



# Auditor General of Alberta

Results Analysis, Financial Statements, and  
Other Performance Information for the Year  
Ended March 31, 2011





Mr. Len Mitzel, MLA  
Chair  
Standing Committee on Legislative Offices

**Office of the Auditor General of Alberta—Results Analysis, Financial Statements and  
Other Performance Information for the Year Ended March 31, 2011**

I am honoured to send the above report to the members of the Legislative Assembly. This document has an analysis of Office operations and our audited financial statements for the fiscal period April 1, 2010 to March 31, 2011.

[Original signed by Merwan N. Saher, CA]  
Auditor General

Edmonton, Alberta  
June 29, 2011



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# Message from the Auditor General

I am pleased to provide this report on the operations of the Office of the Auditor General of Alberta. It summarizes the activity of our Office in fiscal year 2011, and includes highlights from our business plan, our budget, and our results.

Accountability should be dynamic, not static. It is really about showing continual improvement. In this report, we are trying to explain how we use Albertan's money to add value as their independent expert auditors. We tell the story by integrating financial and non-financial performance information—integrating cost and effect. I believe we can and will get better at interpreting our actual performance in relation to plans. But foremost in my mind, is the imperative that we use what we learn from analyzing our results to improve the value we add.

I look forward to continuing to work with Members of the Legislative Assembly and government.

[Original signed by Merwan N. Saher, CA]  
Auditor General



# Our Purpose

## The Office

The Office of the Auditor General serves the Legislative Assembly and the people of Alberta. Our mandate is to examine and report publicly on government's management of, and accountability practices for, the public resources entrusted to it. Under the *Auditor General Act*, the Auditor General is the auditor of all government ministries, departments, funds and Provincial agencies. To be successful, we must both be, and be seen to be, independent and accountable.

## INDEPENDENCE

Our independence from those that we audit is required to ensure that our work is objective—based on facts and executed without preconceived opinion. The independence requirement is symbolized through the appointment of the Auditor General by the Legislative Assembly and our liaison with the Assembly through the Standing Committee on Legislative Offices. A primary element of the relationship is the Assembly's prerogative to authorize financing of the Office's operations.

Our business practices are designed to ensure that our staff remain free of any association that could potentially impair their objectivity. But ultimately, the Office's independence should be evident through the relevance of our work to the people of Alberta.

## ACCOUNTABILITY

We are answerable for our responsibilities under the *Auditor General Act* through our public reports, which are the tangible expressions of the work of the Office. Those who use public resources, as we do, should also demonstrate their accountability through clear and concise plans and reports on results.

The first part of accountability is to prepare and then act on a plan.<sup>1</sup> The second part is to report on results achieved and costs in relation to the plan and on how performance might be improved; hence this performance report.

We carry out our work using our vision, mission, and values.

## Vision

Adding value through expert auditing.

## Mission

To serve Albertans by conducting comprehensive risk-based audits that provide independent assessments to help the Legislative Assembly hold government accountable.

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<sup>1</sup> The Standing Committee on Legislative Offices reviewed our business plan for 2011 (Business Plan 2010–2013) and approved our budget for 2011 (Budget 2010–2011) in November 2009.

### Values

**Respect**—every individual has the right to be heard and deserves to be treated with dignity and courtesy.

**Trust**—we earn it with everything that we say and do. We are accountable for our actions.

**Teamwork**—with integrity, we work together to generate better solutions.

**Growth**—we view individual success as professional growth together with a fulfilling personal life. We value both.

### Core Business

Our core business is legislative auditing. We have six types of interrelated but separately distinguishable types of audit work so we can allocate resources and assess our performance. We are the auditor of every ministry, department, regulated fund and Provincial agency. This responsibility includes universities, colleges and Alberta Health Services. In all, we are the auditor of approximately 200 entities.

The six types of auditing are:

#### 1. Financial statements

Every year we audit the financial statements of those entities for which we have been appointed auditor, including the consolidated financial statements of the Government of Alberta. Our auditor's report on each of these entities provides our opinion on whether the financial statements are presented fairly in accordance with appropriate standards. These recurring annual audits provide assurance on the quality of the financial reporting provided to the Legislative Assembly of Alberta.

#### 2. Compliance with authorities

A variety of rules, in statutes, regulations, central agency directives and policies, and departmental procedures, governs the proper conduct of government business. In all of our audits, we test transactions and activities to identify and report publicly if there has been non-compliance with the law. Adherence to laws, regulations and other rules is an important part of assessing accountability.

#### 3. Performance measures

For departments and some agencies, we review selected non-financial measures of performance in the entity's annual report. And, we audit selected measures in the annual progress report on the government's business plan, titled *Measuring Up*. We report on the reliability, understandability, comparability and completeness of the selected measures of performance. Our work is not designed to provide assurance on the relevance of the measures to users.

#### 4. Results analysis

Each ministry annual report contains results analysis. Essentially, management's purpose is to integrate the financial and non-financial performance information into a clear and concise interpretation of actual performance in relation to plans. We intend to develop a methodology that will allow us to provide observations, and perhaps assurance in relation to appropriate criteria, on management's analysis of performance.

