



# Report of the Auditor General of Alberta

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November 2018



Mr. David Shepherd, MLA  
Chair  
Standing Committee on Legislative Offices

I am honoured to send my *Report of the Auditor General of Alberta—November 2018* to Members of the Legislative Assembly of Alberta, as required by Section 19(5) of the *Auditor General Act*.

We conducted our audits under the authority of the *Auditor General Act* and in accordance with the standards for assurance engagements as set out in the CPA Canada Handbook—Assurance.



W. Doug Wylie FCPA, FCMA, ICD.D  
Auditor General

Edmonton, Alberta  
November 7, 2018





# Report of the Auditor General

**November 2018**

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# Introduction by the Auditor General of Alberta

I am pleased to present my first report to the Members of the Legislative Assembly of Alberta. This report includes the results of our financial statement audits of the Province of Alberta for the year ended March 31, 2018, as well as the results of three new and five follow-up performance audits.

There are three key messages in this report that I would like to share with Albertans:

- The 2017-2018 financial statements of all the government organizations we audited met the requirements for clarity, completeness, accuracy and timeliness.
- We noted significant improvement by government in four of the five follow-up audits we completed.
- There is a need for improvement in analysis, monitoring and reporting in several important government programs.

## Results of Financial Statement Audits

We issued an “unqualified” audit opinion on the consolidated financial statements of the province and on each of the financial statements of the 139 ministries, departments, agencies, boards, commissions and regulated funds we audit. An unqualified opinion represents an independent auditor’s judgment that financial statements are fairly and appropriately presented. Our independent audit opinion is attached to each financial statement we audit, and our summary of findings on each ministry is included in this report.

## Improvements Are Being Made

When government acts on our recommendations, it is good news for Albertans. Our follow-up audit work is important because opportunities for improvement are achieved and risks are mitigated when our recommendations are implemented.

I am pleased to report the implementation of all of the past recommendations relating to the following performance audits:

- Contracting for External Services Follow-up (Alberta Justice and Solicitor General)
- Occupational Health and Safety Follow-up (Alberta Labour)
- Affordable Housing Follow-up (Alberta Seniors and Housing)
- Collections of Corporate Income Tax and Filing Compliance Follow-up (Alberta Treasury Board and Finance)

## Analysis, Monitoring and Reporting of Programs Needs to Improve

Many aspects of the processes we audited for this report are working as intended.

However, the government can improve its analysis, monitoring and reporting processes of several government programs. These processes, if effective, help achieve program objectives and desired results, which can directly benefit Albertans.

For example, consider the importance of government wildfire prevention processes. Historically, 60 per cent of wildfires are caused by humans and are preventable. The impact of wildfires on Albertans has been staggering over the last few years. Every year

there are on average 1,400 forest fires. In 2016, 88,000 residents were evacuated from Fort McMurray due to a devastating fire that destroyed 2,400 structures. That same fire directly cost Albertans and businesses an estimated \$3.4 billion.

Effective prevention processes are important. Our audit of Alberta Agriculture and Forestry's wildfire management program identified the analysis, monitoring and reporting of results of wildfire prevention activities could be improved.

This need for improvement in analysis, monitoring and reporting was also a common theme in the additional following performance audits included in this report:

- Systems to Manage and Report on the Oil Sands Monitoring Program Follow-Up (Alberta Environment and Parks)
- Systems to Update Alberta's Workforce Strategies (Alberta Labour)
- Contract Management Processes (Service Alberta)

### Acknowledgement and Thanks

I extend my sincere thanks to all those who have helped our office successfully achieve our mandate over the past year. I want to thank all of the Members of the Legislative Assembly, and in particular the members of both the Standing Committee on Legislative Offices and the Standing Committee on Public Accounts. I also want to thank the members of the Provincial Audit Committee, comprised of individuals with financial, governance and business backgrounds, who serve to offer wise counsel to our office on our work. I also thank those in oversight and management roles of the organizations we audit. Your cooperation is appreciated.

Finally, I thank each and every member of my office for working tirelessly to make a difference through our work. To each of you I say—well done!



W. Doug Wylie FCPA, FCMA, ICD.D  
Auditor General









# Performance Auditing

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November 2018

## Vision

Making a difference  
in the lives of Albertans

## Mission

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

## Values

We are committed to our mission and to achieving our vision.  
Our values guide us in our internal and external relationships:

### 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.

### Diversity of thought

We encourage open minds, innovative thinking and constructive challenge.

### 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.

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## Summary of Recommendations

We conducted our audits in accordance with the *Auditor General Act* and the standards for assurance engagements as set out in the CPA Canada Handbook—Assurance.

This report contains seven new recommendations to government.

As part of the audit process, we provide recommendations to government in documents called management letters. We use public reporting to bring recommendations to the attention of Members of the Legislative Assembly. For example, members of the all-party Standing Committee on Public Accounts refer to the recommendations in our public reports during their meetings with representatives of government departments and agencies.

The auditor general is the auditor of every ministry, department and regulated fund, and most provincial agencies. Under the *Government Organization Act*, ministers are responsible for administering departments and provincial legislation. Deputy ministers are delegated responsibility to support the minister in his or her role and to act as the chief operator of a department. Ministers may also establish any boards, committees or councils they consider necessary to act in an advisory or administrative capacity for any matters under the minister's administration. A minister is responsible for oversight of the work and actions of the department and any provincial agencies under his or her administration. However, we make our recommendations to departments and provincial agencies rather than to the minister directly, given the delegated operational responsibilities and that they are in the best position to respond to and implement our recommendations. With respect to recommendations related to ministerial oversight of a provincial agency, we generally make the recommendation to the department supporting and providing advice to the minister.

We believe all of the recommendations in this report require a formal public response from the government. In instances where a recommendation has been made to a board-governed organization, we expect the organization to implement the recommendation and report back to its respective government ministry as part of proper oversight of the organization.

### Reporting the Status of Recommendations

We follow up on all recommendations. The timing of our follow-up audits depends on the nature of our recommendations. To encourage timely implementation and assist with the planning of our follow-up audits, we require a reasonable implementation timeline on all recommendations accepted by the government or the entities we audit that report to the government. We recognize some recommendations will take longer to fully implement than others, but we encourage full implementation within three years.

Typically, we do not report on the progress of an outstanding recommendation until management has had sufficient time to implement the recommendation and we have completed our follow-up audit work.

We repeat a recommendation if we find that the implementation progress has been insufficient.

We report the status of our recommendations as:

- Implemented—We explain how the government implemented the recommendation.
- Repeated—We explain why we are repeating the recommendation and what the government must still do to implement it.

On occasion, we may make the following comments:

- Satisfactory progress—We may state that progress is satisfactory based on the results of a follow-up audit.
- Progress report—Although the recommendation is not fully implemented, we provide information when we consider it useful for MLAs to understand management's actions.

## New Recommendations

### Alberta Agriculture and Forestry: Wildfire Management: Processes for Prevention and Review and Improvement

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#### RECOMMENDATION:

**Ensure processes are in place to evaluate and report on wildfire prevention program**

We recommend that the Department of Agriculture and Forestry:

- publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk
- ensure there are processes in place to measure, monitor and report on the results and effectiveness of the various activities set out in the forest areas' annual wildfire prevention plans

#### Consequences of not taking action

Without full public reporting on all aspects of the FireSmart program, Albertans are not being provided with all the information they need to fully understand what work the department is doing in this area towards wildfire hazard and risk reduction, why it focuses efforts where it does, and what work the department is doing to support community-based FireSmart practices. Full public reporting will also enable the department to better showcase to Albertans the work it is doing in this area.

Without proper reporting and results analysis the department will not have adequate information to assess whether the activities and programs carried out by the 10 forest areas as part of their wildfire prevention plans are achieving desired results efficiently and effectively for the public funds spent or what necessary changes need to be made for improvement going forward.



**RECOMMENDATION:**

**Comply with business rules for internal reviews reporting and establish and monitor implementation timelines for recommendations from external reviews**

We recommend that the Department of Agriculture and Forestry:

- comply with its established business rules for internal results reporting for the review and improvement program
- establish and monitor implementation timelines for recommendations and opportunities for improvement from independent external reviews and publicly report implementation progress against these

**Consequences of not taking action**

The findings of the review and improvement unit and the feedback it gets from forest area staff during onsite visits is a key part of the department's annual process of reviewing and updating its wildfire management standard operating procedures (SOP) and business rules. These changes have to be ultimately concurred with and approved by senior management as they affect all aspects of wildfire management. The only way to ensure decisions made are fully informed and evidence based is to have all relevant and necessary information documented and at hand, which can only happen if the reports required by the department's business rules are completed.

Without establishing implementation timelines for the recommendations and opportunities set out in external reviews, department management does not have an effective process to alert them in a timely manner to problem areas which require their attention and intervention. Without public reporting on the progress of implementation activities against target timelines, Albertans will not know if the department is on track to make necessary changes to the wildfire management program and cannot hold the department accountable if it is not on track.

### Alberta Environment and Parks: Systems to Manage and Report on the Oil Sands Monitoring Program Follow-up

**RECOMMENDATION:**

**Improve annual reporting process**

We recommend that the Department of Environment and Parks, working with Environment and Climate Change Canada, improve processes to ensure the annual report on the oil sands monitoring program is complete, accurate, clear, and timely.

**Consequences of not taking action**

Without complete, timely, and accurate public reporting, stakeholders will not know the status and results of environmental monitoring in the oil sands and cannot hold the government accountable for meeting its commitment to ensure environmentally responsible development of the oil sands.

## Alberta Labour: Systems to Update Alberta's Workforce Strategies

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### **RECOMMENDATION:** **Report on results of workforce strategies**

We recommend that the Department of Labour regularly measure and report on the results of its current workforce strategies, including lessons learned.

### **Consequences of not taking action**

Without effective processes to monitor progress and report on results of its workforce strategies, the department risks not achieving planned results and not demonstrating value for taxpayer money spent. Long-term planned results will succumb to short-term needs and not support the needs of vulnerable Albertans.

## Service Alberta: Contract Management Processes

Page 5

### **RECOMMENDATION:** **Improve performance measurement processes**

We recommend that the Department of Service Alberta develop processes to improve its measuring, monitoring, and reporting of the performance of its large and complex contracts.

### **Consequences of not taking action**

The department may continue to spend money without knowing the true extent to which desired results are being achieved. If targets are not set, the department cannot effectively weigh costs against the benefits of its investments or take action where required to ensure all potential benefits are realized.

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### **RECOMMENDATION:** **Improve compliance processes**

We recommend that the Department of Service Alberta develop processes to improve its monitoring and enforcement of contract compliance to ensure that the desired results of the contract are achieved.

### **Consequences of not taking action**

Without effective monitoring and enforcement of contract terms and conditions, the department will not achieve the desired outcomes of contracts. Ineffective contract management results in wasted time and public funds, unnecessary conflict, and risks that Albertans are not receiving the full benefits of what they paid for.

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**RECOMMENDATION:**  
**Incorporate lessons learned**

We recommend that the Department of Service Alberta develop processes to improve its evaluation of contracts and implement risk mitigation strategies and lessons learned where required.

**Consequences of not taking action**

If effective processes are not in place to identify what is working well and what needs improvement, and to plan actions required, contract deficiencies or other unmitigated risks will not be corrected in a timely manner. As a result, there could be unnecessary costs to the public, in terms of both money and time spent.

## Implemented Recommendations

### Alberta Environment and Parks: Systems to Manage and Report on the Oil Sands Monitoring Program

Original: October 2014, no. 1, p. 26

A new recommendation is replacing this one—see Performance Auditing, page 4

**RECOMMENDATION:**  
**Joint Canada–Alberta Plan for Oil Sands Monitoring—Ensure timely, accurate and transparent public reporting**

We recommend that the Department of Environment and Parks work with the Government of Canada to ensure that public reporting on the joint plan is timely, accurate and transparent.

Original: October 2014, no. 2, p. 29

Implemented: November 2018, Performance Auditing, page 4

**RECOMMENDATION:**  
**Joint Canada–Alberta Plan for Oil Sands Monitoring—Improve planning and monitoring**

We recommend that the Department of Environment and Parks:

- implement effective processes for monitoring project status
- develop and implement work plans, with roles and responsibilities and timelines and deliverables, for implementing all key commitments under the joint plan
- clarify what needs to be done to implement any joint plan projects and commitments remaining after March 2015

## Alberta Justice and Solicitor General: Contracting for External Services Follow-up

Original: July 2016, no. 1, p. 22

Implemented: November 2018, Performance Auditing, page 2

### **RECOMMENDATION:**

#### **Office of the Chief Medical Examiner—Contracting Transporters of Deceased Rural Albertans**

Develop guidelines for contracts requests—We recommend that the Department of Justice and Solicitor General develop guidelines that clearly identify:

- when a program area must provide a business case to support a contract request and what information must be included
- who can make a decision not to require a business case and in what circumstances, and what must be documented to support this decision

Original: July 2016, no. 2, p. 25

Implemented: November 2018, Performance Auditing, page 3

### **RECOMMENDATION:**

#### **Office of the Chief Medical Examiner—Contracting Transporters of Deceased Rural Albertans**

Determine when contracted vendors will be used—We recommend that the Department of Justice and Solicitor General determine and include as part of its pre-qualification contract posting process:

- a date after which only vetted and contracted vendors are eligible to provide services in the normal course of business
- circumstances in which it may need to use non-contracted vendors

## Alberta Labour: Occupational Health and Safety Follow-up

Original: April 2010, p. 43

Repeated: July 2016, no. 3, p. 41

Implemented: November 2018, Performance Auditing, page 3

### **RECOMMENDATION:**

#### **Evaluating Occupational Health and Safety Systems—Improve planning and reporting**

We again recommend that the Department of Labour improve its planning and reporting systems for occupational health and safety by evaluating and reporting on whether key OHS programs and initiatives achieve the desired results.

Original April 2010, no. 3, page 39

Repeated: July 2012, no. 12, page 83

Repeated: July 2016, no. 4, page 43

Implemented: November 2018, Performance Auditing, page 4

**RECOMMENDATION:**

**Evaluating Occupational Health and Safety Systems—Enforce compliance**

We again recommend that the Department of Labour clarify and enforce its procedures to approve giving employers extra time to fix worksite health and safety problems.

**Alberta Seniors and Housing: Affordable Housing Follow-up**

Original: July 2013, no. 12, p. 90

Implemented: November 2018, Performance Auditing, page 2

**RECOMMENDATION:**

**Systems to Deliver Affordable Housing Grants—Improve Monitoring Processes**

We recommend that the Department of Seniors and Housing improve its monitoring processes to ensure affordable housing grant recipients comply with their grant agreements by:

- developing and conducting risk-based monitoring activities
- following procedures and processes when performing monitoring activities

Original: July 2013, No. 13, page 92

Implemented: November 2018, Performance Auditing, page 2

**RECOMMENDATION:**

**Systems to Deliver Affordable Housing Grants—Develop an Evaluation System**

We recommend that the Department of Seniors and Housing improve its evaluation processes by:

- developing performance measures and adequate information systems so that the department can better evaluate and report on its affordable housing grant programs
- completing periodic evaluations of its affordable housing grants programs

**Alberta Treasury Board and Finance:  
Collection of Corporate Income Tax & Filing Compliance Follow-up**

Original: October 2014, no. 6, p. 51

Implemented: November 2018, Performance Auditing, page 2

**RECOMMENDATION:**

**Collection of Outstanding Corporate Taxes—Maintain policies and procedures and train staff**

We recommend that the Department of Treasury Board and Finance:

- update and maintain its policies and procedures for tax compliance officers
- review its training program to ensure it provides relevant and ongoing training to tax compliance officers

Original: October 2014, no. 7, page 52

Implemented: November 2018, Performance Auditing, page 3

**RECOMMENDATION:**

**Collection of Outstanding Corporate Taxes—Develop internal and external performance measures and targets**

We recommend that the Department of Treasury Board and Finance develop comprehensive performance measures and targets for tax collections and determine which to report publicly.

Original: October 2014, no. 8, page 54

Implemented: November 2018, Performance Auditing, page 4

**RECOMMENDATION:**

**Collection of Outstanding Corporate Taxes—Improve management of information and analyze data periodically**

We recommend that the Department of Treasury Board and Finance:

- update its management reports to include additional information on the status of tax collection files and the success of its various collection activities
- periodically analyze the characteristics of the corporate taxes outstanding to identify potential changes to legislation, policies and collections strategies
- deal with the backlog of files submitted for write-off and low value accounts

Original: October 2015, no. 17, page 156

Implemented: November 2018, Performance Auditing, page 5

**RECOMMENDATION:**

**Improve compliance systems for unfiled corporate income tax returns**

We recommend that the Department of Treasury Board and Finance improve its compliance systems to deal with unfiled corporate income tax returns.









# Alberta Agriculture and Forestry Wildfire Management: Processes for Prevention and Review and Improvement



## Executive Summary

November 2018

### Who

Alberta Agriculture and Forestry

### What

Performance Audit

### When

We conducted our field work from February to June 2018 and substantially completed our audit on October 2, 2018.

### Learn more

[www.agric.gov.ab.ca](http://www.agric.gov.ab.ca)

## Why we did this audit

Every year, an average of 1,400 wildfires occur in Alberta's forests. The financial impact can be considerable. Aside from the money the province spends on wildfire management (\$294 million in fiscal 2017–2018), wildfires can cause hundreds of millions of dollars of damage, displacing people from their homes and disrupting businesses.

The Department of Agriculture and Forestry has an established wildfire management program to protect the 39 million hectares of forest in Alberta, consisting of the following five components: prevention; detection; pre-suppression preparedness; suppression; review and improvement.

Our audit objective was to:

- Determine if the **prevention** and **review and improvement** components of the department's wildfire management program are well designed and working effectively.
- Determine if the department has processes to evaluate, implement and report on recommendations and opportunities for improvement from these public reviews:
  - 2011 Flat Top Complex Wildfire Review (Flat Top Complex Wildfire Review Committee): 21 recommendations
  - Wildfire Management Program and the 2015 Fire Season Review: four recommendations; 18 opportunities for improvement
  - 2016 Horse River Wildfire Review: 10 recommendations; 11 opportunities for improvement

## What we concluded

As of June 2018, the department had effective systems and processes for the planning and delivery of its wildfire prevention and review and improvement activities. However, the department needs to improve its systems and processes in the following areas:

# Alberta Agriculture and Forestry

## Wildfire Management: Processes for Prevention and Review and Improvement



- measure, monitor and report on the results and effectiveness of the activities set out in its forest areas' wildfire prevention plans
- publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk
- comply with its business rules for internal results reporting for the review and improvement program
- show implementation timelines or completion target dates in its implementation plans for recommendations and opportunities for improvement from external public reviews against which it can measure and report progress

### Why this is important to Albertans

Albertans have experienced devastating losses over the last few years due to wildfires, and studies indicate that future wildfire seasons may become longer and more severe due to climate change.<sup>1</sup> Wildfires threaten human lives, communities, natural resources, wildlife habitat, industrial facilities and infrastructure.

The department's wildfire prevention program is designed to reduce human-caused wildfire occurrence and the potential for wildfire loss and damage through a combination of FireSmart, education, and enforcement.

Albertans should be confident that these programs are working effectively to reduce the risk of wildfire damage and have access to information about how they are meeting this goal.

### What needs to be done

We recommend that the Department of Agriculture and Forestry:

- Ensure processes are in place to evaluate and report on wildfire prevention programs.
- Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews.

### Consequences of not taking action

- Without proper reporting and results analysis, the department will not have adequate information to assess whether the activities and programs carried out by the 10 forest areas as part of their wildfire prevention plans are achieving desired results efficiently and effectively for the public funds spent or what necessary changes need to be made for improvement going forward.
- Without full public reporting on all aspects of the FireSmart program, Albertans are not being provided with all the information they need to fully understand what work the department is doing in this area towards wildfire hazard and risk reduction, why it focuses efforts where it does, and what work the department is doing to support community-based FireSmart practices. Full public reporting will also enable the department to better explain to Albertans the work it is doing in this area.
- Without establishing implementation timelines for the recommendations and opportunities set out in external reviews, department management does not have an effective process to alert them in a timely manner to problem areas which require their attention and intervention.
- Without public reporting on the progress of implementation activities against target timelines, Albertans will not know if the department is on track to make necessary changes to the wildfire management program and cannot hold the department accountable if it is not on track.

### Read the full report at:

[oag.ab.ca](https://oag.ab.ca)

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<sup>1</sup> Alberta Wildfire Management Branch Strategic Plan 2017—2019. Page 5.



# Alberta Environment and Parks Systems to Manage and Report on the Oil Sands Monitoring Program Follow-up



## Executive Summary

November 2018

### Who

Alberta Environment and Parks

### What

Follow-up Performance Audit

### When

We conducted our field work between July 2017 and April 2018 and substantially completed our audit on May 1, 2018.

### Learn more

[www.aep.alberta.ca](http://www.aep.alberta.ca)

## Why we did this audit

Oil sands development has led to concerns about its environmental impacts and the need to better understand and respond to these impacts. The Alberta and Canadian governments responded by establishing the joint environmental monitoring program for the oil sands. Since then, the governments have been collaborating to enhance environmental monitoring, evaluation of and reporting on the impacts of oil sands development.

The program objective is to monitor air, water, land and biodiversity in the oil sands region, and to evaluate and report on the impacts of oil sands development. The program aims to enhance understanding of the cumulative effects and environmental changes related to oil sands development, and to guide responsible development of the resource.

From 2012 to 2014, the Department of Environment and Parks managed Alberta's responsibilities under the program. The Alberta Environmental Monitoring, Evaluation and Reporting Agency (AEMERA) managed the program from 2014 to 2016. The agency was dissolved in 2016, after which the Environmental Monitoring and Science Division of Environment and Parks assumed responsibility for managing the program.

The quality of the systems to manage the program and report on its results are key to the program's success, accountability, and transparency. A broad spectrum of stakeholders—government, industry, and the general public—is interested in the program's activities and results. In 2014, we audited the program's project-management systems and its first annual report and found that both needed improvement.

# Alberta Environment and Parks

## Systems to Manage and Report on the Oil Sands Monitoring Program Follow-up



The objective of our audit was to determine whether the Department of Environment and Parks has implemented our outstanding 2014 recommendations<sup>1</sup> to:

- provide clear, accurate, and timely reporting on the Oil Sands Monitoring (OSM) program
- implement effective processes for monitoring project status; develop and implement work plans with roles and responsibilities, timelines, and deliverables; and clarify what needs to be done to implement any projects and commitments remaining from the 2012–2015 Canada-Alberta implementation plan for the oil sands

### What we concluded

We conclude that the Department of Environment and Parks has not, as of May 1, 2018, implemented our recommendation to provide clear, accurate, and timely reporting through the annual report on the Oil Sands Monitoring (OSM) program.

We concluded that the department has implemented our recommendation to:

- implement effective processes for monitoring project status
- develop and implement work plans with roles and responsibilities and timelines and deliverables
- clarify what needs to be done to implement any projects and commitments remaining from the 2012–2015 Canada-Alberta implementation plan for the oil sands

### Why this is important to Albertans

The annual report on the environmental monitoring in the oil sands is the key accountability mechanism that informs stakeholders about the program's success. The report must demonstrate how resources were spent, and provide clear, accurate, and timely information on program activities, results and overall success.

### What we examined

Our follow-up audit evaluated whether the OSM program 2016–2017 annual report met results-reporting principles that department management had agreed were suitable for this audit.

We also examined the department's project management processes based on a sample of 2016–2017 and 2017–2018 projects.

### What we found

The department did not establish a robust process to develop the 2016–2017 annual report. As a result, the report lacked important information about the overall program and its projects.

### What needs to be done

We recommend that the Department of Environment and Parks, working with Environment and Climate Change Canada, improve processes to ensure the annual report on the OSM program is complete, accurate, clear and timely.

### Consequences of not taking action

Without complete, timely, and accurate public reporting, stakeholders will not know the status and results of environmental monitoring in the oil sands and cannot hold the government accountable for meeting its commitment to ensure environmentally responsible development of the oil sands.

### Read the full report at:

[oag.ab.ca](http://oag.ab.ca)

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<sup>1</sup> In 2014, AEMERA managed the Oil Sands Monitoring (OSM) program on behalf of Alberta. Our 2014 recommendations were therefore addressed to AEMERA. We rephrased our outstanding recommendations to reflect that the Department of Environment and Parks currently manages Alberta's responsibilities under the OSM program.



# Alberta Justice and Solicitor General Contracting for External Services Follow-up



## Executive Summary

November 2018

### Who

Alberta Justice and Solicitor General

### What

Follow-up Performance Audit

### When

We conducted our field work between January and July 2018 and substantially completed our audit on September 5, 2018.

### Learn more

[www.justice.alberta.ca](http://www.justice.alberta.ca)

## Why we did this audit

In 2016, we found that the Department of Justice and Solicitor General's processes did not have clear and effective guidelines for programs to follow when requesting funding and preparing business cases to support their need to engage external contractors.

The objective of our audit was to determine whether the department had implemented our two July 2016 recommendations on external contracting for business services, including contracts for transporters of deceased rural Albertans and contingency provisions for the use of non-contracted vendors.<sup>1</sup>

Our 2016 audit focused on the Office of the Chief Medical Examiner (OCME); however, our report resulted in one recommendation directed toward the department as a whole (business case guidelines) and one for the OCME program (using pre-qualified contract vendors). For this follow-up audit, we decided to broaden our scope to more fully examine the department's pre-qualification contractor processes. Accordingly, we included two additional support areas within the department using pools of pre-qualified contractors: Gladue report writers, plus court reporters and transcript preparers.

## What we concluded

Based on our findings obtained in completing audit procedures between January and July 2018, we conclude that the Department of Justice and Solicitor General has implemented our 2016 recommendations, having:

- developed business case guidelines and required business cases to be used for significant external-services-contract requests
- improved and complied with pre-qualified contractor requirements for specified program services

<sup>1</sup> Report of the Office of the Auditor General—July 2016, page 19.

# Alberta Justice and Solicitor General Contracting for External Services Follow-up



## Why this is important to Albertans

Good contracting practices contribute to cost-effective operations and reduce the risk of the department not getting the level or quality of service that meets its standards. The use of business cases and pre-qualified contractor programs contributes to Albertans having access, if needed, to cost-effective justice services.

## What we examined

We examined the business case guidelines and several business case information packages presented to the department's contract review committee to evaluate implementation of our 2016 recommendation for significant, new, external contract services requests.

For our 2016 recommendation involving external services obtained from pre-qualified contracted vendors, we examined the design of the pre-qualification evaluation processes leading up to a contract being offered to an applicant and the applicant's being included on the roster of program vendors that can be used. We tested payments for the specified program services, checking that an appropriate invoice had been received that was supported by a valid pre-qualified contract. We also reviewed any allowable exception provisions for situations when an approved vendor was not available to provide the needed services on a cost-effective and timely basis.

For our business case audit testing, we examined business cases and contract review committee minutes from the 18 months ended June 30, 2018. For our pre-qualified contracting tests, we examined pre-qualified vendor contracts, service request and completion forms, and invoices and payments data from the year ended February 28, 2018.

## What we found

The department has developed business-case guidelines. Business cases were prepared for use by the department's contract review committee to consider significant new external-services-contract requests.

The OCME complied with its pre-qualified contractor use policy for rural body transportation. The use of non-contracted vendors was limited to situations where excessive costs and time delays would be incurred in using pre-qualified contractors or when special services were required.

The department was complying with its policy of only using pre-qualified contractors for:

- Gladue report writing
- court reporting and transcript preparation

## Read the full report at:

[oag.ab.ca](http://oag.ab.ca)

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# Alberta Labour Occupational Health and Safety Follow-up



## Executive Summary

November 2018

### Who

Alberta Labour

### What

Follow-up Performance Audit

### When

We conducted our fieldwork between November 2017 and June 2018 and completed our audit on August 21, 2018.

On June 1, 2018, the *Occupational Health and Safety Act, R.S.A. 2000, c.O-2* was repealed and the *Occupational Health and Safety Act, S.A. 2017, c.O-2.1* came into force. This change did not affect our audit's subject matter and our testing of the department's processes to enforce compliance with OHS legislation was on OHS orders prior to the date of the new legislation.

### Learn more

[www.alberta.ca/ministry-labour.aspx](http://www.alberta.ca/ministry-labour.aspx)

<https://www.alberta.ca/occupational-health-safety.aspx>

## Why we did this audit

Albertans go to work each day with the expectation that they will come home to their community and loved ones free of injury, illness or harm. Unfortunately, work-related illnesses, injuries and deaths still occur. A recent report by the University of Alberta Parkland Institute<sup>1</sup> estimates that there were over 170,000 workplace injuries in Alberta in 2016, including 144 fatalities accepted as compensable by the Workers' Compensation Board.

The *Occupational Health and Safety Act, Regulation and Code* and other legislation exist to help employers in Alberta minimize occupational hazards. The Department of Labour is responsible for implementing and enforcing occupational health and safety (OHS) legislation, regulation, codes and policies.

In April 2010,<sup>2</sup> we assessed whether the department had adequate systems to promote, monitor, enforce and report on its OHS goals and objectives and made five recommendations. We assessed recommendations related to inspection systems, certificates of recognition and permit and certificate programs as implemented during follow-up audits reported in July 2012<sup>3</sup> and July 2016.<sup>4</sup>

In 2016, we found the department had still not implemented the following recommendations:

- plan and report on whether key OHS programs and initiatives achieve desired results
- clarify and enforce procedures on worksite compliance with OHS legislation

<sup>1</sup> *Safer by Design: How Alberta Can Improve Workplace Safety*, University of Alberta Parkland Institute, April 2018, page 1.

<sup>2</sup> *Report of the Auditor General of Alberta*—April 2010, pages 31–52.

<sup>3</sup> *Report of the Auditor General of Alberta*—July 2012, pages 81–90.

<sup>4</sup> *Report of the Auditor General of Alberta*—July 2016, pages 39–48.

# Alberta Labour Occupational Health and Safety Follow-up



The objective of our follow-up audit was to determine whether the department had implemented the two outstanding 2010 recommendations.

## What we concluded

We conclude that for the period April 1, 2017, to March 31, 2018, the department had implemented the two outstanding recommendations. The department:

- implemented processes to plan and report on whether key OHS programs and initiatives have achieved their outcomes
- documented, without exception, orders to comply with OHS legislation, including proper management approval for compliance order extensions

## Why this is important to Albertans

The impact of workplace injuries, illnesses and fatalities reaches well beyond workers and their families and leads to broader negative economic and social consequences, which include:

- workers losing their level of income and health, and sometimes their lives
- employers facing costs such as legal expenses, additional hiring and training costs, loss of productivity and Workers' Compensation Board premium increases
- the healthcare system ultimately funding and treating unreported injuries and diseases
- pressures on government resources to inspect, investigate and prosecute

## What we examined

To assess whether the department had implemented our recommendations, we:

- interviewed key staff and examined relevant procedures
- examined the processes used to determine, calculate, verify, and report the performance measures/indicators
- examined management's program evaluation process, including the overall evaluation of cost-effectiveness and the assignment of accountability for future action plans derived from the evaluation
- tested the processes for a sample of measures/indicators
- tested implementation of a new systems control and safety officer training

- tested all OHS orders created from April 1, 2017, to September 30, 2017, confirming whether operating procedures relating to management approval of extensions were followed
- performed an analytical review of Compliance Management Information System (CMIS) OHS order data for unusual patterns or unexpected parameters from April 1, 2017, to September 30, 2017
- tested management's quality assurance process related to the above data from April 1, 2017, to March 31, 2018

## What we found

### Improve health and safety program planning and reporting

The department has implemented:

- an adequate process to determine measures and indicators for each of its programs; evaluated the overall cost-effectiveness of the programs; and linked the measures and indicators to its goals, objectives and outcomes
- processes to calculate, verify, and report the measures and indicators for each of its programs.

### Enforce compliance

The department has implemented:

- clear operating procedures related to OHS orders and communicated the requirements to all OHS managers and officers
- training of all OHS officers and managers regarding responsibilities and requirements around time extensions
- an automated computer control in CMIS to require management approval of subsequent extensions
- a quality assurance process to monitor proper entry of manager extension approvals

### Read the full report at:

[oag.ab.ca](http://oag.ab.ca)

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# Alberta Labour Systems to Update Alberta's Workforce Strategies



## Executive Summary

November 2018

### Who

Alberta Labour

### What

New Performance Audit

### When

We conducted our field work between July and December 2015 and June and December 2017 and substantially completed the audit on August 21, 2018.

### Learn more

[www.alberta.ca/ministry-labour.aspx](http://www.alberta.ca/ministry-labour.aspx)

## Why we did this audit

Workforce development consists of activities and efforts to help meet the employment needs of employers and those looking for work. These activities include adult skills training, job placement, and developing partnerships with industry designed to help unemployed individuals gain employment and lower-skilled workers improve their skill level. In Alberta, the Department of Labour is responsible for the delivery of programs that support the development of Alberta's workforce.

