



# Providing Value to Albertans

Office of the Auditor General of Alberta  
Results Report for the Year Ended March 31, 2017

EXECUTIVE SUMMARY



## WHO WE ARE

We are an office of 150 people mandated by the *Auditor General Act* to examine and report publicly on the Government of Alberta's management of the public resources entrusted to it.

## WHAT WE DO

We are the auditors of every ministry, department, regulated fund and most provincial agencies—150 entities for 2017. We do audits so that we can report on how well the government is managing its responsibilities and the province's resources.

## HOW WE WORK

We look at government through the lens of Albertans and apply our professional expertise to provide conclusions on whether systems are working well and achieving desired results. Where we find systems and processes are not working as well as they could, we provide recommendations for improvement aimed at helping the government succeed in delivering what it has set out to do for the people of Alberta.

## WHO WE SERVE

We report directly to the 87 Members of the Legislative Assembly of Alberta, and through them we serve the 4.3 million people who call Alberta home.

## Message from the Auditor General

Just for a moment imagine yourself entering a restaurant. You take your seat. The waiter approaches and hands you an impressive looking menu. You open it to find a list of prices—just prices, nothing else.

You call the waiter over and point out that it's a bit difficult to make a decision based on a list of prices.

The waiter instantly recognizes your problem and states that you obviously need the other menu. When the other menu arrives, you see that it contains a list of the meals. There are well-written, vivid descriptions of each meal; the ingredients, the calories and even how it's prepared. But there are no prices.

What should you do? Select a meal that you like, not knowing its price, or select a price not knowing what you're going to get? The answer of course is that you need a price for each meal—a fully integrated menu.

Albertans need full and integrated performance information to understand both the cost and effectiveness of government operations, programs and services.

To that end, we at the Office of the Auditor General will continue to advocate for improved integrated financial and non-financial performance reporting to help Albertans make rational and well-informed decisions.

One of the highlights of this *Results Report for the Year Ended March 31, 2017* is an update on our progress on performance, or "value for money," auditing. Our goal is 30:70 in three years. That is, a sustainable ratio of 30 per cent of our resources devoted to performance auditing and 70 per cent to financial statement auditing by March 31, 2018.

While we did not meet our target this year, we made significant progress toward achieving our goal as planned by March 31, 2018.

Over the past year, we have also made great strides in laying a solid foundation for the future through strategic planning, reorganization and investing in the skills of our staff.

Through this executive summary, and the full *Results Report for the Year ended March 31, 2017*, we are pleased to demonstrate the results achieved for Albertans for the money invested in our office. This example, in turn, we trust, will encourage legislators and Albertans to ask the government for a fully integrated menu, and hence gain a better understanding of the value they are receiving from their government for the investment of their hard-earned tax dollars.



Alberta's Auditor General  
MERWAN SAHER

Merwan N. Saher FCPA, FCA  
Auditor General

Read the full report at [oag.ab.ca](http://oag.ab.ca)

# Our Year Ended on March 31, 2017



## Report of the Chief Operating Officer

The *Results Report for the Year Ended March 31, 2017* summarizes and analyzes the work of the Office of the Auditor General of Alberta for the fiscal year from April 1, 2016 to March 31, 2017.

Our results report explains how we used Albertans' money as the independent auditor of the Government of Alberta, and outlines our accomplishments to commitments made in our business plan, which included our office's strategies and plans for fiscal 2017.

In the year ended March 31, 2017 the office issued four public reports focused on our performance audit work.

- April 2016 (audit of the Systems to Manage the School-building Program)
- July 2016 (four reports including an audit of the Office of the Medical Examiner Contracting Transportation of Deceased Rural Albertans)
- July 2016 (special report on Systems to Deliver Child and Family Services to Indigenous Children in Alberta)
- October 2016 (four reports including an audit of the Systems to Manage the Assured Income for the Severely Handicapped (AISH) Program)

In addition, we issued financial statement audit reports for 150 government entities, including the province's consolidated financial statements.

This executive summary touches on other highlights of an exciting year for our organization.

I strongly encourage you to read the full report to see how we are working together to lay the foundation to continue making a difference in the lives of Albertans for generations to come.



Chief Operating Officer  
RUTH McHUGH

## Our Accomplishments

The Office of the Auditor General is committed to making a difference in the lives of Albertans by identifying opportunities to improve the performance of and confidence in Alberta's public service.

