



# Office of the Auditor General of Alberta

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Business Plan and Budget  
for the Year Ending March 31, 2017



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|--|----|
| Accountability statement.....                          | 1  |
| The office.....  | 1  |
| Vision .....   | 4  |
| Mission .....  | 4  |
| Values .....   | 4  |
| Results management framework .....                     | 4  |
| Our business planning cycle .....                      | 7  |
| Strategy execution.....                                | 9  |
| Lessons learned and follow-up supporting actions.....  | 10 |
| 2016–17 planned systems audit reports .....            | 13 |
| Performance measures .....                             | 14 |
| Budget 2016–17   |    |
| Budget overview—highlights.....                        | 16 |
| Schedules  |    |
| 1 Budget 2016–17 .....                                 | 17 |
| 2 Changes from prior year’s budget.....                | 18 |
| 3 Lines of business costs by sector and ministry ..... | 19 |



# OFFICE OF THE AUDITOR GENERAL OF ALBERTA BUSINESS PLAN FOR THE YEAR ENDING MARCH 31, 2017

## Accountability statement

This business plan was prepared under our direction, taking into consideration the legislated responsibilities assigned to the auditor general and this office, as well as other statutory requirements and related professional standards associated with our operations as of February 2, 2016.

[original signed by]

Merwan N. Saher FCPA, FCA  
Auditor General

[original signed by]

Ruth McHugh MBA, FCPA, FCMA, ICD.D  
Chief Operating Officer

## The office

The Office of the Auditor General of Alberta serves the Legislative Assembly and the people of Alberta. We identify opportunities to improve the performance of and confidence in Alberta's public service. Under the *Auditor General Act*, the auditor general is the auditor of every ministry, department and regulated fund, and most provincial agencies; in all 143 entities in 2017. This responsibility includes publicly-funded universities and colleges and Alberta Health Services.

Our core business is legislative auditing. We have two distinct lines of business designed to provide expert auditing of the government's:

- financial statements
- management systems and processes (systems audits)

Periodically, at the request of an organization we audit, we may also provide some limited research services or give advice for consideration on a proposed course of action under review. Additionally, we support the all-party Standing Committee on Public Accounts in holding government accountable for the cost effective use of public resources.

## Financial statements audits

Each year we audit the financial statements of those entities for which we are the designated auditor, including the consolidated financial statements of the Government of Alberta. These recurring annual audits provide the Legislative Assembly and the people of Alberta with assurance on the quality of government's financial reporting.

The independent auditor's report accompanying each government entity's set of financial statements provides an opinion on whether the financial statements are presented fairly, in accordance with applicable standards. The financial statements and the auditor general's reports are included in the annual reports published by ministries and their related entities. Each ministry annual report will include results analysis commentary prepared by senior management.

We leverage and build on our knowledge of government entities' operations developed through our financial statements audits to assist in carrying out our systems audit work.

## **Systems audits**

Our direction for systems audit work comes from Sections 19(2) (d) and (e) of the *Auditor General Act*. These sections of the 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."

Our systems audits are objective and purposeful examinations of the performance of government organizations, programs or activities. To guide our systems audits selection processes, the office establishes priorities after considering:

- the Government of Alberta's goals, objectives and risks
- input from Members of the Legislative Assembly
- advice from the Provincial Audit Committee
- suggestions from Albertans who contact us
- our knowledge of the entities we audit

Our systems audits are of two types. In a stand-alone systems audit, we examine major programs or initiatives that a government entity undertakes to achieve its goals. The second type of systems audit is generally a direct by-product of our financial statements audits. These systems audits are usually focused on operational areas identified for improvement such as governance, financial management and reporting, internal controls or information technology.

Systems audit reports provide information, findings, observations and recommendations designed to promote answerable, honest and productive public service and encourage accountability for results and best practices. We work to answer the question, "Does the organization have the systems, processes and controls to accomplish its goals and mitigate its risks economically and efficiently?" If we find that an organization could improve its systems, processes or controls, we make recommendations to management.

We make our findings and recommendations public in auditor general reports to the Legislative Assembly. Once the government entity's management has acted on our audit recommendations, we carry out follow-up audits to confirm that the recommendations have been implemented.

Successful implementation is the return on investment of audit dollars spent to produce a recommendation. Ideally, implementation by management and our follow-up reporting on the appropriateness of their implementation is completed within three years of each original recommendation.

We approach follow-up audits with the rigour Albertans expect from this office, and will repeat our recommendations when government managers have not satisfactorily implemented them. The results of follow-up audits are included in auditor general reports to complete our reporting to Albertans.

Overall, we focus our priorities and audit resources to improve:

- oversight 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—they belong to all Albertans and must be protected

To succeed we must be, and be seen to be, independent and accountable for results.

## **Independence**

Our independence from those we audit ensures our work is objective—based on facts, not preconceived opinions. The independence requirement is symbolized through the appointment of the auditor general by the Legislative Assembly and our liaison with the assembly through the all-party 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 remains free of any association that could potentially impair their objectivity.

## **Accountability for results through public reporting**

Those who use public resources, as we do, should demonstrate their accountability through clear and concise public plans and reports on results achieved. We hold ourselves accountable to each business plan by publishing a results analysis report (our annual report) reviewing performance against the plan.

The first part of this public reporting aspect of accountability involves preparing and then acting on a plan; hence this business plan. Within this plan, most of our resources are directed at financial statements audits. The plan also guides us to meet our mandate by completing relevant systems audits with reliable findings and providing recommendations for management, all at reasonable costs. The office’s budget to support the business plan must be accepted and approved by the all-party Standing Committee on Legislative Offices. Once this committee’s budget review and approval process is completed, generally toward the end of the calendar year, the office’s business plan is made public.

The second part of accountability is reporting on results and costs in relation to the plan, and on how performance can improve. Our results analysis report on the 2014–15 business plan was made public on October 6, 2015.<sup>1</sup> In the fall of 2016 we will report on the results of our 2015–16 business plan. We anticipate releasing our results analysis report against this 2016–17 plan in the fall of 2017.

We carry out our work in accordance with our vision, mission and values.

## Vision

Making a difference in the lives of Albertans.

## Mission

Identifying opportunities to improve the performance of and confidence in the public service.