The objective of our audit was to assess whether the Department of Labour has adequate systems to update Alberta's workforce strategies. This includes systems to:

- demonstrate successful implementation of Alberta's workforce strategy
- report on and evaluate results of performance
- provide reliable and useful labour market information to users

Our work focused on the 10-year *Building and Educating Tomorrow's Workforce Strategy* (BETW), released in 2006, and the department's processes to regularly monitor, report on, and update the strategy. Implementation of the strategy was a shared responsibility by multiple ministries. Our audit focused on the Department of Labour, as over the last three years of the strategy, it had the primary oversight role in monitoring progress of the strategy and the plans going forward.

We did this work because the process design and operating effectiveness of the government's systems to monitor workforce strategies directly impact the success of those strategies. In order to make good decisions on behalf of Albertans regarding current and future workforce needs, the department requires effective processes to guide its efforts and investments.

# Alberta Labour Systems to Update Alberta's Workforce Strategies



## What we concluded

We concluded that the department did not, in all significant respects, have adequate systems to update its workforce strategies for 2013 to 2016 to:

- demonstrate successful implementation of its BETW Strategy
- report on and evaluate the results of its performance

The department did not monitor or report progress towards BETW's planned results between 2013 and 2016. When BETW came to an end in 2016, the department decided to proceed without a long-term multi-ministry strategy to guide its workforce development efforts. With no results analysis of the BETW strategy, neither the department nor Albertans know if the long-term planning efforts of the BETW were successful or how lessons learned from that strategy will improve the government's preparation for current and future workforce needs.

## Why this is important to Albertans

It is important to all Albertans that the department has a workforce plan that has the flexibility to respond to short-term labour demand fluctuations, and the vision and supporting structures to achieve longer-term objectives.

Good processes to monitor progress and report on results provide Albertans with the information they need to know whether the department is on track with its plan and the value received for the money spent. Without these processes, the department will not achieve its longer-term planned results.

## What we examined

At the time we began our audit, the BETW strategy was nearing its end, and the department was working to update the strategy. We examined the department's processes with the objective of understanding how the department:

- monitored and reported on progress in achieving the planned results of the strategy

- evaluated what worked and what did not work with BETW, and how it incorporated learnings from BETW to make changes to its new strategy
- used labour market information to support its workforce strategies

Our work provided an opportunity to examine how the strategy central ministry coordinated the execution of a long-term multi-ministry strategy.

## What we found

The department:

- did not monitor and report on the progress in achieving the planned results of the BETW Strategy
- cannot demonstrate if BETW achieved its planned results or whether the resources dedicated to it over the past 10 years were well placed

## What needs to be done

We recommend that the Department of Labour regularly measure and report on the results of its current workforce strategies, including lessons learned.

## Consequences of not taking action

Without effective processes to monitor progress and report on results of its workforce strategies, the department risks not achieving planned results and not demonstrating value for taxpayer money spent. Long-term planned results will succumb to short-term needs and not support the needs of vulnerable Albertans.

## Read the full report at:

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# Alberta Seniors and Housing Affordable Housing Follow-up



## Executive Summary

November 2018

### Who

Alberta Seniors and Housing

### What

Follow-up Performance Audit

### When

We conducted our field work from April to July 2018. We completed our audit on August 10, 2018.

### Learn more

[www.alberta.ca/ministry-seniors-housing.aspx](http://www.alberta.ca/ministry-seniors-housing.aspx)

## Why we did this audit

In 2007, the Alberta Affordable Housing Task Force recommended that the Government of Alberta enhance capital resources for affordable housing supply. In September 2011, the department reported that it had met its objective of approving funding for the development of 11,000 affordable housing units. In July 2013<sup>1</sup>, we made recommendations to improve grant monitoring processes and evaluation systems.

The objective of our follow-up audit was to determine whether the department has implemented our recommendations to improve its grant monitoring processes and evaluation systems.

## What we concluded

We concluded that as of July 2018, the Department of Seniors and Housing had implemented our recommendation to improve its systems and processes for monitoring and evaluating its affordable housing grants programs.

## Why this is important to Albertans

The department has invested \$1.1 billion to increase Alberta's supply of affordable housing. Albertans need to have confidence that this investment is supporting the development of housing options that serve the needs of low-income Albertans. For Albertans to receive value for money from these programs, those who qualify to live in these units should benefit from increased availability and lower rates for affordable housing.

<sup>1</sup> Report of the Auditor General of Alberta—July 2013, no. 12, page 90, and no.13, page 92.

# Alberta Seniors and Housing Affordable Housing Follow-up



## What we examined

To perform this follow-up audit, we:

- tested controls and the accuracy and completeness of information within the grant information system
- examined reports from the affordable housing grant information system
- examined the results of field compliance audits completed in the 2016–2017 cycle
- reviewed the program evaluation report and program reporting

## What we found

### Improved monitoring processes

Our follow-up audit findings show the department has implemented the recommendation by:

- developing an information system to track its grants and monitor compliance of the housing grant recipients
- utilizing a risk-based approach to conduct monitoring activities
- performing field compliance reviews and following up on identified exceptions

### Improved evaluation processes

Our follow-up audit findings show the department has implemented our recommendation by:

- developing a grant information system that produces reports management uses to evaluate affordable housing grant programs
- commissioning an external evaluation of the grant program and incorporating the findings into other housing programs
- developing a process to continuously improve the compliance process

### Read the full report at:

[oag.ab.ca](http://oag.ab.ca)

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# Service Alberta Contract Management Processes



## Executive Summary

November 2018

### Who

Service Alberta

### What

New Performance Audit

### When

We conducted our field work between June and November 2017 and substantially completed our audit in January 2018.

### Learn more

[www.servicealberta.ca](http://www.servicealberta.ca)

## Why we did this audit

Procurement of goods and services is a fundamental activity in the daily operation of the Government of Alberta. Each year, the government spends hundreds of millions of dollars contracting goods and services for large and complex projects. To ensure that Albertans realize the benefit of this spending, departments need to follow effective contract management processes.

In order to examine each of the processes above, we needed a contract of sufficient length and complexity. The Government of Alberta's contracts related to the Alberta SuperNet have these characteristics. In 2001, the government entered into a series of long-term contracts to build and operate the SuperNet, a telecommunications network that provides capacity for high-speed broadband services to rural Albertans.

The Department of Service Alberta has been delegated responsibility for oversight and management of selected large and complex contracts on behalf of the government, including the SuperNet contracts.

Including the initial investment of \$193 million, the department has indicated to us it estimates the government has spent approximately \$1 billion on the construction and operation of the SuperNet.

## What we concluded

We conclude that the Department of Service Alberta did not in all significant respects have effective processes to manage the SuperNet contracts.

Processes related to performance measurement, compliance with contractual obligations, and contract evaluation were deficient and not working together. As a result, the department needed to extend the SuperNet operating agreement because it was not prepared for any other option.

Parties to the contract are not interpreting the terms and conditions in the contracts consistently. Inconsistent interpretation results in wasted time and

# Service Alberta Contract Management Processes



increased cost, a higher risk of contract non-compliance, and a higher risk that the department will not achieve its desired results from the contracts.

The Department of Service Alberta has been delegated responsibility for oversight and management of selected large and complex contracts on behalf of the government. We expect the department to have all components of an effective contract management system over these large and complex contracts. The department confirmed to us that it applies the same processes to manage all of its large and complex contracts, including the Alberta SuperNet contracts. We expect that the department can apply any findings or learnings from this audit to all similar contracts or to those portions of the process that are required on less complex department contracts.

## Why this is important to Albertans

The government makes significant investment of public funds through project contracts. Albertans need assurance that the department is continuously monitoring and realizing contract benefits and opportunities. Ineffective contract management increases the likelihood of wasted public spending and lost opportunities for improvement.

## What we examined

To assess the effectiveness of the department's processes to manage the SuperNet contracts, we:

- interviewed key staff and those responsible for management and oversight of the SuperNet contracts
- examined the department's processes to oversee and manage the contracts
- examined documentation related to the SuperNet, such as agreements, risk assessments, monitoring reports, change orders, and related correspondence
- assessed the department's processes to evaluate and incorporate change management and lessons learned where required

## What we found

The department does not have processes to monitor and report on the performance of the SuperNet. For some operational goals in the SuperNet contracts, the department did not define related performance measures.

Parties to the contracts are not interpreting terms and conditions consistently, so they disagree about whether contract terms and conditions are being complied with.

The department extended the SuperNet operating agreement by three years despite identified deficiencies and unmitigated risks.

## What needs to be done

We recommend the Department of Service Alberta develop processes to improve its:

- measuring, monitoring, and reporting of the performance of its large and complex contracts
- monitoring and enforcement of contract compliance to ensure that the desired results of the contract are achieved
- evaluation of contracts and implement risk mitigation strategies and lessons learned where required

## Consequences of not taking action

Without effective monitoring and enforcement of contract terms and conditions, the department will not achieve the desired outcomes of contracts. Ineffective contract management results in wasted time and public funds, unnecessary conflict, and risks that Albertans are not receiving the full benefits of what they paid for.

## Read the full report at:

[oag.ab.ca](https://oag.ab.ca)

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# Alberta Treasury Board and Finance Collection of Corporate Income Tax and Filing Compliance Follow-up



## Executive Summary

November 2018

### Who

Alberta Treasury Board and Finance

### What

Follow-up Performance Audit

### When

We conducted our field work from March to August 2018. We substantially completed our audit on August 27, 2018.

### Learn more

[www.finance.alberta.ca](http://www.finance.alberta.ca)

## Why we did this audit

The Tax and Revenue Administration (TRA) division of the Department of Treasury Board and Finance is responsible for administering various tax programs under various acts, including the *Alberta Corporate Income Tax Act*. While most taxpayers file their tax returns and pay taxes when due or shortly thereafter, some do not. As of March 31, 2018, TRA is taking collection actions on approximately \$229 million, or 27 per cent, of the \$840 million in corporate income taxes owed. The remaining \$611 million in taxes are under objection, in relation to which some legislative restrictions to collection applies.

The objective of our follow-up audit is to determine whether the Department of Treasury Board and Finance has implemented our recommendations regarding the systems to collect outstanding corporate income taxes and compliance systems for corporations who failed to file their income tax returns.

## What we concluded

We concluded that the department, as of August 27, 2018, implemented the recommendations related to:

- updating and maintaining its policies, procedures, and training
- developing performance measures
- improving management information, analyzing tax data, dealing with the backlog of files submitted for write-off, and developing strategies for low-value accounts
- implementing compliance systems for unfiled corporate income tax returns

# Alberta Treasury Board and Finance Collection of Corporate Income Tax & Filing Compliance Follow-up



## Why this is important to Albertans

Corporate taxes are a large source of government revenue. While most corporations pay what they owe when due, some do not. In such cases, the department must collect outstanding amounts effectively and efficiently, while also treating corporations fairly and consistently. To reassure Albertans that all corporations are paying the taxes they owe, the department must also evaluate and report on whether its tax-collection program is working.

## What we examined

We examined the actions that the department took to implement our prior recommendations related to collecting outstanding corporate income taxes and following up with corporations who failed to file their required tax returns. We:

- interviewed management and staff about the tax-collection filing systems
- reviewed policies, procedures, other documents and management reports
- reviewed a sample of files
- analyzed corporate tax data

## What we found

The department implemented our recommendations by:

- updating and maintaining its policies, procedures, and training
- developing performance measures
- improving management information and analysis
- improving compliance systems for unfiled corporate income tax returns

## Read the full report at:

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# **Alberta Agriculture and Forestry**

## **Wildfire Management: Processes for Prevention and Review and Improvement**

November 2018



## About this Audit

Every year, an average of 1,400 wildfires occur in Alberta's forests. The financial impact can be considerable. Aside from the money the province spends on wildfire management (\$294 million in fiscal 2017–2018), wildfires can cause hundreds of millions of dollars of damage, displacing people from their homes and disrupting businesses. The 2011 Flat Top Complex wildfire destroyed 510 homes in Slave Lake and caused \$700 million in damage. The 2016 Horse River wildfire forced the evacuation of 88,000 residents from the Fort McMurray region and destroyed an estimated 2,400 structures. To date the Horse River wildfire is the most expensive disaster in Canada's history, with insured losses of \$3.6 billion.

The Department of Agriculture and Forestry has an established wildfire management program to protect the 39 million hectares of forest in Alberta. The department's wildfire management branch includes provincial headquarters in Edmonton and 10 operational forest areas located across the province.<sup>1</sup> The forest areas coordinate with headquarters to prevent, detect and suppress wildfires in Alberta's forest protection area.

Five activities comprise the department's wildfire-management program:

1. Prevention
2. Detection
3. Pre-suppression preparedness
4. Suppression
5. Review and improvement

Because the external reviews completed after wildfires in 2011 and 2016, and an exceptionally active 2015 fire season, focused extensively on detection, pre-suppression preparedness, and suppression, we scoped our audit on prevention and review and improvement.

Refer to the table on page 2 for a program summary; see Appendix B for a full description of each component. The areas we focused on for the purposes of this audit are highlighted.

<sup>1</sup> These forest areas are: High Level, Slave Lake, Lac La Biche, Whitecourt, Rocky Mountain House, Fort McMurray, Peace River, Grande Prairie, Edson, and Calgary.

## Wildfire Management

	Prevention	Detection	Pre-suppression Preparedness	Suppression	Review & Improvement
<b>Inputs</b>	<ul style="list-style-type: none"> <li>• FireSmart</li> <li>• Education</li> <li>• Enforcement</li> </ul>	<ul style="list-style-type: none"> <li>• Staffed lookouts</li> <li>• Aerial patrols</li> <li>• Ground patrols</li> <li>• Public reporting</li> <li>• Lightning detection and monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• Fire weather and wildfire hazard forecasting</li> <li>• Contracting resources (human, material, and support services)</li> <li>• Training</li> </ul>	<ul style="list-style-type: none"> <li>• Firefighting crews</li> <li>• Aerial resources (water tankers, helicopters)</li> <li>• Fire-line equipment</li> <li>• Support services (camps, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Standard Operating Procedures (SOPs)</li> <li>• Internal operations and other reviews (Review and Improvement Unit)</li> <li>• External operations reviews</li> </ul>
<b>Outputs</b>	<ul style="list-style-type: none"> <li>• Fuel management</li> <li>• FireSmart program: results from community projects</li> <li>• Public-awareness campaigns</li> <li>• Wildfire Prevention Strategic (W.P.S.) plan</li> <li>• <i>Forest and Prairie Protection Act</i> enforcement</li> </ul>	<ul style="list-style-type: none"> <li>• Rapid, accurate wildfire detection and reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain necessary human and equipment resources</li> <li>• Pre-position resources in relation to identified forest-area hazards and risks</li> </ul>	<ul style="list-style-type: none"> <li>• Contain and extinguish wildfires</li> </ul>	<ul style="list-style-type: none"> <li>• Update SOPs</li> <li>• Report results internally and externally</li> <li>• Use wildfire risk-management plans</li> </ul>
<b>Short-term Outcomes</b>	<ul style="list-style-type: none"> <li>• Increased public awareness of fire hazards</li> <li>• Reduction of risky behaviour by public, such as leaving camp fires unattended or using OHVs in dry forests</li> </ul>	<ul style="list-style-type: none"> <li>• Early detection of new wildfire starts</li> <li>• Rapid, timely initial attack (human and equipment resources)</li> </ul>	-		<ul style="list-style-type: none"> <li>• Identify and document recommendations and opportunities for improvement</li> </ul>
<b>Medium-term Outcomes</b>	<ul style="list-style-type: none"> <li>• Increased public and community awareness of wildfire prevention programs</li> </ul>	<ul style="list-style-type: none"> <li>• Contain and reduce wildfire sizes</li> <li>• Reposition or redeploy resources as required</li> </ul>			<ul style="list-style-type: none"> <li>• Implement recommendations</li> </ul>
<b>Long-term Outcomes</b>	<ul style="list-style-type: none"> <li>• Better planning by communities, such as vegetation management</li> <li>• Measurable reduction in number of human-caused (preventable) wildfires</li> <li>• Revised W.P.S. plan based on results analysis</li> </ul>	<ul style="list-style-type: none"> <li>• Wildfires extinguished or contained</li> </ul>			<ul style="list-style-type: none"> <li>• Demonstrated improvements from implemented recommendations</li> <li>• Updated SOPs and processes</li> </ul>



## Audit Objective and Scope

Our audit objective was to:

- determine if the prevention and review and improvement components of the department's wildfire management program are well designed and working effectively.
- determine if the department has processes to evaluate, implement and report on recommendations and opportunities for improvement from these public reviews:
  - 2011 Flat Top Complex Wildfire Review (Flat Top Complex Wildfire Review Committee): 21 recommendations
  - Wildfire Management Program and the 2015 Fire Season Review: four recommendations; 18 opportunities for improvement
  - 2016 Horse River Wildfire Review: 10 recommendations; 11 opportunities for improvement

Our audit scope was limited to the Department of Agriculture and Forestry and its processes and strategies for wildfire management within the forest protection area for which it is responsible. We did not look at the processes and strategies of other Government of Alberta agencies, such as the Alberta Emergency Management Agency, or municipalities.

We did not duplicate work reported in the three independent external public reviews commissioned by the department since 2011 in the areas of FireSmart, detection, pre-suppression preparedness and suppression.

We performed this audit because wildfire management falls within an area of focus (environmental sustainability) of our office and was identified as an area of risk.

We developed our own criteria for this audit based on our Results Management Framework<sup>2</sup> and the department's Wildfire Management 2017 Standard Operating Procedures and Business Rules. Department management agreed that our criteria were suitable.

See Appendix A for the audit criteria we applied in our audit.

## What We Examined

We examined:

- wildfire management branch documentation, data, analysis and internal reporting between 2014 and 2017 (including documents generated by the forest areas)
- a sample of FireSmart projects between 2014 and 2017
- a sample of internal wildfire operations and program reviews between 2014 and 2017
- the department's Wildfire Management Standard Operating Procedures (SOP) and Business Rules (2017) and adherence to these
- implementation plans and update documents for the 2011, 2015, and 2016 independent external public reviews

<sup>2</sup> Report of the Auditor General of Alberta—October 2015, page 176.

We interviewed department staff and senior management at wildfire management branch headquarters and the five operational forest areas we conducted site visits at. We also interviewed Forest Resource Improvement Association of Alberta (FRIAA) management.

We conducted our field work from February 2018 to June 2018 and substantially completed our audit on October 2, 2018.

## Conclusion

As of June 2018 the department had effective systems and processes for the planning and delivery of its wildfire prevention and review and improvement activities. However, the department needs to improve its systems and processes in the following areas:

- publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk
- measure, monitor and report on the results and effectiveness of the activities set out in its forest areas' wildfire prevention plans
- comply with its business rules for internal results reporting for the review and improvement program
- show implementation timelines or completion target dates in its implementation plans for recommendations and opportunities for improvement from external public reviews against which it can measure and report progress

## Why this Conclusion Matters to Albertans

Albertans have experienced devastating losses over the last few years due to wildfires, and studies indicate that future wildfire seasons may become longer and more severe due to climate change.<sup>3</sup> Wildfires threaten human lives, communities, natural resources, wildlife habitat, industrial facilities and infrastructure.

The department's wildfire prevention program is designed to reduce human-caused wildfire occurrence and the potential for wildfire loss and damage through a combination of FireSmart, education, and enforcement. The review and improvement program should ensure that the wildfire management program is working as intended through regular internal and periodic external reviews and delivered as effectively as possible.

Albertans should be confident that these programs are working effectively to reduce the risk of wildfire damage and have access to information about how they are meeting this goal. Without appropriate evaluating and reporting of program activities, and results analysis Albertans will not have adequate information to assess whether efforts intended to reduce wildfire risk or improve the wildfire management program are achieving desired results effectively, and if not, what necessary changes need to be made to realize these results. Full public reporting will also enable the department to better showcase to Albertans the important work it is doing around wildfire management.

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<sup>3</sup> Alberta Wildfire Management Branch Strategic Plan 2017–2019, page 5.

## Findings and Recommendations

### Department has not been doing results analysis or reporting for some prevention components of the wildfire management program.

#### Context

#### Wildfire Prevention

The department's approach to wildfire prevention is based on the principals of FireSmart, education and enforcement.

#### FireSmart

The department has been formally involved with the practice of FireSmart since 2002, with a goal to mitigate the risk of wildfire threat to Albertans and their communities. The FireSmart program is delivered through:

1. FireSmart activities funded and implemented by the wildfire management branch (directly funded)
2. FireSmart activities funded by the wildfire management branch and administered through the FRIAA<sup>4</sup> FireSmart program
3. FireSmart activities funded by Indigenous Services Canada (ISC) and implemented by the wildfire management branch through a Wildfire Management Service agreement between ISC and the department

See Appendix C for a more detailed description of these programs. Participation in FireSmart is voluntary; no community or other entity can be compelled to participate in it. Although FireSmart activities can help reduce the risk and effects of wildfires, it does not mean fireproof.

#### Education

Education, which includes information and outreach, is a key tool for human-caused wildfire prevention. The department uses a number of ways to educate Albertans, such as social media, advertising, and information sessions. Each forest area's prevention plan identifies what educational activities they plan to conduct during the year. Some activities carry over from year to year while others may be new initiatives coming from stakeholders and industry requests.

#### Enforcement

The department's enforcement program includes components such as investigations, compliance and policy, as well as education. Key compliance tools, such as the fire permit program<sup>5</sup> and the fire ban system, combined with enforcing legislation, aim to mitigate the number of human-caused wildfires. Under the *Forest and Prairie Protection Act* and associated regulations, the department has a number of tools to ensure compliance with fire permits, including issuing an order to reduce or remove a fire hazard or burning hazard

<sup>4</sup> Incorporated in 1997, FRIAA is an independent not-for-profit entity authorized by the Minister of Agriculture and Forestry to oversee a number of forestry-related programs, from FireSmart to Mountain Pine Beetle Forest Rehabilitation. The department fully funds the FRIAA-administered FireSmart program.

<sup>5</sup> Fire permits, issued by the forest areas, are required under Section 18 of the *Forest and Prairie Protection Act* for all outdoor fires lit in the forest protection area during fire season, with the exception of attended fires lit for cooking or warming purposes, flare stacks used in the petroleum industry or as otherwise prescribed by the regulations.

(OTR) or issuing a written warning. Enforcement options include specified fine violation tickets, administrative penalties, cost recovery actions and prosecutions.

### Forest Area Wildfire Prevention Plans

Each forest area prepares an annual wildfire prevention plan that establishes objectives, priorities, and activities to mitigate the area's top wildfire causes for the upcoming fire season. These plans strive to reduce the number of human-caused wildfires through education and enforcement activities and reduce the damage from all wildfires through directly funded FireSmart initiatives planned and overseen by forest area staff.

Since each forest area has its own specific variables (vegetation species composition, terrain, infrastructure, types of population centers, etc.) and priorities to consider, each independently decides how its prevention plan will look, what prevention strategies to undertake and how it will complete them.

#### Criteria: the standards of performance and control

Refer to Appendix A for criteria used for this audit.

#### Our audit findings

##### Key Findings

- The department has effective processes to administer and deliver its directly funded and Indigenous Services Canada FireSmart programs.
- The department does not publicly report details on activities for its directly funded and Indigenous Services Canada FireSmart programs, such as a yearly list of approved and completed projects, or the outcomes of completed projects.
- The forest areas are not required to do any year-end summary results analysis or reporting on how effective the various activities set out in their annual wildfire prevention plans were at reducing the risk of wildfire damage, either at the local or departmental level.

### FireSmart

#### *Effective processes are in place to deliver department's FireSmart programs*

We found that the department has effective processes to administer and deliver its directly funded FireSmart program. Forest area staff identify high-risk communities and Crown land within their area boundaries where FireSmart projects can reduce wildfire hazard and risk; staff submit prioritized project lists to headquarters for approval and funding. We saw examples in all five forest areas we visited where staff worked with communities to identify, develop and get departmental funding for projects such as developing mitigation strategies, wildfire preparedness guides or vegetation management.<sup>6</sup> Once mitigation strategies and preparedness guides were developed, forest areas continued to support communities in applying for FRIAA funding to undertake FireSmart projects identified in these documents.

We also saw an example where department staff supported local community members who were trying to implement FireSmart principles in the face of opposition from others in that community.

<sup>6</sup> Typically these were small hamlets, villages or similar population centers that did not have the capacity on their own to meet FRIAA's project application process requirements.

The department has effective processes to administer and deliver the ISC FireSmart program. Under current arrangements the department will continue to administer federal funding support for Indigenous communities on First Nations Reserve lands within the forest protection area until 2025. We saw examples in the forest areas visited where staff identified priority wildfire risk areas and worked with local Indigenous communities to mitigate these threats through developing and executing appropriate FireSmart projects. This also included working with these communities to apply for and secure additional FRIAA funding for eligible projects not covered by the ISC Wildfire Management Services agreement.

#### *Department-funded FRIAA FireSmart program is well administered*

We found that FRIAA has well-designed application and project monitoring processes to operate and administer its part of the FireSmart program. We reached this conclusion after reviewing a sample of approved project files and rejected applications. We also noted that in many of the approved projects local department forest area staff had provided letters of support and provided technical assistance to communities for their project applications.

FRIAA has various information available about FireSmart on its website,<sup>7</sup> such as:

- program description
- summaries of approved projects
- forms and templates for expressions of interest and project applications
- annual reports

The department has sufficient processes to monitor FRIAA's stewardship of the program and compliance with the grant agreement through regular reporting from FRIAA and by having a dedicated manager sitting on its project/application review committee. We found that FRIAA is reporting on the program to the department in accordance with the terms of its grant agreement. The department also tracks approved FRIAA FireSmart projects to ensure projects approved under direct funding and ISC programs are not duplicated.

#### *Lack of Public Reporting by Department on its FireSmart Programs*

FRIAA publicly reports summaries of its FireSmart projects and their associated objectives on its website. The department does have general information about FireSmart on the Alberta Wildfire part of its website<sup>8</sup> and had reported some limited information on the program through various government announcements and brief references in its annual report. The department does not publicly report details on any activities associated with its directly funded or ISC FireSmart programs, such as a yearly list of approved and completed projects by forest area, project-specific funding amounts, communities involved or how completed projects help reduce wildfire hazard and risk. We only saw examples of this type of detailed reporting in internal department reports to various levels of government.

This is information which Albertans should be made aware of so they can better understand the full extent of the department's efforts and expenditures towards wildfire prevention and why specific FireSmart projects were identified and undertaken. This information is especially relevant given the extreme fire seasons Alberta, British Columbia and other jurisdictions have experienced in the past several years.

<sup>7</sup> <https://friaa.ab.ca>.

<sup>8</sup> <http://wildfire.alberta.ca>.

*No year-end summary results analysis or reporting on annual wildfire prevention plans*

The department has processes in place through its wildfire prevention plans to plan and deliver education activities and programs to Albertans and enforce legislation. The department has prepared a three-year provincial prevention plan (2015–2017), and each forest area prepares an annual wildfire prevention plan.

Although forest areas prepare annual wildfire prevention plans, we found they are not required to provide copies of their plans to headquarters. We found no evidence that anyone at headquarters reviewed or provided feedback on these plans or verified that they aligned with the provincial plan.

We also found no evidence that the forest areas do, or are required to do, any summary results analysis or reporting on their annual wildfire prevention plans at the end of the year, either at the local or departmental level. While senior management at the forest areas and headquarters do meet regularly to discuss the progress of various activities set out in the prevention plans, the minutes we reviewed from these meetings did not contain any substantive details.

While we found that the five forest areas we visited tracked details of education activities they delivered throughout the year, they did not conduct any end-of-season analysis to determine:

- what, if any, results were achieved (either empirically or anecdotally)
- if the activities targeted the right audience
- if the activities changed peoples' attitudes and perceptions, thereby reducing the prevalence of human-caused wildfires

We also found the forest areas use different methods to track their education activities. Some use the department's Fire Information Resources Evaluation System (FIREs) database, while others use custom spreadsheets stored on local drives. Without a centrally accessible and standardized way of capturing this information, the department cannot accurately compile a list of delivered educational activities. It also cannot adequately evaluate or report on the effectiveness of these activities towards changing peoples' attitudes and behaviours to reduce the risk of human-caused wildfires.

The department has appropriate processes and staff to enforce the new specified penalty provisions in the *Forest and Prairie Protection Regulation* and *Forest and Prairie Protection (Ministerial) Regulation*.<sup>9</sup> It currently has 51 staff across all forest areas (a minimum of two per area) who have the requisite peace-officer status to write violation tickets for applicable infractions under this legislation.

The department tracks enforcement activities using the Enforcement and Occurrence Reporting System (ENFOR). This is a dated system which limits how much detail the department can extract for management reports that it could use for results analysis. Forest areas have provided internal updates and knowledge sharing on enforcement activities, but no evaluation or reporting has been completed at this time as to what effect enforcement has had, or is anticipated to have, on reducing the number of human caused wildfires.

Factors such as weather and fire bans can make it difficult to definitively measure the effectiveness of education and enforcement on influencing behaviour and reducing the

<sup>9</sup> As of May 1, 2017 when *An Act to Modernize Enforcement of Provincial Offences* came into force, along with *Procedures Regulation 63/2017* at the same time.

risk of human-caused wildfires. However, without year-end analysis or reporting, both at the local forest area level and headquarters, the department cannot adequately evaluate:

- which of the various activities set out in prevention plans worked and why
- which ones didn't go as planned and why
- what new or revised activities should be contemplated going forward and why

Without this analysis the department also cannot—and in fact does not—publicly report the results of its education and enforcement activities.

#### **RECOMMENDATION:**

#### **Ensure processes in place to evaluate and report on wildfire prevention programs**

We recommend that the Department of Agriculture and Forestry:

- publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk
- ensure there are processes in place to measure, monitor and report on the results and effectiveness of the various activities set out in the forest areas' annual wildfire prevention plans

#### **Consequences of not taking action**

Without full public reporting on all aspects of the FireSmart program, Albertans cannot tell what work the department is doing on wildfire hazard and risk reduction, why it focuses its efforts where it does, and what work the department is doing to support community-based FireSmart practices. Full public reporting will also enable the department to better explain to Albertans the work it is doing in this area.

Without proper reporting and results analysis, the department will not have adequate information to assess whether the activities and programs carried out by the 10 forest areas as part of their wildfire prevention plans are achieving desired results efficiently and effectively for the public funds spent or what necessary changes need to be made for improvement going forward.

### **Department is not fully complying with its business rules for internal results reporting for the review and improvement program**

#### **Context**

#### **Review and Improvement Process**

##### *Internal reviews*

The department's wildfire management standard operating procedures (SOP) and business rules outline the policies and procedures for conducting internal reviews. These set out that the overall objective of the review and improvement program is to ensure that programs are being delivered as effectively as possible by reinforcing the use of best practices and implementing improved processes.<sup>10</sup> The business rules document the procedures for which types of reviews will be done, how often they will be done, who will conduct them and how results are to be reported internally.

<sup>10</sup> Wildfire Management 2017 Business Rules, Review and Improvement Program Business Rules, page 3.



The branch's review and improvement unit conducts annual unit reviews of wildfire operations at each of the 10 forest areas (five each year). The purpose of these reviews is to evaluate compliance with the department's SOPs and business rules. This unit also conducts annual compliance reviews in other wildfire management program areas, such as after-action fire reviews, incident management team assessments, safety officer summary reports and training reviews.

### External reviews

Since 2011, the department has commissioned three independent external reviews, from which it received a number of recommendations and opportunities for improvements:

Review	Recommendations
The 2011 Flat Top Complex Wildfire Review (Flat Top Complex Wildfire Review Committee)	21 recommendations
Wildfire Management Program and the 2015 Fire Season Review (MNP)	4 recommendations 18 opportunities for improvement
2016 Horse River Wildfire Review (MNP)	10 recommendations 11 opportunities for improvement

The wildfire management branch tracks the implementation progress of these external reviews' recommendations and provides internal quarterly updates to management. All three of these reports can be found on the Alberta Wildfire website.<sup>11</sup>

### Criteria: the standards of performance and control

Refer to Appendix A for criteria used for this audit.

### Our audit findings

#### Key Findings

- The department is not fully complying with its business rules for internal results reporting for the review and improvement program.
- The findings of the review and improvement unit is a key part of the department's annual process of reviewing and updating its wildfire management SOPs and business rules. The only way to ensure that management decisions made during this process are fully informed and evidence based is to ensure all relevant and necessary information is made available through the completed detail reports required by the department's established business rules.
- The department's internal implementation plans from the 2015 Fire Season Review and the 2016 Horse River Wildfire Review have no timelines or target completion dates that it could use to measure and report progress or identify problem areas.

<sup>11</sup> <http://wildfire.alberta.ca>.



## Department is Not Fully Complying with its Business Rules for Internal Reviews

We found the review and improvement unit does evaluate forest areas' adherence to the department's wildfire management SOP and business rules within the prescribed timelines. Management at the five forest areas we visited told us they found value with this process, as it helps keep them accountable and identifies to them where staff are not complying with established rules and procedures. We confirmed the forest areas do implement recommendations for improvement made by the review and improvement unit. The review and improvement unit also posts any common deficiencies it finds across different forest areas on a shared lessons learned site so all staff can be made aware of these in a timely manner.

However, we found that the department is not complying with its business rules for internal results reporting for the review and improvement program. These rules list a number of summary reports (such as a provincial summary<sup>12</sup> and an annual review and improvement summary report<sup>13</sup>) that should be completed annually and who in senior management they should be sent to for review.