The following is a list of some of the accomplishments over the past year to the commitments made in our *Business Plan for the Year Ending March 31, 2017*:

### Preserve Albertans' Investment in Their Team of Expert Legislative Auditors

- Explored new audit methodologies, including Office of the Auditor General of Canada methodology and training in performance and financial statement auditing
- Implemented strategy execution methodology with investment in providing tools and training to assist management and staff in the execution of office strategies
- Continued leadership training started in 2015–2016
- Provided support to the Canadian Council of Legislative Auditors (CCOLA):
  - Alberta OAG Director, People Development, is chair of the Training Oversight Committee for Financial Statement Audit, and chair of two sub-committees for curriculum development
- Expanded courses for performance audit training

- Increased the number of financial statement audit focused managers and staff spending more than 400 hours on performance audits from nine (2015–2016) to 15 (2016–2017). This shift develops our office's legislative auditing skills

### New Leadership to Deal with Business Complexities

- Recruited three new executives to provide the focused strategic vision we need in the pillars of people and culture, information and related technology, and stakeholder engagement
- Retained external expertise to plan and facilitate effective transition of the three new executives in spring 2017, and a new auditor general in 2018

### Enhance Audit Processes

- Developed and implemented—with the support of CPA Alberta and CPA Canada—the first pre-approved practical experience program to obtain a CPA designation via performance auditing
- Increased use of data analytics and Computer-Aided Audit Tools (CAATs) to make our audits more effective



## Our Finances

We received an unqualified auditor’s report on our externally audited 2017 financial statements. Our auditor, St. Arnaud Pinsent Steman, did not identify any recommendations to improve our financial processes and controls, nor were there any recommendations made or outstanding from previous years.

For the year ended March 31, 2017, the Legislative Assembly provided \$26.8 million for our office’s operating and capital expenditures, the same as last year’s budget. Actual spending was \$1.28 million (five per cent) under budget and \$173,000 (one per cent) below the prior year.



Cost savings were mainly found in our personnel cost pool. As expected in a “people organization” such as ours, salaries, employee benefits, agents, temporary staff and training represent the significant majority (94 per cent) of our total expenses.

## Lessons Learned

Over the past year, we learned that all of the hard transitional and foundation-building work we undertook meant we had to divert some hours from performance auditing. We invested those hours to prepare ourselves for auditing in the future. With our new performance audit staffing model, our reorganized corporate structure, our improved audit processes, our work to explore new audit methodologies and our newly published three-year program of work, we are entering into 2017–2018 with strong financial and audit resource potential, en route to our sustainable 30:70 goal.

## Looking Ahead

The Office of the Auditor General is at an exciting stage in its history. We are at a point in our organization’s evolution where we can look out three, five, 10 years and beyond and think about what role we can and should play in our quest to make a difference in the lives of Albertans. We’re working on a new strategic plan that contemplates the kind of organization and infrastructure we’ll need to best identify opportunities to improve the performance of and confidence in the Alberta public service. We will have a contemporary approach to attract and retain the skills and talent we’ll need to do the work we’ve set out to accomplish. Our annual business plans, audit plans, operational plans and personal plans will flow from our strategic plan, on a deliberate path to achieve our goals.

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

- Implemented a new CAATs process and database to encourage understanding and use of these techniques
- Implemented a new performance audit selection process, which included discussions with internal and external stakeholders to generate the first multi-year performance audit plan
- Developed a new process to qualify audit topic ideas before launching into a full audit plan with our auditees
- Adjusted our performance audit processes to meet new audit standards on direct engagements
- Continued refinement of project management processes to identify opportunities for audit efficiencies and elimination of redundant audits
- Continued discussion with Government of Alberta controller’s office on application of corporate accounting policies to improve Government of Alberta financial reporting consistency and understanding
- Recruited audit staff with a diversity of backgrounds and experience

### Identify and Focus on Key Financial Statement Audits and Risks

- Continued examination of our staff mix relative to our assessed audit risks
- Engaged in discussions with Government of Alberta management on their financial reporting processes and how they can sustain improved processes
- Augmented our audit team with temporary contracted auditors in specialized areas such as financial and post-secondary institutions and the health sector. In addition to providing audit-specific expertise, in some cases the specialists helped us to improve our own audit approach
- Identified select audit engagements in which an independent audit opinion could be eliminated without creating significant risk to the Government of Alberta

### Engage Stakeholders in Implementing our Performance Audit Strategic Direction

- Consulted Deputy Ministers on what they saw as the strategic and operating risks faced by the Government of Alberta
- Assembled an external advisory panel made up of former elected officials, former deputy ministers and individuals who had been active in a wide array of public policy roles, to provide input on their view of the risks faced by the Government of Alberta
- Engaged with the Government of Alberta Senior Financial Officers Council and the Assistant Deputy Minister Network about changes to the way we plan to deliver performance audits
- Developed and published a multi-year, risk-based program of performance audit work

# The Year in Review: Our Numbers

# of audit reports completed

169

# of new recommendations

28

# of responses to public inquiries

212

% of follow-up audits initiated in 12 months of notification

100

% of recommendations accepted by government for implementation

100

millions of \$ OAG budget 2016–2017

26.8

% of financial statement audits completed within budget

62

# of staff (FTE)

142

% of staff turnover

11

% of costs

performance auditing

26

financial statement auditing

74

billions of \$ of government revenue audited\*

42.5

billions of \$ of government expenses audited\*

48.9

billions of \$ of government assets audited\*

111

\* Government of Alberta March 31, 2016 Financial Statements for 2015–2016

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