## Values

- **Trust**—We earn it with everything we say and do. We are accountable for our actions.
- **Respect**—Everyone has the right to be heard and deserves to be treated with dignity and courtesy.
- **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.

The overarching qualities and attitudes inherent in our vision, mission and values statements guide the office’s operations within its results management framework.

## Results management framework

The office’s strategic and operational planning, quality control, audits delivery, learning and people development systems operate within a results management framework that integrates three central processes—governance, oversight and accountability for results.

## Governance

The office’s governance structure and processes bring together capable people and relevant information to achieve cost effective results.

## Oversight

Oversight is the glue that holds our results management framework together. By applying good oversight we will know if we are managing our resources cost effectively in producing our audit results. Our team of management leaders works toward achieving their oversight objectives and the pursuit of desired results by:

- being vigilant and providing watchful care for the office’s use of financial and human resources

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<sup>1</sup> *Report of the Auditor General of Alberta—October 2015*, pages 169–220.  
<http://www.oag.ab.ca/webfiles/reports/OAGOctober2015Report.pdf>



- checking that our processes and systems are working well, including our system to ensure accountability for how effectively we use our resources
- modelling and signaling preferred behaviours through mentorship and by example

### Accountability for results

To ensure that Albertans receive the value for money they deserve from our office, we must follow a clear process of accountability for results. The office’s commitment to be accountable for its results is reflected in management’s obligation to show continually improving results in a context of fair and agreed on expectations. The office’s accountability for results process involves the following steps:

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

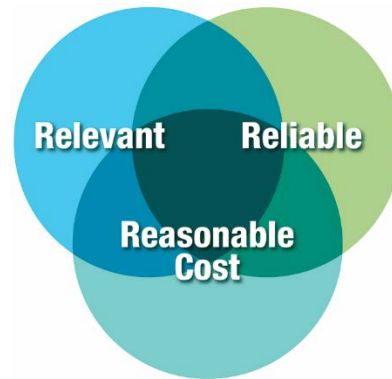


Our results management framework outlines a formal process in which we can learn from what we are doing so that we can do better in the future. The framework also prompts us to feed the analysis back into our business planning and processes. The three parts—governance, oversight and accountability for results—work together to produce effective results.

As one of seven independent offices of the Legislative Assembly, our governance, oversight and accountability for results processes involve the elected legislature’s all-party Standing Committee on Legislative Offices. Other independent offices of the legislature reporting to this standing committee are the offices of the child and youth advocate, the chief electoral officer, the ethics commissioner, the information and privacy commissioner, the ombudsman and the public interest commissioner.

The office leadership team's four inter-related areas of focus are strategy, people, results and learning. Through governance, oversight and accountability for results involving these focus areas, the leadership team requires our audits be:

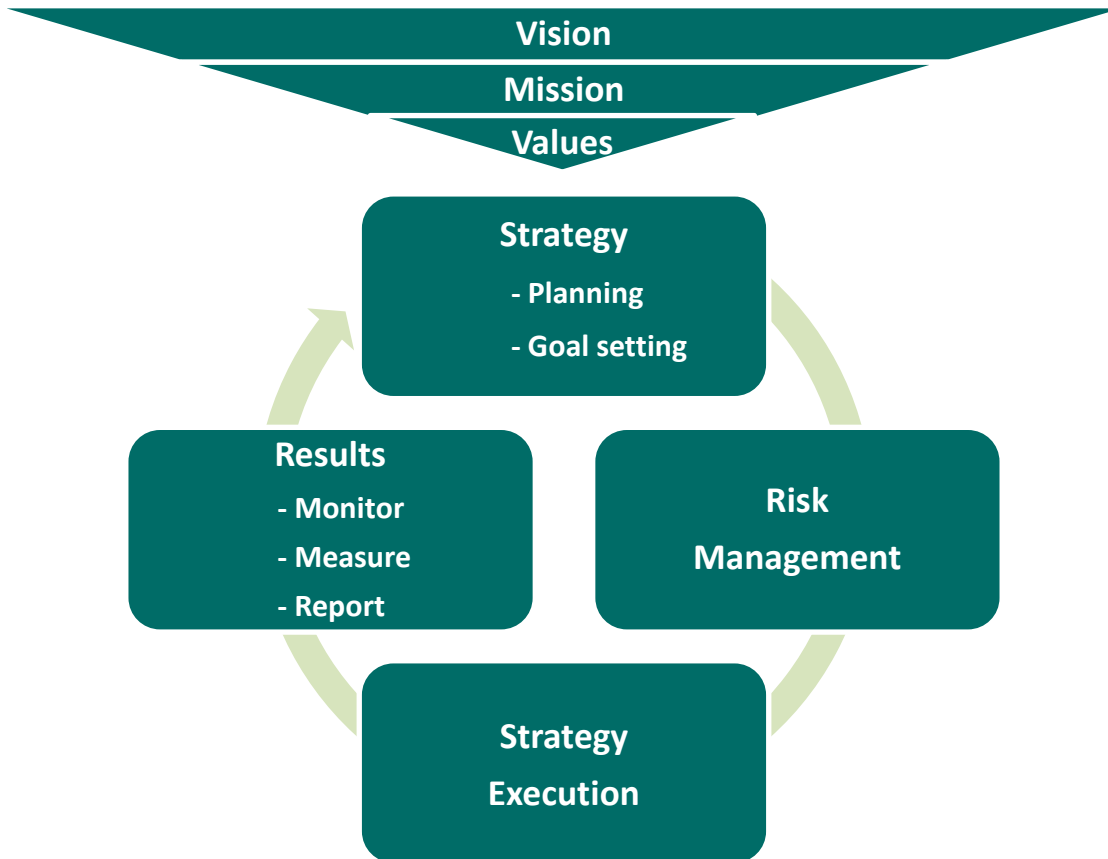
- **Relevant**—Our work must be relevant to the Legislative Assembly and Albertans.
- **Reliable**—The Legislative Assembly and Albertans must be able to count on our work.
- **Reasonable cost**—We must manage costs in producing relevant and reliable reports.



Optimizing the congruence (i.e., the degree and balance) among these three, sometimes competing, objectives helps focus our planning, operational and evaluation decisions. Managing our risks through these objectives contributes to maintaining the credibility of our office within government and with Albertans.