For example, the business rules stipulate that the annual review and improvement program summary report will contain important information such as:<sup>14</sup>

- type and number of reviews conducted
- key findings
- recommendations for improvements to documentation, such as the SOP Manual, forms, wildfire management manuals
- recommendations for improvements to training
- recommendations for improvements to best practices

We found no evidence that these internal reports were completed or provided to senior management for their review, feedback and approval during the time frame for our audit scope (2014 to 2017). Additionally, minutes from forest area and Edmonton senior management monthly meetings contained insufficient detail for us to determine if management discussed results from review and improvement unit visits. The absence of the information that should be documented in these summary reports hinders the ability of senior management to fully discharge their oversight and decision-making responsibilities.

## Improving Implementation Plans for Recommendations from External Reviews

While the department has processes to evaluate, implement and publicly report on the recommendations and opportunities for improvement from its three recent independent external public reviews, there is room for improvement.

The department has developed internal implementation plans for the recommendations and opportunities for improvement from each of the three recent external reviews. It monitors the progress of implementing these through quarterly internal updates to

<sup>12</sup> As set out in the business rules, this summary is supposed to show current-year results for all forest areas reviewed and a results comparison with previous years.

<sup>13</sup> Summarizes reviews that the review and improvement unit undertakes at forest areas, such as the air tanker programs, rotor wing company safety audits, fire detection lookout audits, reviews of daily flight reports, reviews of wildfire after action reviews and post-fire reviews, prescribed burn reviews, etc.

<sup>14</sup> As set out in the 2017 Wildfire Management Business Rules, Review and Improvement Program Business Rules, page 19.

management. However, recent updates on the 2015 and 2016 reviews we saw did not show implementation timelines or target completion dates for remaining outstanding recommendations, even though there is a spot for these on the update documents. Establishing and documenting these is important, as it helps management better assess how reported progress measures against expected implementation and what, if any, remedial actions may be required to deal with those areas that appear to be moving too slowly. Any public reporting should also include progress of implementation activities against target timelines for each recommendation and opportunity for improvement.

The department has publicly reported on the implementation progress of recommendations for the 2011 and 2016 reviews on its website but has yet to do so for the 2015 fire season report. Management told us that going forward, annual progress updates for all reviews are planned to be publicly posted by December until all recommendations are deemed implemented.

Based on the external-review update documents we reviewed, the status of recommendations is:

- 2011 Flat Top Complex Wildfire review: All 21 recommendations have been implemented.
- 2015 Fire Season Review: One of the four recommendations has been implemented; work on the remaining three is in progress. Of the 18 opportunities for improvement, 11 have been implemented and work on the remaining seven is in progress.
- 2016 Horse River Wildfire review: Eight of the 10 recommendations have been implemented; work on the remaining two is in progress. Of the 11 opportunities for improvement, eight have been implemented and work on the remaining three is in progress.

#### **RECOMMENDATION:**

**Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews**

We recommend that the Department of Agriculture and Forestry:

- comply with its established business rules for internal results reporting for the review and improvement program
- establish and monitor implementation timelines for recommendations and opportunities for improvement from independent external reviews and publicly report implementation progress against these

### Consequences of not taking action

The findings of the review and improvement unit and the feedback it gets from forest area staff during onsite visits is a key part of the department's annual process of reviewing and updating its wildfire management SOP and business rules. These changes have to be ultimately concurred with and approved by senior management, as they affect all aspects of wildfire management. The only way to ensure decisions made are fully informed and evidence based is to have all relevant and necessary information documented and at hand, which can only happen if the reports required by the department's business rules are completed.

Without establishing implementation timelines for the recommendations and opportunities set out in external reviews, department management does not have an effective process to alert them in a timely manner to problem areas which require their attention and intervention. Without public reporting on the progress of implementation activities against target timelines, Albertans will not know if the department is on track to make necessary changes to the wildfire management program and cannot hold the department accountable if it is not on track.

## Appendix A:

### Audit Criteria

**Objective 1: Determine if the prevention and review and improvement components of the department's wildfire management program are well designed and working effectively, focusing primarily on the following:**

1.1 Prevention: FireSmart; public education; and enforcement of the *Forest and Prairie Protection Act*, associated regulations, and ministerial orders. The department should have processes to:

1.1.1 Assess, monitor, and publicly report on wildfire risk reduction and benefits from approved FireSmart projects

1.1.2 Plan and deliver wildfire education to Albertans and evaluate and report on the effectiveness of these activities

1.1.3 Enforce applicable wildfire legislation and evaluate and report on the effectiveness of these activities

1.2 Review and improvement: internal program and process reviews of operational aspects of wildfire management conducted by the wildfire management branch. The department should have processes to:

1.2.1 Establish performance measures and targets to assess if results are being achieved

1.2.2 Regularly assess and evaluate wildfire operations (programs, processes and SOPs and business rules) to ensure program objectives are being achieved

1.2.3 Make and implement recommendations to correct deficiencies or shortcomings identified from these assessments and evaluations

1.2.4 Report on the results of wildfire operations evaluations and progress of, and improvements from, implementing recommendations

**Objective 2: Determine if the department has processes to evaluate, implement and report on recommendations and opportunities for improvement from previous independent external public reviews the department commissioned. The department should have processes to:**

2.1 Plan and evaluate what recommendations the department will implement

2.2 Monitor the progress of implementing recommendations

2.3 Publicly report on the progress of implementing recommendations

## Appendix B:

### Description of Department's Wildfire Management Components

#### 1. Wildfire prevention

Wildfire prevention is a responsibility all Albertans share. In 2017, the department spent roughly \$30 million on wildfire prevention.

Wildfire prevention is the first line of defense and consists primarily of three approaches:

- **FireSmart programs:** The department's FireSmart program helps to protect Albertans, their homes, communities, vital natural resources and infrastructure from wildfire.<sup>15</sup> Since 2002, the department has formally engaged in community protection through funding FireSmart. FireSmart is a voluntary program consisting of a set of principles and guidelines designed to help reduce wildfire hazard and risk and mitigate the potential for wildfire loss and damage. Although FireSmart activities can help reduce the risks and effects of wildfires, it does not mean fireproof.
- **Education (includes information and outreach):** This is a key tool for wildfire prevention. It is important to develop and communicate prevention activities, as humans have historically caused over 60 per cent of wildfires in Alberta each year.
- **Enforcement:** The objective of the department's wildfire compliance and enforcement program is to decrease the number of human-caused wildfires through compliance actions and enforcement of the *Forest and Prairie Protection Act*, associated regulations, and ministerial orders.

#### 2. Wildfire detection

The department's wildfire operations program is responsible for all activities regarding controlling and extinguishing a wildfire following its detection. It uses a number of methods to detect wildfires, such as manned fire lookouts, public reporting, aerial patrols and infrared scanning.

#### 3. Wildfire pre-suppression preparedness

The objective of the pre-suppression preparedness system is to ensure that the necessary resources are in position to attack and contain newly discovered wildfires. The system consists of four activities:

- fire weather and wildfire hazard forecasting
- resource contracting (for wildland firefighting crews, air resources, and other support services)
- training of wildfire management staff, wildland firefighting crews, and aircraft crews
- pre-positioning of resources in relation to identified wildfire hazards and risks

#### 4. Wildfire suppression

Suppression includes all activities to control and extinguish a wildfire following its detection and includes assigning firefighting crews and equipment (land-based and aerial) to attack, contain and extinguish the wildfire.

<sup>15</sup> See Appendix C for more information about the FireSmart program.

## 5. Wildfire management review and improvement

The department's review and improvement unit conducts annual internal reviews of wildfire operations at each of the 10 forest areas (five each year). The department has also commissioned independent external reviews after recent major wildfire activity.<sup>16</sup>

These reviews identify areas needing improvement and make corresponding recommendations to help ensure the wildfire management program is meeting its goals and expectations.

# Appendix C:

## FireSmart

### FireSmart programs

Agriculture and Forestry's FireSmart program helps protect Albertans, their homes, communities, vital natural resources and infrastructure from wildfire. The FireSmart program is delivered through the following:

- Direct funding from wildfire management branch: Staff at the department's 10 forest areas identify potential FireSmart projects on provincial Crown land (planned and overseen by forest area staff) within their forest area boundaries. Once projects have been approved by headquarters, forest area staff work with stakeholders, including communities, to implement them. Projects are to be completed within that year and are funded from the department's approved FireSmart budget.
- FRIAA FireSmart program: In 2014, the department signed a grant agreement with FRIAA to administer this program, which the department fully funds. All communities within Alberta are eligible to apply for funding through the FRIAA FireSmart program. FRIAA accepts applications twice a year from communities and other eligible parties for FireSmart projects. FRIAA is not responsible for executing projects; however, it does have processes in place to monitor and verify their progress and completion. As of March 31, 2018, the program had funded 64 active projects and 127 completed projects.<sup>17</sup>
- ISC Wildfire Management Service Agreement: This program is a cost-recovery agreement between the department and ISC through which forest area staff work with Indigenous communities in the forest protection area to identify, plan and execute FireSmart and other prevention projects on First Nations Reserve lands. The department approves and funds the execution of these projects, for which the federal government reimburses the department up to \$1.5 million per fiscal year. Indigenous communities can also apply to FRIAA for funding for additional FireSmart projects.

FireSmart is based on the following disciplines:

- Planning (e.g. FireSmart community plan: wildfire preparedness guides and wildfire mitigation strategies; resource-sharing and mutual-aid fire control agreements; emergency management plans);
- Vegetation/Fuel management (e.g. fuel breaks, thinning and pruning, vegetation

<sup>16</sup> The three most recent reports included in the scope of this audit are the reports on the 2011 Flat Top Complex wildfire (Slave Lake area), the 2015 fire season and the 2016 Horse River wildfire (Fort McMurray area).

<sup>17</sup> *Forest Resource Improvement Association of Alberta 2017–2018 Annual Report*, page 8.

- removal/reduction and conversion to more fire-resistant species);
- Public education (e.g. increased awareness regarding wildfire threat and application of FireSmart principles);
- Inter-agency cooperation and cross-training;
- Legislation (e.g. review of provincial and municipal legislation, land-use bylaws and plans); and
- Development (e.g. new subdivision development re: roadway access; water supply and utilities placement).

FireSmart activities can range from modifying forest vegetation in the wildland-urban interface to educating residents about steps they should take on their own properties to reduce the wildfire hazard and risk. Activities funded through the FireSmart program aim to create safer communities and healthy landscapes.

For more information, see:

Alberta Wildfire: <http://wildfire.alberta.ca/>

FRIAA FireSmart website: <https://friaa.ab.ca/programs/friaa-firesmart/>

#### FireSmart annual funding

	2014/2015 (\$)	2015/2016 (\$)	2016/2017 (\$)	2017/2018 (\$)
<b>Direct Funding</b>	1,090,460	1,882,700	679,000	13,500,000
<b>FRIAA</b>	8,000,000	5,000,000	2,500,000	7,500,000
<b>ISC<sup>18</sup></b>	295,516	834,771	2,018,097	1,107,767

Source: Department of Agriculture and Forestry

#### Actual funding spent for each of the FireSmart programs

	2014/2015 (\$)	2015/2016 (\$)	2016/2017 (\$)	2017/2018 (\$)
<b>Direct Funding</b>	1,178,440	901,575	1,363,767	11,679,427
<b>FRIAA</b>	4,150,147	3,948,984	5,495,795	6,424,113
<b>ISC<sup>18</sup></b>	295,516	834,771	2,018,097	1,107,767

Source: Department of Agriculture and Forestry

<sup>18</sup> Costs are fully recoverable from ISC on an actuals basis; therefore, the ISC FireSmart annual funding will equal the actual funding spent

## Appendix D:

### Information Charts

#### Wildfire cause (2007–2017)

Year <sup>20</sup>	Human– Caused	% Human	Lightning	% Lightning	Total
2007	784	60	512	40	1296
2008	911	54	779	46	1690
2009	1069	65	566	35	1635
2010	1117	60	740	40	1857
2011	925	81	215	19	1140
2012	1150	73	436	27	1586
2013	914	76	287	24	1201
2014	863	61	562	39	1425
2015	1047	58	772	42	1819
2016	888	63	515	37	1403
2017	815	66	415	34	1230

Source: Department of Agriculture and Forestry

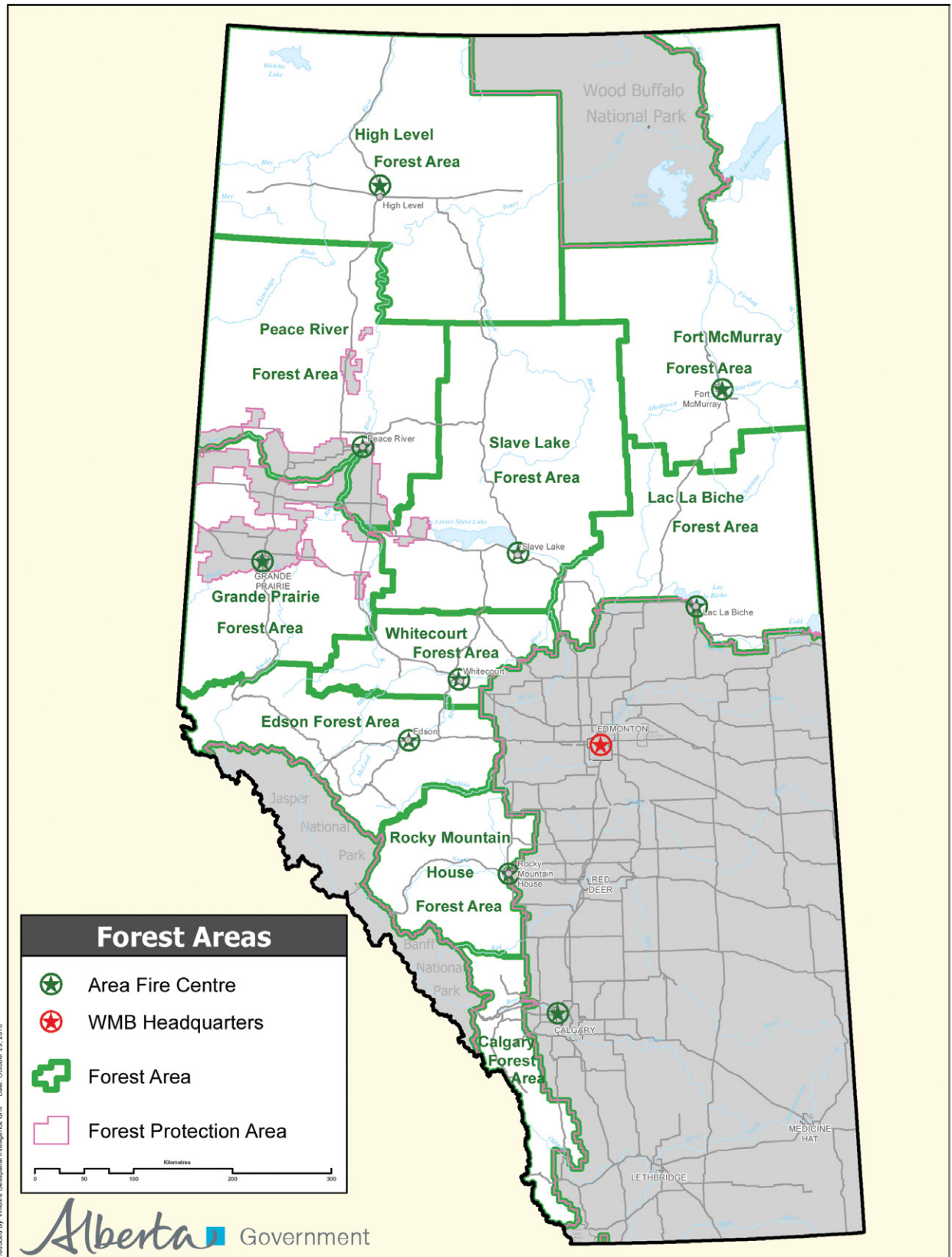
#### Wildfire prevention costs

Year	Information, Education, Outreach (\$)	FireSmart (\$)	Investigations (\$)	Science (\$)	Total of Selected Wildfire Prevention (\$)
2014/2015	1,464,985	10,732,353	795,163	1,122,000	14,114,501
2015/2016	1,930,376	9,258,582	2,573,853	4,162,127	17,924,938
2016/2017	1,582,207	6,501,907	2,326,039	3,059,013	13,469,166
2017/2018	1,472,504	21,344,271	1,618,108	4,657,223	29,092,106

Source: Department of Agriculture and Forestry

<sup>20</sup> Time frame for this table is the official fire season, March 1 to October 31.









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# Alberta Environment and Parks

## Systems to Manage and Report on the Oil Sands Monitoring Program Follow-up

November 2018



## Summary

Oil sands development has led to concerns about its environmental impacts and the need to better understand and respond to these impacts. The Alberta and Canadian governments responded by establishing the joint environmental monitoring program for the oil sands. Since then, the governments have been collaborating to enhance environmental monitoring, evaluation of and reporting on the impacts of oil sands development.

There have been a number of organizational changes in Alberta since the program's establishment in 2012. Government established the Alberta Environmental Monitoring, Evaluation and Reporting Agency (AEMERA) in 2014, then dissolved it in 2016. The Department of Environment and Parks' newly formed Environmental Monitoring and Science Division reassumed Alberta's responsibilities under the program.

The quality of the systems to manage the program and report on its results are key to the program's success, accountability, and transparency. A broad spectrum of stakeholders—government, industry, and the general public—is interested in the program's activities and results. In 2014, we audited the program's project-management systems and its first annual report and found that both needed improvement.

In this follow-up audit, we examined how the department managed projects since the most recent transition and whether the program's 2016–2017 annual report was clear, accurate, and timely. We focused on the annual report because it is the key accountability mechanism that informs stakeholders about program activities, results, and successes—in other words, the value provided for the resources consumed.

We found that the 2016–2017 annual report still has room for improvement. Information in the report related to the program's success, progress toward objectives, and funding is incomplete; project status is unclear; and the report is neither timely nor accessible. We believe the department can correct these deficiencies through improving the process to develop the report, in collaboration with Environment and Climate Change Canada (ECCC). Therefore, we are making a recommendation about annual reporting process improvements.

Based on our audit of project-management processes, we found that the department has made some important improvements by employing better work plans and monitoring activities. We conclude that the department implemented our project-management recommendation.

## Context

ECCC and Alberta's Department of Environment and Parks jointly administer and deliver the Oil Sands Monitoring program. This means that both governments jointly establish and manage program priorities, annual work plans, funding allocations, and public reporting. Alberta has coordinated and led the development of the annual report for this program. Both governments plan and implement individual projects, but each project has a designated lead.<sup>1</sup>

The program objective is to monitor air, water, land and biodiversity in the oil sands region and to evaluate and report on the impacts of oil sands development. The program aims to enhance understanding of the cumulative effects and environmental changes related to oil sands development and to guide responsible development of the resource.

Between 2012 and 2015, the program's implementation was guided by the *Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring*.<sup>2</sup> The plan outlined how the two governments will collaborate to improve monitoring, evaluation, and reporting on air, water, land, and biodiversity over the three years. The plan concluded in March 2015, but the joint environmental monitoring continued, guided by an operational agreement. In December 2017, the Canadian and Alberta governments signed a memorandum of understanding that established shared responsibility to perform long-term environmental monitoring in the oil sands region.<sup>3</sup>

From 2012 to 2014, the Department of Environment and Parks managed Alberta's responsibilities under the program. AEMERA managed the program from 2014 to 2016. The agency was dissolved in 2016, after which the Environmental Monitoring and Science Division of Environment and Parks assumed responsibility for managing the program.

While monitoring has been continuous, evaluation requires multiple years of data to identify trends and environmental changes. Public reporting on program activities and results includes:

- an annual report that informs stakeholders about program success and progress and that describes monitoring activities carried out during a fiscal year
- scientific publications describing findings and data from monitoring projects. Over 300 publications have been publicly released.<sup>4</sup>
- syntheses of individual scientific reports, based on multi-year monitoring of water, air, land and biodiversity, about the cumulative effects of oil-sands development and environmental changes over time. The first synthesis report (on water) is expected to be released in 2018.

A key element of the program's mandate is informing provincial and federal governments about major impacts to human or ecosystem health identified through environmental monitoring. This knowledge helps decision-makers guide responsible oil sands development.

<sup>1</sup> Either the Department of Environment and Parks or ECCC lead individual projects.

<sup>2</sup> <http://environmentalmonitoring.alberta.ca/wp-content/uploads/2015/08/Joint-Canada-Alberta-Implementation-Plan-for-Oil-Sands-Monitoring.pdf>.

<sup>3</sup> <http://environmentalmonitoring.alberta.ca/wp-content/uploads/2018/03/OSM-MOU-December-1-2017.pdf>

<sup>4</sup> Scientific publications include vetted journal articles and technical reports available at <http://environmentalmonitoring.alberta.ca/resources/science-papers/> and <http://environmentalmonitoring.alberta.ca/technical-reports/>

## About this Audit

Our original 2014 audit aimed to determine whether the program's 2012–2013 public report was complete and accurate. We concluded that the reporting and the department's project-management processes needed to improve. We made two recommendations related to these conclusions in our October 2014 report.<sup>5</sup> The department asserted in 2017 that it had implemented the two recommendations.

In this follow-up audit, we again examined how the department managed projects and whether the 2016–2017 annual report for the program was clear, accurate, and timely. We recognize that the most recent program transition and the Fort McMurray wildfires both occurred during the period covered by our audit and affected program delivery and annual-report production for 2016–2017.

## Audit Objectives and Scope

The objective of our audit was to determine whether the Department of Environment and Parks has implemented our outstanding 2014 recommendations<sup>6</sup> to:

- provide clear, accurate, and timely reporting on the oil sands monitoring program
- implement effective processes for monitoring project status; develop and implement work plans with roles and responsibilities, timelines, and deliverables; and clarify what needs to be done to implement any projects and commitments remaining from the 2012–2015 Canada-Alberta implementation plan for the oil sands

When examining reporting, we focused on the program's 2016–2017 annual report. Other program reporting, such as scientific publications, environmental monitoring data, and data on the Canada-Alberta Oil Sands Environmental Monitoring Information Portal,<sup>7</sup> were out of scope of this audit.

This audit focused on projects the Department of Environment and Parks managed between July 2016 and December 2017.<sup>8</sup> Our audit did not cover projects led solely by ECCC; scientific adequacy of the approach to oil sands monitoring, including selection of the environmental monitoring projects; how projects were carried out; and the monitoring results.

## What We Examined

Our follow-up audit evaluated whether the OSM program 2016–2017 annual report met results-reporting principles that department's management had agreed were suitable for this audit. We also examined the department's project-management processes, based on a sample of 2016–2017 and 2017–2018 projects. We gathered our evidence by examining the department's processes for project planning and monitoring project status, interviewing staff, and reviewing documents.

<sup>5</sup> *Report of the Auditor General of Alberta—October 2014*, pages 23–32.

<sup>6</sup> In 2014, AEMERA managed the OSM program on behalf of Alberta. Our 2014 recommendations were therefore addressed to AEMERA. We rephrased our outstanding recommendations to reflect that the Department of Environment and Parks currently manages Alberta's responsibilities under the OSM.

<sup>7</sup> <http://osip.alberta.ca/map/>.

<sup>8</sup> The OSM program is managed jointly by the Department of Environment and Parks on behalf of the Government of Alberta, and Environment and ECCC on behalf of the Government of Canada. Our audit focused on projects managed by the Department of Environment and Parks, solely or jointly with ECCC.

We conducted our field work between July 2017 and April 2018 and substantially completed our audit on May 1, 2018.

## Conclusion

Because of the significance of the findings, we conclude that the Department of Environment and Parks has not, as of May 1, 2018, implemented our recommendation to provide clear, accurate, and timely reporting through the annual report on the OSM program. Our audit found that the department did not have a robust process to develop an annual report that would meet the needs of its users. Instead of repeating our previous recommendation, we are making a new recommendation to improve the annual reporting process.

We conclude that the department has implemented our recommendation to:

- implement effective processes for monitoring project status
- develop and implement work plans with roles and responsibilities, timelines, and deliverables
- clarify what needs to be done to implement any projects and commitments remaining from the 2012–2015 Canada-Alberta implementation plan for the oil sands

## Why this Conclusion Matters to Albertans

The annual report on the environmental monitoring in the oil sands is the key accountability mechanism that informs stakeholders about the program's success. The report must demonstrate how resources were spent, and provide clear, accurate, and timely information on program activities, results and overall success.

# Findings and Recommendations

## Report Accurately, Clearly, and Timely

### Context

As part of the 2012–2015 *Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring*, the Canada and Alberta governments committed to annual reporting to the public on the status of implementing the plan.<sup>9</sup> Our 2014 audit found that the first annual report<sup>10</sup> lacked clarity and key information, contained inaccuracies, and was not timely.<sup>11, 12</sup>

In the 2017 memorandum of understanding for environmental monitoring in the oil sands, the two governments committed to report program results in a timely manner. In the 2016–2017 annual monitoring plan, program management further committed to informing the governments and relevant stakeholders of any potentially significant impacts on human or ecosystem health identified through environmental monitoring.

9 <http://environmentalmonitoring.alberta.ca/wp-content/uploads/2015/08/Joint-Canada-Alberta-Implementation-Plan-for-Oil-Sands-Monitoring.pdf>.

10 *The Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring: First Annual Report: 2012–2013*. <http://environmentalmonitoring.alberta.ca/wp-content/uploads/2015/08/JOSM-Annual-Report-2012-2013.pdf>.

11 *Report of the Auditor General of Alberta—October 2014*, pages 23–32.

12 The two governments subsequently released the 2013–2014 and 2014–2015 reports on the implementation plan. <http://environmentalmonitoring.alberta.ca/resources/document-library-2/>.



In December 2017, the two governments released the *Oil Sands Monitoring Program: Annual Report for 2016–2017*.<sup>13</sup> The report described the program's key accomplishments and summarized monitoring activities carried out in 2016 and 2017. The report stated the program's objectives as:

- support sound decision-making by governments and stakeholders
- ensure transparency through accessible, comparable, and quality-assured data
- enhance science-based monitoring for improved characterization of the state of the environment, and collect the information necessary to assess cumulative effects
- improve analysis of existing monitoring data to develop a better understanding of historical baselines and changes
- reflect the trans-boundary nature of the issue, and promote collaboration with the governments of Saskatchewan and the Northwest Territories

#### Criteria: the standards of performance and control

The Department should report the results of the oil sands monitoring program, clearly, accurately, and timely.

#### Our follow-up audit findings

##### Key Finding

The department did not establish a robust process to develop the 2016–2017 annual report. As a result, the report lacked important information about the overall program and its projects.

##### *Process to develop the 2016–2017 annual report deficient*

The department led the report development but it did not establish a robust process, which would have ensured that the report met its users' needs. In our view, the process weaknesses contributed to many of the deficiencies we have identified and that we describe in the next sections.

##### *Information on actions to meet program's objectives incomplete*

The report lacked information about actions taken to meet the program objectives. Further, performance metrics that would help measure and report on the program's success, against objectives and overall, have not yet been developed.

Out of the five objectives of the program, the report had no information on one<sup>14</sup> and incomplete information on two others.

The report lacked information on how the program supported decision making by governments and whether relevant decision makers were informed of any potentially significant impacts on human or ecosystem health identified through environmental monitoring. For example, we noted that air quality monitoring in the Athabasca oil sands identified poor air quality, including 69 exceedances for hydrogen sulphide in

<sup>13</sup> <http://environmentalmonitoring.alberta.ca/wp-content/uploads/2015/08/2016-17-OSM-Annual-Report-Posted-Dec-01-2017.pdf>.

<sup>14</sup> The program objective referred to is 'reflect the trans-boundary nature of the issue and promote collaboration with the governments of Saskatchewan and the Northwest Territories'.

August 2016.<sup>15</sup> But information on whether this information was communicated to decision makers—and if not, why not—was missing.

The report provided limited information about the planned synthesis reports on water, air, land, and biodiversity. The synthesis reports will provide information on the state of the environment, the cumulative effects of oil sands development, and environmental changes over time, and are based on the results of synthesizing and interpreting scientific data collected over multiple years. These reports are the primary reporting mechanism through which the program will demonstrate how the improved data analysis leads to better understanding of historical baselines and changes.

#### *Information about funding is incomplete*

The report lacked information about the accumulated surplus, potential impact on the achievement of the program objectives from the actual spending being consistently below planned, and how the department plans to allocate the funds to future projects.<sup>16</sup> This information is important to the oil sands industry that funds the program and would help demonstrate accountability for monies spent and for the program's results.

The oil sands industry contributes up to \$50 million annually to fund the program. In 2016–2017, \$10 million remained unspent out of the \$49-million expected cost. On March 31, 2017, the total amount unspent since 2012, when the program began, was \$30 million.

#### *Project status not clear*

The report did not state whether each project was completed or why most projects cost significantly less than expected.<sup>17</sup>

The report indicated that most of the 58 projects were under budget—more than half the projects were under budget by more than 10 per cent, and more than one-third by over 50 per cent.

#### *Impact of program transitions and wildfires*

Management told us that the program transition from AEMERA resulted in changes to financial systems, contract and grant processes, communications, human resources, and the data-management structure. Additionally, the Fort McMurray wildfires delayed startup for a number of projects. These changes created constraints on the program's staff and resources, which contributed to the deficiencies we have identified and that we describe in the next sections.

#### *Report not accurate*

The report contained inaccurate information. For example, actual costs reported for many of the projects significantly differed from the information in the department's financial system. The department stated that these discrepancies were due to coding errors that occurred when financial procedures changed during the program transition. The department is working to resolve the discrepancies.

15 Hydrogen sulphide (H<sub>2</sub>S) is considered both an odour nuisance and a health hazard. According to the 2012 Alberta Health Services information sheet and the Government of Alberta 2010 Workplace Health and Safety Bulletin, H<sub>2</sub>S is extremely toxic, and the potential health effects of H<sub>2</sub>S exposure range from mild symptoms of nausea and headache (1 ppm concentration in air), to breathing difficulty and vomiting (100–250 ppm), loss of consciousness (500–750 ppm), and death (1000 ppm).

16 Nearly 70 per cent of the 2016–2017 surplus comes from projects delivered by the department and, previously, AEMERA. The department prepared a five-year spending plan for the accumulated surplus.

17 The last two annual reports did report project status: *Second Annual Report 2013–2014* Part 1, and *Third Annual Report 2014–2015* Part 1. <http://environmentalmonitoring.alberta.ca/resources/document-library-2/>.

*Report not timely, accessible or understandable*

The 2016–2017 annual report was publicly released in December 2017, nine months after the fiscal year end. The department's timelines for the report had an initial release date at the end of September, which was moved to mid-November 2017. The department and ECCC did not meet this date and released the report two weeks later. We acknowledge that the department released the 2017–2018 annual report in October 2018.

The report is difficult to find through the department's website or through general online search. This is due to the program's website not yet being established after AEMERA's dissolution.

There were numerous references in the report that an average reader may not understand. For example, the report refers to *dendograms* and *dispersion modeling*. Non-technical explanations or a glossary are often used in reports to help readers.

**RECOMMENDATION:****Improve annual reporting process**

We recommend that the Department of Environment and Parks, working with Environment and Climate Change Canada, improve processes to ensure the annual report on the oil sands monitoring program is complete, accurate, clear, and timely.

**Consequences of not taking action**

Without complete, timely, and accurate public reporting, stakeholders will not know the status and results of environmental monitoring in the oil sands and cannot hold the government accountable for meeting its commitment to ensure environmentally responsible development of the oil sands.

**Improve Planning and Monitoring****Context**

The 2016–2017 monitoring plan included 58 projects in eight areas:

- atmospheric monitoring
- watershed monitoring
- physical-disturbance monitoring
- biotic-response monitoring
- indigenous monitoring program
- wetland-ecosystem monitoring
- standards, quality assurance, quality control, and data management
- program administration

The projects were implemented by the department, the ECCC, and by third-party monitoring organizations.<sup>18</sup> Among other activities, environmental monitoring projects tracked air and water quality, analyzed contaminant levels in lakes, and assessed whether oil sands activities disturbed the physical landscapes of wetland and terrestrial ecosystems.

<sup>18</sup> Third-party monitoring organizations include the Alberta Biodiversity Monitoring Institute, the Lakeland Industry and Community Association, and the Wood Buffalo Environmental Association.

Our 2014 audit focused on the projects the department was responsible for delivering in 2012–2013. The audit found deficiencies in the department’s project-management processes, such as missing work plans or plans without key information like clearly defined deliverables and timelines. We also found insufficient evidence that the department monitored progress.

#### Criteria: the standards of performance and control

The department should have sufficient and appropriate evidence to support its reported results. This evidence should include:

- work plans for implementing its responsibilities, including:
  - identification of roles and responsibilities
  - clear and concrete deliverables, timelines, and required resources
  - consideration of stakeholder input
  - consideration of traditional ecological knowledge
  - process to monitor progress and adjust plans to new information
- work plans for coordinating with other departments, agencies, and the federal government to prevent ineffective, inefficient, and duplicate monitoring of the oil sands

#### Our follow-up audit findings

##### Key Finding

The department has implemented our recommendation through the use of better work plans and monitoring.

