



Auditor General of Alberta

Results Analysis, Financial Statements, and
Other Performance Information for the Year
Ended March 31, 2012



Mr. David Xiao, 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, 2012**

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, 2011 to March 31, 2012.

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

Edmonton, Alberta
June 28, 2012

Contents

Our Purpose	1
The Office	1
Vision.....	1
Mission	2
Values	2
Core Business	2
Analysis of Our Results.....	4
1. Fiscal year 2012 financial results compared to budget/actual.....	4
2. Fiscal year 2012 non-financial results	5
What We Have Learned.....	8
Management’s Responsibility for Financial Reporting	9
Audited Financial Statements—March 31, 2012.....	11

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.

We focus our priorities and resources in areas that will result in improved:

- governance and ethical behaviour—these underpin the success of any organization
- safety and welfare of all Albertans—especially the most vulnerable in our society
- security and use of the province's resources—which belong to all Albertans and must be protected for future generations

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.

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.¹ 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.

¹ The Standing Committee on Legislative Offices reviewed our business plan for 2012 (Business Plan 2011–2014) and approved our budget for 2012 (Budget 2011–2012) in November 2010 and the related Supplementary Supply in October 2011.

Mission

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

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 175 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. Often this input requires 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

1. Fiscal year 2012 financial results compared to budget/actual

- The Legislative Assembly funds our operations. For 2011–2012, it provided \$23.7 million for expenses (including \$975,000 supplementary supply) and \$155,000 for capital investment, the total being \$23.8 million.

Our actual overall spending was \$94,000 (0.4 of one per cent) above budget. Including this overage, in the last 5 years, the Office has returned over \$1.7 million to the legislature. The small overage can be linked directly to a \$400,000 increase in temporary staff services.

The reason for the increase was twofold. Firstly, the operational consequence of increased peak season resource demand from the performance measures work to meet the government's June 30th deadline for ministry annual reports. Secondly, there was an increase in our staff turnover rate, particularly at the senior levels. In both cases, our requirement for high cost temporary resource services increased.

- 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 over 90 per cent of our total operating expenses.

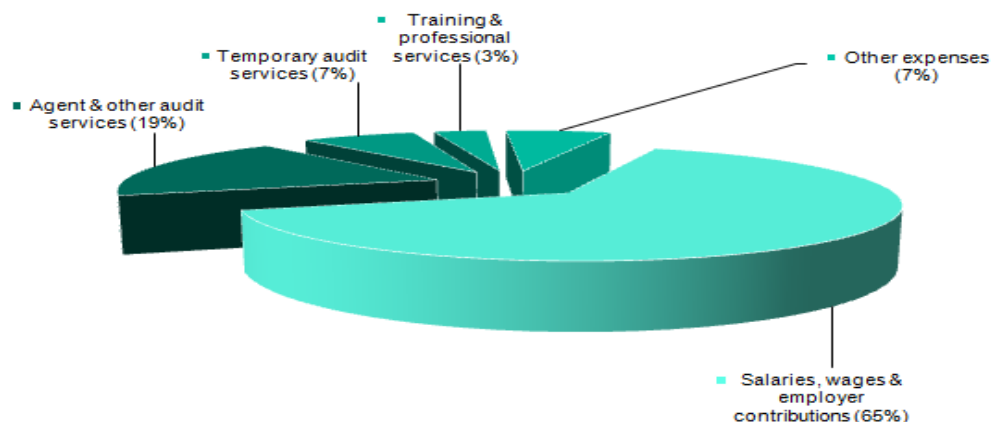


Figure 1: Spending by major expenditure category

- Our initial budget was established in November 2010 and had been held flat for three years.

During 2011–2012, the Office faced many cost pressures, including the unbudgeted discontinuation of the public service salary freeze, issuance of one-time employee lump sum payments, and increased pension contributions. Additional resource requirements to meet new auditing and accounting standards, high staff turnover and the shift of performance measures audit work from summer to spring also caused cost increase.

In fact, total unbudgeted structural and one-time cost increases amounted to over \$2.4 million; however, the Office requested only \$975,000 in supplementary funding. When the Office made its presentation to the Standing Committee on Legislative Offices for supplementary funding in October 2011, we indicated that at the end of the year we might find ourselves having to carry forward a deficit into the next year. But we believed an aggressive course of action of not asking for the total unbudgeted shortfall was in keeping with the Office being responsive to taxpayers of Alberta by challenging ourselves to find cost savings.