## Our business planning cycle

We use our results management framework to drive our business planning and the execution of these plans through operations. Under the backdrop of our vision, mission and values, and within the results management framework, our integrated business planning cycle has these elements:



Our vision is to make a difference in the lives of Albertans by identifying opportunities to improve the performance of and confidence in the public service. We will do this by delivering the right mix of relevant and reliable audit products at a reasonable cost. We believe a mix of thirty per cent of our resources devoted to systems auditing and seventy per cent to financial statements auditing is best for Albertans.

In arriving at this mix, we considered our paramount role as the auditor of all government ministries, departments, funds and provincial agencies. Providing audit opinions on the financial statements of these entities is fundamental and accordingly calls for the majority of our resources.

Capacity analysis indicates the mix of thirty per cent systems auditing and seventy per cent financial statements auditing will provide a manageable number of valuable recommendations to the Government of Alberta. In addition to considering our office's capacity for systems auditing, we considered the government's capacity to implement our recommendations when setting the 30:70 resource mix.

Albertans see true value from our work when recommendations are implemented. Thus we must balance work producing new recommendations with follow-up audits to see if past recommendations have been appropriately implemented. We have learned that by staying engaged with our auditees we can focus on the implementation of recommendations and schedule timely follow-up audits when auditees advise they are ready. This engagement with management and seeking progress reports on their implementation progress has been a significant contributor to our recent success in reducing the number of outstanding recommendations (see page 15—performance measures for the implementation of systems audit recommendations).

We are in the process of fine-tuning our resource allocations to establish a sustainable mix of thirty per cent systems auditing and seventy per cent financial statements auditing. Our goal is for this process to be completed by March 31, 2018.

We believe performing more systems audit work aligns with Albertans' need to know whether government is using their resources wisely. A key output of our systems audit work is to identify where government can make improvements to important management systems. Systems audits can also identify waste (dollars that don't contribute to achieving results) and help government managers deliver value for money. Our recommendations to improve economy, efficiency and effectiveness become even more vital in times of economic constraint.

Our strategy – to deliver the right mix of relevant and reliable audit products at a reasonable cost – directly leverages our core strengths. As legislative auditors, we have a profound understanding of the environment we are auditing, including performance audit standards, management control systems, performance reporting and accountability for results. We also have the ability to communicate the complex technical matters we encounter in our audits in an understandable manner. This allows us to be effective in delivering our messages, conclusions and recommendations.

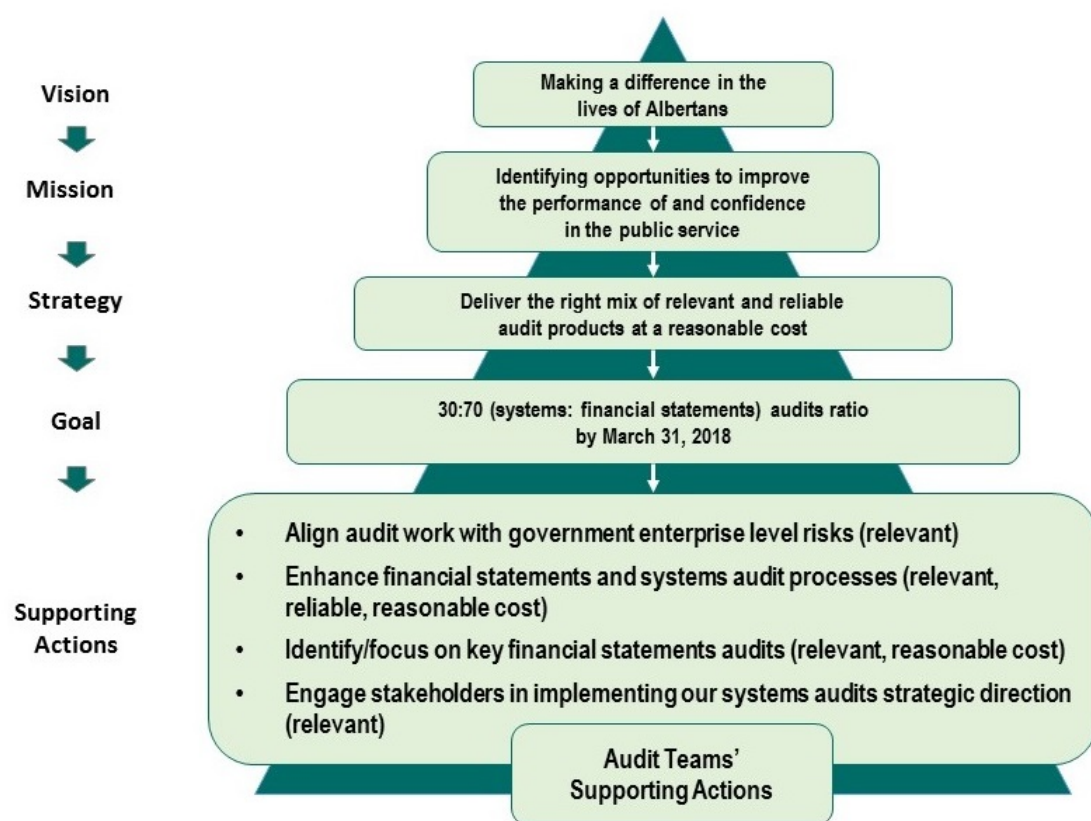
We assess risks as we transition from strategy and planning to operations, where the risks must be understood and managed. These risks, managed within the context of ensuring our audit work is relevant, reliable and performed at a reasonable cost, are as follows:

- **Input risk**—Do the skills of our staff, agents and contracted experts suit the audit risk?
- **Process risk**—Is our audit project management effective?
- **Output risk**—Have we maintained independence and objectivity and communicated relevant results effectively?
- **Credibility risk**—Have we maintained the trust of the Legislative Assembly and Albertans, and the cooperation of government management teams, in carrying out our mandated responsibilities as legislative auditors?

## Strategy execution

We recognize that a disciplined and methodical approach to strategy execution is vital to achieving our goals and desired results. Our strategic goal – to achieve a sustainable mix of thirty per cent systems auditing and seventy per cent financial statements auditing – requires new activities to move the organization forward. As strategy execution progresses, changed and new activities must be sustainably integrated into ongoing operations.