#### Improvements made

Beginning in 2015–2016, the department adopted standardized work plans that required detailed information, such as project deliverables, timelines, budget, relevant traditional ecological knowledge, and stakeholder input. The work plans described who was responsible for each deliverable and how activities of the department, the ECCC, and monitoring organizations would be coordinated. The department implemented quarterly monitoring of projects’ statuses.

The department identified what needed to be done to meet outstanding project commitments under the 2012–2015 *Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring* and provided evidence that it took those actions.



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# Alberta Justice and Solicitor General Contracting for External Services Follow-up

November 2018



## About this Audit

When conducting the 2016 audit, we found Department of Justice and Solicitor General processes did not have clear and effective guidelines for programs to follow when requesting funding and preparing business cases to support their need to engage external contractors.

In the 2016 audit, we examined processes followed by one of the department's contractor areas: the Office of the Chief Medical Examiner (OCME)<sup>1</sup> program for transporting deceased rural Albertans to its Calgary or Edmonton medical examination facilities. We found that the OCME frequently used non-contracted transporters, contrary to its policy to use only pre-qualified vendors under contract for transporting deceased rural Albertans.

Our 2016 audit was centered on the OCME; however, our report resulted in one recommendation directed toward the department as a whole (business case guidelines) and one for the OCME program (using pre-qualified contract vendors). For this follow-up audit, we decided to broaden our scope to more fully examine the department's pre-qualification contractor processes. Accordingly, we included two additional support areas within the department using pools of pre-qualified contractors: Gladue report writers, plus court reporters and transcript preparers. See Appendix A, which provides an overview of these two programs: OCME rural transportation and pre-qualified contracting.

## Audit Objective and Scope

The objective of our audit was to determine whether the Department of Justice and Solicitor General had implemented our two July 2016 recommendations on external contracting for business services, including contracts for transporters of deceased rural Albertans, and contingency provisions for the use of non-contracted vendors<sup>2</sup>. We consider a recommendation to be implemented if the deficiencies we originally identified have been resolved.

The department's management agreed with the suitability of the audit criteria associated with meeting the above objective, as well as our decision to include Gladue report writers, court reporters, and transcript preparers, in the scope of programs to be examined that are contracting for business services on a pre-qualified basis.

## What We Examined

We examined the business case guidelines and several business case information packages presented to the department's contract review committee to evaluate implementation of our 2016 recommendation for significant, new, external contract-services requests.

For our 2016 recommendation involving external services obtained from pre-qualified contracted vendors, we examined the design of the pre-qualification evaluation processes leading up to a contract being offered to an applicant, signing the contract and inclusion on the roster of program vendors that can be used. We tested

<sup>1</sup> The OCME operates within the Justice Services division of the department.

<sup>2</sup> *Report of the Office of the Auditor General—July 2016*, page 19.

payments for the specified program services, checking that an appropriate invoice had been received that was supported by a valid pre-qualified contract. We also reviewed any allowable exception provisions for situations when an approved vendor was not available to provide the needed services on a cost-effective and timely basis.

For our business case audit testing, we examined business cases and contract review committee minutes from the 18 months ended June 30, 2018. For our pre-qualified contracting tests, we examined pre-qualified vendor contracts, service request and completion forms, and invoices and payments data from the year ended February 28, 2018.

We did not examine internal controls associated with incoming service requests and scheduling, service quality or payment approvals, and processing for any of the department programs. When examining contracts and pre-qualified rosters, we did not verify qualifications or other requirements met by the approved vendors.

We conducted our field work between January and July 2018 and substantially completed our audit on September 5, 2018.

## Conclusion

Based on our findings obtained in completing audit procedures between January and July 2018, we conclude that the Department of Justice and Solicitor General has implemented our 2016 recommendations, having:

- developed business case guidelines and required business cases to be used for significant external-services-contract requests
- improved and complied with pre-qualified contractor requirements for specified program services

## Why this Conclusion Matters to Albertans

Good contracting practices contribute to cost-effective operations and reduce the risk of the department not getting the level or quality of service that meets its standards. The use of business cases and pre-qualified contractor programs contributes to Albertans having access, if needed, to cost-effective justice services

# Findings and Recommendations

## Business Cases for Contract Requests—**recommendation implemented**

### Context

As outlined in our 2016 report, a business case for a contract should include:

- a clear description of the need for the contract
- evidence of stakeholder consultation
- risk assessment and mitigation plans
- financial analysis



Much of the department's contracts and procurement work involves monitoring existing contracts, term extensions of existing contracts, and renewal competitions for ongoing service needs. There are also new contract requests, which is the area where we examined a sample of proposals that required business case submissions to the department's contract review committee.

#### Criteria: the standards of performance and control

The department should have external-services-contract processes that include guidelines specifying:

- business case requirements to be included with a contract request
- circumstances when a business case is not required for a contract request
- decision-making authority for contract requests that include or do not include a business case

#### Our follow-up audit finding

##### Key Finding

The department has developed business-case guidelines.

Business cases were prepared for use by the department's contract review committee to consider significant new external-services-contract requests.

We found that the department has developed business-case guidelines that set \$75,000 as the threshold for new contract proposal significance. Contract funding requests in excess of \$75,000 now require a fully developed business case as part of the information package presented to the department's contract review committee. Lesser value contract requests require supporting documentation that is less comprehensive than the business case requirements.

We found that the business cases examined in our audit sample were prepared within the framework of the department's new business-case guidelines. Each significant funding request and the accompanying business case were discussed at a contract review committee meeting prior to approval.

## Using Pre-qualified Contract Vendors—**recommendation implemented**

### Context

In this follow-up performance audit, we built on our initial audit work that was centered on the OCME and its rural deceased-body transportation program. In addition to examining improvements in the OCME program, we also looked at two other programs using pre-qualified contracts for service delivery and as cost-control tools: Gladue report writers and court reporters and transcript preparers.

Appendix A explains the rationale for maintaining rosters of pre-qualified vendors and provides an overview of the department programs mentioned above. Some cost information is included for programs, each of which operates within the department's annual \$1.4 billion budget. The appendix provides insights on several programs operating within Alberta's justice system.

**Criteria: the standards of performance and control**

The department, its divisions and programs should have external-services-contract guidelines specifying circumstances when:

- pre-qualified contract vendors are to be used to provide business services
- business services may be obtained from non-contracted vendors

**Our follow-up audit findings****Key Findings**

The OCME complied with its pre-qualified contractor use policy for rural body transportation. The use of non-contracted vendors was limited to situations where excessive costs and time delays would be incurred in using pre-qualified contractors or when special services were required.

The department was complying with its policy of only using pre-qualified contractors for:

- Gladue report writing
- court reporting and transcript preparation

Since our 2016 audit, the OCME has increased the number of pre-qualified rural body transportation contractors. This has reduced the potential need for using non-contracted vendors and has allowed the OCME investigators to strictly adhere to the OCME policy of using vendors on pre-qualified regional vendor lists. The use of non-contracted vendors was more appropriately limited to situations where excessive costs or time delays would result from using a pre-qualified contractor. There remain situations where advance pre-qualified contract arrangements for deceased body transportation are not feasible (e.g., for body removals in remote locations, such as mountain areas; for drownings that first require search teams of divers, also sometimes in remote locations).

We found that the specialist nature of Gladue report writing and court reporting and transcript preparation work, combined with the inherent ability to schedule these types of work, meant that only pre-qualified contractors are used in these programs. For transcript preparation, we found compliance with the policy to only use pre-qualified contractors for internal department requests as well as for external requests.

## Appendix A: Programs Overview

### Pre-qualification and Contracting of Vendors

The purpose of pre-qualifying and contracting certain groups of vendors is to control costs where skills-specific services are needed, but the volume, timing, or location where the services are needed is unpredictable. For these types of services, it is beneficial to maintain a pool or roster of pre-qualified vendors so that when needed, the services can be provided in a timely and cost-effective manner. If the services are infrequently needed, costs are kept to a minimum. The costs are controlled because pre-qualification type contracts do not guarantee the extent to which individual vendors will be contacted to provide services. If contacted, the specialty services can be promptly provided in accordance with the terms of the contract, which includes a preset fees schedule.

The pre-qualified contracts will be with individuals or companies. The contracted business may operate with one or more individuals authorized to carry out the contracted services as pre-qualified resources (independent contractors or employees) under the contract. In advance of being offered a contract, each business and the individuals seeking to provide services will be screened by an evaluation team based on criteria relevant to the service needs. Once the ability to meet the service standards is established, there will be a set of additional requirements to be met before the contract can be executed (e.g., criminal record and driver abstract checks, signing confidentiality agreements, and providing documentation of appropriate insurance).

In this follow-up performance audit, we examined three key operating areas in the Department of Justice and Solicitor General that used pools of pre-qualified contracted vendors.<sup>3</sup>

### Transportation of deceased rural Albertans

The OCME's legislated forensic, pathology, toxicology and other scientific activities are directed at sudden, unexpected or unexplained deaths, including those involving police investigations and, potentially, legal proceedings. Procedures can range from file reviews of medical records to full autopsies. The OCME uses contracted body transportation vendors (most are funeral homes) to safely and respectfully move people who have died. In addition to the Calgary and Edmonton contracts, there are pre-qualified contracts with body-transportation service providers in almost all reasonably populated areas of Alberta.

Each year, approximately 20,000 people die in Alberta. Of these, the nature, timing, and circumstances surrounding the deaths warrant approximately 4,000 having some level of post-mortem medical examination. In recent years, approximately 1,700 deceased Albertans were annually transported from rural areas for medical examination, at a cost of \$1.65 million per year.<sup>4</sup>

<sup>3</sup> The program overviews are presented to inform Albertans, providing context and background on the Department of Justice and Solicitor General pre-qualified and contracted vendor programs examined in this follow-up performance audit. The program information was summarized from publicly available department sources and our audit file.

<sup>4</sup> The OCME pays for the transportation of a body from the scene of death in Alberta to the nearest OCME office, and the outward return to the next of kin's chosen funeral home (up to the same distance as the trip from the scene of death).

## Gladue report writing

Gladue reports are prepared at the request of judges on a pre-sentencing basis to assist Indigenous people in obtaining fair and culturally sensitive treatment in the justice system. The reports derive from a 1999 Supreme Court of Canada decision involving an accused woman named Jamie Gladue. Each report helps tell the personal history of an Indigenous offender to a judge and the courts. It will outline socio-economic circumstances and include any history with residential schools, child welfare, abuse experienced, addiction, and substance abuse.

Gladue report writer applicants will be evaluated on their demonstrated experience working with multi-barrier Indigenous groups, their knowledge of various Indigenous communities in Alberta, and their writing skills. In the interests of report quality and limiting travel expenses, there are writers with pre-qualified contracts in almost all regions of Alberta with reasonably populated Indigenous communities.

In recent years, approximately 700 Gladue reports were prepared annually, at a cost of \$950,000 per year.

## Court reporting and transcript preparation

Court reporters are present for some (relatively few, only high level<sup>5</sup>) courtroom proceedings to document the words spoken in real time. Transcripts for those and other proceedings may subsequently be prepared, on request, using audio files.<sup>6</sup> Some transcripts are also prepared from interview audio or video files provided by police service investigators.

The department maintains separate contracts for court reporters (credentials include legislatively established academic and professional membership qualifications<sup>7</sup>) and transcript preparers (qualifications are experience based). Most court reporters also have a transcriptionist contract.

Transcript requests may be internal (e.g., from judges, court staff, crown prosecutors, or others in the department) or external (e.g., from defense and other lawyers, media, or members of the public). The fee charged is the amount paid for the transcript preparation, unless the transcript was already generated from an earlier request, in which case a lower, per page copy fee will be charged. The legislatively approved transcript preparation fee schedule is based on character counts (i.e., keystrokes) and requested turnaround time for completing the transcript; a higher fee is charged for a transcript prepared within two days or a week, compared to a thirty-day delivery request.

In recent years, approximately 18,000 internally and externally requested transcripts were prepared annually, at a cost of \$4.5 million per year, including court reporter fees.

5 A certified court reporter is present when required for Alberta Court of Queen's Bench trials or requested by the presiding justice. A lower court judge may also request the presence of a court reporter, though department representatives advised that this rarely occurs.

6 All Alberta courtroom proceedings are recorded. The Department of Justice and Solicitor General has a system for cataloging and retaining the recorded audio files. The final transcript from a session that has a court reporter present is generally quicker to prepare and will be of higher quality compared to a transcript prepared solely from the audio file (e.g., there will likely be fewer sections of the transcript where the dialogue is inaudible). Transcript requests will specify whether the whole courtroom session or just specific segments will be transcribed.

7 Court reporter qualifications include successfully passing Alberta and Canadian shorthand/court reporter examinations and being registered in good standing under the *Alberta Shorthand Reporters Regulation Alberta Regulation 197/1996*.



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# Alberta Labour Occupational Health and Safety Follow-up

November 2018



## About this Audit

Albertans go to work each day with the expectation that they will come home to their community and loved ones free of injury, illness, or harm. Unfortunately, work-related illnesses, injuries, and deaths still occur. A recent report by the University of Alberta Parkland Institute<sup>1</sup> estimates that there were over 170,000 workplace injuries in Alberta in 2016, including 144 fatalities accepted as compensable by the Workers' Compensation Board (WCB).

The *Occupational Health and Safety Act, Regulation, and Code* exist to help employers in Alberta minimize occupational hazards. The Department of Labour is responsible for implementing and enforcing occupational health and safety (OHS) legislation, regulation, codes, and policies. The department works with employers to deliver various OHS programs to promote, monitor, and enforce laws. The department is also responsible for setting OHS programs' goals and objectives, analysing them to ensure that they are achieving the desired results, and reporting those results to the minister, the legislature, and all Albertans.

If the department does not regularly evaluate and report on its OHS programs, the department cannot provide effective oversight or assure Albertans that OHS programs are achieving expected results, providing value, and being cost-effective.

In April 2010,<sup>2</sup> we assessed whether the department had adequate systems to promote, monitor, enforce, and report on its OHS goals and objectives, and we made five recommendations. We assessed recommendations related to inspection systems, certificates of recognition, and permit and certificate programs as implemented during follow-up audits reported in July 2012<sup>3</sup> and July 2016.<sup>4</sup> In 2016, we found the department had still not implemented the following recommendations:

- plan and report on whether key OHS programs and initiatives achieve desired results
- clarify and enforce procedures on worksite compliance with OHS legislation

## Audit Objective and Scope

The objective of the audit was to determine whether the department has implemented the two outstanding 2010 recommendations.

We applied the same criteria as the previous audit.

## What We Examined

To assess whether the department had implemented our recommendations, we:

- interviewed key staff and examined relevant procedures
- examined the processes used to determine, calculate, verify, and report the performance measures/indicators
- examined management's program evaluation process, including the overall evaluation of cost-effectiveness and the assignment of accountability for future action plans derived from the evaluation

<sup>1</sup> *Safer by Design: How Alberta Can Improve Workplace Safety*, University of Alberta Parkland Institute, April 2018, page 1.

<sup>2</sup> *Report of the Auditor General of Alberta—April 2010*, pages 31–52.

<sup>3</sup> *Report of the Auditor General of Alberta—July 2012*, pages 81–90.

<sup>4</sup> *Report of the Auditor General of Alberta—July 2016*, pages 39–48.

- tested the processes for a sample of measures/indicators
- tested implementation of a new systems control and OHS officer training
- tested all OHS orders created from April 1, 2017, to September 30, 2017, confirming whether operating procedures relating to management approval of extensions were followed
- performed an analytical review of CMIS OHS order data for unusual patterns or unexpected parameters from April 1, 2017, to September 30, 2017
- tested management's quality-assurance process related to the above data from April 1, 2017, to March 31, 2018

We conducted our fieldwork between November 2017 and June 2018 and completed our audit on August 21, 2018.

On June 1, 2018, the *Occupational Health and Safety Act, R.S.A. 2000, c.O-2* was repealed and the *Occupational Health and Safety Act, S.A. 2017, c.O-2.1* came into force. This change did not affect our audit's subject matter, as we performed our testing of the department's processes to enforce compliance with OHS legislation on OHS orders created prior to the date of the new legislation.

## Conclusion

We conclude that for the period April 1, 2017, to March 31, 2018, the department had implemented the two outstanding recommendations.

The department has:

- implemented processes to plan and report on whether key OHS programs and initiatives have achieved their outcomes
- documented, without exception, orders to comply with OHS legislation, including proper management approval for compliance order extensions

## Why this Conclusion Matters to Albertans

The impact of workplace injuries, illnesses, and fatalities reaches well beyond workers and their families and leads to broader negative economic and social consequences, which include:

- workers losing their level of income and health, and sometimes their lives
- employers facing costs such as legal expenses, additional hiring and training costs, loss of productivity, and WCB premium increases
- the healthcare system ultimately funding and treating unreported injuries and diseases
- pressures on government resources to inspect, investigate, and prosecute



## Findings

### Improve health and safety program planning and reporting— recommendation implemented

#### Context

In 2010, we recommended that the department improve its planning and reporting systems for OHS by completing its *Work Safe Alberta Strategic Plan* and by measuring and reporting on the performance of OHS programs and initiatives that supported the key themes of the plan. In 2012, we found that the department had made progress on the recommendation, but that the *Work Safe Alberta Strategic Plan* had not yet received approval by the minister.

In 2016, we found that the department:

- replaced the draft *Work Safe Alberta Strategic Plan*<sup>5</sup> with the identification of 10 key programs<sup>6</sup> to achieve its OHS vision, goals and objectives
- had not clearly defined how it would regularly evaluate and report whether the key programs achieved the desired outcomes or provided value for the money spent
- did some internal reporting on OHS programs or on achieving specific parts of programs; however, only some of this information was published publicly

We repeated the recommendation; as the department had identified key programs it would use to meet its goals and objectives, it had not yet evaluated and reported on whether those programs effectively achieved desired results.

#### Criteria: the standards of performance and control

The department should monitor, measure, and report on its progress against OHS program goals and objectives, and assess the cost-effectiveness of programs.

#### Our follow-up audit findings

The department identified nine key programs to achieve its OHS vision, goals, and objectives. The department set up an OHS Evaluation Committee that reviewed OHS strategic goals, outcomes, and programs; developed measures and indicators to evaluate the programs; and identified data sources. The committee identified 19 performance measures and 32 performance indicators to evaluate the programs. The measures and indicators include:

- percentage of identified (high-risk) employers inspected
- percentage of complaints responded to within program timelines
- injury rates by number of years in business
- change in injury rates over time for employers holding a Certificate of Recognition<sup>7</sup>

We examined the department's process, logic models, agendas and minutes of committee meetings, overall evaluation of cost-effectiveness, as well as the approved performance-measure-framework documents used to determine measures and indicators for each of its programs. We found that the department implemented

<sup>5</sup> In 2016, the department decided to no longer proceed with a *Work Safe Alberta Strategic Plan*, focusing instead on a combination of individual OHS programs.

<sup>6</sup> Currently nine programs since our last audit; one program concluded after having achieved its objectives.

<sup>7</sup> A certificate of recognition is a voluntary program in which employers with appropriate health and safety programs can receive WCB rebates of up to 20 per cent.

an adequate process to determine measures and indicators for each of its programs; it evaluated the overall cost-effectiveness of the programs; and it linked the measures and indicators to its goals, objectives, and outcomes.

We examined the department's documented performance-measure control systems and found the department has implemented processes to calculate, verify, and report the measures and indicators for the nine programs. The department's *OHS Performance Management Response Guide* documents management's use of data to evaluate each program and document any required future action items. The department applied its process to determine the reporting audience for the measures and indicators. We found that the documented rationale only considered an internal assessment of reporting needs and did not include a consultation of external stakeholders. As a result, external stakeholders will not understand how OHS program measures and indicators link to the department's overall goals and objectives and if they achieved their outcomes. Management told us they would assess the current performance measures and indicators data over the next few years to determine whether providing additional external user reporting would be informative.

In addition, we examined a sample of measures and indicators through the complete process, from development to evaluation, and found the process to be adequate. We observed that the department had internally reported on a majority of the program's measures and indicators and had evaluated eight out of the nine programs. Management did not report on four performance measures and seven performance indicators, as the data was not available at the time of audit. Also, as the data was not available, department management did not evaluate one program. The program is scheduled to be evaluated later in fiscal 2019 and we will examine if the department completes these assessments during our fiscal 2019 ministry financial statement audit.

## Enforce compliance—**recommendation implemented**

### Context

In 2010, we recommended that the department ensure employers and workers comply with the *Occupational Health and Safety Act, R.S.A. 2000, c.O-2*, particularly for those who were repeat offenders. We noted weaknesses in tracking and applying the decision ladder for persistent non-compliers, a lack of systems to identify non-compliance, and inappropriate suspension of OHS orders.

OHS officers visit worksites throughout Alberta to promote and enforce workplace health and safety. When an OHS officer sees employers or workers not following the *Occupational Health and Safety Act, Regulation, or Code*, the officer issues a compliance order that requires compliance by a specific date. Violations that have the potential to cause serious injury result in a stop work or stop use order.<sup>8</sup> The department's operating procedures only allow extensions on compliance orders. Extensions are not applicable to stop use and stop work orders. Officers give employers up to 30 business days to comply with a compliance order. The officer can grant an extension to the initial compliance date for up to 30 business days. The officer may grant a second extension

<sup>8</sup> The *Occupational Health and Safety Act, R.S.A. 2000, c.O-2*, in Sections 9, 10, and 11, defines the requirements for the three types of orders.

up to 30 business days, with manager approval. Managers must document their approval in the CMIS.

For stop use and stop work orders, employers must fix violations specified in the order prior to using the equipment or resuming work. A stop use or stop work order remains in place until the employer demonstrates that the equipment or worksite is safe and workers are not in danger. As a result, there is no need to document a future date of compliance or to grant a time extension to fix the problem.

In 2012, we repeated our recommendation, as we found inaccurate data in the inspection reporting system and no documentation of manager approvals for compliance orders.

We found in 2016 that while the department had made significant improvements to the process, the department still lacked effective processes to document manager approval of time extensions for employers to remediate compliance orders. In addition, officers had documented time extensions on stop work and stop use orders when none were required.

#### **Criteria: the standards of performance and control**

The department should have clear procedures for OHS officers when they give employers and workers extra time to fix worksite health and safety problems, specifically:

- obtaining and documenting a manager's approval
- documenting the number of times an extension can be given
- ensuring extensions are given only when necessary

#### **Our follow-up audit findings**

Through interviews of department staff and examination of documentation, we found that the department implemented:

- clear operating procedures related to OHS orders and communicated the requirements to all OHS managers and officers
- training of all OHS officers and managers regarding responsibilities and requirements around time extensions
- an automated computer control in the CMIS to require management approval of extensions
- a quality assurance process to monitor proper entry of manager extension approvals

In addition, we tested all orders issued for a six-month period, and the department's quality assurance process for the 2018 fiscal year's order extensions.

We found no deviations in the department's compliance with its operational procedures on issued compliance, stop use, and stop work orders in our testing.





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# Alberta Labour Systems to Update Alberta's Workforce Strategies

November 2018



## About this Audit

Workforce development consists of activities and efforts to help meet the employment needs of employers and those looking for work. These activities include adult skills training, job placement, and developing partnerships with industry designed to help unemployed individuals gain employment and lower-skilled workers improve their skill levels. In Alberta, the Department of Labour is responsible for the delivery of programs that support the development of Alberta's workforce.

Between 2006 and 2016, Alberta's workforce development efforts were to be coordinated under the *Building and Educating Tomorrow's Workforce Strategy* (BETW). The government designed the strategy to bring together government ministries and external industry and stakeholder groups to achieve a common objective of improving Alberta's labour force capacity.

The purpose of a long-term strategy such as BETW is to allow the government to work towards more sustainable results—to focus on the things it identifies as most important to the future sustainability of Alberta's labour force, not necessarily the most urgent right now.

The BETW strategy recognized that the immediate need (in 2006) to attract workers from across Canada and internationally (**more workers**) needed to be balanced with the longer-term need to provide Albertans with the skills and training they would need in a more knowledge-based economy. The longer-term results were to provide under-represented groups within Alberta with the skills, training and opportunities they needed to succeed (**better-trained people**), and to support increased innovation and productivity within Alberta workplaces (**innovative work environments**).

After 2012, monitoring and reporting on progress for BETW stopped. The department, acting as the strategy's central ministry, worked on updating the strategy. When the strategy ended in 2016, it was not renewed and a new strategy that used a formal multi-ministry collaborative approach was not developed. Instead, the department moved forward with a plan more directly focused on areas specifically within the department's mandate.

The department's program expenditures for workforce strategies between 2013–2016 were \$223 million.<sup>1</sup>

## Audit Objective and Scope

The objective of our audit was to assess whether the Department of Labour has adequate systems to update Alberta's workforce strategies. This includes systems to:

- demonstrate successful implementation of Alberta's workforce strategy
- report on and evaluate results of performance
- provide reliable and useful labour market information to users

Our work focused on the 10-year *Building and Educating Tomorrow's Workforce Strategy*, released in 2006, and the department's processes to regularly monitor, report on, and update the strategy. Implementation of the strategy was a shared

<sup>1</sup> *Labour Annual Report 2015–16*, page 61; *Jobs, Skills, Training and Labour Annual Report 2014–15*, page 26; *Jobs, Skills, Training and Labour Annual Report 2013–14*, page 31.

responsibility by multiple ministries. Our audit focused on the Department of Labour over the last three years of the strategy, when it had the primary oversight role in monitoring progress of the strategy and the plans going forward.

We did this work because the process design and operating effectiveness of the government's systems to monitor workforce strategies directly impact the success of those strategies. In order to make good decisions on behalf of Albertans regarding current and future workforce needs, the department requires effective processes to guide its efforts and investments.

We developed the criteria for this audit based on the Department of Labour's responsibilities, applicable legislation, and the Results Management Framework in our July 2014 report.<sup>2</sup> Prior to beginning the audit, management agreed with the suitability of the audit criteria.

## What We Examined

At the time we began our audit, the BETW strategy was nearing its end, and the department was working to update the strategy. We examined the department's processes to understand how the department:

- monitored and reported on progress in achieving the planned results of the strategy
- evaluated what worked and what did not work with BETW, and how it incorporated learnings from BETW to make changes to its new strategy
- used labour market information to support its workforce strategies

Our work provided an opportunity to examine how the strategy's central ministry coordinated the execution of a long-term multi-ministry strategy for the 10-year duration. We examined the established accountability structures by meeting with department management and interviewing staff in other departments who had been involved in the early days of the BETW Strategy. We reviewed meeting minutes from various committees, past and present; public performance reports; planning documentation for updating the strategy; and other internal and public documents related to the ongoing monitoring of the strategy. Several industry sub-strategies were developed and reported on, which we also included in our examination.

We conducted our field work between July and December 2015 and June and December 2017 and substantially completed the audit on August 21, 2018.

## Conclusion

We conclude that the department did not, in all significant respects, have adequate systems to update its workforce strategies for 2013 to 2016 to:

- demonstrate successful implementation of its BETW strategy
- report on and evaluate the results of its performance

The department did not monitor or report progress towards BETW's planned results between 2013 and 2016. When BETW ended in 2016, the department decided to proceed without a long-term multi-ministry strategy to guide its workforce development efforts. With no results analysis of the BETW strategy, neither the department nor

<sup>2</sup> Results Management Framework, *Report of the Auditor General of Alberta—July 2014*, page 24.



Albertans know if the long-term planning efforts of BETW were successful or how lessons learned from that strategy will improve the government's preparation for current and future workforce needs.

BETW was a long-term strategy involving multiple ministries and external stakeholders. Government used this approach to guide its workforce development planned results because it is a complex area that requires collaboration across ministries. Progress was challenging; department structures, government priorities, the operating environment, and the economic circumstances within which departments work changed over the 10 years the strategy was in place.

But these factors and the complexities of the work of government are why long-term strategies matter—to make progress despite the urgency of short-term needs and circumstances. Monitoring, reporting, and analyzing planned results against results achieved is the process that provides the information required to adjust future plans, efforts, and spending to improve results.

### Why this Conclusion Matters to Albertans

It is important to all Albertans that the department has a workforce plan that has the flexibility to respond to short-term labour-demand fluctuations and the vision and supporting structures to achieve longer-term objectives.

Good processes to monitor progress and report on results provide Albertans with the information they need to know whether the department is on track with its plan and the value received for the money spent. Without these processes, the department will not achieve its longer-term planned results.

## Findings and Recommendations

### Alberta's 10-year BETW workforce strategy

#### Context

Initiated in 2006, BETW was a 10-year government strategy to ensure the province met current and future labour-force needs.<sup>3</sup> The planned results of the strategy were, at the highest level, more workers; better-trained people; and innovative workplaces. Results were to be met through four focus areas:

- **develop** needed skills in Albertan workers
- **attract** needed workers from outside the province
- **retain** workers brought in from outside the province
- **inform** stakeholders and individual Albertans about relevant education, career, workplace and labour market information

Each focus area had actions associated with it. A department acting as the strategy central ministry assigned the actions of each focus area to one or more lead ministries. Most ministries were assigned more than one action. Appendix A includes a summary of priority actions and the corresponding lead ministries.

<sup>3</sup> *Building and Educating Tomorrow's Workforce—Alberta's 10-year Strategy*, page 2, accessed September 7, 2017, at <http://work.alberta.ca/documents/BETW-strategy.pdf>.

Throughout, the strategy had a central department or co-departments responsible for monitoring and reporting on BETW's progress. Initially, Alberta Human Resources and Employment (AHRE) and Alberta Advanced Education acted as co-central ministries, AHRE having additional responsibilities for project management and status reporting. Over time, the changing structure and responsibilities of government ministries affected which department acted as the strategy central ministry. The Department of Labour has been the central ministry since 2013.<sup>4</sup>

The government made a commitment to review and report each year on its progress towards achieving BETW's three planned results.<sup>5</sup> For each planned result, performance measures were established and mid-term (three years) and long-term (five to 10 years) targets selected (Appendix B).

Mid- and long-term targets were set because the strategy covered a 10-year period and those involved in its development recognized that some actions would take longer than others to see results.

#### Criteria: the standards of performance and control

The department should have adequate systems to update Alberta's workforce strategies, including systems to:

- demonstrate successful implementation of Alberta's workforce strategies
- report on and evaluate results for adjustments necessary to achieve planned results
- provide reliable and useful labour market information to users

#### Our audit findings

##### Key Findings

The department:

- did not monitor and report on the progress in achieving the planned results of the 10-year *Building and Educating Tomorrow's Workforce Strategy*
- cannot demonstrate if BETW achieved its planned results or whether the resources dedicated to it over the past 10 years were well placed

#### Processes to measure and monitor progress

Under BETW, the central ministry was responsible for coordinating the efforts of multiple ministries and non-government public and private entities. Putting the strategy into operation involved ministries developing and executing their own action plans that would in turn complete the strategy's priority actions. The central ministry's role in coordinating their efforts included three mechanisms to monitor progress:

- preparing a master implementation plan that reflected participating ministries' planned activities to support the strategy
- administering a series of committees that facilitated ongoing communication and provided a forum at different management levels to discuss common concerns, areas of collaboration, and overall progress

<sup>4</sup> Alberta Human Resources and Employment became Employment Immigration and Industry in 2007, and then Employment and Immigration (EI) in 2008. EI continued as the central ministry until 2012. The central ministry then became Human Services in 2012; Enterprise and Advanced Education in 2013; and then Jobs, Skills, Training and Labour (December, 2013), which became the Department of Labour (2016).

<sup>5</sup> *Building and Educating Tomorrow's Workforce—Alberta's 10-year Strategy*, Government of Alberta, 2006, page 20.

- reporting annually on progress made towards implementing the priority actions and meeting established performance targets

We found that, for the most part, processes to measure and monitor progress operated as intended for the first five years of the strategy. Specifically, we noted:

- eight industry sub-strategies were developed
- several ministries reported BETW initiatives within their business plans and annual reports
- committees such as the Labour Force Planning Committee met regularly and were actively involved in bringing participating ministries together to discuss and coordinate work on a wide variety of projects and programs
- the central ministry used periodic newsletters and meetings to facilitate collaboration internally and with other ministries and non-government stakeholders
- the government released BETW performance reports for 2007, 2008, 2009, and 2010–2012 and industry performance updates for 2006–2010 and 2012
- in 2011 the central ministry retained an external party to evaluate the first five years of the strategy and performed a round of lessons-learned discussions

In 2011–2012, about halfway through the original strategy, the central ministry began updating the strategy, producing a series of drafts over the next four years:

- *Action on Labour—BETW*, May 2013
- *Building Alberta's Workforce*, December 2013
- *Growing and Educating Tomorrow's Workforce*, February 2015

Early efforts to update the BETW strategy were based on the same structure and processes of the original BETW. The central ministry was very close to receiving approval for the updated strategy in 2013 (*Action on Labour*) and 2015 (*Growing and Educating Tomorrow's Workforce*).

Because department management was focused on updating the strategy, monitoring of the BETW strategy faltered:

- Key committees coordinating BETW activity ceased meeting regularly, and in some instances the department formally disbanded them.
- Performance reporting stopped; the 2010–2012 Performance Update was the last public reporting on BETW.