- By reprioritizing initiatives and controlling costs, our 2011–2012 actual spending was close to the authorized budget but \$1.7 million (or 7.6 per cent) higher than prior-year actual for the increased cost reasons explained above.

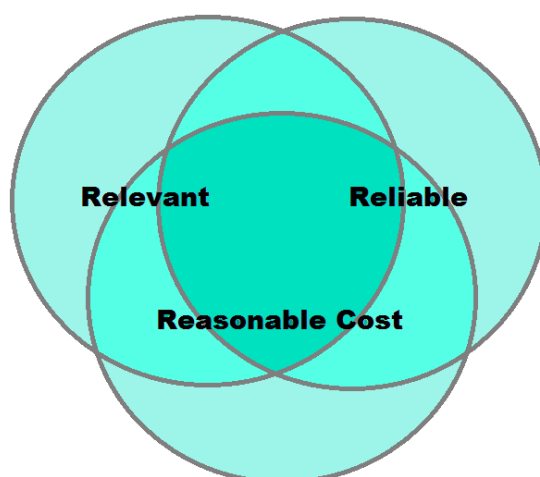
2. Fiscal year 2012 non-financial results

- In our *April 2011 Report*, we emphasized the Office's commitment to following up on the government's implementation of prior recommendations. Working within our budget and ensuring we meet our statutory obligation to perform all of the financial audits, meant there were no new major systems audits in fiscal 2012. There were, however, new recommendations that are a value added by-product of our financial statement auditing.
- Our goal over the next two years is to decrease the number of outstanding recommendations to a more manageable number (approximately 150), and then return to a better balance of both new and follow-up audits.
- Our *November 2011 Report* included six follow-up audits:

Project	Ministry
Climate Change and Emissions Management Fund—Use of Offsets	Environment
Revenue Forecasting Systems	Finance and Enterprise
Alberta's Mental Health Delivery Systems—Progress Report	Health and Wellness
Seniors Care in Long-Term Care Facilities	Health and Wellness/Seniors and Community Supports
Public Security Peace Officer Program	Solicitor General and Public Security
Elinor Lake	Sustainable Resource Development

- The *March 2012 Report* with its focus on post-secondary institutions was based on the findings from recent financial statement audits of Grant MacEwan University, Mount Royal University, Northern Alberta Institute of Technology, Southern Alberta Institute of Technology and all public colleges. Our *November 2011 Report* (page 63) had included the results from our audits of Athabasca University, University of Alberta, University of Calgary and University of Lethbridge. All 21 public post-secondary institutions spend \$4.5 billion annually to educate Albertans and help build a knowledge-based economy. When institutions lack proper financial controls, they may not achieve their goals cost-effectively, in which case Albertans would not be getting proper value for their money. Our *March 2012 Report* summarized the lack of financial controls in certain post-secondary institutions.

- 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 designed to demonstrate our accountability by showing our audit work to be relevant, reliable and done at a reasonable cost. Our goal is to maximize the congruity of the three Rs, as illustrated below:



- We continue to work on identifying better performance measures for the 2013–2014 Business Plan. In some cases we will reconfirm the key measures that follow and in other cases introduce some new measures. The discussion that follows focuses on what we believe are the key measures in schedule 2 of the financial statements:

Relevance

- **Measure 1.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 March 2012 and November 2011 reports we had 32 new recommendations. One hundred per cent of them were accepted by government, a five percentage point increase over our target. And the second consecutive year of 100 per cent performance.
- **Measure 1.b**—As important as acceptance of a recommendation is, implementation of the recommendation is what matters. The Office views a low number of outstanding primary recommendations as a sign of good accountability. In fact, to demonstrate and reinforce this view, we have set the target for number of primary recommendations not implemented within three years of acceptance at “none”. This year, the number of primary recommendations not implemented within three years of 42 has dropped by only one but reverses the previous increase in these recommendations from 27 to 43. We believe our focused effort, working with government, to reduce the number of outstanding recommendations discussed earlier in this report will result in the 42 more than three-year old recommendations dropping considerably in 2012–2013.

- **Measure 1.d**—(*the percentage of costs dedicated to stand-alone systems auditing/other auditing*)—The result was 21/79 per cent exceeding our target of 20/80 per cent and prior year actual of 18/82 per cent. This result indicates that we have managed to obtain and direct resources to doing the discretionary part of our mandate—stand-alone systems audits—at the planned level.