Our office leadership team and functional and audit engagement leaders have been working to identify processes and steps to align our operations with the strategy. Our functional and engagement leaders will in turn collaborate with other staff regarding the actions each team will undertake in support of our strategic goal. This disciplined approach, depicted in the diagram below, is part of our plan to execute on our goal in the midst of daily activities.



Throughout each year, we spend significant time analyzing our results and identifying lessons learned that can be applied in the next business cycle. This creates a culture of continuous improvement and accountability for results that helps our organization to be agile and responsive to change.

In considering our 2015 results, we have incorporated lessons learned and supporting actions into our operations and this business plan.

## Lessons learned and follow-up supporting actions

### **Preserve Albertans' investment in their team of expert legislative auditors**

The right complement of staff skills is critical for high quality and cost effective auditing. Evidence shows that if we continue to invest in people development and focus on monitoring and analyzing what constitutes the optimal mix of staff at various levels, we can ensure we have the right people, with the right skills, in the right place, at the right time, doing the right things.

Maintaining a workplace that recruits, grows and retains skilled legislative auditors is vital to our success. We have learned that our refreshed performance management system, our updated and aligned compensation strategy, and our training and career advisor programs have created a positive and supportive work environment and contributed to improved results.

Our results reinforce the benefits of strategically contracting external auditing firms and other independent professionals as agents when warranted by peak season staffing limitations, audit engagement risk assessments or complex subject area expertise requirements. This approach ensures we have the right skills on every audit. Another advantage of strategically using agent services is that it allows us to look for opportunities to redeploy some of our legislative audit specialists to bolster our systems audit capacity.

### **New leadership to deal with business complexities**

Public sector auditing and financial reporting requirements continue to grow in number and complexity. For legislative auditors, there are also unique complexities associated with each systems audit, particularly the larger stand-alone systems audits. Added to this are standard business and management issues that must be handled well to ensure operations run smoothly.

In light of these growing complexities and our office's role in relation to the government's operations, in the fall of 2015 we strengthened our office leadership team with two new business leaders—one focused on the business of financial statements auditing and the other on the business of systems auditing. The office leadership team brings together capable people to lead relevant auditing, reliably, at a reasonable cost. Every role on the team is different, contributing to its strength. Working collaboratively for the best interests of the office and all Albertans, the leadership team's four areas of focus are strategy, people, results and learning.

### **Enhance audit processes**

Our two new business leaders will be instrumental in critically reviewing and enhancing our audit processes, as well as following up on various projects already underway.

Several initiatives commenced in 2015 aimed at increasing the number of audits completed within budget. Learning from past results, we introduced a new audit project management process that helps our audit teams monitor and manage costs, staffing and project milestone dates more proactively. This new process allows our engagement leaders to better track reasons for variances and effectively apply lessons learned to future audits. We will also continue to develop new computerized audit testing applications to reduce manual testing and enhance the quality of data analysis we can perform.

Auditee readiness impacts our ability to complete audits within budget. We view the government controller's success in articulating and enforcing corporate accounting policies as important, because it impacts financial statements consistency, the efficiency of financial statements preparation, and the audit. Therefore, as requested, we coordinate key aspects of standards reviews, discussions and transitions with the controller's office.

We commissioned an independent peer review<sup>2</sup> to provide conclusions on whether we do relevant, reliable work at a reasonable cost. The result was positive and we learned about ways we can improve our audit and operational processes. For example, we have now enhanced our audit methodology to direct more timely and efficient audit file documentation (and hence more timely reviews) of key audit findings.

Moving forward, we will focus on sustaining what we have achieved, identifying opportunities for improvement and confirming internally that our systems continue to operate as intended.

### **Identify and focus on key financial statements audits and risks**

Every audit we conduct should cost effectively add value. We will continue to evaluate the relative audit risks associated with our engagements.

As part of this evaluation, we will continue to identify the financial statements audits that are most appropriately completed directly by our office and those where contracted auditing firm agent services can be used. The ongoing risk assessments of the financial statements audits portfolio will also impact staff scheduling (e.g., availability to transfer people to systems audit assignments) and our use of external resources (e.g., contracting external auditing firms to complete financial statements audit fieldwork for the office). If we identify any engagements where we feel an audit may not be necessary within the government's overall financial reporting framework, we will report this to the Legislative Assembly for consideration.

### **Engage stakeholders in implementing our systems audit strategic direction**

We will work with Treasury Board and Finance and other ministries to develop and publish a risk-based multi-year systems audit plan. We will undertake discussions to secure awareness and understanding among government officials with respect to the systems audit plan and the implementation of our systems audit portfolio.

In the past, we audited some performance measures included in the government's Measuring Up report and reviewed performance measures in ministry annual reports. These audits and reviews focused on the reliability of the performance measures examined. We are discontinuing this direct assurance work on performance measures and redirecting our resources to systems audit projects. Systems audits allow us to examine systems designed to ensure economy and efficiency of programs and the systems that measure performance.

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<sup>2</sup> External Peer Review Results Report 2014  
<http://www.oag.ab.ca/webfiles/other/ExternalPeerReviewResultsReport2014.pdf>

Our systems projects will encompass various performance measurement considerations, including whether systems that measure, analyze results and report on program performance are providing relevant and reliable information to management, the Legislative Assembly and the public.

During our systems audit planning process we will consider the merits of conducting smaller systems audit engagements (approximately 500 hours or less) in addition to our larger systems audits. Benefits of this approach include creating flexibility in our deployment of resources to systems audits and opportunities to develop the systems audit skills of our workforce. These smaller audits would increase the breadth of our systems audits coverage across government without impacting our ability to carry out larger systems audits.

Going forward, we will also implement two continuous systems audit programs. One will be designed to examine and monitor minister expenses. The other will be directed at several procurement and contracting systems within departments. Continuous auditing of these systems will help us to assess on an ongoing basis whether policies are being followed and whether Albertans are receiving value for money.

Each ministry annual report contains a results analysis section. Effective results analysis reporting integrates financial and non-financial performance information into a clear and concise interpretation of actual performance in relation to plans. We performed a systems audit in 2014<sup>3</sup> on the quality of the government's results analysis commentary. We will work with the Department of Treasury Board and Finance, together with the Deputy Ministers' Council, on implementation across government of our recommendation developed from this audit. We continue to consider how we can provide independent assurance reporting on management's results analysis to enhance its credibility.