#### 5. Systems

Sections 19(2)(d) and (e) of the *Auditor General Act* require us to report when "accounting systems and management control systems, including those systems designed to ensure economy and efficiency, ...were not in existence, were inadequate or had not been complied with" or "when appropriate and reasonable procedures could have been used to measure and report on the effectiveness of programs, those procedures were either not established or not being complied with". We meet this expectation in two ways:

- **Stand-alone audits**—we audit major programs or initiatives that an organization undertakes to achieve its goals. In a stand-alone systems audit, we answer the question, "Does the organization have the policies, processes, and controls to accomplish its goals and mitigate its risks economically and efficiently?" Such systems include procedures to measure and report on the effectiveness of programs.
- **By-products of other audits**—if we find that an organization could improve its systems in areas such as governance and accountability, internal control over financial management, information technology, or performance reporting, we make recommendations to management.

#### 6. Research and advice

Our decision on what work to undertake includes input from Members of the Legislative Assembly, members of the public who contact us, management and our staff. This input may require research to understand the issue or to identify best practices. Alternatively, at the request of an organization of which we are the auditor, or a Committee of the Assembly, we may provide advice on a proposed course of action or a matter being studied.

# Analysis of Our Results

## Analysis of Our Results

### 1. Fiscal year 2011 financial results compared to budget/actual

- In fiscal year 2011, the total actual costs of our operations and capital investment were \$22.5 million. We returned \$590,000 (2.5% of our total approved budget) to the Legislative Assembly. A small surplus or deficit in any one fiscal year is normal due to changes in planned audit work. For example, audits can be re-scoped, or deferred if departments are not ready for the audit. At the same time, with our high turnover rate, we can be constrained by a lack of skills to do a particular systems audit.
- Figure 1 illustrates the major patterns of our spending and the reality that as a professional auditing office, salary and benefits, plus professional service contracts for agents and temporary services represents nearly 90% of our total operating expenses. Hence the major portion of the funding we returned came from lower spending in these areas.

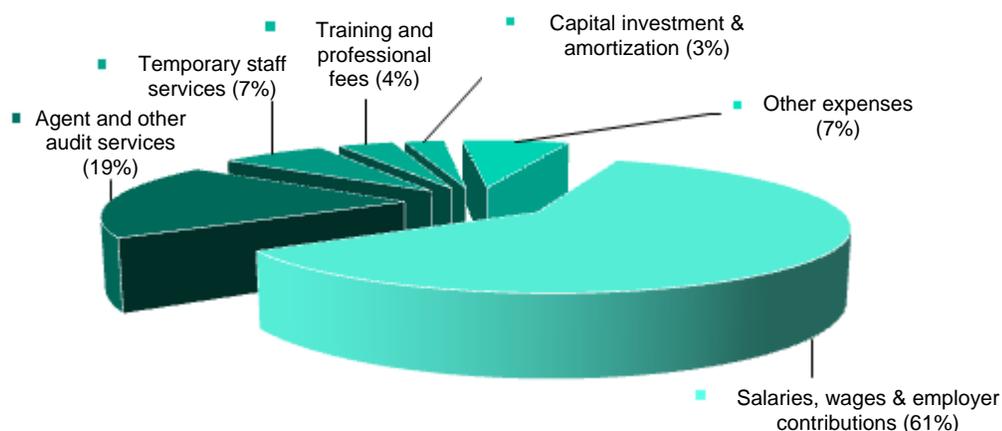


Figure 1: Spending by major expenditure category Fiscal 2011

- The unspent payroll funding of about \$738,000 resulted mainly from cost control measures in compensation and the decision that the Office would operate with two fewer Assistant Auditors General. This is a temporary surplus as our strategy will transfer staff budget funds to lower staff levels to improve the efficiency and effectiveness of our Office. By giving our staff increased responsibility and challenging them with higher level work, we believe we can reduce our high staff turnover level. Actual salary expenses in 2011 are below those in 2010 confirming the reality of our cost control measures.
- In fiscal year 2011, agent fees<sup>2</sup> were below budget by about \$468,000. The variance was due to shifting our resources for the audits of the Ministry of Transportation and the Office of the Public Trustee from agents to a more cost-effective use of internal staff. We also replaced the use of certain specialist fees on audits of information systems by an online auditing tool. Another reason is that deferrals or re-scoping of any audit can affect the use of the agent budget. Actual agent fees for 2011 are marginally less than 2010 for the same reasons described above.

<sup>2</sup> Agent fees—in some cases, the Office contracts with accounting firms or professional consultants to obtain audit opinions or subject expertise.

- In fiscal year 2011, the cost of temporary staff<sup>3</sup> services was \$296,000 higher than our budget. The significance of this is illustrated when you compare this result to last year's. The expenditure line is \$407,000 or 34% over the previous year's actual. The major reason is that our staff turnover rate reached 18% for the year, much higher than our budget or the previous year's result. Coupled with the fact that staff departures came during our spring peak audit season, and higher external rates, we experienced an increased cost on this expenditure line.
- Our costs for technology services, capital investment and related amortization were higher by \$291,000 mainly due to the need to replace non-performing hardware, and a shift of specialist fees to our own online auditing tool. Another contributing factor was the increase of temporary staff requiring additional software user licences.