Reliability

Currently we have only one performance measure under Reliability. It is noted as not applicable because the outside review of our audit practice meeting audit standards will next be done in fiscal 2012–2013.

Reasonable cost

- **Measure 3.a**—(*staff turnover rate*)—Our result was 22 per cent in this fiscal year which is a 20 per cent increase over the previous year of 18 per cent. 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. The lower the turnover rate of staff, the less costly is our operation, as supervision and training costs increase with turnover. We recognize the importance of staff retention and will continue to improve the overall working environment of the Office.

What We Have Learned

It is imperative that we use what we learn from analyzing our results to improve the value we add.

Optimal staff mix and external resource relationships

Currently we are reassessing the optimal staff mix for the Office. This will help us focus on number and levels of internal staff, and the appropriate balance between internal, temporary audit staff and agent firms. We are also reassessing whether we are using our agents optimally for us to do relevant, reliable work at a reasonable cost. This is necessary as higher cost external resources account for about \$6.1 million, or 28 per cent of our expenses.

People development and performance management system

We understand the importance of retaining the staff whose training we have invested heavily in. By giving our staff increased responsibility and challenging them with higher level work, we believe we can reduce our high staff turnover level. In addition, we are currently upgrading our existing performance management system in order to better track growth and help our staff progress.

Risk management

During this last fiscal year, we involved all levels of staff to improve our risk management process. This involved identifying external and internal risks, ranking their criticality, identifying risk owners and risk mitigation approaches. We are continuing to monitor these risks and develop measures that will inform us and our stakeholders about how well we are managing our risks. We expect to introduce new measures in the 2013–2014 Business Plan.

Independent peer review

We are continuing a comprehensive review of our key processes, policies and procedures to ensure that they meet their intended objectives and whether they are being complied with efficiently and effectively. We will then have a third party examine whether our key processes, policies and procedures enable us to provide added value through expert auditing meeting the tests of relevance, reliability and reasonable cost.

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 judgements. 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, FCA]

Auditor General

June 22, 2012

Audited Financial Statements—March 31, 2012

**Alberta Legislature
Office of the Auditor General
Audited Financial Statements
March 31, 2012**

Auditors' Report

Statement of Operations

Statement of Financial Position

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, 2012, 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.

Unqualified 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, 2012, 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]

June 22, 2012

John H. C. Pinsent Professional Corporation
 Chartered Accountant

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* An Association to Practise Chartered Accountancy ** Operates as a Professional Corporation

Alberta Legislature
Office of the Auditor General
Statement of Operations
Year ended March 31, 2012

	2012			2011	
	Budget	Authorized Supplementary	Authorized Budget	Actual	Actual
Expenses:					
Personnel					
Salaries and wages (Note 7)	\$12,080,000	\$825,000	\$ 12,905,000	\$ 12,840,741	\$11,375,481
Agent and other audit services fees	4,575,000	-	4,575,000	4,417,341	4,286,566
Employer contributions	2,385,000	150,000	2,535,000	2,648,872	2,281,378
Temporary staff services	1,300,000	-	1,300,000	1,699,621	1,591,287
Advisory services	220,000	-	220,000	257,007	169,682
Miscellaneous	10,000	-	10,000	77	470
	<u>20,570,000</u>	<u>975,000</u>	<u>21,545,000</u>	<u>21,863,659</u>	<u>19,704,864</u>
Supplies and services:					
Training and professional fees	850,000	-	850,000	777,532	837,304
Travel	580,000	-	580,000	604,991	559,160
Technology services	335,000	-	335,000	321,753	457,368
Materials and supplies	190,000	-	180,000	175,668	223,736
Telephone and communications	80,000	-	80,000	83,309	80,039
Rental of office equipment	70,000	-	70,000	66,019	78,844
Repairs and maintenance	20,000	-	20,000	22,238	22,333
Miscellaneous	20,000	-	30,000	18,466	16,679
	<u>2,145,000</u>	<u>-</u>	<u>2,145,000</u>	<u>2,069,976</u>	<u>2,275,463</u>
Total office professional services	22,715,000	975,000	23,690,000	23,933,635	21,980,327
Add: Amortization of capital assets	295,000	-	295,000	275,380	335,969
Total operating expenses	23,010,000	975,000	23,985,000	24,209,015	22,316,296
Less: Audit fee revenue	(2,300,000)	-	(2,300,000)	(2,923,648)	(2,639,836)
Cost of operations for the year (Note 6)	<u>\$20,710,000</u>	<u>\$975,000</u>	<u>\$ 21,685,000</u>	<u>\$21,285,367</u>	<u>\$19,676,460</u>