### **Reporting on results and evaluating progress against planned results**

When the government introduced BETW, it committed to annual performance reporting on and monitoring progress of planned results. Each of the four performance reports on BETW included reporting on:

- progress on each of the 17 priority actions
- actual results compared to the established targets

We found weaknesses with both processes.

*Progress on priority actions*

Each performance report provided detailed actions taken by participating ministries relating to each of the strategy's priority actions. As the central ministry, however, the department did not receive implementation plans from participating ministries or monitor progress against priority actions. As a result the performance reports did not provide the starting point, end point, or progress to date. Consequently, the department could neither measure progress against expectations nor determine if implementing the actions was in fact driving towards planned results.

There was an initial attempt to have ministries provide budget information to track all BETW-related expenditures. Budgeted and actual expenditure information provides an indication of the scale of work undertaken and the percentage completed. However, participating ministries found providing this information to be time-consuming relative to the additional benefit it provided, so it was discontinued.

Overall, the information reported on the progress of priority actions was helpful for understanding the range of activities undertaken by the ministries involved but less helpful in providing information on the results of those activities.

*Reporting progress against measures and targets*

Rather than create performance measures for each of BETW's planned results, the central ministry adopted existing measures from participant ministries (Appendix B), such as the two listed below:

- from Education: the high school completion rate within five years of entering grade 10
- from Advanced Education: the number of Albertans aged 25–64 who completed post-secondary education

These were both valid measures of increasing the capacity of Albertans to participate more fully in the labour market.

While the government considered this method of sharing existing performance measures expedient at the time, it resulted in two problems that limited the effectiveness of BETW's performance reporting:

- It was impossible to know whether results were attributable to BETW or not.
- In two instances, the originating ministry stopped using the measure.<sup>6</sup> This meant that the information could no longer be used for BETW performance reporting.

In both cases, the central ministry did not replace the measures.

*Accountability for results*

Well-designed processes to monitor, measure, and report results are necessary to effectively assess the results of a large, multi-ministry strategy such as BETW. These processes were weak and ultimately stopped altogether for the last five years of the strategy, leaving Albertans with unanswered questions. Albertans do not know how many resources, financial and non-financial, departments expended on the BETW strategy. Albertans also do not know to what extent results were achieved or if they would have been achieved with or without BETW.

<sup>6</sup> The two discontinued performance measures were increases in the number of adult learning spaces and employer satisfaction with the skills and quality of work of advanced education graduates.

With the benefit of hindsight, Albertans do know that the ministries have been challenged by some of the more difficult work planned under the strategy, such as meeting the long-term result of increasing the participation of under-represented groups. After 10 years of collective focus and work under the BETW strategy:

- increases in participation of people with disabilities were unknown
- a planned Indigenous workforce strategy had not been implemented
- many Albertans continued to have low literacy and numeracy rates that affected their ability to learn and work

### **After BETW—updating Alberta's workforce strategies**

When the BETW strategy ended in 2016, the department decided not to move forward with a formal multi-ministry collaborative approach. The department concluded that its priorities for workforce development were best served by focusing on the work specifically within its mandate. The department's new focus contemplates establishing a process to consult with stakeholders in workforce development, but it is not a multi-ministry, multi-stakeholder, long-term approach like the BETW strategy.

In April 2016 the departments of Labour, Community and Social Services, and Advanced Education realigned their employment and training programs and services offered to better align them with each department's respective line of business.

For example, Labour now focuses on recently unemployed Albertans, a relatively new service group arising from the economic implications of lower oil prices and the changing nature of work resulting from advances in technology.

The department did not complete a results analysis in the later years of the BETW to assess and report on the department's evaluation or any lessons learned from the strategy. As a result Albertans have had no information since 2012 to help them assess whether the BETW met its planned results or whether the resources dedicated to it over the past 10 years were well placed.

The department's performance reporting and results-analysis processes should examine program results and costs and answer such questions as:

- What is working and what is not?
- Do actual results match planned results? If not, why not, and what will be done to course-correct?
- Does the program or initiative achieve its results at the expected cost?

Department staff can only informally apply learnings from the strategy's last five years to subsequent strategies through the learned knowledge of the staff involved.

**RECOMMENDATION:**  
**Report on results of workforce strategies**

We recommend that the Department of Labour regularly measure and report on the results of its current workforce strategies, including lessons learned.

**Consequences of not taking action**

Without effective processes to monitor progress and report on results of its workforce strategies, the department risks not achieving planned results and not demonstrating value for taxpayer money spent. Long-term planned results will succumb to short-term needs and not support the needs of vulnerable Albertans.

## Appendix A: Building and Educating Tomorrow's Workforce—Themes and Priority Actions

Theme	Priority Actions <sup>7</sup>	Lead Ministry(ies) <sup>8</sup>
Inform	1. Provide Albertans, business and industry quality information on labour force matters, human resource best practices, market opportunities, and program supports.	• Labour
	2. Provide enhanced information to Albertans regarding career, education and training opportunities, and resources and tools available to support career and education decisions.	• Advanced Education • Education • Labour
	3. Provide employers enhanced information, tools, and supports to better help them meet their labour needs.	• Advanced Education • Health • Labour
Attract	4. Work with partners to recognize immigrants and interprovincial migrants' credentials, competencies, prior learning and work experience.	• Advanced Education • Health • Labour
	5. Work with the federal government and other stakeholders to simplify and speed up processes supporting immigrants and temporary foreign workers.	• Economic Development and Trade • Labour
	6. Develop a coordinated marketing strategy to increase awareness about Alberta as a destination of choice for immigrants.	• Economic Development and Trade • Labour
	7. Work to improve labour mobility of Canadians and inform Canadians of job and business opportunities in Alberta.	• Economic Development and Trade • Labour

<sup>7</sup> Building and Educating Tomorrow's Workforce, Alberta's 10-year Strategy, pages 15–19.

<sup>8</sup> The names of many of the ministries changed significantly over the 10 years of the strategy. We have used the current department names

Theme	Priority Actions <sup>7</sup>	Lead Ministry(ies) <sup>8</sup>
Develop – high performance workforce	8. Work with education and training providers to increase graduation and post-secondary participation in learning opportunities and reduce barriers to Albertans' participation in the labour market (including First Nations, Métis, Inuit and other under-represented groups, such as persons with disabilities, Albertans with literacy challenges, and immigrants).	<ul style="list-style-type: none"> <li>• Indigenous Relations</li> <li>• Advanced Education</li> <li>• Labour</li> <li>• Community and Social Services</li> </ul>
	9. Respond to the affordability recommendations in <i>A Learning Alberta</i> and expand access to advanced education learning opportunities to enable Alberta to have the highest participation rates in post-secondary education in Canada.	<ul style="list-style-type: none"> <li>• Advanced Education</li> </ul>
	10. Work with employers to increase training and learning opportunities for Albertans to upgrade their skills while working.	<ul style="list-style-type: none"> <li>• Advanced Education</li> <li>• Health</li> <li>• Labour</li> </ul>
	11. Develop and implement provincial strategies to increase on-time high school completion rates, focusing on Indigenous success through initiatives to support the <i>FNMI Education Policy Framework</i> .	<ul style="list-style-type: none"> <li>• Education</li> <li>• Advanced Education</li> </ul>
	12. Work with industry to develop innovative approaches to improve participation and achievement in apprenticeship and industry training, including that of under-represented groups, to meet industry needs.	<ul style="list-style-type: none"> <li>• Advanced Education</li> </ul>
	13. Continue to promote a streamlined regulatory regime to enhance business competitiveness and labour force development.	<ul style="list-style-type: none"> <li>• Service Alberta</li> <li>• Economic Develop and Trade</li> <li>• Treasury Board and Finance</li> <li>• Labour</li> </ul>

<sup>7</sup> *Building and Educating Tomorrow's Workforce, Alberta's 10-year Strategy*, pages 15–19.

<sup>8</sup> The names of many of the ministries changed significantly over the 10 years of the strategy. We have used the current department names.



Theme	Priority Actions <sup>7</sup>	Lead Ministry(ies) <sup>8</sup>
<b>Develop – high performance environments</b>	14. Work with employers to increase technology adoption and innovation, including improvements to administrative processes and services, the production floor, product-to-market efficiencies, and web-based delivery.	<ul style="list-style-type: none"> <li>• Agriculture</li> <li>• Advanced Education</li> <li>• Economic Development and Trade</li> <li>• Labour</li> </ul>
<b>Retain</b>	<p>15. Work with industry, employer groups, and labour groups to increase workforce retention of mature workers, including increasing flexible work arrangements and pension programs.</p> <p>16. Work with partners to increase the retention of knowledge workers with specialized skills, including skills critical to bringing scientific and technological innovations to market.</p> <p>17. Work with community agencies, employers and other partners to provide improved support programs and networks for integrating immigrants, indigenous people, and other under-represented groups into workplaces and communities.</p>	<ul style="list-style-type: none"> <li>• Treasury Board and Finance</li> <li>• Labour</li> <li>• Seniors and Housing</li> <li>• Advanced Education</li> <li>• Economic Development and Trade</li> <li>• Indigenous Relations</li> <li>• Advanced Education</li> <li>• Children's Services</li> <li>• Education</li> <li>• Labour</li> <li>• Community and Social Services</li> </ul>

<sup>7</sup> *Building and Educating Tomorrow's Workforce, Alberta's 10-year Strategy*, pages 15–19.

<sup>8</sup> The names of many of the ministries changed significantly over the 10 years of the strategy. We have used the current department names.

## Appendix B: Building and Educating Tomorrow's Workforce—Outcomes, Performance Measures, and Targets

Within BETW, the department outlined seven performance measures (indicators), including mid-term and long-term targets; it planned to monitor performance with annual reporting against the established measures.

Outcomes	Indicators	2006 Baseline	2009 Target (mid-term)	2016 Target (long-term)	2011 Actual (as reported in 2012)	2016 Actual (not reported)
Improved supply of appropriately skilled, knowledgeable workers in the province	Employment	1,880,000	2,051,000	Alberta has among the highest levels of employment growth in the country	2,094,100	
	International immigrants arriving in Alberta	19,330	24,000	10% of total immigration to Canada	12.4% (or 30,941) of total immigration to Canada	
	Increase in adult-learning spaces	2,550	11,800	Alberta will create enough seats to provide 45,000 new learning opportunities	Unknown; Advanced Education did not report this measure after 2009	

Outcomes	Indicators	2006 Baseline	2009 Target (mid-term)	2016 Target (long-term)	2011 Actual (as reported in 2012)	2016 Actual (not reported)
Highly skilled, educated, and motivated people	High school completion rate within 5 years of entering Grade 10	75%	77%	90% (revised to 82% in the 2010–2012 Performance Update)	79.6%	
	Albertans aged 25 to 64 that have completed post-secondary education	58%	62%	Alberta has among the highest rates of post-secondary completion in the country	61.5%	
	Employer satisfaction with the skills and quality of work of advanced education system graduates	90%	91%	Alberta will achieve an employer satisfaction rate of 91% or greater	Unknown; Advanced Education did not report this measure after 2009	
High-performance work environments that can make maximum use of innovation and technology	Labour productivity (real GDP per hour worked)	\$40.55	Alberta's labour productivity will continue to be the highest in the country		\$48.10	





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# Alberta Seniors and Housing Affordable Housing Follow-up

November 2018



## About this Audit

In 2007, the Alberta Affordable Housing Task Force recommended that the Government of Alberta enhance capital resources for affordable housing supply. The task force estimated the need for 12,000 affordable housing units at a cost of \$480 million annually over five years, for a total cost of \$2.4 billion.<sup>1</sup> The Department of Municipal Affairs<sup>2</sup> responded by creating the municipal block funding and housing capital initiatives programs to fund the development of 11,000 affordable housing units for low-income Albertans.<sup>3</sup>

In September 2011, the department reported that it had met its objective of approving funding for the development of 11,000 affordable housing units. In total, the department's investment of \$1.1 billion,<sup>4</sup> combined with \$1.1 billion of investment from partnerships with municipalities, non-profit groups, and the private sector, resulted in \$2.2 billion of investment in affordable housing across the province.

In July 2013,<sup>5</sup> we made recommendations to improve grant monitoring processes and evaluation systems.

## Audit Objectives and Scope

Our objective is to determine whether the department has implemented our recommendations to improve its grant monitoring processes and evaluation systems.

## What We Examined

To perform this follow-up audit, we:

- tested controls and the accuracy and completeness of information within the grant information system
- examined reports from the affordable housing grant information system
- examined the results of field compliance audits completed in the 2016–2017 cycle
- reviewed the program evaluation report and program reporting

We conducted our field work from April to July 2018. We completed our audit on August 10, 2018.

## Conclusion

We conclude that as of July 2018, the Department of Seniors and Housing had implemented our recommendation to improve its systems and processes for monitoring and evaluating its affordable housing grants programs.

## Why this Conclusion Matters to Albertans

The department has invested \$1.1 billion to increase Alberta's supply of affordable housing. Albertans need to have confidence that this investment is supporting the development of housing options that serve the needs of low-income Albertans. For

<sup>1</sup> The task force issued its report, *Housing First: An Investment with a Return in Prosperity*, in March 2007.

<sup>2</sup> The Department of Housing and Urban Affairs was responsible for these programs from 2008 to 2011.

<sup>3</sup> *Alberta Municipal Affairs and Housing Annual Report 2007–2008*, page 56. The department's performance measure was the number of affordable housing units developed with support from provincial funding. It defined "developed" as projects with funding commitments that were in any phase of development.

<sup>4</sup> The department's investment includes \$119 million in federal funding.

<sup>5</sup> *Report of the Auditor General of Alberta—July 2013*, no. 12, page 90, and no. 13, page 92.

Albertans to receive value for money from these programs, those who qualify to live in these units should benefit from increased availability and lower rates for affordable housing.

## Findings and Recommendations

### Improve Monitoring Processes—recommendation implemented

#### Context

In 2013,<sup>6</sup> we recommended that the department improve its monitoring processes to ensure affordable housing grant recipients comply with their grant agreements by:

- developing and conducting risk-based monitoring activities
- following procedures and processes when performing monitoring activities

#### Criteria: the standards of performance and control

The department should monitor its affordable housing grant recipients for compliance with their grant agreements.

#### Our follow-up audit findings

The department has implemented the recommendation by:

- developing an information system to track its grants and monitor compliance of the housing grant recipients
- utilizing a risk-based approach to conduct monitoring activities
- performing field compliance reviews and following up on identified exceptions

### Improve Evaluation Processes—recommendation implemented

#### Context

In 2013,<sup>7</sup> we recommended that the department improve its evaluation process by:

- developing performance measures and adequate information systems so that the department can better evaluate and report on its affordable housing grant programs
- completing periodic evaluations on its affordable housing grant programs

#### Criteria: the standards of performance and control

The department should measure and evaluate the extent to which its affordable housing grant programs have met their objectives and incorporate the evaluation results into future planning for housing initiatives.

#### Our follow-up audit findings

The department has implemented our recommendation by:

- developing a grant information system that produces reports that management uses to evaluate affordable housing grant programs
- commissioning an external evaluation of the grant program and incorporating the findings into other housing programs
- developing a process to continuously improve the compliance process

<sup>6</sup> Report of the Auditor General of Alberta—July 2013, no. 13, p. 92.

<sup>7</sup> Report of the Auditor General of Alberta—July 2013, no. 12, p. 90.





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# **Service Alberta**

## **Contract Management Processes**

November 2018



### Guidance to Reader

The Department of Service Alberta has been delegated responsibility for oversight and management of selected large and complex contracts on behalf of the government. We expect the department to have all components of an effective contract management system over these large and complex contracts. The department confirmed to us that it applies the same processes to manage all of its large and complex contracts, including the Alberta SuperNet contracts. We expect that the department can apply any findings or learnings from this audit to all similar contracts or to those portions of the process that are required on less complex department contracts.

### About this Audit

Procurement of goods and services is a fundamental activity in the daily operation of the Government of Alberta. Each year, the government spends hundreds of millions of dollars contracting goods and services for large and complex projects. To ensure that Albertans realize the benefit of this spending, departments need to follow effective contract management processes.

An effective contract management system includes:

- performance measurement—setting targets, monitoring progress, and reporting on results
- compliance with contractual obligations—understanding the responsibilities and obligations of all parties and ensuring compliance
- contract evaluation—knowing what is working effectively and identifying where changes are required

Processes in each of these activities need to be working effectively and in harmony with each other to have an effective contract management system.

In order to examine each of the processes above, we needed a contract of sufficient length and complexity. The Government of Alberta's contracts related to the Alberta SuperNet have these characteristics. In 2001, the government entered into a series of long-term contracts to build and operate the SuperNet, a telecommunications network that provides capacity for high-speed broadband services to rural Albertans.

The SuperNet is not the Internet. It provides the infrastructure for the delivery of Internet services to rural Albertans, as well as the underlying connectivity to enable public sector services across the province. See Appendix A for further details on the background and history of the SuperNet. Department management has estimated total government spending to construct and operate the SuperNet to be over the contract to be \$1 billion.

## Audit Objective and Scope

Our audit objective was to assess whether the Department of Service Alberta has effective contract management processes to achieve desired results. We focused on existing SuperNet contracts to which the government is a direct party. The SuperNet has been operational since 2005; however, we focused our audit on contract management processes applied by the department in more recent years. We did not examine processes to procure initial contracts from 2001 to 2005, and we did not examine the government's analysis of the strategic direction of the SuperNet going forward or procurement processes for a new operating agreement in 2018.

We developed our audit criteria specifically for this audit, using our office's Results Management Framework<sup>1</sup> and the Government of Alberta's Procurement Accountability Framework developed under the leadership of the department in 2015. We obtained acknowledgement from management that our criteria were suitable for this audit.

## What We Examined

We examined the department's processes to manage the SuperNet contracts. To assess the effectiveness of these processes we:

- interviewed key staff and those responsible for management and oversight of the SuperNet contracts
- examined the department's processes to oversee and manage the contracts
- examined documentation related to the SuperNet such as agreements, risk assessments, monitoring reports, change orders, and related correspondence
- assessed the department's processes to evaluate and incorporate change management and lessons learned where required

We conducted our field work between June 2017 and November 2017 and substantially completed our audit in January 2018.

## Conclusion

We conclude that the Department of Service Alberta did not in all significant respects have effective processes to manage the SuperNet contracts.

Processes related to performance measurement, compliance with contractual obligations, and contract evaluation were deficient and not working together. As a result, the department needed to extend the SuperNet operating agreement because it was not prepared for any other option.

Parties to the contract are not interpreting the terms and conditions in the contracts consistently. Inconsistent interpretation results in wasted time and increased cost, a higher risk of contract non-compliance, and a higher risk that the department will not achieve its desired results from the contracts.

The Department has been delegated responsibility for oversight and management of selected large and complex contracts on behalf of the government, including the SuperNet contracts. We expect the department to have all components of an effective contract management system over these large and complex contracts. The department

<sup>1</sup> Report of the Auditor General of Alberta—October 2014, page 223.

confirmed to us that it applies the same processes to manage all of its large and complex contracts. We expect that the department can apply any findings or learnings from this audit to all similar contracts or to those portions of the process that are required on less complex department contracts.

### Why this Conclusion Matters to Albertans

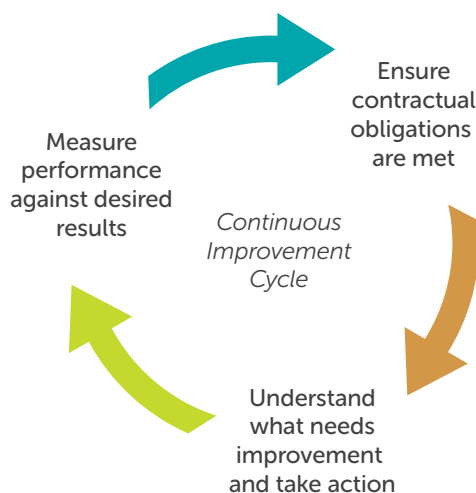
The government makes significant investment of public funds through large and complex contracts. Albertans need assurance that the department is continuously monitoring and realizing benefits and opportunities from these contracts. Ineffective contract management increases the likelihood of wasted public spending and lost opportunities for improvement.

## Findings and Recommendations

### Context

Effective contract management processes should focus on achieving desired results and continuously improving systems and processes where deficiencies or non-performance exist. This continuous improvement cycle is especially relevant for large and complex contracts. Organizations should:

- identify desired results and strategies to achieve the results, and assign responsibilities accordingly
- create relevant performance measures, and monitor and report on results
- monitor contract terms and ensure obligations of all parties are met
- manage risks and relationships and take corrective action where required



The effective contract management processes described above align with our Results Management Framework, introduced in 2014.<sup>2</sup> We based the criteria for our audit on this framework.

We have grouped our findings on the department's related processes into three sections: performance measurement, compliance with contractual obligations, and contract evaluation.

<sup>2</sup> Report of the Auditor General of Alberta—October 2014, page 223.

## Performance Measurement

### Context

Performance measurement includes collecting information and analyzing, monitoring, and reporting on performance against desired results. Effective contract management should include performance measurement processes that allow the organization to identify what needs to improve to achieve desired results. In particular, contracts should define minimum performance requirements and targets. Targets are management tools that help to drive change and continuous improvement or help to ensure that established, acceptable standards are maintained.

### Criteria: performance measurement

The Department of Service Alberta should have:

- clearly stated objectives and desired results from contracted projects
- performance reporting to evaluate whether desired results are being achieved

### Our audit findings

#### Key Finding

The department does not have processes to monitor and report on the performance of the SuperNet. For some operational goals in the SuperNet contracts, the department did not define related performance measures.

### Goals and objectives

The department clearly stated goals and objectives of the SuperNet in planning documents and initial contracts. The main goal in 2001 was to develop and implement a high-speed telecommunications network infrastructure in Alberta. Rather than build this infrastructure itself, the government decided to contract third parties that already had the resources needed to construct the network. The department concluded it met this goal in 2005 with completion of construction.

With the network infrastructure in place, the government's desired results from operations were:

- promote competition and rural economic development and ensure that affordable and timely services are available
- continue growth and maximize use of the SuperNet
- leverage the SuperNet to provide value to all Albertans
- ensure the quality and sustainability of the SuperNet
- provide internet connection and service to public sector end-users, including government buildings, libraries, health and learning facilities, and municipalities

Although the government relies on the private sector to achieve the operational goals above, it has a vested interest in monitoring performance toward those goals.

### Performance reporting

The contracts did not define performance measures and targets related to competition, rural economic development, and the growth and use of the SuperNet throughout

the province. As a result, the department does not report on desired results in these areas. Since the completion of the network in 2005, government annual reports and business plans have not included reporting on actual results against established or proposed performance measures. These documents only report strategies and examples of advancements in areas such as e-learning and distance learning, e-justice, and e-commerce, as well as improved library and online health applications.<sup>3</sup> The department should work with contract parties to set targets, continuously identify needed improvements, and report publicly on progress.

The only performance measures in the contracts relate to minimum service levels to be provided to end-users. The department is responsible for overseeing and managing the delivery of services through the SuperNet to public sector entities including ministries, boards, and agencies. The government has an operating agreement that defines the terms and conditions of these services, including minimum service levels to be provided and rates to be paid.

Although minimum service levels are defined in the operating agreement, they are defined for the network as a whole rather than being location-specific. The department receives periodic reporting from the operator on network service levels, but this reporting is also not location-specific. The operator's reporting does not identify whether performance is consistently met for all users throughout the province. As a result, the department cannot rely on service levels from the contract or the periodic performance reporting received to identify where, geographically, performance needs to be improved.

The department could more effectively monitor service levels if it had continuous, remote, real-time access to information on SuperNet system performance, availability, and service levels. The operating agreement gives the government the right to that real-time access. However, we found no evidence that the government has that access or, if it does, that it is making use of it.

The operator is also required to report on SuperNet performance benchmarked against similar North American communications networks. These sources of information would enhance the department's ability to measure and monitor the performance of services provided to its end-users. We were unable to find evidence that the department was receiving this information or asking contract parties to provide it.

#### **RECOMMENDATION:**

##### **Improve performance measurement processes**

We recommend that the Department of Service Alberta develop processes to improve its measuring, monitoring, and reporting of the performance of its large and complex contracts.

#### **Consequences of not taking action**

The department may continue to spend money without knowing the true extent to which desired results are being achieved. If targets are not set, the department cannot effectively weigh costs against the benefits of its investments or take action where required to ensure all potential benefits are realized.

<sup>3</sup> Service Alberta website, <http://www.servicealberta.gov.ab.ca/Benefits-and-use.cfm>.

## Compliance with Contractual Obligations

### Context

Contract compliance entails parties doing and providing what they are required to. Each party to a contract is obliged to comply, but it should ensure that the other parties are complying as well. Monitoring compliance can tell a party where to amend contract terms and conditions, if possible, or how to revise them in a future contract.

Ensuring compliance can be difficult if the contract's terms and conditions are unenforceable, if there are unclear roles and responsibilities, or if parties do not have adequate resources or expertise to deliver on their obligations. Therefore, the need to ensure compliance underscores the importance of setting clear roles and responsibilities.

### Criteria: compliance with contractual obligations

The Department of Service Alberta should have:

- clearly defined roles and responsibilities in its contracts
- processes to ensure it has adequate expertise to oversee its contracts and make key decisions
- processes to manage compliance with contract terms and conditions

### Our audit findings

#### Key Finding

Parties to the contracts are not interpreting terms and conditions consistently, so they disagree about whether contract terms and conditions are being complied with.

### Contract structure

The roles and responsibilities of each party are defined in the SuperNet agreements. The Government of Alberta's role is essentially as a tenant in the SuperNet agreements, meaning it pays a third party a fee to provide the services through the network infrastructure. This fee is an ongoing financial commitment for the government, which is also responsible for other costs, such as maintenance fees.

The government delegated responsibilities related to the design, construction, operation, and maintenance of the network to independent third parties, having concluded that those third parties have the appropriate technical expertise and resources to execute those responsibilities. The department relies significantly on the other parties to deliver network capabilities and services as required. To gain assurance that the other parties are delivering as expected, the department needs to ensure that the terms and conditions of the agreements are complied with.

As a result, the department needs to oversee compliance with contractual obligations from two perspectives: ensuring that it has processes to manage its financial commitments and ensuring that other parties comply with contract terms and conditions.



*Managing financial commitments*

The government is required under the operating agreement to pay an ongoing fee for internet connections and services provided to public sector end-users. The cost for these services is approximately \$40 million per year, which is the fee minus credits received for disruptions in service.

Credit amounts are based on the duration of disruptions. The department provided us with the formula for the calculation of these credits, but management could not give us details of the methodology for the formula—how the credit amounts and other inputs in the formula were developed. Based on our examination of monthly invoices from the contracted operator, credits received were minimal.

The department does not receive reporting on total credits received each month tied to disruptions in service. Department staff indicated that total credits received are too immaterial to justify resources and time spent on recalculation or on verification that credits for all disruptions have been received. The risk to the department is that it could be overcharged if the contracted parties do not properly identify and record service credits. A better-defined service credit structure, including more stringent penalties for non-performance and relevant reporting from the contracted operator, would allow for better oversight by the department and incentivize stronger performance of the network if required.

The department must also pay for annual infrastructure maintenance fees. The agreements require the department to pay about \$16 million per year to a third party to maintain the network fibre and wireless infrastructure. We found evidence that the department disputed the maintenance fees because of its interpretation of contract wording around when the fees were to become payable. We examined evidence to support that the department followed the dispute resolution process, as defined in the master agreement, regarding payment of these maintenance fees. Processes to resolve disputes over contract execution often require one of the parties to seek specialist assistance. The department, as part of its process, sought legal advice on its options before concluding on its position to resolve the dispute.

In relation to ensuring that parties comply with contract terms and conditions, we identified three areas where improvements are required: financial and other reporting, change management, and ensuring operator independence.

*Compliance by other parties: financial and other reporting*

The master and operating agreements require other parties to provide the department with regular financial and other reporting, such as forecasts for service fees, maintenance and repair, and network usage. The department must receive annually each party's financial reporting, as the contract terms and conditions stipulate that every party should maintain certain debt-to-equity and working capital requirements.

We found that, since 2006, the department has not always received this reporting from all contract parties. We also found no evidence of the department routinely requesting this information from the parties. We asked department management why they have not obtained this information as required under the contract. Management stated that they considered the reporting to be more relevant to the initial construction of the network rather than ongoing operations. The department relies on the operator to provide

constant services to SuperNet end-users. It is reasonable that it continue to receive financial information to identify any potential issues with the other parties being able to continue to operate at the levels expected in the contract. Therefore, the department should still ensure it receives this reporting from the other parties.

#### *Compliance by other parties: change management*

The master agreement requires all parties to follow a change-management process for, among other things, changes to network design, services, personnel, and costs. Each of the parties to the agreement can initiate a change, but all affected parties need to approve the change before it can be made.

We examined documentation related to change orders submitted during the contract term. We identified a number of change orders that the department did not approve. Some change orders indicated that one party to the contract had already made changes to the network prior to approval. That party indicated that these changes did not require a change order. The department interpreted these changes to be unauthorized, consulted with internal legal counsel, and communicated its position to the party with a request for additional information.

We found evidence of department management assessing these differences in interpretation and concluding on further action. We did not, however, find evidence of how or whether the contract parties would prevent these interpretation differences over the remainder of the contract term. When parties interpret contract terms and conditions differently, contract effectiveness and contract management processes can become significantly weaker.

The master agreement also required the department to maintain a change-management log, and it defined requirements and timelines for reviewing and approving change orders. We found that the department applied a consistent process to assess the validity of change orders, including the use of technical expertise to assess the merits of network design changes. However, the parties did not consistently comply with the contract term to approve change requests within 20 days. Many of the approvals we examined exceeded 20 days, with the longest duration before approval being 249 days. Given the complexity of some of the changes requested and the related analyses required, the department might reconsider whether a 20-day time frame is long enough.

#### *Compliance by other parties: ensuring operator independence*

The operating agreement contains a condition requiring the operator not to sell services to an affiliate. The department informed us that the purpose of this condition was to ensure that parties to the agreement separate retail activities from wholesale activities.

In 2011 the department sought legal advice on potential non-compliance with operator independence requirements. The department then sought additional information from the operator on services provided to third parties. We examined communication between the department and the operator, including the department's position that there may be non-compliance. The operator has asserted it is compliant with contract terms and obligations. As a result, again, the parties to the contract did not consistently interpret the terms and conditions.

A strong contract management process would include controls to detect non-compliance with operator independence requirements. The department should have processes to receive reporting from the operator on services sold to all third parties, and it should be able to audit that information if necessary. This reporting condition is not in the operating agreement. As a result, the department does not have processes to conclude whether there is non-compliance with the operator independence requirements in the operating agreement.

#### *Right to audit*

The department has the right to audit other contract parties under the master agreement. This is a contract right, not an obligation or requirement. The department attempted to exercise these audit rights in 2015 as a result of a number of contract disputes, including those identified above. The department has not been successful in exercising that right. The department and the relevant parties have disputed the potential scope and confidentiality of the department's audit, again because of differing interpretations of contract terms. We examined evidence that the department has obtained legal advice on this matter and subsequently communicated with the party it is attempting to audit.

#### *Interpreting contract terms and conditions*

Parties to the contracts are not interpreting terms and conditions consistently. Our audit did not seek to determine who is right or wrong. However, the department needs to reduce the risk of disputes in its future contracts, and to do so it needs to have processes to ensure it has effective contract language.

Ineffective contract language results in wasted time and money spent resolving differences and reinterpreting the original intent of contract terms. There is also a higher risk of not identifying true contract non-compliance and not achieving the desired outcomes of contracts. Before entering into a contract, the department must implement processes to ensure that contract terms and conditions are complete and are written so that all parties interpret them consistently. Having such processes will allow the department to manage compliance over the term of the contract.

Department contract templates state that a review from legal services is required for:

- all service contracts over \$75,000
- contracts where wording changes or revisions have been made to standard templates
- amendments to existing contracts or contract terms

Given the numerous challenges over interpretation of SuperNet contract terms, it is important that the department involve senior advisors within the Department of Justice, as well as subject matter specialists, early on in the contract development. Those advisors and specialists should advise on wording that is open to interpretation by different parties. The purpose of this review is to subject large and complex contracts to an appropriately rigorous review and oversight before terms are finalized.

### **RECOMMENDATION:** **Improve compliance processes**

We recommend that the Department of Service Alberta develop processes to improve its monitoring and enforcement of contract compliance to ensure that the desired results of the contract are achieved.

#### **Consequences of not taking action**

Without effective monitoring and enforcement of contract terms and conditions, the department will not achieve the desired outcomes of contracts. Ineffective contract management results in wasted time and public funds, unnecessary conflict, and risks that Albertans are not receiving the full benefits of what they paid for.

## **Contract Evaluation**

### **Context**

Effective contract management requires processes to ensure that the department knows what is working well and what needs improvement. This knowledge requires an understanding of the operating environment: the costs and risks related to the contract, and feedback from stakeholders and contract parties. An effective contract management process should allow the department to conclude, at any time during the contract, whether adjustments are required to fully meet desired results, or whether the department needs to terminate the contract because it is not obtaining desired results.