*At the Office of the Auditor General, the purpose that inspires us is knowing that our work is making a difference in the lives of Albertans. To this end, our office is committed to continuous improvement.*

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<sup>3</sup> *Report of the Auditor General of Alberta—July 2014*, pages 15–33.  
<http://www.oag.ab.ca/webfiles/reports/AGJuly2014Report.pdf>



## 2016–17 planned systems audit reports

Audits expected to be publicly reported in July 2016, October 2016 and February 2017.

| New                           |  |
|-------------------------------|--|
| Agriculture and Forestry      | <ul style="list-style-type: none"> <li>Lending Programs—Agriculture Financial Services Corporation</li> </ul>  |
| Energy                        | <ul style="list-style-type: none"> <li>Identify, Analyze and Decide on Strategic Arrangements—Alberta Petroleum Marketing Commission</li> </ul>  |
| Environment and Parks         | <ul style="list-style-type: none"> <li>Managing Contracting—Kananaskis Country</li> </ul>  |
| Health                        | <ul style="list-style-type: none"> <li>Workforce Planning</li> <li>Project Management of Clinical Information Systems</li> <li>Health Care Integration</li> </ul>  |
| Human Services                | <ul style="list-style-type: none"> <li>Aboriginal Child and Family Services</li> <li>Assured Income for the Severely Handicapped</li> <li>Case Management—Office of the Public Guardian and Trustee</li> </ul> |
| Infrastructure                | <ul style="list-style-type: none"> <li>School Building Program</li> <li>Planning for Capital</li> </ul>  |
| Justice and Solicitor General | <ul style="list-style-type: none"> <li>Contracts for Transportation of Rural Decedents—Medical Examiner’s Office</li> </ul>  |
| Service Alberta               | <ul style="list-style-type: none"> <li>Information Technology Application Inventory Management</li> </ul>  |
| Labour                        | <ul style="list-style-type: none"> <li>Planning for Workforce Development Needs</li> </ul>   |
| Treasury Board and Finance    | <ul style="list-style-type: none"> <li>Controls for Vendor Access—Alberta Gaming and Liquor Commission</li> <li>Monitoring and Reporting on Government’s Fiscal Sustainability</li> </ul>                      |
| Multiple Ministries           | <ul style="list-style-type: none"> <li>Ministers’ Expense Claims</li> <li>Contracting and Procurement</li> </ul>   |
| Follow-up                     |  |
| Advanced Education            | <ul style="list-style-type: none"> <li>Collaboration Among Alberta’s Post-secondary Institutions</li> <li>Information Technology Systems Implementation at Olds College</li> </ul>                             |
| Education                     | <ul style="list-style-type: none"> <li>Northland School Division Attendance</li> </ul>   |
| Environment and Parks         | <ul style="list-style-type: none"> <li>Climate Change</li> <li>Joint Canada – Alberta Plan for Oil Sands Monitoring</li> <li>Flood Planning, Mitigation and Response</li> </ul>                                |
| Executive Council             | <ul style="list-style-type: none"> <li>Office of the Premier’s Expenses and Use of Government Aircraft</li> </ul>  |
| Health                        | <ul style="list-style-type: none"> <li>Oversight of Primary Care Networks</li> <li>Capital Project Management—Alberta Health Services</li> </ul>   |
| Human Services                | <ul style="list-style-type: none"> <li>Office of the Public Trustee</li> </ul>   |
| Indigenous Relations          | <ul style="list-style-type: none"> <li>Assessment of First Nations Development Fund Grants</li> </ul>  |
| Labour                        | <ul style="list-style-type: none"> <li>Occupational Health and Safety</li> </ul>   |
| Municipal Affairs             | <ul style="list-style-type: none"> <li>Contracting</li> </ul>  |
| Seniors and Housing           | <ul style="list-style-type: none"> <li>Affordable Housing</li> </ul>   |
| Service Alberta               | <ul style="list-style-type: none"> <li>Information Technology Disaster Recovery</li> </ul>   |
| Transportation                | <ul style="list-style-type: none"> <li>Bridge Safety</li> </ul>  |
| Treasury Board and Finance    | <ul style="list-style-type: none"> <li>CEO Selection, Evaluation and Compensation</li> </ul>   |

## Performance measures

|   | Target<br>2016–17   | Target<br>2015–16         | Actual<br>2014–15 |
|---|---------------------|---------------------------|-------------------|
| <b>Relevant auditing</b>  |                     |                           |                   |
| Percentage of the auditor general's recommendations accepted for implementation <sup>4</sup> ( <i>also Reliable auditing</i> )  | 95%                 | 95%                       | 91%               |
| Percentage of follow-up audits initiated within twelve months of notification of implemented recommendations  | 75% <sup>5</sup>    | New for 2016–17           | New for 2016–17   |
| Issue auditor's report on Alberta's consolidated financial statements by June 30 (for the preceding March 31 fiscal year end)   | June 30, 2016       | June 23, 2015<br>(Actual) | June 19, 2014     |
| Percentage of costs dedicated to systems:financial statements auditing ( <i>also Reasonable cost auditing</i> )   | 28:72% <sup>6</sup> | 27:73%                    | 28:72%            |
| <b>Reliable auditing</b>  |                     |                           |                   |
| Assessment of compliance with the practice review standards of the Chartered Professional Accountants of Alberta for the office's audits of financial statements <sup>7</sup> | No assessment       | Achieve compliance        | No assessment     |
| <b>Reasonable cost auditing</b>   |                     |                           |                   |
| Staff turnover rate ( <i>also Reliable auditing</i> )   | Under 20%           | Under 20%                 | 15%               |
| Percentage of financial statements audits completed within budget   | 75%                 | 75%                       | 64%               |

<sup>4</sup> Acceptance for implementation does not include audit recommendations accepted in principle or under review. For each systems audit, there may be zero, one, two or more recommendations developed from our findings.

<sup>5</sup> The goal is to reach 100% by March 31, 2018.

<sup>6</sup> The goal is to reach 30:70% by March 31, 2018.

<sup>7</sup> The practice review is carried out every three years. An assessment was done in 2013 and the next one is expected in 2016.