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

**Alberta Legislature
Office of the Auditor General
Statement of Financial Position
As at March 31, 2012**

	2012	2011
Assets		
Audit fees receivable	\$ 2,145,127	\$ 1,978,109
Other receivables and prepaids	197,696	230,970
Capital assets (Note 3)	305,469	575,498
	\$ 2,648,292	\$ 2,784,577
Liabilities		
Accounts payable and accrued liabilities	\$ 999,008	\$ 2,732,593
Accrued vacation pay	1,898,321	1,640,838
	2,897,329	4,373,431
Net Liabilities		
Net liabilities at beginning of year	(1,588,854)	(666,372)
Cost of operations	(21,285,367)	(19,676,460)
Net transfer from general revenues	22,625,184	18,753,978
	(249,037)	(1,588,854)
	\$ 2,648,292	\$ 2,784,577

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, 2012

	<u>2012</u>	<u>2011</u>
Operating transactions:		
Cost of operations	\$ (21,285,367)	\$ (19,676,460)
Non-cash items included in net operating results:		
Amortization of capital assets	<u>275,380</u>	<u>335,969</u>
	(21,009,987)	(19,340,491)
(Increase) in audit fees receivable	(167,018)	(216,071)
Decrease in other receivables and prepaids	33,274	1,099
(Decrease) Increase in accounts payable and accrued liabilities	(1,733,585)	1,038,521
Increase in accrued vacation pay	<u>257,483</u>	<u>21,617</u>
Net cash used by operating transactions	<u>(22,619,833)</u>	<u>(18,495,325)</u>
Capital transactions:		
Acquisition of capital assets	<u>(5,351)</u>	<u>(258,653)</u>
Financing transactions:		
Net transfer from general revenues	<u>22,625,184</u>	<u>18,753,978</u>
Net cash provided (used)	<u>-</u>	<u>-</u>
Cash, beginning of year	-	-
Cash, end of year	<u><u>-</u></u>	<u><u>-</u></u>

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, 2012**

Note 1 Authority and Purpose

The Auditor General is an officer of the Legislature operating under the authority of the *Auditor General Act, Chapter A-46, Revised Statutes of Alberta 2000*. General revenues of the Province of Alberta fund both the 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, universities, and 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

These financial statements have been prepared in accordance with Canadian public sector accounting 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 following estimated useful lives of the assets:

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

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. The fair values of audit fees receivable, other receivables and prepaids, accounts payable and accrued liabilities and accrued vacation pay are estimated to approximate their carrying values because of the short-term nature of these instruments.

(g) Net liabilities

Net liabilities represent the difference between the Office's liabilities and the carrying value of its assets.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The Office operates within the government reporting entity, and does not finance its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Note 3 Capital Assets

	2012			2011
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	\$ 1,889,299	\$ 1,690,164	\$ 199,135	\$ 422,214
Computer software	334,262	301,408	32,854	65,966
Office equipment	593,940	520,460	73,480	87,318
	<u>\$ 2,817,501</u>	<u>\$ 2,512,032</u>	<u>\$ 305,469</u>	<u>\$ 575,498</u>

Note 4 Defined Benefit Plans

The Office participates in the multi-employer Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers.

The expense for these pension plans is equivalent to the annual contributions of \$1,693,985 for the year ended March 31, 2012 (2010: \$1,450,950).

At December 31, 2011, the Management Employees Pension Plan reported a deficiency of \$517,726,000 (2010: deficiency \$397,087,000), the Public Service Pension Plan reported a deficiency of \$1,790,383,000 (2010: deficiency \$2,067,151,000) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$53,489,000 (2010: deficiency \$39,559,000).

The Office also participates in a multi-employer Long Term Disability Income Continuance Plan. At March 31, 2012, the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$10,454,000 (2011: surplus \$7,020,000). 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 and the supplemental funding that the Select Standing Committee on Legislative Offices approved on November 26, 2010 and October 13, 2011 respectively. The following table compares the Office's actual expenditures to the approved budgets:

Voted budget	
Operating expenses	\$ 22,715,000
Supplementary funding for operating expenses	<u>975,000</u>
	23,690,000
Capital investments	<u>155,000</u>
	<u>23,845,000</u>
Actual	
Operating expenses	23,933,635
Capital investments	<u>5,351</u>
	<u>23,938,986</u>
Over expended	<u>\$ (93,986)</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>2012</u>	<u>2011</u>
Expenses incurred by Alberta Infrastructure		
Accommodation	\$ 893,498	\$ 832,276
Amortization of leasehold improvements	<u>-</u>	<u>5,820</u>
	<u>\$ 893,498</u>	<u>\$ 838,096</u>
Expense incurred by the Legislative Assembly Office		
Audit fee	<u>\$ 29,500</u>	<u>\$ 28,700</u>

Note 7 Salaries and Benefits

	2012					
	Pensionable Base Salary	Cash Benefits ⁽¹⁾	Non-cash Benefits ⁽²⁾	Total	Cashed Out Vacation	Total Including Cashed Out Vacation
Auditor General ⁽³⁾	\$ 222,241	\$ 1,250	\$ 63,018	\$ 286,509	\$ 10,218	\$ 296,727
Executives:						
Assistant Auditor General ⁽⁴⁾	185,472	1,250	51,066	237,788	-	237,788
Assistant Auditor General ⁽⁵⁾	179,000	1,250	47,507	227,757	-	227,757
Assistant Auditor General ⁽⁶⁾	179,000	46,000	4,768	229,768	-	229,768
Assistant Auditor General ⁽⁷⁾	173,000	1,250	46,318	220,568	6,236	226,804
Assistant Auditor General ⁽⁸⁾	167,000	1,250	42,948	211,198	-	211,198
	<u>\$ 1,105,713</u>	<u>\$ 52,250</u>	<u>\$ 255,625</u>	<u>\$ 1,413,588</u>	<u>\$ 16,454</u>	<u>\$ 1,430,042</u>

	2011					
	Pensionable Base Salary	Cash Benefits ⁽¹⁾	Non-cash Benefits ⁽²⁾	Total	Cashed Out Vacation	Total Including Cashed Out Vacation
Auditor General ⁽³⁾	\$ 211,605	\$ 1,750	\$ 50,507	\$ 263,862	\$ 20,274	\$ 284,136
Executives:						
Assistant Auditor General ⁽⁴⁾	180,000	1,750	43,035	224,785	-	224,785
Assistant Auditor General ⁽⁵⁾	165,000	1,750	38,495	205,245	-	205,245
Assistant Auditor General ⁽⁶⁾	165,000	26,500	4,307	195,807	-	195,807
Assistant Auditor General ⁽⁷⁾	159,000	1,750	38,391	199,141	15,230	214,371
Assistant Auditor General ⁽⁸⁾	117,299	1,750	27,153	146,202	-	146,202
Assistant Auditor General ⁽⁹⁾	43,334	-	12,130	55,464	18,444	73,908
Assistant Auditor General ⁽¹⁰⁾	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>

- (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 2012 and 2011.
- (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) Automobile provided, no dollar amount included in non-cash benefits

Responsibilities of the executives as at March 31, 2012 as follows:

- (4) Energy, Health and Wellness, Human Services, Legislative Assembly, Ministry-Performance Measures and Measuring Up, Seniors
- (5) Environment and Water, Executive Council, Intergovernmental, International and Aboriginal Relations, Justice, Service Alberta, Solicitor General and Public Security, Sustainable Resource Development
- (6) Advanced Education and Technology, Agriculture and Rural Development, Education, Infrastructure, Transportation, Treasury Board and Enterprise
- (7) Corporate Services and Accountability
- (8) Culture and Community Spirit, Finance, Municipal Affairs, Tourism, Parks and Recreation. Promoted on July 1, 2010 (9 months in 2011)
- (9) Resigned on June 25, 2010 (2.8 months in 2011)
- (10) Died on August 29, 2010

Note 8 Comparative Figures

Certain 2011 figures have been reclassified to conform to the 2012 presentation.

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 Sector¹ and Ministry
For the Year Ended March 31, 2012