### **Criteria: contract evaluation**

The Department of Service Alberta should have processes to:

- continuously identify and assess the costs and risks associated with its projects
- manage partner and stakeholder relations and resolve conflicts
- manage the project to achieve desired results, including:
  - evaluating performance and leveraging lessons learned
  - incorporating change where required

### **Our audit findings**

#### **Key Finding**

The department extended the SuperNet operating agreement by three years despite identified deficiencies and unmitigated risks.

### *Risk management*

Ongoing risk management is a key component of contract evaluation. Within the department, the SuperNet Secretariat is delegated the responsibility to manage the government's risks related to the SuperNet. The Secretariat's risk management processes consist mainly of informal discussions, both internally and through meetings with contract parties. The department also conducted stakeholder consultations and used consultants to complete risk analyses and assessments of the SuperNet operating environment. Through this work, the department identified both strategic and operational risks related to the SuperNet.

The Secretariat does not maintain a risk register that formally tracks, ranks, and prioritizes risks. However, it has developed several mitigation strategies that consider both the operational and the strategic risks.

The department completed most of this mitigation strategy work recently, in anticipation of the expiration of the SuperNet operating agreement on June 30, 2018. We examined evidence that the department has identified:

- technological and operational risks related to capabilities of the network and delivery of services under the current operating model
- financial and economic risks related to current and ongoing operational costs
- stakeholder and customer relationship risks related to communication of the strategic direction of the SuperNet
- legal and procurement risks related to entering into a new operating agreement in 2018
- transition risks related to continuity of services to existing customers and end-users

Department management has incorporated mitigation strategies into planning documents for the expiration of the operating agreement in 2018.

### *Stakeholder and contractor relationships*

Another key source of information on what is working well and what needs improvement comes from ongoing consultation with stakeholders and contract partners. The department has identified a wide range of stakeholders, including public sector customers and end-users, as well as external parties such as Internet service providers. Communication to the department from these end-users, and other stakeholders generally revolves around disruption or non-performance of services. The department, in the majority of these instances, acts as a liaison between the operator and third-party service providers or end-users, communicating the status of problems and corrective action taken.

The department indicated that the operator conducts customer satisfaction surveys. We found no evidence that these surveys were periodic or continuous. The department does not have formal processes to collect or follow up on the results of these surveys. Consequently, the department has limited oversight of the operator taking required corrective actions.

We found evidence of stakeholder consultations conducted by the department that led to improved network performance. These consultations included receiving feedback from various groups regarding broadband needs around the province. Based on feedback received, the department introduced Next Generation Network (NGN) services to SuperNet customers.

We would expect the department to have processes to understand emerging risks and problems through discussions with contract partners. The department does have informal communication with partners as they encounter day-to-day problems, and it has held meetings with its partners, generally every month or two months. But the department should formally track lessons learned or areas where improvements are needed and manage relationships with partners through both these channels of communication.

As noted previously, the master agreement details a dispute resolution process to resolve disagreements between parties to the contract. However, there are a number of contract areas not subject to dispute resolution, including termination of agreements, lawsuits, and change management. We also found that some requirements of the dispute resolution process are not clearly defined or are open to interpretation. For example, the agreement refers to “sufficient and continued” communication through negotiations and parties negotiating “in good faith,” and says that the “format for such discussions will be left to the discretion of the contract managers...” Parties are at increased risk of disagreement that could cause relationships to deteriorate if contract terms are open to interpretation.

#### *Contract evaluation failure*

Since 2012, the department has engaged external consultants to complete risk assessments and analyses of the operating and contract environments, assist with strategic and operational planning, and help prepare for the expiration of the operating agreement. The department has also accumulated feedback from stakeholders and partners on the operating agreement and other agreements, the current state of the network, and future risks and possibilities of the SuperNet. Through this work, the department identified that:

- improvements were needed in the definition of required service levels and in the reporting of service levels provided
- more significant service credits for disruptions were needed to incentivize strong performance of the network in all areas of the province
- stronger and clearer contract language was required in order to enforce contract requirements, including change-management requirements and the separation of the wholesale and retail activities of the operator
- a number of operating and strategic risks exist related to the current operating structure and the agreements currently in place
- there are not adequate transition mechanisms in place to ensure that the government’s interests are protected as agreements expire

The initial term of the operating agreement was to expire on June 30, 2015. Because of weaknesses in the department’s contract management processes, department management decided it could not completely assess how to improve future SuperNet contracts by the original end date of the contract. The department’s preparation for the expiration of the agreement needed to ensure that a new operating agreement reflected

what was and was not working well in the current agreement. In 2013, the department extended the operating agreement to June 30, 2018, without changing aspects of the contract it was having difficulty managing.

While the department is now more prepared for the expiration of the agreement in 2018 than it was in 2013, Albertans have paid for three more years of a contract that the department assessed was not meeting desired results. The need for department management to extend the contract to make those assessments is the clearest evidence that its contract management processes must improve.

**RECOMMENDATION:****Incorporate lessons learned**

We recommend that the Department of Service Alberta develop processes to improve its evaluation of contracts and implement risk mitigation strategies and lessons learned where required.

**Consequences of not taking action**

If effective processes are not in place to identify what is working well and what needs improvement, and to plan actions required, contract deficiencies or other unmitigated risks will not be corrected in a timely manner. As a result, there could be unnecessary costs to the public, in terms of both money and time spent.

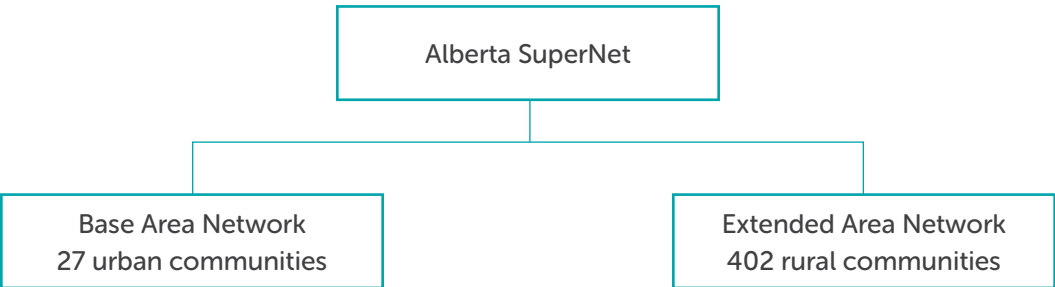
# Appendix A: SuperNet Background and History

## What is the SuperNet?

The Alberta SuperNet is a telecommunications network of fibre optic cables, wireless towers, and other equipment and facilities that provide a high-capacity broadband “highway” to Albertans across the province. The SuperNet’s Base Area and Extended Area networks connect 429 urban and rural communities throughout Alberta. Today, the SuperNet provides the infrastructure to connect over 3,400<sup>4</sup> public sector entities, including hospitals, schools, libraries, and provincial, municipal, and Indigenous government offices. The SuperNet is not the Internet. It only provides the infrastructure to allow Internet service providers (ISPs) to purchase network services and deliver the Internet to end-users.

## History of the SuperNet

In 2001, the Government of Alberta entered into contracts with two parties to construct the SuperNet. The government committed \$193 million to build and own an Extended Area Network to reach 402 rural and remote communities. At that time, the Base Area Network was already in place, connecting 27 urban communities.



Other parties were responsible for any costs exceeding the \$193 million. Other parties were involved in the design and construction phases and were contracted as network operators to provide services to both public sector entities and ISPs.

The parties were bound by a master agreement and transaction agreements dictating the terms of the network design and of the construction, ownership, operations, and use.

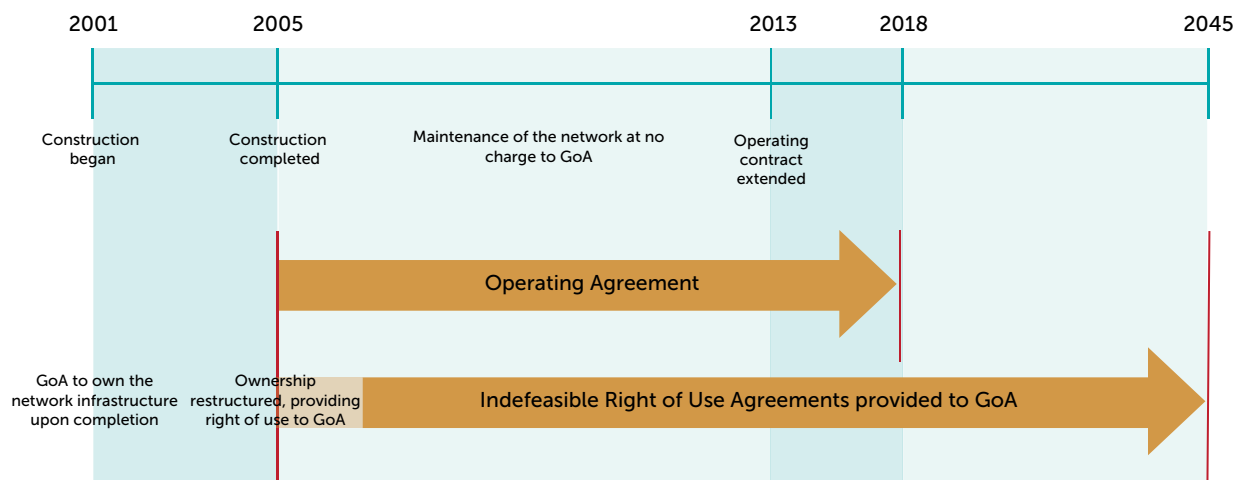
Construction of the network was completed in 2005. At that time, the government entered into a number of contracts transferring ownership of most of the Extended Area Network fibre and wireless infrastructure to one of the parties. In return, the government received exclusive right of use of the infrastructure until 2045 through Indefeasible Right of Use agreements. These agreements have an initial term of 20 years with four consecutive five-year renewal terms. At the end of the renewal terms, the government has a right to purchase the assets for \$1.

<sup>4</sup> Service Alberta Annual Report—2016–17, page 15.



In 2005, the parties also renegotiated the operating agreement for one of the parties to provide network services until 2015. Maintenance of the network infrastructure was to be provided at no cost to the government until expiration of the initial term of the operating agreement. This agreement was renegotiated and extended to June 30, 2018.

### Timeline of Events Related to SuperNet Contacts



Including the initial investment of \$193 million, the department has indicated to us it estimates the government has spent approximately \$1 billion on the construction and operation of the SuperNet. This investment has provided Alberta with extensive broadband Internet service coverage, especially in comparison to other provinces. As at March 31, 2017, Service Alberta's recorded value for the Indefeasible Right of Use agreements in its financial statements is \$74 million.





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# **Alberta Treasury Board and Finance Collections of Corporate Income Tax & Filing Compliance Follow-up**

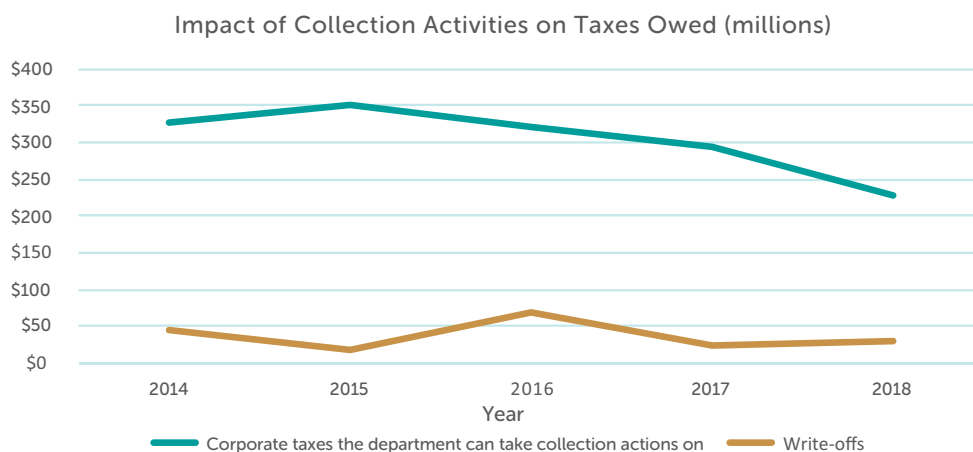
November 2018



## About this Audit

The Tax and Revenue Administration (TRA) division of the Department of Treasury Board and Finance is responsible for administering various tax programs under various acts, including the *Alberta Corporate Income Tax Act*. While most taxpayers file their tax returns and pay taxes when due or shortly thereafter, some do not.

Corporate tax revenue for 2017–18 was \$3.4 billion. At March 31, 2018, TRA is taking collection actions on approximately \$229 million, or 27 per cent, of the \$840 million in corporate income taxes owed. The remaining \$611 million in taxes are under objection, in relation to which some legislative restrictions to collection applies. The graph below shows the taxes owed where the department is not limited by legislation to take collection actions, and the amounts written off<sup>1</sup> at March 31.



In 2014,<sup>2</sup> we recommended that the department improve its tax-collection systems by:

- updating and maintaining its tax-collection policies and procedures and improving its training programs
- developing adequate performance measures to assess the timeliness and effectiveness of collections, and publicly reporting on its collection activities
- updating its management information, periodically analyzing the data of taxes owed to identify emerging issues, and developing strategies to deal with the backlog of files submitted for write-off and low-value accounts

In 2015,<sup>3</sup> we also recommended that the department improve its compliance systems for corporations who do not file their income tax returns.

## Audit Objective and Scope

The objective of our follow-up audit is to determine whether the Department of Treasury Board and Finance has implemented our recommendations regarding the systems to collect outstanding corporate income taxes and compliance systems for corporations who failed to file their income tax returns.

<sup>1</sup> The write-off of an uncollectable account does not forgive the corporation to pay its corporate income taxes owing to the Crown. The department can still take further collection action if in the future it gets new evidence of a collection source.

<sup>2</sup> *Report of the Auditor General of Alberta—October 2014*, page 47.

<sup>3</sup> *Report of the Auditor General of Alberta—October 2015*, page 156.

## What We Examined

We examined the actions that the department took to implement our prior recommendations related to collecting outstanding corporate income taxes and following up with corporations who failed to file their required tax returns. We:

- interviewed management and staff about the tax-collection and filing systems
- reviewed policies, procedures, other documents and management reports
- reviewed a sample of files
- analyzed corporate tax data

We conducted our field work from March 2018 to August 2018. We substantially completed our audit on August 27, 2018.

## Conclusion

We conclude that the department, as of August 27, 2018, implemented the recommendations related to:

- updating and maintaining its policies, procedures, and training
- developing performance measures
- improving management information, analyzing tax data, dealing with the backlog of files submitted for write-off, and developing strategies for low-value accounts
- implementing compliance systems for unfiled corporate income tax returns

Management made significant improvements from our original audit. Management now focuses on continuous improvement. For example, they created specific roles to focus on more complex cases, and they continue to identify strategies and improvements to collection action through the data analysis.

## Why this Conclusion Matters to Albertans

Corporate taxes is a large source of government revenue. While most corporations pay what they owe when due, some do not. In such cases, the department must collect outstanding amounts effectively and efficiently, while also treating corporations fairly and consistently. To reassure Albertans that all corporations are paying the taxes they owe, the department must also evaluate and report on whether its tax-collection program is working.

## Findings and Recommendations

### Documented Policies, Procedures, and Training—**recommendation implemented**

#### Context

Clearly documented and well-understood policies and procedures are an important part of an internal control system. These documents articulate management's expectations and direct compliance officers in their day-to-day activities to achieve a desired result. They also lead to consistent administration of tax collections. Combined with relevant policies and procedures and ongoing training, these documents equip compliance officers with direction and guidance when they exercise professional judgment in complex situations.

We found in our 2014 audit that several collection policies and procedures were outdated, not comprehensive, or did not exist for certain collection actions. We also found that there was no formal ongoing training program.

### Our follow-up audit findings

#### *Policies and procedures*

The department developed a schedule of policies and procedures that it needed to update or develop. The schedule also includes dates when the policies and procedures will be reviewed to ensure they remain current. Several of these procedures are due for review in late 2018.

Based on this schedule, the department updated a range of procedures to guide collection officers in their day-to-day work. This includes procedures that collection officers should follow within the first 90 days that a file is assigned to them, how to prepare writs, and how to prepare demands for information and requirements to pay. The department obtains regular input from staff on further improvements to the policies and procedures. The department also identifies through its data analysis when it needs to improve collection procedures.

#### *Training*

The department developed training manuals for the policies and procedures it completed, and it trained all staff. In addition, the department holds periodic technical training sessions to update staff on changes made regarding the collection and filing actions and to share lessons learned. The senior manager and supervisors also discuss changes or challenges that collection officers encounter during regular staff meetings.

## Performance Measures and Reporting—**recommendation implemented**

### Context

To demonstrate that the department is achieving its results in a cost-effective and efficient way, it must have sufficient performance measures and targets to evaluate and report the performance of collections. This includes external measures to demonstrate accountability for the results achieved and detailed internal measures to manage resources that support achieving the desired results. These measures and targets serve as communication, motivational, and decision-making tools.

When there are significant variances from targets, management needs to explain what factors, including external factors, affected results. When targets are not met, management needs to adjust and develop cost-effective strategies to achieve the desired results.

We found in our 2014 audit that the department lacked adequate performance measures to evaluate the effectiveness of its collection activities.

### Our follow-up audit findings

The department implemented our recommendation by developing a set of internal and external performance indicators and targets to evaluate the effectiveness and efficiency of the collection activities at an operational and strategic level. Supervisors evaluate the collection activities for staff monthly to determine if they take appropriate and timely collection actions, and also to identify any areas for improvements to policies, procedures, and training. Management reviews the combined performance measures results for staff on a monthly basis, while senior management reviews a number of high-level measures semi-annually, including evaluating any significant variances from targets and requesting further analysis or developing strategies and plans to improve results.

TRA also developed a set of performance indicators that it publishes on its website.<sup>4</sup>

## Management Information and Monitoring—**recommendation implemented**

### Context

TRA uses a number of collection actions, such as sending letters, making phone calls, and taking various legal actions, such as registering liens, garnisheeing outstanding taxes from corporations' bank accounts or other sources, and seizing assets. To be effective, management should monitor and analyze the status of collection files and the results of its collection activities so it can focus on actions with the best results or develop alternate strategies for actions that are less effective. Focusing resources on the highest risk and value amounts must be balanced with avoiding the perception that compliance is not required for lower risk and value files.

We found in our 2014 audit that the monitoring reports and information systems lacked key information to monitor collection activities and the department did not analyze receivables sufficiently to identify potential trends or improvements to collection actions. We also found that the department did not have strategies to deal with low-value accounts and there was a significant backlog of files that had been submitted for write-off.

### Our follow-up audit findings

The department implemented our recommendation.

#### *Management information and analysis of outstanding taxes*

The department continues to produce a monthly inventory of outstanding files. The department updated its collection systems to track various collection actions, to analyze the data to improve collection actions, and to include the information in reports.

The department developed a new report that includes information about the outstanding taxes, such as how long they have been outstanding, breakdowns between various categories, and other information about taxes owing. Filing and Compliance Branch management review these monthly reports to identify trends in the inventory and the taxes owed. Management discusses any questions and follow-up actions with supervisors and collectors.

<sup>4</sup> [https://finance.alberta.ca/publications/tax\\_rebates/tra-indicators/corporate-income-tax.html](https://finance.alberta.ca/publications/tax_rebates/tra-indicators/corporate-income-tax.html)



The department also analyzes outstanding receivables data to develop strategies and improve collection actions. For example, the department analyzed corporations that meet certain criteria, identified improvements that are required for the collection processes, and discussed the results and potential collection strategies with staff.

#### *Low-value accounts*

Files with low values represent a significant number of the outstanding files, but the total value of these files is low. At March 31, 2018, the number of files with balances under \$1,000 represented a large number of files, yet this number only represented about one per cent of the total value of the outstanding corporate income taxes.

The department has made changes to its processes and developed strategies to deal with low-value accounts. We conclude that the department has taken appropriate steps to deal with low-value accounts.

#### *Backlog of files submitted for write-offs*

Independent reviews are required to determine whether collectors have taken all the necessary collection actions before the appropriate approval is provided to write off an account. The write-off of an uncollectable account does not forgive the corporation to pay its corporate income taxes owing to the Crown. The department can still take further collection action if in the future it gets new evidence of a collection source.

The department updated its policy and authority levels to write off the corporate income tax amounts that it deems to be uncollectible. Since 2014, the department has significantly reduced the number of files that has been submitted for write-off that were awaiting review and approval. The department has developed a plan to complete detailed reviews of files awaiting approval. We conclude that the department has adequate processes to manage the files submitted for write-off.

## **Compliance Systems for Unfiled Corporate Income Tax Returns— recommendation implemented**

### **Context**

The department is responsible for ensuring corporations file their income tax returns within six months of the tax year-end unless they are exempt from doing so. Corporations are charged a penalty if they file returns late or not at all, or if they do not pay outstanding taxes when required.

The department assigns a risk score to files to effectively manage its resources. Supervisors assign high-risk files to filing-compliance officers, who contact corporations to file their returns. The department can issue a demand to a corporation and its officers or directors to file a return, and it can estimate the corporation's tax payable if the demand or requests are ignored. This process is known as default assessment.

We found in our 2014 audit that the department did not have strategies to deal with outstanding tax returns that were not filed.

### **Our follow-up audit findings**

The department implemented our 2015 recommendation by updating its risk-scoring model and developing common procedures that officers should follow when a file is assigned to them for an outstanding tax payable or when corporations failed to file their required tax returns.

The department also developed procedures for issuing default assessments when corporations fail to respond. The department has issued default assessments since 2014 to ensure companies file their returns and pay any taxes due. The department also evaluated the success of the default assessments processes and identified further improvements to its current processes.





# Financial Statement Auditing

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November 2018

## Vision

Making a difference  
in the lives of Albertans

## Mission

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

## Values

We are committed to our mission and to achieving our vision.  
Our values guide us in our internal and external relationships:

### 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.

### Diversity of thought

We encourage open minds, innovative thinking and constructive challenge.

### 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.

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## Summary of Recommendations

We conducted our audits in accordance with the *Auditor General Act* and the standards for assurance engagements as set out in the CPA Canada Handbook—Assurance.

This report contains five new and three repeated recommendations to government. The repeated recommendations have been made because we do not believe there has been sufficient action taken to implement our previous recommendations.

As part of the audit process, we provide recommendations to government in documents called management letters. We use public reporting to bring recommendations to the attention of Members of the Legislative Assembly. For example, members of the all-party Standing Committee on Public Accounts refer to the recommendations in our public reports during their meetings with representatives of government departments and agencies.

The auditor general is the auditor of every ministry, department and regulated fund, and most provincial agencies. Under the *Government Organization Act*, ministers are responsible for administering departments and provincial legislation. Deputy ministers are delegated responsibility to support the minister in his or her role, and to act as the chief operator of a department. Ministers may also establish any boards, committees or councils they consider necessary to act in an advisory or administrative capacity for any matters under the minister's administration. A minister is responsible for oversight of the work and actions of the department and any provincial agencies under his or her administration. However, we make our recommendations to departments and provincial agencies rather than to the minister directly, given the delegated operational responsibilities and that they are in the best position to respond to and implement our recommendations. With respect to recommendations related to ministerial oversight of a provincial agency, we generally make the recommendation to the department supporting and providing advice to the minister.

We believe all of the recommendations in this report require a formal public response from the government. In instances where a recommendation has been made to a board-governed organization, we expect the organization to implement the recommendation and report back to its respective government ministry as part of proper oversight of the organization.

### Reporting the Status of Recommendations

We follow up on all recommendations. The timing of our follow-up audits depends on the nature of our recommendations. To encourage timely implementation and assist with the planning of our follow-up audits, we require a reasonable implementation timeline on all recommendations accepted by the government or the entities we audit that report to the government. We recognize some recommendations will take longer to fully implement than others, but we encourage full implementation within three years.

Typically, we do not report on the progress of an outstanding recommendation until management has had sufficient time to implement the recommendation and we have completed our follow-up audit work.

We repeat a recommendation if we find that the implementation progress has been insufficient.

We report the status of our recommendations as:

- **Implemented**—We explain how the government implemented the recommendation.
- **Repeated**—We explain why we are repeating the recommendation and what the government must still do to implement it.

On occasion, we may make the following comments:

- **Satisfactory progress**—We may state that progress is satisfactory based on the results of a follow-up audit.
- **Progress report**—Although the recommendation is not fully implemented, we provide information when we consider it useful for MLAs to understand management's actions.

## New Recommendations

### Alberta Advanced Education

University of Calgary

Page 17

#### **RECOMMENDATION:**

#### **Improve internal controls program to mitigate key financial risks**

We recommend that the University of Calgary improve the design and effectiveness of its internal controls program to mitigate key financial risks.

#### **Consequences of not taking action**

An inadequate or ineffective internal controls program increases the university's exposure to financial errors, financial loss and reputational damage.

Keyano College

Page 19

#### **RECOMMENDATION:**

#### **Improve financial reporting processes—recommendation repeated**

We again recommend that Keyano College improve its financial reporting by:

- training staff on Canadian public sector accounting standards
- improving its monitoring and reviewing process to ensure that financial information is accurate

#### **Consequences of not taking action**

Without effective controls over its financial reporting processes, management and the board will not have reliable financial information on which to base their decisions.

## Keyano College

Page 20

**RECOMMENDATION:****Improve systems to ensure compliance with legislation—recommendation repeated**

We again recommend that Keyano College implement systems to:

- understand what legislation it must comply with
- develop appropriate policies, procedures, and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and the audit committee

**Consequences of not taking action**

Without a clear process to ensure it complies with legislation, an institution faces significant financial, operational, legal, and reputational risks.

## Alberta Economic Development and Trade

Page 45

**RECOMMENDATION:****Improve financial reporting system controls**

We recommend that Alberta Innovates improve user access controls and segregate incompatible duties within the financial reporting system.

**Consequences of not taking action**

Without appropriate internal controls over user access and segregation of incompatible duties, Alberta Innovates risks unauthorized system changes and undetected fraud and error.

## Alberta Education

Page 53

**RECOMMENDATION:****Improve monitoring, assessing, and reporting processes on school jurisdictions' accumulated reserve balances**

We recommend that the Department of Education improve its processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves.

**Consequences of not taking action**

Without adequate monitoring and reporting processes over the financial health of school jurisdictions, the department cannot take the actions necessary to ensure funding is appropriately aligned with the changing needs of school jurisdictions, likely resulting in sub-optimal outcomes for students, parents, and teachers.

## Alberta Energy

Page 69

### RECOMMENDATION:

#### Improve controls over the cash-flow model

We recommend that the Alberta Petroleum Marketing Commission implement stronger access and change-management control procedures to ensure that access and changes to the financial model are working in a controlled and consistent manner

### RECOMMENDATION:

#### Improve controls over the cash-flow model

We recommend that the Alberta Petroleum Marketing Commission improve its method for supporting, updating, and documenting assumptions and key judgements applied to its model analysis.

### Consequences of not taking action

Without good access and change-management controls, uncontrolled changes could introduce failures in the model and impair the quality of model outcomes.

Without a good process and documentation for management's reasoning, assumptions, and judgements, the underlying process may be perceived as not transparent, and management may be challenged in defending its decisions. A sound and well evidenced process also demonstrates how the risk of bias is appropriately minimized in the financial model.

## Alberta Health

### Alberta Health Services

Page 88

### RECOMMENDATION:

#### Fees and charges—recommendation repeated

We again recommend that Alberta Health Services:

- reinforce its admission policies to ensure consistent application
- review its controls over the processes that generates fees and charges revenue to ensure they are appropriately designed, consistent across regions and aligned with current policies

### Consequences of not taking action

If Alberta Health Services employees do not fully understand admissions information, patients may not be billed appropriately.

## Implemented Recommendations

### Alberta Advanced Education

#### Athabasca University

Original: October 2010, no. 1, p. 111

Repeated: October 2013, no. 9, page 96

Repeated: October 2016, no. 99, p. 66

Implemented: November 2018, Financial Statement Auditing, p. 17

#### **RECOMMENDATION:**

#### **Establish information technology resumption capabilities**

We again recommend that Athabasca University:

- assess the risks and take the necessary steps to establish appropriate off-site disaster recovery facilities that include required computer infrastructure to provide continuity of critical IT systems
- complete and test its existing disaster recovery plan to ensure continuous services are provided in the event of a disaster

### Alberta Agriculture and Forestry

#### Agriculture Financial Services Corporation

Original: October 2016, p. 75

Implemented: November 2018, Financial Statement Auditing, p. 27

#### **RECOMMENDATION:**

#### **Ensure compliance with established protocols**

We recommend that the Agriculture Financial Services Corporation:

- ensure that agreements between AFSC and its employees comply with the corporation's established policies. If deviations from policies are necessary, adequate justification and support should be documented
- improve its training policy and reimbursement agreements to make them more specific and in line with the guidance by Government of Alberta Corporate Human Resources
- consider recovering expenses that do not comply with AFSC's policies

## Alberta Economic Development and Trade

### Alberta Innovates

Original: October 2017, Financial Statement Auditing, p. 44

Implemented: November 2018, Financial Statement Auditing, p. 45

#### **RECOMMENDATION:**

##### **Improve financial reporting processes**

We recommend that Alberta Innovates improve its financial reporting processes by implementing effective internal controls and quality review processes to ensure accurate and complete financial reporting.

## Alberta Education

Original: October 2017, Financial Statement Auditing, p. 51

Implemented: November 2018, Financial Statement Auditing, p. 53

#### **RECOMMENDATION:**

##### **Improve controls over tracking and reporting cost obligations for school construction projects**

We recommend that the Department of Education improve controls over tracking and reporting cost obligations for school construction projects.

## Alberta Health

### Alberta Health Services

Original: October 2009, no. 32, p 271

Implemented: November 2018, Financial Statement Auditing, page 85

#### **RECOMMENDATION:**

##### **Capital project monitoring systems**

We recommend that Alberta Health Services improve the efficiency and effectiveness of its financial capital project monitoring and reporting systems and processes by:

- implementing common systems, policies and procedures to track and monitor key financial information
- providing relevant, timely and accurate information to Executive Management and the Audit and Finance Committee

Original: October 2009, no. 29, p. 262

Repeated: October 2014, no. 17, p. 138

Implemented: November 2018, Financial Statement Auditing, page 86

#### **RECOMMENDATION:**

##### **Information technology control policies and processes**

We again recommend that Alberta Health Services:

- develop an information technology control framework, including appropriate risk management processes and controls, for the management of its information technology resources
- monitor compliance with security policies, implementing effective change management processes and improving passwords controls

### **Alberta Municipal Affairs**

Original: October 2015, no. 16, p. 144

Implemented: November 2018, Financial Statement Auditing, page 119

#### **RECOMMENDATION:**

##### **Improve systems for updating the estimated disaster recovery program liability**

We recommend that the Department of Municipal Affairs develop and implement an improved method for updating and supporting its estimated disaster recovery program liability.

### **Alberta Seniors and Housing**

#### **Alberta Social Housing Corporation**

Original: October 2013, no. 11, p. 145

Implemented: November 2018, Financial Statement Auditing, page 125

#### **RECOMMENDATION:**

##### **Review housing management body cash reserve policy**

We recommend that the Alberta Social Housing Corporation review the housing management body cash reserve policy to determine if the policy continues to meet its objective of providing appropriate short-term operational cash flow requirements to the housing management bodies.

Original: October 2017, Financial Statement Auditing, p. 113

Implemented: November 2018, Financial Statement Auditing, page 125

**RECOMMENDATION:**

**Improve change management control procedures**

We recommend that the Alberta Social Housing Corporation improve and implement change management control procedures to ensure changes to the information systems within its computing environment are implemented in a controlled and consistent manner.

**Service Alberta**

Original: October 2008, p. 346

Implemented: November 2018, Financial Statement Auditing, page 129

**RECOMMENDATION:**

**Access and security monitoring of the revenue application systems**

We recommend that the Department of Service Alberta ensure adequate logging and monitoring processes are in place in all application systems that host or support financial information and Albertans' personal information.

**Alberta Treasury Board and Finance:**

**ATB Financial**

Original: October 2009, page 227

Repeated October 2014, no. 26, page 202

Implemented: November 2018, Financial Statement Auditing, page 143

**RECOMMENDATION:**

**Service auditor reports**

We again recommend that ATB Financial improve its processes related to service providers by ensuring its business areas:

- receive service provider audit reports
- review service provider audit reports and assess the impact of identified internal control weaknesses
- put end user controls in place to complement service provider controls

Original: October 2012, no. 31, page 149

Implemented: November 2018, Financial Statement Auditing, page 144

**RECOMMENDATION:**

**Payment card industry**

We recommend that ATB Financial put in place processes to monitor its compliance with the Payment Card Industry's requirements.



## 2017–2018 Consolidated Financial Statements for the Province of Alberta

The Government of Alberta prepares financial statements and makes them public to inform Albertans about the province's financial performance. The Office of the Auditor General audits the consolidated financial statements of the Province of Alberta and the financial statements of every ministry, government department, regulated fund, and most provincial agencies.

An audit is the collection and evaluation of evidence about the fairness of financial statements. By obtaining this evidence, the auditor general is able to provide a high level of assurance to Albertans about whether the financial statements prepared by management are fairly presented and free from material misstatements. An audit includes assessing where errors (misstatements) could occur in the financial statements, testing management's internal control over financial information, and performing additional audit procedures.