## 2. Fiscal year 2011 non-financial results

- The product of our six types of auditing was two public reports delivered in October 2010 and April 2011. These two reports included new and follow-up systems audits that attracted the most attention from the public and the media.

Our *October 2010 Report* included four new systems audits and eight follow-up audits:

Project	Ministry
<b>New Systems Audits:</b>	
Infrastructure Stimulus Fund	Cross-Ministry
Athabasca University—IT Governance, Strategic Planning and Project Management	Advanced Education and Technology
Grant MacEwan University—Enterprise Resource Planning System	Advanced Education and Technology
Daycare and Day Home Regulatory Compliance Monitoring	Children and Youth Services
<b>Follow-up Audits:</b>	
University of Calgary—Research Management	Advanced Education and Technology
Sustainable Resource Environmental Management	Environment
Public Affairs Bureau—Media Contracting Services	Executive Council
ATB—New Banking System Implementation	Finance and Enterprise
Health Quality Council of Alberta—Investigations	Health and Wellness
Seniors Care and Programs—Alberta Seniors Benefit Program	Seniors and Community Supports
Protecting Information Assets	Service Alberta
Assessing and Prioritizing Alberta's Infrastructure Needs	Treasury Board

<sup>3</sup> Temporary staff services—the Office contracts with accounting firms to obtain qualified audit staff during peak audit seasons.

Our *April 2011 Report* included one new systems audit and 11 follow-up audits:

Project	Ministry
<b>New Systems Audits:</b>	
Oversight of Credit Unions—Credit Union Deposit Guarantee Corporation	Finance and Enterprise
<b>Follow-up Audits:</b>	
IT Project Management	Cross-Ministry
Assurance Over Royalty Data	Energy
Assurance Systems for Volumetric Accuracy—Energy Resources Conservation Board	Energy
Royalty Review Systems	Energy
Enterprise Risk Management—Alberta Treasury Branches	Finance and Enterprise
Treasury Management—Alberta Treasury Branches	Finance and Enterprise
ME first! Program	Municipal Affairs
Confined Feeding Operations—Natural Resources Conservation Board	Sustainable Resource Development
Contract for a Province-Wide Forestry Radio System	Sustainable Resource Development
Project Management for Contracts	Sustainable Resource Development
Reforestation—Seed Inventory	Sustainable Resource Development

However, it is important to understand that these large audits consumed only 18% (\$4.1 million) of our resources. The balance of 82% (\$18.2 million) of our resources was applied to reporting on financial statements and performance measures, and making recommendations to improve governance, accountability and internal control. This type of work is crucial to Albertans being able to hold government accountable, but is not as high profile.

- Our non-financial performance information is included in Schedule 2 in our financial statements. The performance results are audited in conjunction with the audit of the financial statements by our external auditor. The results in Schedule 2 are grouped in the way we used to think of our business: two goals and corporate initiatives. Since our latest business plan, the one we are operating from in fiscal 2012, was designed to demonstrate our accountability by showing our audit work to be relevant, reliable and done at a reasonable cost, we continue our discussion below from the 3R perspective:

### Relevance

- **Measure 1.a**—Issuing our auditor’s report on the consolidated financial statement of the province by June 30 is a key performance measure. The report gives assurance to the Legislature on the quality of the financial reporting of government. To be relevant, this assurance must be timely. This was achieved by June 22 in fiscal year 2011 and within our target date of June 30th.

- **Measure 2.a**—Some Albertans and MLAs consider the most relevant measure of our performance to be the percentage of the Auditor General’s primary recommendations accepted by government. In our April 2010 and October 2010 reports we had 43 recommendations. One hundred percent of them were accepted by government, a 10-percentage point increase over the previous year’s 90%.
- **Measure 2.b**—As important as acceptance of the recommendation is implementation of the recommendation, within three years of acceptance. The Office views a low number of outstanding primary recommendations as a sign of good accountability. This year, the number of primary recommendations not implemented within three years has increased from 27 to 43, which is about a 60% increase. This is why the Office has focused more resources on follow-up audits, because the ultimate payback to Albertans is the implementation of accepted recommendations.
- **Measure 3.a**—In fiscal 2009, we introduced a new performance measure—*the percentage of Members of the Legislative Assembly who believe our work is valuable*. In May 2011, a second survey was completed that reported on this question as well as others. We had a low response rate of 23 out of 83 MLAs, or 28%, and are considering whether valid satisfaction conclusions can be drawn from this response. The respondents did, however, provide us with useful information. Their ranking in order of importance of areas of audit focus was:
  1. health care delivery
  2. governance and ethics
  3. investments and finance
  4. environment and energy
  5. wellness initiatives
  6. education
  7. children and families
  8. seniors

### Reliability

Nothing in Schedule 2 speaks directly to reliability in this fiscal year. We are currently developing reliability measures.

