

Outstanding Recommendations

Assessment of Implementation Report

Alberta Justice and Solicitor General

Office of the Public Guardian and Trustee Surplus Management and Results Reporting

(February 2016)

Summary of Recommendations

We assessed the two outstanding recommendations from February 2016 for the *Surplus Management and Results Reporting*. We found both of these recommendations have been implemented:

IMPLEMENTED Recommendation:
Determine and manage surplus

IMPLEMENTED Recommendation:
Improve results analysis processes and reporting

Recommendation:

Determine and manage surplus

IMPLEMENTED

Context

Our original 2016 audit found the Office of the Public Guardian and Trustee (OPGT) did not have adequate processes to manage the accumulated surplus in the Common Fund.⁴⁸ If the accumulated surplus balance is not managed appropriately, OPGT will hold in reserve more funds than are necessary to mitigate the risks of interest rate fluctuations, errors and omissions, and the opportunity to maximize the return to client accounts may be lost.

Current findings

The OPGT has developed processes to help them effectively manage the growth and use of the accumulated surplus in the Common Fund.

In 2016, OPGT contracted an investment consultant to prepare a study analyzing the alternatives for the amount that should be retained in the accumulated surplus and to provide recommendations for the asset mix of OPGT investments. The consultant used modeling to predict future interest rate fluctuations and information provided by OPGT on historical and trending rates for errors and omissions, operating costs and future systems developments. OPGT analyzed the data provided in the study to select a strategy that would minimize the risk of not having funds available to meet future requirements. The final determination was to maintain a surplus equal to 18 per cent of the balance of the client guaranteed accounts to mitigate against interest rate fluctuations, errors and omissions and future computer system development costs. The surplus is monitored quarterly by an Investment Advisory Committee, and interest paid to clients is adjusted to maintain this optimal level.

Our review found OPGT has implemented processes to:

- assess the optimal level of the accumulated surplus
- determine reliable estimates for errors and omissions
- estimate the amounts necessary to manage the risks of investment return fluctuation
- determine reliable estimates for expenses incurred for its operations

Optimal accumulated surplus level—OPGT reviewed multiple strategies, requested further analysis on specific strategies and selected the one it believed would best mitigate risk and meet the objectives of the Common Fund.

Errors and omissions estimation—OPGT analyzed the historical data of error and omission claims and applied a model to assess this data and provide an estimate to include in the study.

Investment risk management—Based on the study and the advice of the Investment Advisory Committee, OPGT updated the asset mix for its investment portfolios. OPGT also developed interest rate crediting and surplus draw down strategies to maximize return to client accounts while mitigating the risks of interest rate fluctuations. These strategies aligned with the selected optimal accumulated surplus level.

⁴⁸ *Report of the Auditor General of Alberta—February 2016*, no. 3, page 36.

Expenses estimation—OPGT summarized historical expense data, analyzed allowable expenditures and provided validated data to the consultant for determination of the optimal accumulated surplus level.

Recommendation:

Improve results analysis processes and reporting

IMPLEMENTED

Context

Our original 2016 audit found OPGT did not have adequate processes to support reporting the results of its operations, including results analysis.⁴⁹ As vulnerable Albertans rely on OPGT to make financial decisions on their behalf, Albertans need sufficient and appropriate information to assess whether the OPGT is accomplishing its objectives and managing risk for these Albertans.

Current findings

The Office of the Public Guardian and Trustee implemented our recommendation to improve the performance reporting for the operations of the Public Trustee.

OPGT created new processes and revised existing ones, significantly improving its performance reporting. We found OPGT has adequate processes to:

- define desired outcomes and strategies to achieve those outcomes
- create relevant and reliable performance measures and targets
- evaluate the results of operations in order to develop and implement plans to improve
- react to recommendations and implement change
- internally and externally report on performance

Desired outcomes—Management regularly holds strategic business planning meetings where outcomes, key strategies and performance measures for the upcoming year are discussed. Our review of business plans found clear links between strategies and performance measures for each outcome.

Performance measures—OPGT’s business planning team is responsible for the development of performance measures and targets. OPGT performed a jurisdictional scan, utilized the Ministry Business Plan Standards and Reference Guide, and received feedback from the Ministry of Justice and Solicitor General in the development of performance measures for their business plans and annual reports.

Results analysis—Our detailed review of OPGT’s processes for performance measure development, data collection, quality assurance, and data analysis found the processes to be reliable.

Implementing change—Project charter and project closure reports were created for management to assist in the implementation of recommendations and utilization of lessons learned to improve OPGT’s overall performance.

⁴⁹ *Report of the Auditor General of Alberta—February 2016*, no. 4, page 40.

Reporting—OPGT produces detailed internal financial reports for its operational costs, which allows for senior management and the Ministry of Alberta Justice and Solicitor General to better understand and provide oversight regarding financial performance. For non-financial reporting, we noted significant improvement. OPGT's public performance reporting now includes:

- identification of significant achievements
- progress towards outcomes
- relevant performance measures and targets
- risks and key factors influencing performance
- discussion and analysis of results