The audit, and the auditor's report, adds credibility to the financial statements by telling Albertans whether the financial statements are reasonable. This auditing does not mean that the auditor general examines every transaction or guarantees that the financial statements are error free. Millions of transactions are summarized into the province's financial statements. Audits, therefore, necessarily focus on areas of risk and on the places where errors that matter to users' understanding of the financial statements as a whole are likely to occur.

On June 19, 2018, we issued our unqualified independent *Auditor's Report on the 2017–2018 Consolidated Financial Statements for the Province of Alberta*. We had issued unqualified auditor's reports on the financial statements of all the other entities that we audit. The province's consolidated financial statements account for the full nature and extent of the financial affairs and resources that the government controls and provide a comprehensive view of the revenues that the province earned, its spending on various programs for 2017–2018, and its financial position at fiscal year end.

From our perspective, a key item within the province's audited 2017–2018 consolidated financial statements is net debt. Net debt is the difference between the government's financial assets and liabilities and shows the government's requirement to generate future revenues to pay for past services. The overall net debt position increased from \$8.9 billion in fiscal 2017 to \$19.3 billion at March 31, 2018 (page 35, *Government of Alberta 2017–2018 Annual Report*).





# Alberta Advanced Education

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November 2018



## Summary

- 14** Total Recommendations
- 1** New Recommendation
- 13** Outstanding Recommendations
- 4** Outstanding Recommendations Older than 3 Years
- 3** **READY** for Follow-up Audit
- 11** **NOT READY** for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Advanced Education, the Department of Advanced Education and Access to the Future Fund. The ministry consolidated financial statements required a restatement of the comparative figures due to a material prior period error identified at the University of Calgary.

Included in the ministry consolidated financial statements are the department, Access to the Future Fund, 21 public post-secondary institutions, Keyano College Land Trust, MacEwan Downtown Corporation, Olds College Trust, PanGlobal Training Systems Ltd. and West Campus Development Corporation.

There are no new recommendations to the department in this report. The department has six outstanding recommendations, two of which have been outstanding for more than three years.

## Post-secondary Institutions

We issued unqualified auditor's reports on the financial statements of the universities of Alberta, Athabasca, Calgary and Lethbridge.

The financial statements of the University of Calgary reflect a restatement of the comparative figures due to management's identifying during the year a \$120 million prior period error relating to funding revenue recognition.

We made one new recommendation to the University of Calgary on improving their internal controls program to mitigate key financial risk.

Post-secondary institutions in total have eight recommendations, two of which have been outstanding for more than three years.

## Post-secondary Institutions Report Card

This report includes an update on the report card on four universities' internal controls over financial reporting, together with comparative assessments from our 2017 and 2016 audits. Our February 2018 report included the results of our audits at the colleges, technical institutions, MacEwan University and Mount Royal University.

To govern effectively, boards need accurate and timely financial information throughout the year, not just at year end. To manage effectively, management needs the same information. We see a direct correlation between a strong year-end process to prepare financial statements and the ability to prepare quality financial information throughout the year. Strong, sustainable processes improve management's decision-making ability and provide opportunities to use results analysis to communicate to Albertans the institution's performance and accountability for results. The Minister of Advanced

Education, through the department, must ensure the boards of governors of post-secondary institutions hold management accountable for sustaining strong internal control environments and improving identified control weaknesses in a reasonable period of time.

Consistent with our prior report cards, we evaluated the following key indicators of sustainable effective financial processes and internal controls:

- the time it took institutions to prepare complete and accurate year-end financial statements
- the quality of draft financial statements we received, including the number of errors our audit found
- the number and type of current and outstanding recommendations

A university could have a yellow or red status yet still receive an unqualified opinion on its financial statements, as management can correct errors and disclosure deficiencies during the audit process. The number of errors and disclosure deficiencies we find in the draft financial statements indicates how effective financial controls are for preparing accurate financial statements. We occasionally make observations to management at the end of our financial statement audit of less significant control weaknesses which do not require immediate remediation like recommendations do. We would note a caution in the report card; however if numerous observations are being identified at a particular institution. Numerous observations would be a strong indication the institution's overall financial processes and internal controls may not be sustainable.

Our conclusion on the status of recommendations considers not just the number but also the age and nature of the recommendations. A summary of recommendations by institution is on page 22. Two of the eight recommendations to institutions are older than three years.

Effective control environments include clear policies, well-designed processes and controls to implement and monitor compliance with policies and secure information systems to provide timely and accurate financial and non-financial information to manage and govern the institutions. Recommendations not implemented promptly erode the effectiveness of the institution's control environment. Weak control environments impact the quality of decisions made by management and the board of governors. This can result in an institution not achieving its goals of operating in a cost-effective manner and managing operational risks.

## The Report Card

- ◆ Significant improvement is required.
- ▲ Improvement is required, but not to the same extent as the red items. Yellow items may or may not be associated with a management letter recommendation. They represent areas where an institution can improve, as opposed to areas that require significant, immediate attention.
- We have not identified significant weaknesses in the control environment.

Institution	Financial Statements Preparation		Recommendations
	Accuracy	Timeliness	
Athabasca University			
2018	●	●	▲
2017	●	●	◆
2016	●	●	◆
University of Calgary			
2018	●	●	▲
2017	●	●	●
2016	●	●	●
University of Lethbridge			
2018	▲	●	●
2017	▲	●	●
2016	●	●	●
University of Alberta			
2018	●	●	●
2017	●	●	●
2016	●	●	●

Note: *The Report of the Auditor General of Alberta—February 2018*, page 28, included the fiscal 2017 report card of colleges, technical institutions, MacEwan University and Mount Royal University.

In concluding on our report card, we note the following:

#### **Financial Statements Preparation**

All four universities continue to focus on maintaining strong financial reporting processes and controls. Sustaining strong financial reporting systems increases opportunities to use results analyses to better communicate the universities' performance and accountability for results. University management must continuously improve financial reporting systems to identify and mitigate emerging risks and risks created from periodic changes made to the universities' operations.

We continue to provide process observations to the University of Lethbridge which, suggests the overall financial reporting processes and controls may not be sustainable. We encourage the board of governors to ensure management improves processes to enable management to assess if there are gaps in its existing controls, emerging risks or when changes to its operations introduce new risks. Proactive remediation of these processes now can sufficiently reduce the risk of a future breakdown in controls resulting in a material error.

We issued unqualified audit opinions on the financial statements of all four universities.

#### **Recommendations**

All four universities that we examine in this report generally have effective financial reporting processes and controls.

We issued a new recommendation to the University of Calgary to improve the design and effectiveness of its internal controls program to mitigate key financial risks. We found the program does not include all key financial business processes nor does it include processes to test the operating effectiveness of its key internal controls and report results. An inadequate or ineffective internal controls program increases the university's exposure to financial errors, financial loss and reputational damage.

Athabasca University has implemented our recommendation to improve IT resumption capabilities, a significant process given the online nature of the university. University management continues to work towards implementing our recommendation to improve procedures for monitoring and reporting IT access and security violations.

## **Findings**

### **University of Calgary**

#### **Improve internal controls program to mitigate key financial risks**

##### **Context**

An effective and efficient internal controls program that mitigates key financial risks is an essential part of any organization. The program ensures reliable financial reporting, effective and efficient operations and compliance with laws and regulations.



Management is responsible for designing, implementing and monitoring its internal controls program. The board of governors and its audit committee play a critical role in overseeing the program. Board members need sufficient information from management on the internal controls program so they can ask appropriate oversight questions and signal where change in preferred behaviour may be required.

For an internal controls program to be efficient and effective in mitigating key financial risks, it must include clear roles and responsibilities as well as structured and integrated processes to:

- assess financial risks
- determine the processes and controls that are within the scope of the program
- evaluate internal control design and implementation
- monitor and report on the operating effectiveness of the internal controls

In an environment where risks are continually changing and emerging, such as information technology, organizations must be nimble. A structured program for internal controls can assist an organization in identifying, assessing and responding, where appropriate, to this changing environment.

To mitigate the risk of financial error or financial loss, organizations often use three lines of defense. Management internal controls are the first line of defense, a controls compliance oversight function established by management, is the second line of defense and independent assurance from internal audit is the third line of defense. Reliance on a single line of defense can often prove inadequate. Management and the board need to evaluate risk when assessing the lines of defense needed.

#### **Criteria: the standards of performance and control**

The University of Calgary's internal controls program should have processes and controls to mitigate key financial risks. An internal controls program should include clear roles and responsibilities and structured and integrated processes to:

- identify and assess key financial risks
- assess if controls are adequately designed and implemented to mitigate key financial risks
- monitor and report on the adequacy and operating effectiveness of its internal controls

#### **Our audit findings**

##### **Key Finding**

The University of Calgary's internal controls program is incomplete. The program does not include all key financial business processes, nor does it include processes to test the operating effectiveness of its key internal controls and report results.

The university has an Internal Controls and Compliance Reporting group that is responsible for ensuring that the university has an internal controls program that is effective and mitigates key financial risks. The group identifies and assesses financial risks, documents financial business processes, identifies key internal controls within these processes and performs walkthroughs to verify the existence of the controls.

While the university has elements of an adequately designed internal controls program, it does not have all elements required for an internal controls program to be effective. For example, we could not find evidence that the Internal Controls and Compliance Reporting group:

- assesses the scope of the internal controls program and ensures all key financial statement business processes and controls are included within the program. For example, the group has not identified or assessed the financial risks or documented the controls for key financial statement processes such as portfolio investments, deferred revenue or debt
- has defined control owners for each of its control activities and communicated their responsibilities
- tests and monitors the operating effectiveness of its key internal controls or reports this information to management or the audit committee. For example, the university relies on its expenditure accrual processes and controls to ensure its financial statements are accurate and complete. We found that management has not tested if these processes and controls are operating as it expects

During the year, management identified a significant error in its prior years financial statements related to deferred revenue. Because the university's internal controls program was not working as effectively as it should, management did not identify the error promptly. Management investigated the error and identified that there were gaps in its deferred revenue internal controls and in some instances, the university had internal controls but they did not operate effectively. Management has developed a plan to improve its deferred revenue processes and controls as well as implement processes for monitoring the operating effectiveness of these controls.

While management needs to implement these deferred revenue process and control improvements, this is only one of many key financial business processes that the university relies on. Management needs to consider a more holistic, integrated and continuous approach to its internal controls program. The approach should ensure that all key financial business processes and controls are included within the scope of the internal controls program, responsibilities for internal controls are defined, communicated and understood and there is continuous monitoring and reporting on the operating effectiveness of the university's key internal controls.

An enhanced internal controls program would enable management to assess if there are key financial risks in its business processes that it has not mitigated, if the controls it has are adequately designed to mitigate key financial risks and if its internal controls are operating as expected.

**RECOMMENDATION:****Improve internal controls program to mitigate key financial risks**

We recommend that the University of Calgary improve the design and effectiveness of its internal controls program to mitigate key financial risks.

**Consequences of not taking action**

An inadequate or ineffective internal controls program increases the university's exposure to financial errors, financial loss and reputational damage.

**Athabasca University**
**Establish information technology (IT) resumption capabilities  
—recommendation implemented**
**Context**

In 2010<sup>1</sup> we recommended that Athabasca University:

- assess the risks and take the necessary steps to establish appropriate offsite recovery facilities to provide continuity of critical IT systems
- complete and test its existing disaster recovery plan to ensure continuous services are provided in the event of a disaster

We repeated our recommendation in 2013 and 2016, as updating and testing of the plan was incomplete.

**Our follow-up audit findings**

The university implemented our recommendation by:

- identifying its critical applications
- establishing an off-site recovery site which has the infrastructure, data replications and backup systems to recover its critical systems
- completing and testing its IT resumption plan and documenting lessons learned for its identified critical applications

We examined the university's IT resumption plan, including the critical systems management identified, recovery strategy, roles and responsibilities of the IT recovery team and the recovery procedures and found them to be adequate. We confirmed that the university has established appropriate off-site recovery facilities and procedures to provide continuity of the critical IT systems it identified.

We also examined the results of the university's successful testing of its IT resumption plan.

<sup>1</sup> *Report of the Auditor General of Alberta—October 2010*, no. 10, page 111. Repeated *October 2013*, no. 9, p. 96 and *October 2016*, no. 9, 66.

## Keyano College

The following repeated recommendations for Keyano College were finalized at the completion of our 2017 financial statement audit, which was subsequent to the release of our February 2018 report.

The February 2018 report included an update on the report card on internal controls over financial reporting from our 2017 audits of colleges, technical institutes, MacEwan University and Mount Royal University. As noted on page 30 of our February 2018 report, our conclusion on the sustainability of financial reporting internal controls and processes at the college reflected our expectation of repeating our recommendation on improving financial reporting processes.

### Improve financial reporting processes—recommendation repeated

#### Context

The college's management are responsible for preparing financial statements and accompanying notes in accordance with Canadian public sector accounting standards and ensuring effective internal controls over financial reporting. Effective financial reporting processes provide timely and reliable financial information to management and the board. Effective processes should include members of the finance group documenting and understanding the accounting processes, financial reporting, and changes in accounting standards impacting the college.

In 2016<sup>2</sup> we recommended the college improve its financial reporting processes due to material adjustments to the draft financial statements required as a result of our audit. We repeat this recommendation because we continue to identify significant weaknesses in the financial reporting processes.

#### Criteria: the standards of performance and control

The college should have effective systems to produce timely and accurate year-end financial statements and supporting documentation.

#### Our follow-up audit findings

##### Key Finding

Material adjustments were required to the college's draft 2017 financial statements.

College management was unable to prepare prompt, accurate financial statements for fiscal 2017. We found improvements in some processes, such as reconciliation of clearing accounts, recording of pension liabilities, and supporting analysis preparation. However, significant adjustments were required in areas including recognition and reconciliation of deferred revenue, recording of debt financing, and vacation liability, along with multiple deficiencies in presentation and disclosures.

<sup>2</sup> Report of the Auditor General of Alberta—February 2016, no. 13, page 102

**RECOMMENDATION:****Improve financial reporting processes—recommendation repeated**

We again recommend that Keyano College improve its financial processes by:

- training staff on Canadian public sector accounting standards
- improving its monitoring and reviewing process to ensure that financial information is accurate

**Consequences of not taking action**

Without effective controls over its financial reporting processes, management and the board will not have reliable financial information on which to base their decisions.

### Improve systems to ensure compliance with legislation— recommendation repeated

**Context**

Boards of governors must ensure that their institutions comply with all relevant laws. Otherwise, institutions could expose themselves to significant financial, operational, legal, and reputational risks. Post-secondary institutions must follow a wide range of federal and provincial laws, such as the *Post-secondary Learning Act* and the federal *Income Tax Act*, *Occupational Health and Safety Act*, and *Controlled Goods Regulations*. Some laws also affect academic and student services.

Enterprise risk management ensures that an organization complies with legislation. Managing risks successfully requires a continuous, proactive process to understand, manage, and communicate risks from an organization-wide perspective.

In 2013<sup>3</sup> we recommended the college improve its systems to ensure compliance with legislation. We repeat our recommendation because the college has yet to fully implement adequate processes.

**Criteria: the standards of performance and control**

A post-secondary institution should have effective systems to:

- understand what legislation applies to it
- develop appropriate policies, procedures, and controls to ensure that it complies with legislation
- monitor compliance and report non-compliance to senior management and the board's audit committee

**Our follow-up audit findings****Key Finding**

The college is still developing policies and procedures to identify, document, monitor, and communicate legislative compliance risks. During 2017 the college failed to identify a material financial transaction did not comply with the *Post-secondary Learning Act*.

3 Report of the Auditor General of Alberta—February 2013, no. 7, page 60

In 2015, management developed a Legislative Compliance Framework and has since been working on its implementation. Management identified a list of legislation that is applicable to the college and is currently developing policies and procedures to identify, document, monitor, and communicate risks.

We found that during 2017 management obtained a line of credit without getting adequate legislative approval under the requirements of the *Post-secondary Learning Act*. We were unable to find sufficient evidence that management performed proper analyses or evaluated for compliance with legislation in accordance with the college's framework before entering into this transaction.

#### RECOMMENDATION:

Improve systems to ensure compliance with legislation—**recommendation repeated**

We again recommend that Keyano College implement systems to:

- understand what legislation it must comply with
- develop appropriate policies, procedures, and controls to ensure compliance with legislation
- monitor and report non-compliance to senior management and the audit committee

#### Consequences of not taking action

Without a clear process to ensure it complies with legislation, an institution faces significant financial, operational, legal, and reputational risks.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT COLLABORATIVE INITIATIVES AMONG POST-SECONDARY INSTITUTIONS: <b>Develop strategic plan and accountability framework</b></p> <p>We again recommend that the Department of Advanced Education, working with institutions:</p> <ul style="list-style-type: none"> <li>• develop and communicate a strategic plan that clearly defines the minister's expected outcomes for Campus Alberta, initiatives to achieve those outcomes, the resources required and sources of funding</li> <li>• develop relevant performance measures and targets to assess if the outcomes are being achieved</li> <li>• publicly report results and the costs associated with collaborative initiatives</li> <li>• review and clarify the accountability structure for governing collaborative initiatives</li> </ul>	<p>Repeated October 2017, Performance Auditing, p. 37</p> <p>Originally reported July 2013, no. 6, p. 48</p>	<p><b>NOT READY</b></p>

WHAT	WHEN	STATUS
<p>DEPARTMENT COLLABORATIVE INITIATIVES AMONG POST-SECONDARY INSTITUTIONS:</p> <p><b>Develop processes and guidance to plan, implement and govern collaborative projects</b></p> <p>We again recommend that the Department of Advanced Education, working with institutions, develop systems and guidance for institutions to follow effective project management processes for collaborative initiatives.</p>	<p>Repeated October 2017, Performance Auditing, p. 40</p> <p>Originally reported July 2013, no. 7, p. 51</p>	NOT READY
<p>DEPARTMENT ENTERPRISE RISK-MANAGEMENT FRAMEWORK:</p> <p><b>Implement enterprise risk management framework</b></p> <p>We again recommend that the Department of Advanced Education implement an integrated enterprise risk management framework to identify and mitigate relevant risks.</p>	<p>Repeated October 2017, Financial Statement Auditing, p. 13</p> <p>Originally reported October 2015, no. 15, p. 124</p>	NOT READY
<p>DEPARTMENT TRAVEL, MEAL, AND HOSPITALITY EXPENSES OF THE PREMIER, MINISTERS, ASSOCIATE MINISTERS, AND THEIR STAFF:</p> <p><b>Improve review of travel, meal and hospitality expenses</b></p> <p>We recommend that the Department of Advanced Education improve its review processes for travel, meal and hospitality expenses.</p>	<p>May 2017, no. 4, p. 56</p>	READY
<p>DEPARTMENT FOR-PROFIT AND COST RECOVERY VENTURES AT POST-SECONDARY INSTITUTIONS:</p> <p><b>Document and communicate expectations and guidelines</b></p> <p>We recommend that the Department of Advanced Education:</p> <ul style="list-style-type: none"> <li>document its expectations in terms of desired results and risk management for institutions participating in for-profit and cost recovery ventures</li> <li>establish approved guidelines for cost recovery ventures, to support best practices and align with the department's expectations</li> <li>update and approve for-profit venture guidelines to support best practices and align with the department's expectations</li> <li>develop a process to communicate the department's expectations and guidelines to all institutions</li> </ul>	<p>October 2015, no. 1, p. 25</p>	NOT READY
<p>DEPARTMENT FOR-PROFIT AND COST RECOVERY VENTURES AT POST-SECONDARY INSTITUTIONS:</p> <p><b>Improve department's oversight of institution's risk assessment of ventures</b></p> <p>We recommend that the Department of Advanced Education improve its oversight processes to ensure that boards of governors oversee management's assessment of the risks associated with for-profit and cost recovery ventures by:</p> <ul style="list-style-type: none"> <li>tailoring board training to examine these ventures</li> <li>maintaining relevant documentation of the institution's risk assessment and venture approval requests</li> <li>requiring the institution to comply with the department's expectations and guidelines</li> <li>requiring the institution to report on venture results on an ongoing basis</li> <li>providing effective feedback and ongoing guidance to the boards</li> </ul>	<p>October 2015, no. 2, p. 27</p>	NOT READY

## Post-secondary Institutions: Summary of Recommendations

Institution	More than 3 Years <sup>1</sup>	Less than 3 Years	Total	Ready / Not Ready
Alberta College of Art + Design	–	1	1	1 / 0
Athabasca University	1	–	1	1 / 0
Bow Valley College	–	–	–	0 / 0
Grande Prairie Regional College	–	–	–	0 / 0
Keyano College <sup>2</sup>	1	1	2	0 / 2
Lakeland College	–	–	–	0 / 0
Lethbridge College	–	–	–	0 / 0
MacEwan University	–	1	1	0 / 1
Medicine Hat College	–	–	–	0 / 0
Mount Royal University	–	–	–	0 / 0
NorQuest College	–	–	–	0 / 0
Northern Alberta Institute of Technology	–	–	–	0 / 0
Northern Lakes College	–	1	1	0 / 1
Olds College	–	1	1	0 / 1
Portage College	–	–	–	0 / 0
Red Deer College	–	–	–	0 / 0
Southern Alberta Institute of Technology	–	–	–	0 / 0
University of Alberta	–	–	–	0 / 0
University of Calgary	–	1	1	0 / 1
University of Lethbridge	–	–	–	0 / 0
<b>Total</b>	<b>2</b>	<b>6</b>	<b>8</b>	
Ready for Follow-up Audit <sup>3</sup>	1	1	2	
Not Ready for Follow-up Audit	1	5	6	
<b>Total</b>	<b>2</b>	<b>6</b>	<b>8</b>	

### Notes:

<sup>1</sup> Originally issued in the March 2015 and earlier reports

<sup>2</sup> Includes recommendation to improve financial reporting processes

<sup>3</sup> Based on management representations to August 31, 2018



	WHAT	WHEN	STATUS
Alberta College of Art + Design	<p><b>REPORT ON POST-SECONDARY INSTITUTIONS:</b>  <b>Consistently enforce purchasing procedures</b></p> <p>We recommend that the Alberta College of Art + Design enforce consistent compliance with its purchasing procedures.</p>	February 2018, p. 33	READY
Athabasca University	<p><b>POST-SECONDARY INSTITUTIONS REPORT CARD:</b>  <b>Improve procedures to monitor and report access and security violations</b></p> <p>We again recommend that Athabasca University formalize its access and security monitoring procedures to:</p> <ul style="list-style-type: none"> <li>• detect and assess security threats to critical information systems</li> <li>• report access and security violations to senior management</li> <li>• identify and resolve the root causes of security threats and violations</li> </ul>	<p>Repeated October 2016, no. 10, p. 67</p> <p>Originally reported October 2013, no. 8, p. 95.</p>	READY
Keyano College	<p><b>POST-SECONDARY INSTITUTIONS REPORT CARD:</b>  <b>Improve financial reporting processes</b></p> <p>We again recommend that Keyano College improve its financial reporting by:</p> <ul style="list-style-type: none"> <li>• training staff on Canadian Public Sector Accounting Standards</li> <li>• improving its monitoring and reviewing process to ensure that financial information is accurate</li> </ul>	<p>Repeated November 2018, Financial Statement Auditing, p. 19</p> <p>Originally reported February 2016, no. 13, p. 102</p>	NOT READY
Keyano College	<p><b>POST-SECONDARY INSTITUTIONS REPORT CARD:</b>  <b>Improve systems to ensure compliance with legislation†</b></p> <p>We again recommend that Keyano College implement systems to:</p> <ul style="list-style-type: none"> <li>• understand what legislation they must comply with</li> <li>• develop appropriate policies, procedures and controls to ensure compliance with legislation</li> <li>• monitor and report non-compliance to senior management and the audit committee</li> </ul> <p>†As a result of our assessment, we made this common recommendation to all colleges and universities as part of our original audit in February 2013, and then followed up in October 2013, February 2014, February 2016, October 2016, and May 2017.</p>	<p>Repeated November 2018, Financial Statement Auditing, p. 20</p> <p>Repeated May 2017, no. 8, p. 86</p> <p>Originally reported February 2013, no. 7, p. 60</p>	NOT READY
MacEwan University	<p><b>REPORT ON POST-SECONDARY INSTITUTIONS:</b>  <b>Strengthen controls supporting key financial and business processes</b></p> <p>We recommend that MacEwan University improve its processes for management to regularly communicate to the board of governors and its committees the adequacy and operating effectiveness of the university's internal control environment.</p>	February 2018, p. 36	NOT READY
Northern Lakes College	<p><b>REPORT ON POST-SECONDARY INSTITUTIONS:</b>  <b>Promptly remove system user access of terminated employees</b></p> <p>We recommend that Northern Lakes College consistently apply procedures to promptly remove terminated employees' system user access.</p>	February 2018, p. 37	NOT READY

	WHAT	WHEN	STATUS
Olds College	<p><b>REPORT ON POST-SECONDARY INSTITUTIONS:</b>  <b>Improve access controls to information systems</b></p> <p>We recommend that Olds College strengthen its information systems access controls, to ensure it:</p> <ul style="list-style-type: none"> <li>• promptly removes system access privileges when staff or contractors leave the college</li> <li>• discontinues the practice of leaving accounts open for email access after staff are terminated</li> </ul>	February 2016, no. 15, p. 105	NOT READY
University of Calgary	<p><b>REPORT ON POST-SECONDARY INSTITUTIONS:</b>  <b>Improve internal controls program to mitigate key financial risks</b></p> <p>We recommend that the University of Calgary improve the design and effectiveness of its internal controls program to mitigate key financial risks.</p>	November 2018, Financial Statement Auditing, p. 17	NEW



# Alberta Agriculture and Forestry

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November 2018



## Summary

6 Total Recommendations

2 New Recommendations

4 Outstanding Recommendations

0 Outstanding Recommendations Older than 3 Years

0 **READY** for Follow-up Audit

6 **NOT READY** for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Agriculture and Forestry, the Department of Agriculture and Forestry, the Environmental Protection Enhancement Fund and the Agriculture Financial Services Corporation (AFSC).

In our *Wildfire Management: Processes for Prevention and Review and improvement* audit (see "Performance Audit Reports"), there are two new recommendations to the department.

There are no new recommendations to the Environmental Protection Enhancement Fund or the AFSC in this report.

The AFSC has four outstanding recommendations, one of which is also to the department.

The AFSC has implemented its outstanding recommendation to ensure compliance with established policies relating to training and termination expenses—see below.

## Findings

### Agriculture Financial Services Corporation

#### Matters from prior audits

#### Ensure compliance with established policies—recommendation implemented

##### Context

In 2016,<sup>1</sup> we recommended that the AFSC ensure compliance with established policies relating to training and termination expenses.

##### Findings

Management has developed a new staff training policy that outlines:

- the process for identifying development opportunities
- business case requirements to justify training needs
- course approval requirements
- return of service requirements that depend on the cost of the course
- reimbursement requirements for some of the courses
- maximum cost that can be funded by the AFSC

We tested a sample of training programs provided to staff, executive management and a board member. We verified that training expenses complied with the new staff training policy.

We also tested a sample of termination payouts and verified that they were properly reviewed and approved and complied with AFSC policy.

<sup>1</sup> Report of the Auditor General of Alberta—October 2015, no. 11, p. 75.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT WILDFIRE MANAGEMENT: PROCESSES FOR PREVENTION AND REVIEW AND IMPROVEMENT:</p> <p><b>Ensure processes in place to evaluate and report on wildfire prevention programs</b></p> <p>We recommend that the Department of Agriculture and Forestry:</p> <ul style="list-style-type: none"> <li>publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk</li> <li>ensure there are processes in place to measure, monitor and report on the results and effectiveness of the various activities set out in the forest areas' annual wildfire prevention plans</li> </ul>	November 2018, Performance Auditing, p. 9	NEW
<p>DEPARTMENT WILDFIRE MANAGEMENT: PROCESSES FOR PREVENTION AND REVIEW AND IMPROVEMENT:</p> <p><b>Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews</b></p> <p>We recommend that the Department of Agriculture and Forestry:</p> <ul style="list-style-type: none"> <li>comply with its established business rules for internal results reporting for the review and improvement program</li> <li>establish and monitor implementation timelines for recommendations and opportunities for improvement from independent external reviews and publicly report implementation progress against these</li> </ul>	November 2018, Performance Auditing, p. 12	NEW
<p>AGRICULTURE AND FORESTRY AND AGRICULTURE FINANCIAL SERVICES CORPORATION SYSTEMS TO MANAGE THE LENDING PROGRAM:</p> <p><b>Define oversight responsibilities</b></p> <p>We recommend that the Department of Agriculture and Forestry and the board of directors of the Agriculture Financial Services Corporation clearly define the oversight responsibilities of both parties for the lending program.</p>	October 2016, no. 2, p. 25	NOT READY
<p>AGRICULTURE FINANCIAL SERVICES CORPORATION SYSTEMS TO MANAGE THE LENDING PROGRAM:</p> <p><b>Define strategic objectives, articulate sector credit needs and re-evaluate the relevance of the lending program</b></p> <p>We recommend that the Agriculture Financial Services Corporation:</p> <ul style="list-style-type: none"> <li>clearly define the strategic objectives of the lending program; these objectives should be consistent with AFSC's legislative mandate</li> <li>clearly articulate the credit needs of the agriculture sector in Alberta, which should drive its lending activities</li> <li>develop a process to periodically re-evaluate the relevance of the lending products it offers to ensure they continue to be relevant</li> </ul>	October 2016, no. 1, p. 23	NOT READY
<p>AGRICULTURE FINANCIAL SERVICES CORPORATION SYSTEMS TO MANAGE THE LENDING PROGRAM:</p> <p><b>Develop a funding model and costing system</b></p> <p>We recommend that the Agriculture Financial Services Corporation:</p> <ul style="list-style-type: none"> <li>develop a product-specific government funding model</li> <li>develop a costing system capable of allocating, tracking and reporting product-specific costs</li> </ul>	October 2016, no. 3, p. 29	NOT READY
<p>AGRICULTURE FINANCIAL SERVICES CORPORATION SYSTEMS TO MANAGE THE LENDING PROGRAM:</p> <p><b>Monitor the performance of the loan portfolio</b></p> <p>We recommend that the Agriculture Financial Services Corporation set up an independent function to monitor the performance of the loan portfolio.</p>	October 2016, no. 4, p. 29	NOT READY



# Alberta Children's Services

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November 2018





## Summary

4	Total Recommendations
0	New Recommendations
4	Outstanding Recommendations
1	Outstanding Recommendation Older than 3 Years
0	READY for Follow-up Audit
4	NOT READY for Follow-up Audit

We issued an unqualified independent auditor's report on the 2017–2018 financial statements for the Ministry of Children's Services.

There are no new recommendations to the department in this report. The department has four outstanding recommendations, one of which has been outstanding for more than three years.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:</p> <p><b>Enhance early support services</b></p> <p>We recommend that the Department of Children's Services:</p> <ul style="list-style-type: none"> <li>enhance its processes so that they include the needs of Indigenous children and families in the design and delivery of its early support services</li> <li>report to the public regularly on the effectiveness of early support services</li> </ul>	July 2016, no. 1, p. 13	NOT READY
<p>DEPARTMENT SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:</p> <p><b>Ensure a child-centred approach</b></p> <p>We recommend that the Department of Children's Services improve its systems to:</p> <ul style="list-style-type: none"> <li>ensure the care plan for each Indigenous child requiring intervention services is adhered to and meets the standards of care the department sets for all children in Alberta</li> <li>analyze the results of services to Indigenous children and report to the public regularly on its progress in achieving planned results</li> </ul>	July 2016, no. 2, p. 17	NOT READY
<p>DEPARTMENT SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:</p> <p><b>Strengthen intercultural understanding</b></p> <p>We recommend that the Department of Children's Services continue to enhance its staff training of the history and culture of Indigenous peoples, as well as its training of intercultural understanding. The department should seek the expertise of Indigenous leaders and communities when developing the training.</p>	July 2016, no. 3, p. 24	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT USER ACCESS CONTROL:</p> <p><b>Improve access control processes</b></p> <p>We recommend that the Department of Children's Services improve access control processes for all its information systems to ensure:</p> <ul style="list-style-type: none"><li>• user access to application systems and data is properly authorized</li><li>• user access is disabled promptly when employees leave their employment or role</li></ul>	<p>October 2014, no. 18, p. 151</p>	<p>NOT READY</p>



# Alberta Community and Social Services

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November 2018



## Summary

- 4** Total Recommendations
- 0** New Recommendations
- 4** Outstanding Recommendations
- 1** Outstanding Recommendation Older than 3 Years
- 3** **READY** for Follow-up Audit
- 1** **NOT READY** for Follow-up Audit

We issued an unqualified independent auditor's report on the 2017–2018 financial statements for the Ministry of Community and Social Services.