### Reasonable cost

- **Measure 3.e**—Staff continuity is critical for us to complete high quality audits on time, especially during our peak periods. It is also key to our work being done at a reasonable cost. The lower the turnover rate of staff, the less costly is our operation as supervision and training costs increase with turnover. We achieved our target of a staff turnover rate of less than 20%; however the result was high at 18% compared to the previous year’s 15%. Turnover occurred most frequently at the level of newly designated staff auditors due to the opening up of the job market in conjunction with improved economic conditions.

# What We Have Learned

## What We Have Learned

### **Reducing number of outstanding recommendations**

The inevitable consequence of the volume of past recommendations is that we must re-balance our work plans to do an increasing number of follow-up audits. This re-balancing has started and will continue until the number of outstanding recommendations has been reduced to a reasonable number.

### **Performance measures review**

A major purpose of performance measures is to raise fundamental questions; measures seldom by themselves provide definitive answers. Our problem is that our measures are insufficiently focused on what we need to know to be successful. We will undertake a review of our performance measures to ensure that they continue to help us and our stakeholders (MLAs, government and our staff) understand our performance. For example, we will explore the ways we measure our cost reasonableness. Changes will be introduced in the next business cycle.

### **Independent peer review**

An added way for us and Albertans to learn whether we do relevant, reliable work at a reasonable cost is to have a third party examine the Office. We will research, plan for and have executed an independent peer review within three years.

### **Unleashing the power of people**

As identified in our staff survey, we have work to do. Measure 3.b shows we did not meet our target of 85% of employees expressing satisfaction working for the Office. Actual results were 67% (75 out of 112 respondents) compared to 78% in the previous survey conducted in fiscal year 2008. Staff morale will climb if we can improve our performance management processes and internal communication, and ensure compensation is competitive. However, more is at stake. To create an organization that thrives in dealing with existing challenges and new initiatives and delivers extraordinary performance to all our stakeholders, we must unleash the power of our people. We are more likely to be able to do this by accelerating challenging opportunities together with improved training and mentoring for all levels of staff in the Office of the Auditor General.

# Management's Responsibility for Financial Reporting



**Alberta Legislature**  
**Office of the Auditor General**  
**Management's Responsibility for Financial Reporting**

The accompanying financial statements of the Office of the Auditor General, including the performance measures, are the responsibility of Office management.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances to ensure that the financial statements are presented fairly in all material respects.

The Office of the Auditor General maintains control systems designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the relevance and reliability of internal and external reporting, and compliance with authorities. The costs of control are balanced against the benefits, including the risks that the control is designed to manage.

The financial statements, including performance measure results, have been audited by St. Arnaud Pinsent Steman, Chartered Accountants, on behalf of the members of the Legislative Assembly.

[Original signed by Merwan N. Saher, CA]  
Auditor General  
May 26, 2011



# Audited Financial Statements—March 31, 2011

**Alberta Legislature  
Office of the Auditor General  
Audited Financial Statements  
March 31, 2011**

Independent Auditors' Report

Statement of Financial Position

Statement of Operations

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1: Output Costs by Sector and Ministry

Schedule 2: Other Performance Information





**ST. ARNAUD PINSENT STEMAN**  
 CHARTERED ACCOUNTANTS

Daniel J. St. Arnaud, CA\*\*  
 John H. C. Pinsent, CA\*\*  
 Benardus C. Steman, CA, CFA\*\*

## INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly

### Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Auditor General, which comprise the statement of financial position as at March 31, 2011, and the statement of operations and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian public sector auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting principles.

[Original signed by John H. C. Pinsent Professional Corporation]

May 26, 2011

John H. C. Pinsent Professional Corporation  
 Chartered Accountant

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\*An Association to Practice Chartered Accountancy \*\* Operates as a Professional Corporation

**Alberta Legislature  
Office of the Auditor General  
Statement of Financial Position  
As at March 31, 2011**

	<b>2011</b>	<b>2010</b>
<b>Assets</b>		
Audit fees receivable	\$ 1,978,109	\$ 1,762,038
Other receivables and prepaids	230,970	232,069
Capital assets (Note 3)	575,498	652,814
	\$ 2,784,577	\$ 2,646,921
<b>Liabilities</b>		
Accounts payable	\$ 2,732,593	\$ 1,694,072
Accrued vacation pay	1,640,838	1,619,221
	4,373,431	3,313,293
<b>Net Assets (Liabilities)</b>		
Net liabilities at beginning of year	(666,372)	(930,708)
Net cost of operations	(19,676,460)	(19,470,446)
Net transfer from general revenues	18,753,978	19,734,782
	(1,588,854)	(666,372)
	\$ 2,784,577	\$ 2,646,921

The accompanying notes and schedules are an integral part of these financial statements.

