only persuasive, not conclusive.

### Financial statement audit

Procedures an auditor carries out to evaluate and express a conclusion on the reliability of financial statements.

### Audit

An auditor's examination and verification of evidence to determine whether the subject matter meets applicable criteria, such as whether financial information is reliable, activities or outcomes are in compliance with laws, or that management has effective processes and controls to achieve results or manage risks. The Office carries out financial statement audits and performance audits.

### Auditor

A person who examines and evaluates a specified subject matter against appropriate criteria and provides a conclusion.

### Auditor's conclusion

An auditor's written communication on whether the subject matter audited meets, in all material respects, the criteria that apply to them.

### Auditor's report

An auditor's written communication on the results of an audit.

### Business case

An assessment of a project's financial, social and economic impacts. A business case is a proposal that analyzes the costs, benefits and risks associated with the proposed investment, including reasonable alternatives.

### Capital asset

A long-term asset.

### COBIT

COBIT is a framework that provides good practices for managing IT processes to meet the needs of enterprise management. It bridges the gaps between business risks, technical matters, control needs and performance measurement requirements.

### COSO

Acronym for Committee of Sponsoring Organizations of the Treadway Commission. COSO is a joint initiative of five private sector organizations and is dedicated to the development of frameworks and guidance on risk management, internal control and fraud deterrence.

## CPA

Canada Abbreviation for Chartered Professional Accountants of Canada, the national professional accounting body established to support a unified Canadian accounting profession. It replaced the Canadian Institute of Chartered Accountants (CICA), the Society of Management Accountants of Canada (CMA Canada) and Certified General Accountants of Canada (CGA Canada).

## Criteria

Reasonable and attainable standards of performance and control that auditors use to assess systems or information.

## Cross-ministry

A section of this report covering systems or problems that affect several ministries or the whole government.

## Crown

Government of Alberta.

## Deferred maintenance

Any maintenance work not performed when it should be. Maintenance work should be performed when necessary so that capital assets provide acceptable service over their expected lives.

## Disclaimer of conclusion

An auditor's written communication that they have not been able to obtain sufficient appropriate evidence to support a reliable conclusion on whether the subject matter meets the criteria.

## Enterprise risk management (ERM)

The systems and processes within an organization used to identify and manage risks so it can achieve its goals and objectives. An ERM creates linkages between significant business risks and possible outcomes so that management can make informed decisions. An ERM framework helps organizations identify risks and opportunities, assess them for likelihood and magnitude of impact, and determine and monitor the organization's responses and actions to mitigate risk. A risk-based approach to managing an enterprise includes internal controls and strategic planning.

## Enterprise resource planning (ERP)

ERP integrates and automates all data and processes of an organization into one comprehensive system. ERP may incorporate just a few processes, such as accounting and payroll, or may contain additional functions such as accounts payable, accounts receivable, purchasing, asset management, and/or other administrative processes. ERP achieves integration by running modules on standardized computer hardware with centralized databases used by all modules.

### Exception

Something that does not meet or is a deviation from criteria.

### Expense

The cost of a thing over a specific time.

### IFRS

International Financial Reporting Standards (IFRS) are global accounting standards, adopted by the Accounting Standards Board of the Chartered Professional Accountants of Canada. They are required for government business enterprises for fiscal years beginning on or after January 1, 2011.

### GAAP

Abbreviation for “generally accepted accounting principles,” which are established by the Chartered Professional Accountants of Canada. GAAP are criteria for financial reporting.

### Governance

A process and structure that brings together capable people and relevant information to achieve cost effective results.

### Government business enterprise

A commercial-type enterprise controlled by government. A government business enterprise primarily sells goods or services to individuals or organizations outside government, and is able to sustain its operations and meet its obligations from revenues received from sources outside government.

### Internal audit

A group of auditors within an organization that performs assurance activities to evaluate and improve an organization’s governance, risk management and internal control processes. The group typically reports its findings directly to the deputy minister or governing board. Internal auditors need an unrestricted scope to examine business strategies; internal control systems; risk management practices; compliance with policies, procedures, and legislation; economical and efficient use of resources and effectiveness of operations.