### Performance measures—Implementation of recommendations

The office works to ensure management understands and accepts our systems audits recommendations. As part of our monitoring and scheduling follow-up audits, we interface with Treasury Board and Finance's central monitoring and implementation oversight processes. We also provide periodic plan and progress reports to the Standing Committee on Public Accounts and the Provincial Audit Committee.

As of October 2015 (see table below), there are 38 recommendations outstanding for longer than three years. Of this total, eight are ready for follow-up audit in fiscal 2016 or 2017.

### Systems audits recommendations—Outstanding more than three years (October 2015)

| Ministry                       | Recommendations implemented and ready for follow-up | Recommendations <u>not</u> ready for follow-up |
|--------------------------------|---|--|
| Advanced Education             | 3   | 1  |
| Agriculture and Forestry       |   | 8  |
| Economic Development and Trade |   | 1  |
| Education                      |   | 1  |
| Environment and Parks          | 1   | 9  |
| Executive Council              |   | 3  |
| Health                         |   | 7 <sup>9</sup>                                 |
| Infrastructure                 |   | 4  |
| Labour                         | 1   |  |
| Seniors and Housing            | 1   | 1  |
| Transportation                 |   | 1  |
| Treasury Board and Finance     | 2   | 2  |
| <b>Totals</b>                  | <b>8</b>  | <b>30</b>                                      |

We will continue to publish the table above in the office's annual fall report as part of monitoring the implementation of systems audit recommendations.

In this business plan, we have introduced a new performance measure directed at our office's responsiveness in commencing follow-up systems audit work once management advises implementation is complete. For the initial year of this measure, we are targeting 75 per cent success in having follow-up systems audits initiated within a year of the formal "ready for follow-up" notification being received by our office.

<sup>8</sup> There are two recommendations to Agriculture and Forestry that are counted under Health, noting that implementation has been assigned to both departments.

<sup>9</sup> There is one additional recommendation to Alberta Health Services that is counted under Health, noting that implementation has been assigned to Health, Alberta Health Services and Agriculture and Forestry.

## Budget overview—highlights

Our 2016–17 total expenditures estimate of \$26,754,000 is the same as the budget approved by the Standing Committee on Legislative Offices for the prior fiscal year (see Schedule 1).

Changes from our initial 2015–16 budget to the 2016–17 estimate (absorbing the February 17, 2015 budget reduction per the Standing Committee on Legislative Offices) are outlined in Schedule 2 and its related notes.

In Schedule 3, budget and actual costs are presented by ministry (updated to the current Government of Alberta structure), grouped to match the government’s priority areas.

Schedule 3 also presents total costs for each of our lines of business. The 2016–17 estimates show costs of \$7,609,000 (28%) for systems auditing and \$19,260,000 (72%) for financial statements auditing. Our goal is to achieve a sustainable resource allocation mix of 30% systems auditing and 70% financial statements auditing by the end of fiscal 2018. Our 28:72 mix targeted in this budget is part of a focused change that began two years ago. Prior to then, the mix was generally in the 20:80 range.

Each 1% shift of resources between financial statement and systems auditing involves the transfer of approximately \$270,000 of office costs. Given budget constraints, it will be challenging to identify further cost savings and streamline operations in the financial statements auditing area sufficient to allow for the transfer of \$540,000 of resources to systems auditing required in future to move from 28:72 to our goal of 30:70 by the end of fiscal 2018.

### Our office and people

We operate as a professional services auditing firm. We compete with private sector auditing and consulting firms for designated accountants and other professionals with specialized technical skills. Our office, with its 148 staff, is the fourth largest auditing office in Edmonton. In peak periods, we expand our base of auditors by contracting for temporary staff from private sector auditing firms. We recognize that our staff are well educated and receive good training, making them attractive to other employers. Preserving Albertans’ investment in their team of expert legislative auditors is paramount to our success.

**OFFICE OF THE AUDITOR GENERAL**  
**BUDGET 2016–17 (year ending March 31, 2017)**  
(thousands of dollars)

|  | 2014–15          |                  | 2015–16          | 2016–17          |
|--|------------------|------------------|------------------|------------------|
|  | Budget           | Actual           | Budget           | Estimate         |
| <b>OPERATIONS</b>  |                  |                  |                  |                  |
| Personnel  |                  |                  |                  |                  |
| Salaries and wages   | \$ 14,945        | \$ 14,763        | \$ 15,485        | \$ 15,485        |
| Employee benefits  | 3,655            | 3,554            | 3,880            | 3,880            |
|  | 18,600           | 18,317           | 19,365           | 19,365           |
| Agent and other audit services   | 4,580            | 4,494            | 4,060            | 3,790            |
| Temporary staff services   | 1,300            | 1,094            | 1,270            | 1,095            |
| Advisory services  | 270              | 375              | 265              | 175              |
|  | 24,750           | 24,280           | 24,960           | 24,425           |
| Supplies and services  |                  |                  |                  |                  |
| Training and professional fees   | 880              | 937              | 850              | 810              |
| Travel   | 580              | 596              | 530              | 510              |
| Information systems and technology   | 450              | 515              | 440              | 489              |
| Materials and supplies   | 205              | 219              | 205              | 205              |
| Telephone and communications   | 85               | 81               | 85               | 85               |
| Office equipment rental  | 50               | 52               | 50               | 50               |
| Repairs and maintenance  | 25               | 19               | 25               | 25               |
| Miscellaneous  | 20               | 20               | 20               | 20               |
|  | 2,295            | 2,439            | 2,205            | 2,194            |
| Budget reduction (per Standing Committee on Legislative Offices—February 17, 2015) |                  |                  | (546)            |                  |
| <b>OPERATING EXPENDITURES (excluding amortization)</b>                             | 27,045           | 26,719           | 26,619           | 26,619           |
| <b>CAPITAL ASSETS EXPENDITURES</b>   | 255              | 275              | 135              | 135              |
| <b>TOTAL VOTED BUDGET</b>  | <b>\$ 27,300</b> | <b>\$ 26,994</b> | <b>\$ 26,754</b> | <b>\$ 26,754</b> |
| <b>Operating expenses (including amortization)</b>                                 |                  |                  |                  |                  |
| Operating expenditures—above   | \$ 27,045        | \$ 26,719        | \$ 26,619        | \$ 26,619        |
| Add: amortization of capital assets  | 370              | 292              | 250              | 250              |
| <i>Total</i>   | <i>\$ 27,415</i> | <i>\$ 27,011</i> | <i>\$ 26,869</i> | <i>\$ 26,869</i> |
| <b>Operating expenses by core business</b>   |                  |                  |                  |                  |
| Financial statements auditing <sup>1</sup>   | \$ 20,485        | \$ 19,327        | \$ 20,165        | \$ 19,260        |
| Budget reduction—above   |                  |                  | (546)            |                  |
| Systems auditing <sup>2</sup>  | 6,930            | 7,684            | 7,250            | 7,609            |
| <i>Total</i>   | <i>\$ 27,415</i> | <i>\$ 27,011</i> | <i>\$ 26,869</i> | <i>\$ 26,869</i> |