**Alberta Legislature**  
**Office of the Auditor General**  
**Statement of Operations**  
**Year ended March 31, 2011**

	2011		2010
	Budget	Actual	Actual
Expenses:			
Personnel			
Salaries and wages (Note 7)	\$ 12,080,000	\$ 11,375,481	\$ 11,492,742
Agent and other audit services fees	4,755,000	4,286,566	4,439,104
Employer contributions	2,315,000	2,281,378	2,254,871
Temporary staff services	1,295,000	1,591,287	1,184,569
Advisory services	220,000	169,682	200,635
Miscellaneous	10,000	470	6,859
	<u>20,675,000</u>	<u>19,704,864</u>	<u>19,578,780</u>
Supplies and services			
Training and professional fees	775,000	837,304	729,050
Travel	570,000	559,160	552,603
Amortization of capital assets	310,000	335,969	295,603
Technology services	300,000	457,368	373,699
Materials and supplies	190,000	206,764	168,086
Telephone and communications	75,000	80,039	80,051
Rental of office equipment	70,000	78,844	68,027
Repairs and maintenance	20,000	22,333	11,392
Miscellaneous	30,000	33,651	24,992
	<u>2,340,000</u>	<u>2,611,432</u>	<u>2,303,503</u>
Total office professional services	23,015,000	22,316,296	21,882,283
Less: Audit fee revenue	<u>(2,310,000)</u>	<u>(2,639,836)</u>	<u>(2,411,837)</u>
Net cost of operations for the year (Note 6)	<u>\$ 20,705,000</u>	<u>\$ 19,676,460</u>	<u>\$ 19,470,446</u>

The accompanying notes and schedules are an integral part of these financial statements.

**Alberta Legislature  
Office of the Auditor General  
Statement of Cash Flows  
Year ended March 31, 2011**

	<b>2011</b>	<b>2010</b>
Operating transactions:		
Net cost of operations	\$ (19,676,460)	\$ (19,470,446)
Non-cash transactions		
Amortization of capital assets	335,969	295,603
	(19,340,491)	(19,174,843)
Decrease (Increase) in audit fees receivable	(216,071)	46,012
Decrease (Increase) in other receivables and prepaids	1,099	(82,889)
Increase (Decrease) in accounts payable	1,038,521	(10,820)
Increase in accrued vacation pay	21,617	47,171
Net cash used by operating transactions	(18,495,325)	(19,175,369)
Capital transactions:		
Acquisition of capital assets	(258,653)	(559,413)
Financing transactions:		
Net transfer from general revenues	18,753,978	19,734,782
Net cash provided (used)	-	-
Cash, beginning of year	\$ -	\$ -
Cash, end of year	\$ -	\$ -

The accompanying notes and schedules are part of these financial statements.

**Alberta Legislature**  
**Office of the Auditor General**  
**Notes to the Financial Statements**  
**Year ended March 31, 2011**

### Note 1 Authority and Purpose

The Auditor General is an officer of the Legislature operating under the authority of the *Auditor General Act, Chapter 1-46, Revised Statutes of Alberta 2000*. General revenues of the Province of Alberta fund both the net cost of operations of the Office of the Auditor General and the purchase of capital assets. The Select Standing Committee on Legislative Offices reviews the Office's annual operating and capital budgets.

The Office of the Auditor General exists to serve the Legislative Assembly and the people of Alberta. The Auditor General is the auditor of all government ministries, departments, funds and provincial agencies, including Alberta Health Services and other health entities, universities, public colleges and technical institutes. With the approval of the Assembly's Select Standing Committee on Legislative Offices, the Auditor General may also be appointed auditor of a Crown-controlled corporation or another organization. The results of the Office's work are included in the public reports of the Auditor General presented to the Legislative Assembly.

### Note 2 Significant Accounting Policies and Reporting Practices

The Office of the Auditor General adopted the use of Canadian public sector accounting standards during the current year and these financial statements have been prepared in accordance with those standards.

**(a) Audit Fees**

Audit fee revenue is recognized when billable assurance audits are performed. Audit fees are charged to organizations that are funded primarily from sources other than provincial general revenues.

**(b) Output Costs**

Schedule 1 provides detail of our output costs by sector and ministry.

**(c) Expenses Incurred by Others**

Services contributed by other entities in support of the Office's operations are disclosed in Note 6.

**(d) Capital Assets**

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis, over the estimated useful lives of the assets, at the following rates:

Computer Hardware	33%
Computer Software	33%
Office Equipment	10%

**(e) Pension Expense**

Pension costs included as part of these statements refer to employer contributions for the current service of employees during the year and additional employer contributions for service relating to prior years.

**(f) Valuation of Financial Assets and Liabilities**

The amounts reported as audit fees receivable, other receivables and prepaids, accounts payable and accrued vacation pay approximate their fair values.

**Note 3 Capital Assets**

	2011			2010
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 1,960,749	\$ 1,538,535	\$ 422,214	\$ 524,454
Computer software	328,913	262,947	65,966	27,392
Office equipment	593,940	506,622	87,318	100,968
	<u>\$ 2,883,602</u>	<u>\$ 2,308,104</u>	<u>\$ 575,498</u>	<u>\$ 652,814</u>

**Note 4 Defined Benefit Plans**

The Office participates in the multi-employer Management Employees Pension Plan and the Public Service Pension Plan. The Office also participates in the multi-employer Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,450,950 for the year ended March 31, 2011 (2010: \$1,421,958).