### Internal control

A process designed and implemented to provide reasonable assurance that an organization will achieve its objectives. Management is responsible for an effective internal control system in an organization. The organization’s governing body, in its oversight role, should challenge management to demonstrate that the control system operates as intended. A control system is effective when the governing body and management have reasonable assurance that:

- they understand the effectiveness and efficiency of operations
- internal and external reporting is reliable
- the organization is complying with laws, regulations and internal policies

## Management letter

Our letter to the management of an entity that we have audited. In the letter, we explain:

1. our work
2. our findings
3. our recommendation of what the entity should improve
4. the risks if the entity does not implement the recommendation

We also ask the entity to explain specifically how and when it will implement the recommendation.

## Material, materiality, significant

Something that makes a difference to decision makers.

## Misstatement

A misrepresentation of financial information due to error, fraud or other irregularities.

## Outcomes

The results an organization tries to achieve based on its goals.

## Outputs

The goods and services an organization actually delivers to achieve outcomes. They show “how much” or “how many.”

## Oversight

The role of monitoring and evaluating whether an entity or its management have used resources efficiently and effectively to achieve desired results through:

- being vigilant and providing watchful care for the use of financial and human resources
- checking that processes and systems are working well, including systems to ensure accountability for how effectively resources are used
- modelling and signalling preferred behaviours through mentorship and by example

## Performance audit

To help improve the use of public resources, we audit and recommend improvements to systems designed to achieve value for money. Paragraphs (d) and (e) of Subsection 19(2) of the *Auditor General Act* require us to report every case in which we observe that:

- an accounting system or management control system, including those designed to ensure economy and efficiency, was not in existence, or was inadequate or not complied with, or
- appropriate and reasonable procedures to measure and report on the effectiveness of programs were not established or complied with.

To meet this requirement, we do performance audits. Performance audits are conducted in accordance with the assurance standards established by the Chartered Professional Accountants of Canada. First, we develop criteria (the standards) that a system or procedure should meet. We always discuss our proposed criteria with management and try to gain their agreement that the criteria are appropriate for the audit. Then we design

and carry out procedures to gather audit evidence. Next, we compare our evidence to the criteria. If the audit evidence indicates the entity meets all the criteria, we conclude the system or procedure is meeting its objective. But if the evidence indicates that not all criteria have been met, we have an audit finding that leads us to recommend what the ministry or organization must do to ensure that the system or procedure will meet all the criteria. For example, if we have five criteria and a system meets three of them, the two unmet criteria lead to the recommendation. A performance audit should not be confused with assessing systems with a view to relying on them in an audit of financial statements.

### Performance measure

Indicator of progress in achieving a desired result.

### Performance reporting

Reporting on financial and non-financial performance compared with plans and targets.

### Performance target

The expected result for a performance measure.

### PSAB

Acronym for Public Sector Accounting Board, the body that sets public sector accounting standards.

### PSAS

Acronym for Public Sector Accounting Standards, which are applicable to federal, provincial, territorial and local governments.

### Qualified auditor's conclusion

An auditor's conclusion that the subject matter meets the criteria, except for one or more material but not pervasive exceptions which form the basis for the qualification.

### Recommendation

A solution we—the Office of the Auditor General of Alberta—propose to improve the use of public resources or to improve performance reporting to Albertans.

### Review

Reviews are different from audits in that the scope of a review is less than that of an audit and therefore the level of assurance is lower. A review consists primarily of inquiry, analytical procedures and discussion related to information supplied to the reviewer with the objective of assessing whether the information being reported on is plausible in relation to the criteria.

### Risk

Anything that impairs an organization's ability to achieve its goals.



## Sample

A sample is a portion of a population. We use sampling to select items from a population. We perform audit tests on the sample items to obtain evidence and form a conclusion about the population as a whole. We use either statistical or judgmental selection of sample items, and we base our sample size, sample selection and evaluation of sample results on our judgment of risk, the nature of the items in the population and the specific audit objectives for which sampling is being used.

## Systems (accounting)

A set of interrelated accounting processes for revenue, spending, preservation or use of assets and determination of liabilities.

## Systems (management)

A set of interrelated management processes designed to achieve goals economically and efficiently.

## Unqualified auditor's conclusion

An auditor's conclusion that the subject matter audited meets the criteria.

## Value for money

The concept underlying a performance audit is value for money. It is the "bottom line" for the public sector, analogous to profit in the private sector. The greater the value added by a government program, the more effective it is. The fewer resources used to create that value, the more economical or efficient the program is. "Value" in this context means the impact that the program is intended to achieve or promote on conditions such as public health, highway safety, crime, farm incomes, etc. To help improve the use of public resources, we audit and recommend improvements to systems designed to ensure value for money.



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