<sup>1</sup> Financial statements audits include reporting on financial statements, compliance with authorities, performance measures, results analysis, and research and advice. Effective for auditee year-ends March 31, 2016, the office is discontinuing the direct assurance work on performance measures.

<sup>2</sup> Systems audits examine major programs or initiatives an organization undertakes to achieve its goals.

**OFFICE OF THE AUDITOR GENERAL**  
**BUDGET CHANGES from 2015–16 to 2016–17**  
(thousands of dollars)

|  | <i>2015–16</i><br><i>Budget</i> | <i>2016–17</i><br><i>Estimate</i> | <i>\$ Change</i><br><i>from</i><br><i>2015–16</i><br><i>Budget</i> | <i>% Change</i><br><i>from</i><br><i>2015–16</i><br><i>Budget</i> |
|--|---------------------------------|-----------------------------------|--|---|
| <b>OPERATIONS</b>  |                                 |                                   |  |   |
| Personnel  |                                 |                                   |  |   |
| Salaries and wages   | \$ 15,485                       | \$ 15,485                         | \$ -   | 0.0%  |
| Employee benefits  | 3,880                           | 3,880                             | -  | 0.0%  |
|  | 19,365                          | 19,365                            | -  | 0.0%  |
| Agent and other audit services   | 4,060                           | 3,790                             | (270)  | -6.7%   |
| Temporary staff services   | 1,270                           | 1,095                             | (175)  | -13.8%  |
| Advisory services  | 265                             | 175                               | (90)   | -34.0%  |
|  | 24,960                          | 24,425                            | (535)  | -2.1%   |
| Supplies and services  |                                 |                                   |  |   |
| Training and professional fees   | 850                             | 810                               | (40)   | -4.7%   |
| Travel   | 530                             | 510                               | (20)   | -3.8%   |
| Information systems and technology   | 440                             | 489                               | 49   | 11.1%   |
| Materials and supplies   | 205                             | 205                               | -  | 0.0%  |
| Telephone and communications   | 85                              | 85                                | -  | 0.0%  |
| Office equipment rental  | 50                              | 50                                | -  | 0.0%  |
| Repairs and maintenance  | 25                              | 25                                | -  | 0.0%  |
| Miscellaneous  | 20                              | 20                                | -  | 0.0%  |
|  | 2,205                           | 2,194                             | (11)   | -0.5%   |
| subtotal—Personnel, supplies and services  | 27,165                          | 26,619                            | (546)  | -2.0%   |
| Budget reduction (per Standing Committee on Legislative Offices—February 17, 2015) | (546)                           |                                   | 546  |   |
| <b>OPERATING EXPENDITURES</b>  | <b>\$ 26,619</b>                | <b>\$ 26,619</b>                  | <b>\$ -</b>  | <b>0.0%</b>   |
| <b>CAPITAL ASSETS</b>  |                                 |                                   |  |   |
| Computer hardware and software   | \$ 110                          | \$ 110                            | \$ -   | 0.0%  |
| Furniture and equipment  | 25                              | 25                                | -  | 0.0%  |
| <b>CAPITAL ASSETS EXPENDITURES</b>   | <b>\$ 135</b>                   | <b>\$ 135</b>                     | <b>\$ -</b>  | <b>0.0%</b>   |
| <b>OPERATIONS AND CAPITAL ASSETS</b>   |                                 |                                   |  |   |
| Operating expenditures   | \$ 26,619                       | \$ 26,619                         | \$ -   | 0.0%  |
| Capital assets expenditures  | 135                             | 135                               | -  | 0.0%  |
| <b>OPERATING AND CAPITAL ASSETS EXPENDITURES</b>                                   | <b>\$ 26,754</b>                | <b>\$ 26,754</b>                  | <b>\$ -</b>  | <b>0.0%</b>   |
| <b>Full-time equivalent employees</b>  | <b>148</b>                      | <b>148</b>                        | <b>-</b>   | <b>0.0%</b>   |

OFFICE OF THE AUDITOR GENERAL  
 BUDGET 2016–17 (year ending March 31, 2017)  
 LINES OF BUSINESS COST BY SECTOR<sup>1</sup> AND MINISTRY