At December 31, 2010, the Management Employees Pension Plan reported a deficiency of \$397,087,000 (2009: \$483,199,000) and the Public Service Pension Plan reported a deficiency of \$2,067,151,000 (2009: \$1,729,106,000). At December 31, 2010, the Supplementary Retirement plan for Public Service Managers had a deficiency of \$39,559,000 (2009: \$39,516,000).

The Office also participates in a multi-employer Long-Term Disability Income Continuance Plan. At March 31, 2011, the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$7,020,000 (2010: \$7,431,000). The expense for this plan is limited to the employer's annual contributions for the year.

### Note 5 Budget

The budget shown on the Statement of Operations is based on the budgeted expenses that the Select Standing Committee on Legislative Offices approved on November 23, 2009. The following table compares the Office's actual expenditures to the approved budgets:

Voted budget	
Operating expenses	\$ 23,015,000
Capital investment	150,000
	<u>23,165,000</u>
Actual	
Operating expenses	22,316,000
Capital investment	259,000
	<u>22,575,000</u>
Unexpended	<u>\$ 590,000</u>

### Note 6 Expenses Incurred by Others

The Office had transactions with other entities for which no consideration was exchanged. The amounts for these the following transactions are estimated based on the costs incurred by the service provider:

	<u>2011</u>	<u>2010</u>
Expenses incurred by Alberta Infrastructure		
Accommodation	\$ 832,276	\$ 832,381
Amortization of leasehold improvements	5,820	5,820
	<u>\$ 838,096</u>	<u>\$ 838,201</u>
Expense incurred by the Legislative Assembly Office		
Audit fee	<u>\$ 28,700</u>	<u>\$ 28,000</u>

Note 7 Salaries and Benefits

	2011					
	Pensionable Base Salary	Cash Benefits <sup>(1)</sup>	Non-cash Benefits <sup>(2)</sup>	Total	Cashed Out Vacation	Total Including Cashed Out Vacation
Auditor General <sup>(3), (11)</sup>	\$ 211,605	\$ 1,750	\$ 50,507	\$ 263,862	\$ 20,274	\$ 284,136
Executives:						
Assistant Auditor General <sup>(4)</sup>	180,000	1,750	43,035	224,785	-	224,785
Assistant Auditor General <sup>(5)</sup>	165,000	1,750	38,495	205,245	-	205,245
Assistant Auditor General <sup>(6)</sup>	165,000	26,500	4,307	195,807	-	195,807
Assistant Auditor General <sup>(7)</sup>	159,000	1,750	38,391	199,141	15,230	214,371
Assistant Auditor General <sup>(8)</sup>	117,299	1,750	27,153	146,202	-	146,202
Assistant Auditor General <sup>(9)</sup>	43,334	-	12,130	55,464	18,444	73,908
Assistant Auditor General <sup>(10)</sup>	24,368	-	21,143	45,511	81,996	127,507
	<u>\$ 1,065,606</u>	<u>\$ 35,250</u>	<u>\$ 235,161</u>	<u>\$ 1,336,017</u>	<u>\$ 135,944</u>	<u>\$ 1,471,961</u>

	2010					
	Pensionable Base Salary	Cash Benefits <sup>(1)</sup>	Non-cash Benefits <sup>(2)</sup>	Total	Cashed Out Vacation	Total Including Cashed Out Vacation
Auditor General <sup>(3), (11)</sup>	\$ 264,069	\$ 11,413	\$ 61,260	\$ 336,743	\$ 18,035	\$ 354,777
Executives:						
Assistant Auditor General <sup>(12)</sup>	186,094	-	45,580	231,674	18,429	250,103
Assistant Auditor General <sup>(4)</sup>	179,655	-	44,052	223,707	20,611	244,318
Assistant Auditor General <sup>(5)</sup>	164,684	-	39,457	204,141	-	204,141
Assistant Auditor General <sup>(6)</sup>	160,167	24,025	5,262	189,454	-	189,454
Assistant Auditor General <sup>(7)</sup>	158,695	-	39,082	197,777	11,575	209,352
Assistant Auditor General <sup>(9)</sup>	181,652	-	44,388	226,040	-	226,040
Assistant Auditor General <sup>(10)</sup>	158,695	-	40,400	199,095	-	199,095
	<u>\$ 1,453,711</u>	<u>\$ 35,438</u>	<u>\$ 319,481</u>	<u>\$ 1,808,631</u>	<u>\$ 68,650</u>	<u>\$ 1,877,280</u>

(1) Cash benefits include lump sum payments, payments in lieu of certain employer contributions towards non-cash benefits such as long-term disability insurance and pensions. No bonuses were paid in 2011 and 2010.

(2) Non-cash benefits include the Office's share of all employee benefits, and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short- and long-term disability plans, WCB premiums, professional memberships and tuition fees.