	2012 Budget			2012 Actual			2011 Actual		
	Stand-alone Systems Audits ²	Other Audits ³	Total	Stand-alone Systems Audits	Other Audits	Total	Stand-alone Systems Audits	Other Audits	Total
Cross-Government Issues	\$39,000	\$287,000	\$326,000	\$250,000	\$277,000	\$527,000	\$331,000	\$422,000	\$753,000
Economy									
Advanced Education and Technology	548,000	4,324,000	4,872,000	520,000	4,603,000	5,123,000	436,000	4,212,000	4,648,000
Finance	252,000	3,596,000	3,848,000	231,000	3,558,000	3,789,000	475,000	3,465,000	3,940,000
Infrastructure	-	194,000	194,000	6,000	221,000	227,000	3,000	217,000	220,000
Transportation	152,000	186,000	338,000	432,000	238,000	670,000	120,000	240,000	360,000
Treasury Board and Enterprise	163,000	578,000	741,000	147,000	539,000	686,000	163,000	728,000	891,000
	1,115,000	8,878,000	9,993,000	1,336,000	9,159,000	10,495,000	1,197,000	8,862,000	10,059,000
Health and Wellness									
Human Services	68,000	1,434,000	1,502,000	219,000	1,419,000	1,638,000	194,000	1,302,000	1,496,000
Health and Wellness	783,000	2,602,000	3,385,000	902,000	2,611,000	3,513,000	554,000	2,377,000	2,931,000
Seniors	96,000	545,000	641,000	76,000	515,000	591,000	121,000	433,000	554,000
	947,000	4,581,000	5,528,000	1,197,000	4,545,000	5,742,000	869,000	4,112,000	4,981,000
Public Safety and Community Services ⁴									
Culture and Community Services	-	174,000	174,000	-	139,000	139,000	-	147,000	147,000
Education	-	429,000	429,000	9,000	484,000	493,000	60,000	470,000	530,000
Executive Council	-	52,000	52,000	-	46,000	46,000	4,000	48,000	52,000
Intergovernmental, International and Aboriginal Relations	-	167,000	167,000	234,000	165,000	399,000	28,000	138,000	166,000
Justice	-	338,000	338,000	867,000	369,000	1,236,000	151,000	333,000	484,000
Legislative Assembly	-	103,000	103,000	-	206,000	206,000	1,000	119,000	120,000
Municipal Affairs	166,000	568,000	734,000	85,000	533,000	618,000	83,000	545,000	628,000
Service Alberta	1,047,000	682,000	1,729,000	259,000	610,000	869,000	420,000	664,000	1,084,000
Solicitor General and Public Security	34,000	192,000	226,000	20,000	187,000	207,000	53,000	187,000	240,000
Tourism, Parks and Recreation	-	204,000	204,000	-	170,000	170,000	-	162,000	162,000
	1,247,000	2,909,000	4,156,000	1,474,000	2,909,000	4,383,000	800,000	2,813,000	3,613,000
Resources and Environment									
Agriculture and Rural Development	146,000	779,000	925,000	104,000	777,000	881,000	90,000	733,000	823,000
Energy	116,000	720,000	836,000	77,000	786,000	863,000	287,000	782,000	1,069,000
Environment and Water	331,000	338,000	669,000	539,000	332,000	871,000	190,000	332,000	522,000
Sustainable Resource Development	274,000	303,000	577,000	120,000	327,000	447,000	146,000	350,000	496,000
	867,000	2,140,000	3,007,000	840,000	2,222,000	3,062,000	713,000	2,197,000	2,910,000
	\$4,215,000	\$18,795,000	\$23,010,000	\$5,097,000	\$19,112,000	\$24,209,000	\$3,910,000	\$18,406,000	\$22,316,000

¹ We have aligned our ministry audit work with the Policy Field Committees as of March 31, 2012.

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

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

⁴ 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**

Performance measures	Target 2011–12	Actual 2011–2012	Actual 2010–2011
Relevant auditing			
1.a The percentage of the Auditor General's primary recommendations accepted. ¹	95%	100%	100%
1.b The number of the Auditor General's primary recommendations not implemented within 3 years of acceptance.	None	42	43
1.c Issue our auditor's report on the consolidated financial statements of the Province by June 30th each year.	June 30	June 23, 2011	June 22, 2010
1.d The percentage of costs dedicated to stand-alone systems auditing/other auditing.	20/80%	21/79%	18/82%
1.e The percentage of Members of the Legislative Assembly who believe our work is valuable.	TBD	Inadequate response rate to draw conclusion²	N/A
Reliable auditing			
2.a Institute of Chartered Accountants of Alberta conclusion that Office's assurance audit practice meets auditing standards. ³	N/A	N/A	N/A
Reasonable cost auditing			
3.a Staff turnover rate	Less than 20%	22%	18%
3.b Benchmarking average hourly audit costs	TBD	Under development	Under development

¹ Acceptance does not include recommendations accepted in principle or under review

² Response rate of 23 out of 83 MLAs or 28 per cent

³ The review is required every three years and will be conducted again in 2012–2013



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