|  | 2015 Actual <sup>2</sup>          |                      |                      | 2016 Budget <sup>2</sup>          |                      |                      | 2017 Estimate                     |                      |                      |
|--|-----------------------------------|----------------------|----------------------|-----------------------------------|----------------------|----------------------|-----------------------------------|----------------------|----------------------|
|  | Auditing                          |                      |                      | Auditing                          |                      |                      | Auditing                          |                      |                      |
|  | Financial statements <sup>3</sup> | Systems <sup>4</sup> | Total                | Financial statements <sup>3</sup> | Systems <sup>4</sup> | Total                | Financial statements <sup>3</sup> | Systems <sup>4</sup> | Total                |
| <b>Alberta's Economic Future</b>   |                                   |                      |                      |                                   |                      |                      |                                   |                      |                      |
| Advanced Education   | \$ 4,367,000                      | \$ 383,000           | \$ 4,750,000         | \$ 3,928,000                      | \$ 706,000           | \$ 4,634,000         | \$ 3,665,000                      | 226,000              | \$ 3,891,000         |
| Agriculture and Forestry   | 630,000                           | 91,000               | 721,000              | 792,000                           | 213,000              | 1,005,000            | 788,000                           | 98,000               | 886,000              |
| Culture and Tourism  | 554,000                           | -                    | 554,000              | 394,000                           | -                    | 394,000              | 323,000                           | 15,000               | 338,000              |
| Economic Development and Trade   | 445,000                           | 17,000               | 462,000              | 417,000                           | -                    | 417,000              | 457,000                           | 86,000               | 543,000              |
| Indigenous Relations   | 143,000                           | 26,000               | 169,000              | 109,000                           | 146,000              | 255,000              | 97,000                            | -                    | 97,000               |
| Infrastructure   | 216,000                           | 295,000              | 511,000              | 197,000                           | 925,000              | 1,122,000            | 313,000                           | 853,000              | 1,166,000            |
|  | <u>6,355,000</u>                  | <u>812,000</u>       | <u>7,167,000</u>     | <u>5,837,000</u>                  | <u>1,990,000</u>     | <u>7,827,000</u>     | <u>5,643,000</u>                  | <u>1,278,000</u>     | <u>6,921,000</u>     |
| <b>Families and Communities</b>  |                                   |                      |                      |                                   |                      |                      |                                   |                      |                      |
| Education  | 527,000                           | 700,000              | 1,227,000            | 648,000                           | 12,000               | 660,000              | 620,000                           | 305,000              | 925,000              |
| Health   | 2,396,000                         | 1,736,000            | 4,132,000            | 2,504,000                         | 1,166,000            | 3,670,000            | 2,449,000                         | 1,632,000            | 4,081,000            |
| Human Services   | 616,000                           | 200,000              | 816,000              | 751,000                           | 790,000              | 1,541,000            | 611,000                           | 410,000              | 1,021,000            |
| Justice and Solicitor General  | 439,000                           | 67,000               | 506,000              | 657,000                           | 101,000              | 758,000              | 571,000                           | 370,000              | 941,000              |
| Labour   | 469,000                           | 51,000               | 520,000              | 410,000                           | 293,000              | 703,000              | 371,000                           | 130,000              | 501,000              |
| Seniors and Housing  | 279,000                           | -                    | 279,000              | 325,000                           | -                    | 325,000              | 300,000                           | -                    | 300,000              |
| Service Alberta  | 509,000                           | 189,000              | 698,000              | 642,000                           | 382,000              | 1,024,000            | 651,000                           | 348,000              | 999,000              |
| Status of Women  | -                                 | -                    | -                    | -                                 | -                    | -                    | 50,000                            | -                    | 50,000               |
|  | <u>5,235,000</u>                  | <u>2,943,000</u>     | <u>8,178,000</u>     | <u>5,937,000</u>                  | <u>2,744,000</u>     | <u>8,681,000</u>     | <u>5,623,000</u>                  | <u>3,195,000</u>     | <u>8,818,000</u>     |
| <b>Resource Stewardship</b>  |                                   |                      |                      |                                   |                      |                      |                                   |                      |                      |
| Energy   | 970,000                           | 760,000              | 1,730,000            | 1,081,000                         | 473,000              | 1,554,000            | 964,000                           | 547,000              | 1,511,000            |
| Environment and Parks  | 673,000                           | 1,847,000            | 2,520,000            | 889,000                           | 442,000              | 1,331,000            | 869,000                           | 999,000              | 1,868,000            |
| Municipal Affairs  | 568,000                           | 71,000               | 639,000              | 521,000                           | 516,000              | 1,037,000            | 509,000                           | 571,000              | 1,080,000            |
| Transportation   | 284,000                           | 67,000               | 351,000              | 293,000                           | 137,000              | 430,000              | 316,000                           | -                    | 316,000              |
| Treasury Board and Finance   | 4,873,000                         | 696,000              | 5,569,000            | 5,155,000                         | 848,000              | 6,003,000            | 4,938,000                         | 877,000              | 5,815,000            |
|  | <u>7,368,000</u>                  | <u>3,441,000</u>     | <u>10,809,000</u>    | <u>7,939,000</u>                  | <u>2,416,000</u>     | <u>10,355,000</u>    | <u>7,596,000</u>                  | <u>2,994,000</u>     | <u>10,590,000</u>    |
| Executive Council  | 102,000                           | 488,000              | 590,000              | 105,000                           | 100,000              | 205,000              | 81,000                            | 142,000              | 223,000              |
| Legislative Assembly   | 267,000                           | -                    | 267,000              | 347,000                           | -                    | 347,000              | 317,000                           | -                    | 317,000              |
|  | <u>369,000</u>                    | <u>488,000</u>       | <u>857,000</u>       | <u>452,000</u>                    | <u>100,000</u>       | <u>552,000</u>       | <u>398,000</u>                    | <u>142,000</u>       | <u>540,000</u>       |
|  | <u>\$ 19,327,000</u>              | <u>\$ 7,684,000</u>  | <u>\$ 27,011,000</u> | 20,165,000                        | 7,250,000            | 27,415,000           | <u>\$ 19,260,000</u>              | <u>\$ 7,609,000</u>  | <u>\$ 26,869,000</u> |
| Budget reduction (per Standing Committee on Legislative Offices—February 17, 2015) |                                   |                      |                      | (546,000)                         | -                    | (546,000)            |                                   |                      |                      |
|  |                                   |                      |                      | <u>\$ 19,619,000</u>              | <u>\$ 7,250,000</u>  | <u>\$ 26,869,000</u> |                                   |                      |                      |
| Percentage of costs dedicated to financial statements:systems auditing             | 72%                               | 28%                  |                      | 73%                               | 27%                  |                      | 72%                               | 28%                  |                      |

<sup>1</sup> Ministry auditing work is aligned with the government's 2016 priority areas.

<sup>2</sup> Certain 2016 budget and 2015 actual figures have been reclassified to conform to current government organization.

<sup>3</sup> Financial statements audits include reporting on financial statements, compliance with authorities, performance measures, results analysis, and research and advice. Effective for auditee year-ends March 31, 2016, the office is discontinuing the direct assurance work on performance measures.

<sup>4</sup> Systems audits examine major programs or initiatives an organization undertakes to achieve its goals.









Office of the Auditor General of Alberta  
8th Floor, 9925 – 109 Street NW  
Edmonton, Alberta, Canada T5K 2J8

Phone: 780.427.4222

Fax: 780.422.9555

Email: [info@oag.ab.ca](mailto:info@oag.ab.ca)

This report is available at [www.oag.ab.ca](http://www.oag.ab.ca)

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