(3) 2011—Merwan N. Saher, appointed on April 29, 2010  
2010—Fred J. Dunn, retired on February 15, 2010

Responsibilities of the executives as at March 31, 2011 as follows:

- (4) Aboriginal Relations, Children and Youth Services, Energy, Environment, executive Council, Health and Wellness, International and Intergovernmental Relations, Justice and Attorney General, Legislative Assembly, Seniors and Community Supports, Solicitor General and Public Security, Sustainable Resource Development
- (5) Ministry Management Systems auditing
- (6) Advanced Education and Technology, Agriculture and Rural Development, Education, Employment and Immigration, Housing and Urban Affairs, Infrastructure, Municipal Affairs, Service Alberta, Transportation, Treasury Board
- (7) Corporate Services and Accountability
- (8) Promoted on July 1, 2010 (9 months), Culture and Community Spirit, Finance and Enterprise, Tourism, Parks and Recreation
- (9) Resigned on June 25, 2010 (2.8 months)
- (10) Died on August 29, 2010
- (11) Automobile provided, no dollar amount included in non-cash benefits
- (12) 2010—Merwan N. Saher, Acting Auditor General from February 15, 2010

#### Note 8 Comparative Figures

Certain 2010 figures have been reclassified to conform to the 2011 presentation. No changes in presentation to the 2010 comparative figures were required as a result of the Office's adoption of Canadian public sector accounting standards in the current year.

#### Note 9 Approval of the Financial Statements

These financial statements were approved by the Auditor General.

Schedule 1

**Alberta Legislature**  
**Office of the Auditor General**  
**Schedule of Output Costs by Sector<sup>1</sup> and Ministry**  
**For the year ended March 31, 2011**

	2011 Budget			2011 Actual			2010 Actual		
	Stand-alone Systems Audits <sup>2</sup>	Other Audits <sup>3</sup>	Total	Stand-alone Systems Audits	Other Audits	Total	Stand-alone Systems Audits	Other Audits	Total
Cross-Government Issues	\$955,000	\$315,000	\$1,270,000	\$844,000	\$421,000	\$1,265,000	\$ 579,000	\$ 667,000	\$1,246,000
<b>Economy</b>									
Advanced Education and Technology	648,000	3,948,000	4,596,000	435,000	4,215,000	4,650,000	586,000	4,230,000	4,816,000
Employment and Immigration	-	543,000	543,000	58,000	613,000	671,000	237,000	474,000	711,000
Finance and Enterprise	675,000	2,899,000	3,574,000	674,000	3,003,000	3,677,000	251,000	2,553,000	2,804,000
Infrastructure	295,000	214,000	509,000	3,000	217,000	220,000	19,000	227,000	246,000
Transportation	120,000	212,000	332,000	118,000	232,000	350,000	111,000	233,000	344,000
Treasury Board	72,000	641,000	713,000	131,000	729,000	860,000	116,000	712,000	828,000
	<u>1,810,000</u>	<u>8,457,000</u>	<u>10,267,000</u>	<u>1,419,000</u>	<u>9,009,000</u>	<u>10,428,000</u>	<u>1,320,000</u>	<u>8,429,000</u>	<u>9,749,000</u>
<b>Health and Wellness</b>									
Children and Youth Services	229,000	770,000	999,000	137,000	691,000	828,000	56,000	648,000	704,000
Health & Wellness	732,000	2,450,000	3,182,000	415,000	2,380,000	2,795,000	652,000	2,649,000	3,301,000
Seniors and Community Supports	65,000	556,000	621,000	122,000	434,000	556,000	17,000	480,000	497,000
	<u>1,026,000</u>	<u>3,776,000</u>	<u>4,802,000</u>	<u>674,000</u>	<u>3,505,000</u>	<u>4,179,000</u>	<u>725,000</u>	<u>3,777,000</u>	<u>4,502,000</u>
<b>Public Safety and Community Services<sup>4</sup></b>									
Aboriginal Relations	-	92,000	92,000	23,000	67,000	90,000	-	64,000	64,000
Culture and Community Spirit	-	192,000	192,000	-	145,000	145,000	4,000	130,000	134,000
Education	62,000	413,000	475,000	59,000	471,000	530,000	205,000	437,000	642,000
Executive Council	-	50,000	50,000	4,000	49,000	53,000	108,000	42,000	150,000
Housing and Urban Affairs	202,000	294,000	496,000	1,000	221,000	222,000	4,000	190,000	194,000
International and Intergovernmental Relations	-	83,000	83,000	4,000	71,000	75,000	-	95,000	95,000
Justice and Attorney General	-	313,000	313,000	151,000	333,000	484,000	-	423,000	423,000
Legislative Assembly	-	110,000	110,000	1,000	120,000	121,000	10,000	128,000	138,000
Municipal Affairs	-	267,000	267,000	82,000	321,000	403,000	21,000	257,000	278,000
Service Alberta	368,000	612,000	980,000	170,000	666,000	836,000	227,000	541,000	768,000
Solicitor General and Public Security	66,000	454,000	520,000	18,000	437,000	455,000	116,000	371,000	487,000
Tourism, Parks and Recreation	-	212,000	212,000	-	160,000	160,000	-	98,000	98,000
	<u>698,000</u>	<u>3,092,000</u>	<u>3,790,000</u>	<u>513,000</u>	<u>3,061,000</u>	<u>3,574,000</u>	<u>695,000</u>	<u>2,776,000</u>	<u>3,471,000</u>
<b>Resources and Environment</b>									
Agriculture and Rural Development	69,000	792,000	861,000	88,000	728,000	816,000	335,000	600,000	935,000
Energy	688,000	709,000	1,397,000	288,000	783,000	1,071,000	33,000	718,000	751,000
Environment	-	299,000	299,000	147,000	333,000	480,000	555,000	376,000	931,000
Sustainable Resource Development	64,000	265,000	329,000	146,000	357,000	503,000	47,000	250,000	297,000
	<u>821,000</u>	<u>2,065,000</u>	<u>2,886,000</u>	<u>669,000</u>	<u>2,201,000</u>	<u>2,870,000</u>	<u>970,000</u>	<u>1,944,000</u>	<u>2,914,000</u>
	<u>\$ 5,310,000</u>	<u>\$17,705,000</u>	<u>\$23,015,000</u>	<u>\$4,119,000</u>	<u>\$ 18,197,000</u>	<u>\$22,316,000</u>	<u>\$ 4,289,000</u>	<u>\$17,593,000</u>	<u>\$21,882,000</u>

<sup>1</sup> We have aligned our ministry audit work with the Policy Field Committees.

<sup>2</sup> Stand-alone systems audits are audits of major programs or initiatives an organization undertakes to achieve its goals.

<sup>3</sup> Other audits comprises auditing of financial statements, compliance with authorities, performance measures, results analysis, and systems, and research/advice.

<sup>4</sup> This sector merges the Policy Field Committees for Community Services and Public Safety and Services.

## Schedule 2

**Alberta Legislature  
Office of the Auditor General  
Other Performance Information**

**GOAL ONE 1 Independent audits that confirm the reliability and relevance of financial and non-financial performance reporting to the Legislative Assembly**

Performance measures	Target 2010–2011	Actual 2010–2011	Actual 2009–2010	
<b>Issuance of reports</b>				
1.a	Issue our auditor's report on the consolidated financial statements of the Province by June 30th each year. <sup>1</sup>	By June 30, 2010	<b>June 22, 2010</b>	June 25, 2009
1.b	Issue our auditor's report on the key performance measures included in Government of Alberta's Measuring Up by June 30th each year. <sup>1</sup>	By June 30, 2010	<b>June 22, 2010</b>	June 25, 2009
1.c	The percentage of auditor's reports on financial statements for consolidated entities with March 31st year ends that we issue by July 15th each year.	100%	<b>100%</b>	99%
1.d	The percentage of auditor's reports for entities (not reported on under 1.c) that we issue within 120 days of the entity's year end.	80%	<b>53%</b>	78%
1.e	The percentage of review engagement reports on ministry performance information that we issue by September 15th each year.	100%	<b>96%</b>	96%
<b>Budgets</b>				
1.f	The percentage of assurance auditing projects over 200 hours completed within 10% of budgeted costs.	90%	<b>67%</b>	61%
1.g	The maximum percentage of costs dedicated to assurance auditing.	80%	<b>82%</b>	80%
<b>Professional standards</b>				
1.h	Institute of Chartered Accountants of Alberta conclusion that Office's assurance audit practice meets auditing standards. <sup>2</sup>	N/A	<b>N/A</b>	Standards Met

<sup>1</sup> Required by June 30<sup>th</sup> each year per s.10 of the *Government of Accountability Act*.

<sup>2</sup> The professional practice review is required every three years and will be conducted again in 2012–2013.

GOAL TWO **2** Solutions to improve government systems, including organizations' systems for identifying and managing their business risks

Performance measures		Target 2010–2011	Actual 2010–2011	Actual 2009–2010
<b>Recommendations</b>				
2.a	The percentage of the Auditor General's primary recommendations accepted. <sup>3</sup>	95%	<b>100%</b>	90%
2.b	The number of the Auditor General's primary recommendations not implemented within 3 years of acceptance.	None	<b>43</b>	27
2.c	Release the Auditor General's Public Reports in April and October of each year.	April & October	<b>April 14 &amp; October 26, 2010</b>	April 20 & October 2, 2009
<b>Budgets</b>				
2.d	The minimum percentage of costs dedicated to systems auditing.	20%	<b>18%</b>	20%

**Corporate initiatives**

Performance measures		Target 2010–2011	Actual 2010–2011	Actual 2009–2010
3.a	The percentage of Members of the Legislative Assembly who believe our work is valuable.	Under development	<b>Not yet available</b>	N/A
3.b	The percentage of employees expressing satisfaction working for the Office.	85%	<b>67%</b>	N/A
3.c	The percentage of staff meeting Office targets for available time spent on core business functions. <sup>4</sup>	100%	<b>94%</b>	87%
3.d	Corporate operating costs as a percentage of total Office costs.	Less than 20%	<b>17%</b>	16%
3.e	Staff turnover rate.	Less than 20%	<b>18%</b>	15%

<sup>3</sup> Acceptance does not include recommendations accepted in principle, under review, or responded as policy matters outside the purview of the Auditor General.

<sup>4</sup> The methodology annually limits each staff member to 25 hours of unassigned time and 100 hours of personal administration.





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