There are no new recommendations to the department in this report. The department has four outstanding recommendations, one of which has been outstanding for more than three years.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT SYSTEMS TO MANAGE THE ASSURED INCOME FOR THE SEVERELY HANDICAPPED (AISH) PROGRAM:</p> <p><b>Improve program accessibility</b></p> <p>We recommend that the Department of Community and Social Services ensure its application processes are user friendly.</p>	October 2016, no. 5, p. 35	<b>READY</b>
<p>DEPARTMENT SYSTEMS TO MANAGE THE AISH PROGRAM:</p> <p><b>Set service standards and improve eligibility procedures and guidelines</b></p> <p>We recommend that the Department of Community and Social Services:</p> <ul style="list-style-type: none"> <li>• set service standards for application processing times and regularly monitor against these standards</li> <li>• improve procedures and guidelines to ensure staff apply policy in a consistent manner</li> </ul>	October 2016, no. 6, p. 38	<b>READY</b>
<p>DEPARTMENT SYSTEMS TO MANAGE THE AISH PROGRAM:</p> <p><b>Improve reporting on efficiency</b></p> <p>We recommend that the Department of Community and Social Services improve its processes to measure, monitor and report on the efficiency of the AISH program.</p>	October 2016, no. 7, p. 42	<b>READY</b>
<p>DEPARTMENT USER ACCESS CONTROL:</p> <p><b>Improve access control processes</b></p> <p>We recommend that the Department of Community and Social Services improve access control processes for all its information systems, to ensure:</p> <ul style="list-style-type: none"> <li>• user access to application systems and data is properly authorized</li> <li>• user access is disabled promptly when employees leave their employment or role</li> </ul>	October 2014, no. 18, p. 151	<b>NOT READY</b>





# Alberta Culture and Tourism

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November 2018





## Summary

1	Total Recommendations
0	New Recommendations
1	Outstanding Recommendation
0	Outstanding Recommendations Older than 3 Years
0	READY for Follow-up Audit
1	NOT READY for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Culture and Tourism, the Department of Culture and Tourism, and all related entities including the Alberta Foundation for the Arts, the Alberta Historical Resources Foundation, the Alberta Sport Connection, the Historic Resources Fund, and Travel Alberta.

There are no new recommendations to the department and all related entities in this report. The department has one outstanding recommendation.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT FUNDING TO SUPPORT THE FILM AND TELEVISION SECTOR: <b>Improve controls over administration of the Alberta Production Grant (APG) program</b></p> <p>We recommend that the Department of Culture and Tourism improve its controls over administration of the APG program by:</p> <ul style="list-style-type: none"> <li>defining and documenting clear, easy-to-understand criteria for Alberta eligible expense; and communicating them to stakeholders</li> <li>using a risk based approach when selecting grant files to audit</li> <li>establishing an appropriate mechanism to facilitate a timely recovery of funds</li> </ul>	October 2017, Financial Statement Auditing, p. 37	NOT READY





# Alberta Economic Development and Trade

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November 2018



## Summary

1	Total Recommendations
1	New Recommendation
0	Outstanding Recommendations
0	Outstanding Recommendations Older than 3 Years
0	READY for Follow-up Audit
1	NOT READY for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Economic Development and Trade, the Department of Economic Development and Trade, Alberta Innovates, and the Alberta Enterprise Corporation. Included in the ministry consolidated financial statements are the department, Alberta Innovates, and Alberta Enterprise Corporation.

There are no new or outstanding recommendations to the department or the Alberta Enterprise Corporation in this report.

We made one new recommendation to Alberta Innovates to improve user access controls and segregate incompatible duties within the financial reporting system. This is the only recommendation yet to be implemented by Alberta Innovates.

Alberta Innovates implemented our recommendation to improve financial reporting processes during the year.

## Findings

### Alberta Innovates

#### Matters from current audit

#### Strengthen access controls and segregate incompatible duties

##### Context

Management designs, implements and maintains an entity's internal controls and processes. Strong financial reporting processes include a combination of preventive and detective internal controls. Preventive controls protect business information and assets by denying an individual access to make unauthorized changes. Detective controls are designed to identify when an individual with access has changed business information in error or fraudulently, which needs to be corrected.

A common internal control in strong financial reporting processes is to prevent the same individual from initiating, approving and recording a financial transaction. Segregating these duties eliminates the opportunity for an individual to approve unauthorized transactions or transactions with errors they have initiated.

##### Criteria: the standards of performance and control

Alberta Innovates should have effective processes to:

- limit the access and duration of superuser privileges
- segregate incompatible duties

## Our audit findings

### Key Finding

Some finance personnel have ongoing, unlimited access to the financial reporting system, while others have the ability to initiate, approve and record financial transactions.

#### *Unlimited user access*

Alberta Innovates uses a role-based accounting system to prepare its financial reporting. Management controls user access to the financial reporting system by assigning specific access privileges and rights based on an individual's roles and responsibilities. We examined the list of users and their roles and noted that some finance personnel have ongoing superuser access to the financial reporting system. A superuser is an individual who has unlimited access to perform functions or modify data in the system.

Management grants some individuals superuser access so that they can perform troubleshooting functions when management makes system changes periodically during the year. Management mitigates the risk of inappropriate activities these superusers perform by reviewing transactions these superusers have recorded and by periodically re-assessing their access. Management could impose stronger preventive controls by removing superuser access to these individuals during periods when there are no systems changes, rather than relying on detecting any unauthorized changes throughout the entire year.

We examined the reviews that management performed on superuser transactions. We noted that management reviewed high-level summarized documents that did not include sufficient information for a reviewer to detect if the transaction was appropriate or was in error. We also did not find documented evidence of management approval of the superusers' transaction activities.

#### *Incompatible duties*

Alberta Innovates' Financial Delegation of Authority policy defines the appropriate levels of approval authority within the corporation. We examined the roles of individuals within the finance department and identified that some members of senior management have the ability to prepare expenditure payments, approve operational transactions, and record financial accounting transactions.

As a result of this finding, we examined a sample of transactions involving these individuals during the year. We did not identify any instances where the same individual who authorized the initiation of the transaction also recorded the transactions and made payments. However, management should reduce the risk of fraud and error by eliminating the ability for the same individual to initiate, approve, and record transactions.

**RECOMMENDATION:**  
**Improve financial reporting system controls**

We recommend that Alberta Innovates improve user access controls and segregate incompatible duties within its financial reporting system.

**Consequences of not taking action**

Without appropriate internal controls over user access and segregation of incompatible duties, Alberta Innovates risks unauthorized system changes and undetected fraud and error.

**Matters from prior audit**

**Financial reporting processes—recommendation implemented**

**Context**

In 2017<sup>1</sup> we recommended that Alberta Innovates improve its financial reporting processes by implementing effective internal controls and quality review processes to ensure accurate and complete financial reporting.

**Our audit findings**

Alberta Innovates implemented our recommendation by:

- increasing staff capacity within the financial reporting processes
- improving senior management financial reporting accuracy monitoring and review processes
- improving collaboration between the finance department and program areas to understand business transactions that impact financial reporting
- consulting with the Department of Economic Development and Trade on issues impacting the ministry consolidated financial statements and on government directives prescribing the financial reporting presentation for government entities

We conclude that improved financial reporting processes are operating effectively, having examined management's:

- communication process with program areas for identifying, assessing and recording key transactions
- consultation process with the department and the controller's office in interpreting government directives for financial reporting
- review of documents supporting the completeness and accuracy of the corporation's financial reporting. We tested a sample of transactions and year-end reconciliations for adequate supporting documentation and evidence of management review. We identified no deficiencies.

<sup>1</sup> Report of the Auditor General of Alberta—October 2017, Financial Statement Auditing, page 44.

# Recommendations

WHAT	WHEN	STATUS
<p>ALBERTA INNOVATES</p> <p>STRENGTHEN ACCESS CONTROLS AND SEGREGATE INCOMPATIBLE DUTIES:</p> <p><b>Improve financial reporting system controls</b></p> <p>We recommend that Alberta Innovates improve user access controls and segregate incompatible duties within the financial reporting system.</p>	<p>November 2018, Financial Statement Auditing, p. 45</p>	<p>NEW</p>





# Alberta Education

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November 2018



## Summary

- 14 Total Recommendations
- 1 New Recommendation
- 13 Outstanding Recommendations
- 3 Outstanding Recommendations Older than 3 Years
- 2 **READY** for Follow-up Audit
- 12 **NOT READY** for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Education, the Department of Education, the Alberta School Foundation Fund and the Alberta Teachers' Retirement Fund Board.

The Ministry of Education's consolidated financial statements include the Department of Education, the Alberta School Foundation Fund, and the Alberta Teachers' Retirement Fund and 74 Alberta school jurisdictions.

We made one new recommendation to the department to improve the processes to monitor, assess and report on school jurisdictions' accumulated operating reserves—see below.

The department implemented effective processes over tracking and reporting cost obligations for school construction projects—see page 53.

The department has 11 outstanding recommendations, one of which has been outstanding for more than three years.

In May 2017, the *Northland School Division Act* was changed resulting in the Auditor General no longer being the legislated auditor for the division. The board of trustees of the division chooses its external auditor, a process consistent with all other school jurisdictions in the province. The division has two outstanding recommendations on systems to improve student attendance in the division that we will follow up on once implemented.

## Findings

### Department

#### Matters from the current audit

#### Monitoring school jurisdictions' accumulated operating reserves

##### Context

The Minister of Education governs the education of Alberta children through the *School Act*. The Department of Education provides funding to school jurisdictions, which have the flexibility in using the funds to best meet local needs,<sup>1</sup> provided school jurisdictions meet certain general conditions and limitations. For fiscal year 2018, the department granted \$6 billion (2017—\$6 billion) to school jurisdictions to execute the minister's expectations.

<sup>1</sup> 2016/17 *Funding Manual for School Authorities*, April 2016, p. 8. This document is approved by the Minister of Education annually and sets the terms and conditions for the funding provided to school jurisdictions.

The department has identified the amount of accumulated operating reserve as a school jurisdiction's key financial health indicator. Since 2012, total school jurisdictions' accumulated operating reserves have grown by 47 per cent. Although school jurisdictions can accumulate reserves to meet specific future operating or capital needs, high reserve balances may indicate that jurisdictions are not spending all department funds intended to maximize the delivery of quality education and meet current student needs.

In 2016, the department implemented increased reporting requirements on capital and operating reserve balances under which school jurisdictions are required to provide detailed plans on the uses of reserves so that the department could compare spending plans with the implementation in subsequent years.<sup>2</sup>

### Criteria: the standards of performance and control

The department should have processes to:

- monitor school jurisdictions' accumulated operating reserves to ensure compliance with funding conditions
- define and implement corrective actions for non-compliance
- report results of its monitoring activities

### Our audit findings

#### Key Finding

The department does not consistently follow its process for monitoring, assessing, and reporting on school jurisdictions' accumulated operating reserves.

We examined the department's processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves for the last complete school year (the fiscal year ended August 31, 2017) and for school jurisdiction budget submissions for the 2017/18 school year.

Having formal documentation of operational processes is important to any organization to clearly articulate what steps in the process must be applied and by whom. This documentation reduces the risks of employees misunderstanding or inconsistently applying operational processes. Documentation also defines the processes' expected desired results.

The department was unable to provide us with complete formal documentation of its process to examine school jurisdictions' accumulated operating reserve balances. As a result, we had to examine supporting documentation and interview the department's staff to identify the process staff were using.

### Monitoring processes

School jurisdictions submit budget reports to the department by May 31 each year, in advance of school jurisdictions' fiscal year, which starts September 1. By November 30, jurisdictions submit their audited financial statements of the prior fiscal year and updates for their current-year budget submissions. The fall budget updates reflect student head counts as of September 30, compared to head-count estimates made during budget submission. It is important jurisdictions identify these adjustments early in the school year so that they can properly adjust school operational and capital spending for the remainder of the fiscal year.

<sup>2</sup> 2015–16 Education Annual Report, p.15.

The department examines the reasonability of school jurisdictions' accumulated operating reserves<sup>3</sup> by applying a target range of one to five per cent of annual operating expenditures.<sup>4</sup> The department monitors the financial health of school jurisdictions annually and examines financial trends over a five-year period. As part of the budget submissions since 2016, school jurisdictions include a schedule detailing intended uses for unrestricted surplus, operating reserves, and capital reserves for the next three years.<sup>5</sup>

Timely review of budget and reserve balances soon after receiving the information from school jurisdictions is important for the department to identify and communicate follow-up items for school jurisdictions. In December 2017, the department began reviewing the jurisdictions' 2017/18 budget update reports and audited 2016/17 financial statements. We examined a sample of the department's emails requesting jurisdictions to explain reserve balances and deviations from planned use.

We found that, for the majority of our sample, the department did not start its follow-up on reserves falling outside the target range until May 2018. None of our samples had requests made earlier than March 2018. As a result of the department's making requests to school jurisdictions later in the school year, there is increased risk that jurisdictions will be unable to make effective adjustments to their planned use of reserves in the current fiscal year.

Jurisdictions with reserves below one per cent risk incurring accumulating operating deficits. Accumulated operating deficits are not acceptable to the department. School jurisdictions are required to submit deficit-elimination plans when they budget or incur accumulated operating deficits.

While reviewing the jurisdictions' 2016/17 audited financial statements, the department identified two school jurisdictions with accumulated operating deficits. The department did not obtain deficit-elimination plans from these jurisdictions until July 2018. Obtaining these plans earlier would have increased the department's ability to determine whether the jurisdictions' plans to eliminate the accumulated operating deficits were reasonable.

### Assessment process

We examined the department's process to calculate the percentage of accumulated operating reserves out of total operating expenses for each school jurisdiction for the year ended August 31, 2017, and to identify jurisdictions with reserves outside the one-to-five-percent target range that requires follow-up. We found that the department did not apply its target range consistently. Instead, department staff used an upper range amount of six per cent and did not follow up on reserve balances which were below one percent.

Of the 74 school jurisdictions, 42 had reserves above and four below the department's target range. We found that the department did not follow up on 40 per cent of jurisdictions with accumulated operating reserves above the target range. Department staff told us that they did not follow up on school jurisdictions with accumulated

3 As recommended by the *Education Advisory Task Force Budget Process, Interim Reporting and Financial Monitoring—Part I*, May 2007, p. 12.

4 Calculated as accumulated operating surplus, plus unrestricted reserve, less school generated funds (SGF). SGFs belong to schools, parents, and students. Because school jurisdictions do not have discretion to spend these funds, they are deducted from the calculation.

5 Operating reserves are operating surpluses internally restricted by the board of trustees for specific future operating purposes but can be repurposed at the board's discretion. Capital reserves are operating surpluses restricted by the board for the future purchase or replacement of capital assets; however, the repurposing of capital reserves requires the minister's pre-approval.

operating reserves between five and ten per cent as long as reserve balances had decreased compared to the previous year. Department staff indicated the department deviated from its process to follow up on reserve balances outside of the target range due to limited resource capacity and other department priority initiatives.

The department identified 25 school jurisdictions with reserves outside the department's target range which required further follow-up. The department's follow-up process starts with an email requesting the school jurisdiction's secretary treasurer to explain why the accumulated operating reserves are outside the target range and how the jurisdiction intends to use the reserves. Department staff indicated they will follow up with the jurisdiction if the explanation is not acceptable to the department.

We examined a sample of school jurisdictions' responses to the department's requests. We noted variations in the level of detail provided and variances in use of the reserves compared to the jurisdictions' submitted plans. We would have expected to see further follow-up by department staff with the jurisdiction; however, we found that the department did not take any further action. Staff told us they did not follow up further because school jurisdictions have the sole responsibility to determine how to use the funding. While the department may not dictate to jurisdictions where to spend the funds, department staff should have oversight over whether the use of funds complies with the department's grant-funding conditions.

The department has authority under the *Education Grant Regulation*<sup>6</sup> to utilize various mechanisms to reduce accumulated operating reserve balances. Mechanisms include recovering funds from the jurisdictions, directing jurisdictions to apply reserves to targeted areas, or implementing an overall short-term funding reduction to the system. We found that the department has not defined when to apply these mechanisms. Formally documented guidance when to apply a mechanism and what kind to apply would ensure consistency in the department's monitoring process and inform school jurisdictions on when the department may apply such an action.

### Reporting process

Each January, department staff prepare an annual internal report to the deputy minister summarizing the department's review of school jurisdictions' financial information, including information on reserve balances and the department's variance analyses for accumulated operating and capital reserves by jurisdiction.

When examining the report, we were unable to find analyses and conclusions on the financial health of school jurisdictions and whether funding allocations need adjustment. As the timing of the department's follow-up processes on reserves or obtaining deficit elimination plans for fiscal 2016/17 were between March and July 2018, the department's internal report to the deputy minister had incomplete information on the financial health and plans of those school jurisdictions.

External reporting by the department in its 2017–18 annual report includes financial statements for all 74 school jurisdictions, funding amounts the department provided for key programs and initiatives, and the aggregate amount of accumulated operating and capital reserves. In the report's financial highlights, the department states that school jurisdictions are

<sup>6</sup> *Education Grant Regulation 120/2008*, Section 10: the minister may request a repayment of the grant or make a deduction from a grant amount under his or her discretion.

accountable for reserves that appear excessive; jurisdictions must submit plans for the use of reserves and explain variances from the plans.<sup>7</sup> The report also states that the department works with jurisdictions to ensure effective and efficient utilization of the reserves.

The annual report did not identify the number of jurisdictions having excess reserves or the type of accountability measures the department applied. We found no discussion or analysis of the financial health of school jurisdictions and whether school jurisdictions spent department funding as intended. The department's integrated financial and non-financial analyses of reserve balances would help readers understand how jurisdictions and the department are examining reserve balances and how jurisdictions plan to use reserves effectively and efficiently.

We inquired about whether the department has a process to identify what information on school jurisdiction funding Albertans would find desirable to receive through department public reporting, if any. We found no evidence that the department has such a process.

#### **RECOMMENDATION:**

**Improve monitoring, assessing, and reporting processes on school jurisdictions' accumulated reserve balances**

We recommend that the Department of Education improve its processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves.

#### **Consequences of not taking action**

Without adequate monitoring and reporting processes over the financial health of school jurisdictions, the department cannot take the actions necessary to ensure funding is appropriately aligned with the changing needs of school jurisdictions, likely resulting in sub-optimal outcomes for students, parents, and teachers.

#### **Matters from prior audits**

#### **Improve capital project financial reporting processes—recommendation implemented**

##### **Context**

The department is responsible for budgeting, tracking and reporting on costs for school construction projects managed by Alberta Infrastructure and school jurisdictions.

In 2017,<sup>8</sup> we recommended the department improve controls over tracking and reporting cost obligations for school construction projects. We found the department did not have adequate processes to ensure cost obligations for school construction projects were reported completely and accurately in department financial statements.

##### **Our audit findings**

During the year the department adjusted its process to track and report school construction projects. We examined the adjusted processes to track and report contractual obligations and substantively tested the contractual obligation disclosures. We conclude that costs and contractual obligations associated with capital projects are appropriately recorded and disclosed.

<sup>7</sup> Alberta Education *Annual Report 2017–18*, page 15.

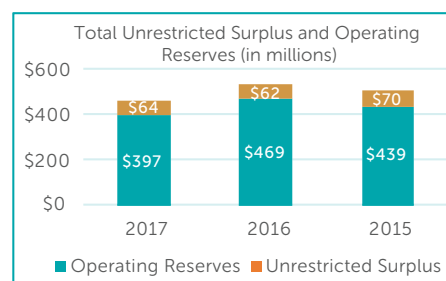
<sup>8</sup> *Report of the Auditor General of Alberta—October 2017*, Financial Statement Auditing, p. 51.

# Summary of results—school jurisdictions’ audited financial statements and management letters

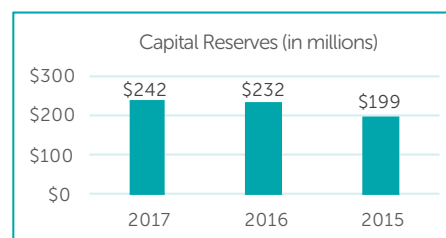
As follows is our Section 19(4)<sup>9</sup> summary of results of school jurisdictions’ audited financial statements and the management letters provided by their auditors for the year ended August 31, 2017. We have also provided comparative results for the fiscal years ended August 31, 2016, and August 31, 2015.

## 1. Summary

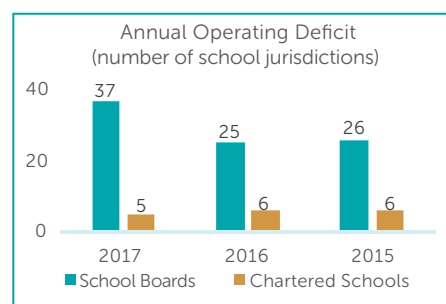
- One school jurisdiction received a qualified audit opinion on its financial statements. This also occurred in 2016 and 2015. The qualified opinion was issued because the auditor could not verify the completeness of gifts, donations, and fundraising revenue.
- The net consolidated accumulated unrestricted operating surplus and operating reserves<sup>10</sup> decreased to \$461 million (2016—\$531 million; 2015—\$509 million). Two jurisdictions have accumulated operating deficits (2016—none; 2015—none).



- Capital reserves<sup>11</sup> increased to \$242 million (2016—\$232 million; 2015—\$199 million).



- The number of school jurisdictions that incurred annual operating deficits increased to 42 (2016—31; 2015—32).



<sup>9</sup> Section 19(4) of the *Alberta Auditor General Act* requires the Auditor General to report each fiscal year to the Legislative Assembly the results of examinations by the auditor of a regional authority. The Act defines a regional authority as including “a board under the School Act.”

<sup>10</sup> Reserves are an unrestricted surplus that the school trustees have internally restricted for a planned future operating or capital expenditure. The trustees restrict the unrestricted surplus into a reserve (or remove restrictions to increase the unrestricted surplus) at their discretion through an approved board of trustees resolution. Operating reserves also include school-generated funds, which are non-discretionary funds raised by the schools for a specific purpose. School-generated funds in 2017 are \$50 million (2016—\$42 million; 2015—\$41 million).

<sup>11</sup> Capital reserves are the funds set aside by the board to meet future capital expenditures. Once the capital reserves are established, the funds cannot be spent on operating purposes without ministerial approval.

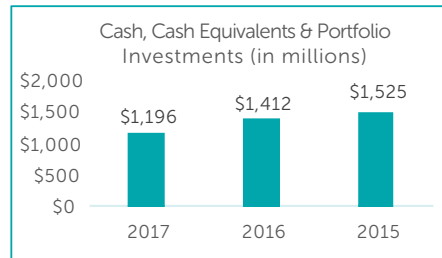


- The combined net operating deficit of all jurisdictions was \$28 million on a budgeted deficit of \$113 million (2016—\$79 million surplus on a budgeted deficit of 60 million; 2015—\$76 million surplus on a budgeted deficit of \$94 million). Over the past 10 years,<sup>12</sup> jurisdictions incurred a total net operating surplus of \$506 million, compared to the total budgeted deficit of \$811 million.

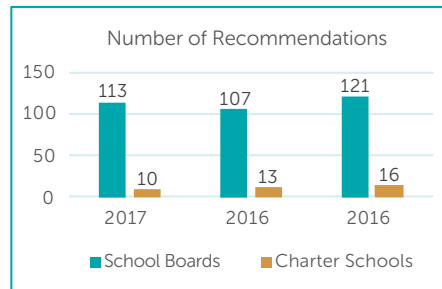
- The total cash, cash equivalents, and portfolio investments decreased to \$1.2 billion (2016—\$1.4 billion; 2015—\$1.5 billion).

The current-year decrease relates to the delay in the construction of school building projects. In 2016, the department implemented a pay-as-you-go payment method by which the department funds

school construction projects on a percent-of-completion basis. Due to delays in construction, less funding was provided to school jurisdictions.



- The total number of recommendations made to school jurisdictions by their auditors increased to 123 (2016—120; 2015—137). School jurisdiction trustees should continue to hold their management accountable to improve identified weaknesses.



- 34 jurisdictions had no recommendations (2016—38; 2015—25).

- The types of recommendations made to school jurisdictions are the same as in prior years and are primarily related to the following areas: review of financial information, cash management, implementation of policies and procedures, controls over purchasing, and payroll. At least 82 per cent of jurisdictions have been assessed to have effective controls in each of the areas in which auditors recommended improvements.

<sup>12</sup> In 2008, the combined net operating surplus of all jurisdictions was \$140 million on a budgeted deficit of \$18 million. In 2010, jurisdictions reported a combined net operating deficit of \$14 million on a budgeted deficit of \$124 million.

## 2. Background

We examined the auditors' reports on the financial statements and their management letters for all school jurisdictions. The auditors did not design the audits to assess all key systems of control and accountability. When auditing the financial statements, however, the auditors do report to management those control weaknesses that come to their attention.

The composition of school jurisdictions for 2015, 2016, and 2017 was:

School Board <sup>13</sup>	Chartered School	Total
61	13	74

## 3. Findings

### 3.1 Financial reporting

- Under Section 151 of the *School Act*, school jurisdiction auditors must send management letters, auditors' reports, and audited financial statements to the minister by November 30 of each year.
- **Auditors' reports:** One school jurisdiction received a qualified auditor's report on its fiscal 2017 financial statements (2016—1, 2015—1). The auditor issued a qualified report as he/she was unable to verify the completeness of gifts, donations and fundraising revenue at the jurisdiction.
- **Financial statements:** Thirty-seven school jurisdictions and five charter schools incurred an annual operating deficit (2016—25 school jurisdictions and six charter schools; 2015—26 school jurisdictions and six charter schools). Annual operating deficits are acceptable to the department as long as jurisdictions have sufficient accumulated surpluses available to cover the shortfall.

#### *Annual operating deficits*

School jurisdictions had a combined net annual operating deficit of \$28 million (2016—\$79 million surplus; 2015—\$76 million surplus) compared to the budgeted deficit of \$113 million because they were planning to use operating reserves to offset their current-year operating deficit. Over the past 10 years,<sup>14</sup> jurisdictions incurred a total net operating surplus of \$506 million compared to the total budgeted deficit of \$811 million.

#### *Accumulated deficits from operations*

Accumulated deficits from operations are not acceptable to the department. The department expects school jurisdictions with accumulated deficits from operations to submit a deficit-elimination plan and work with the department to eliminate the deficit. Two school jurisdictions had an accumulated deficit from operations in 2017 (none in 2016 or 2015).

<sup>13</sup> The total number of school boards excludes Alberta Distance Learning (ADL). The Ministry of Education requires ADL to submit a separate set of audited financial statements.

<sup>14</sup> In 2008 the combined net operating surplus of all jurisdictions was \$140 million on a budgeted deficit of \$18 million. In 2010 jurisdictions reported a combined net operating deficit of \$14 million on a budgeted deficit of \$124 million.

### *Accumulated unrestricted surplus and operating reserves*

- The combined accumulated unrestricted surplus and operating reserves decreased to \$461 million (2016—\$531 million; 2015—\$509 million), or six per cent of the total operating expenses for jurisdictions in fiscal 2017.
- The department monitors whether the school jurisdictions' combined accumulated unrestricted surplus and operating reserves,<sup>15</sup> as a percentage of total operating expenses, are within a reasonable range of one to five per cent. Forty-two jurisdictions were above five per cent, and four jurisdictions were below one per cent at August 31, 2017 (2016—44 jurisdictions above five per cent and two below one per cent; 2015—49 jurisdictions above five per cent and one below one per cent). Total accumulated operating surplus decreased due to higher annual deficits and capital reserve balances.

### *Plans to use operating and capital reserves*

- Since 2016, the department requires school jurisdictions to outline their plans for using operating and capital reserves. If the department concludes that school jurisdictions have excessive reserves, the department may apply mechanisms to reduce reserve balances, including recovering funding from individual jurisdictions, directing individual school jurisdictions to apply reserves to targeted areas, or implementing a short-term overall funding reduction to all school jurisdictions.
- During our audit of the department's fiscal 2018 financial statements, we examined the effectiveness of the department's process to monitor school jurisdictions' accumulated operating reserves. We issued a recommendation to the department to improve its processes to monitor, assess, and report on reserve balances.

### *Cash and cash equivalents*

The total cash, cash equivalents, and portfolio investments decreased to \$1.2 billion (2016—\$1.4 billion; 2015—\$1.5 billion). In 2016, the department implemented a pay-as-you-go payment process under which school jurisdictions do not receive advance funding for school construction costs. School jurisdictions' cash and unexpended deferred capital balances<sup>16</sup> have decreased for the second consecutive year since the implementation of the new payment process.

### *Tangible capital assets*

- The net book value of tangible capital assets at school jurisdictions is approximately \$7.6 billion (2016—\$6.6 billion; 2015—\$5.5 billion). School jurisdictions fund these assets through a combination of the jurisdictions' accumulated surpluses, restricted grant funding, and debt. As at August 31, 2017, school jurisdictions funded approximately \$678 million, or nine per cent, of these assets from unrestricted operating surpluses (2016—\$646 million; 2015—\$622 million). School jurisdictions have also set aside capital reserves of \$242 million for future capital expenses (2016—\$232 million; 2015—\$199 million).

<sup>15</sup> For the purposes of this analysis, operating reserves exclude school-generated funds, as school trustees cannot apply discretion in the use of these funds. School-generated funds in 2017 are \$50 million (2016—\$42 million; 2015—\$41 million).

<sup>16</sup> The unexpended deferred capital balance is reported as part of the total deferred revenue line item on page 266 of Alberta Education's *Annual Report 2017–18*. It represents cash paid by the department to fund school jurisdictions' capital-related expenses. As of August 31, 2017, the total unexpended deferred capital balance is \$99 million (2016—\$233 million).

Similar to our last four summary reports<sup>17</sup>, the department does not report analyses of the reasonableness of school jurisdictions' financial information in its annual report for the following:

- the unrestricted surplus and operating reserve balances and the expected future performance improvements at jurisdictions from applying these funds
- cash, cash equivalent, and portfolio investment balances and their correlation with future plans at the school jurisdictions to apply these funds
- surplus amounts and the expected future budgeted operating surplus or deficits at jurisdictions
- capital reserves relative to the department's future capital plans

### 3.2 Management letter recommendations

- There were 123 recommendations made to school jurisdictions for fiscal 2017 (2016—120; 2015—137). Auditors for 34 school jurisdictions did not report any findings and recommendations to management (2016—38; 2015—25). While some school jurisdictions improved in the areas of policy and procedure development and implementation, purchases, and change management, a similar number of school jurisdictions developed weaknesses in these areas. As a result, the net total number of jurisdictions with recommendations in these areas was similar to the past year.
- More school jurisdictions also received recommendations on accounting issues and cash management than in the prior year. Processes related to review of financial information, cash management, purchasing, and payroll continue to pose the most difficulty for school jurisdictions to sustain annually. Despite the weaknesses in processes identified, the most recommendations in any one process area was 13 of 74 school jurisdictions (purchases processes). As a result, at least 82 per cent of school jurisdictions were assessed to have adequate controls in each of the specific process areas.
- In total, 36 recommendations made to various jurisdictions in the prior year were repeated in the current year. We encourage all school jurisdiction trustees to hold management of their respective jurisdictions accountable for implementing all process recommendations identified. The department contacts jurisdictions, where necessary, to encourage them to resolve control weaknesses identified in the management letters, particularly recommendations repeated from prior years.
- The table on page 60 summarizes audit findings and recommendations reported to school jurisdictions for fiscal years ended August 31, 2017, and August 31, 2016. The findings are grouped into three categories:
  - financial reporting and oversight
  - internal control weaknesses
  - information technology management

<sup>17</sup> *Report of the Auditor General of Alberta—October 2017*, page 221, *Report of the Auditor General of Alberta—October 2016*, page 93, *Report of the Auditor General of Alberta—October 2015*, page 84, and *Report of the Auditor General of Alberta—October 2014*, page 122.

- Users of this summary should keep in mind that the audits from which these findings came were not designed to assess all key control and accountability systems. Our summary of the recommendations made to school jurisdictions identifies trends across the sector. The department and school jurisdictions can use this information to work together to rectify identified common control weaknesses. Management of individual school jurisdictions can also use this information to proactively consider the sustainability of their jurisdictions' control environment, particularly where the trend is an increasing number of recommendations. We do not identify the school jurisdictions associated with recommendations, as this information is not necessary in order for the department and school jurisdictions to achieve their desired outcome—establishing sector-wide strong, sustainable internal controls for financial reporting.

	Number of jurisdictions (repeated from prior year)		Recommendations made (repeated from prior year)	
	2017	2016	2017	2016
<b>Financial reporting and oversight recommendations</b>				
<b>Accounting issues</b> —improve accounting treatment in areas including capitalization of expenses, liability recognition, revenue recognition, and leases.	11 (2)	5	15 (2)	5
<b>Board approval</b> —improve appropriate approval of board minutes.	2 (0)	0	2 (0)	0
<b>Board information</b> —improve board receipt of timely financial information to maintain and strengthen overall stewardship.	0 (0)	1	0 (0)	1
<b>Budgetary process</b> —improve overall budgetary processes.	1 (1)	3	1 (1)	3
<b>Review of financial information</b> —improve the review and approval of financial information such as bank reconciliations, journal entries, monthly financial statements, and variances between budget and actual expenditures.	11 (4)	10	14 (5)	15
<b>Timeliness of recording financial information</b> —improve accurate recording of accounting transactions for capital assets and capital grant expenditures, accruals and receivables, and prompt preparation of financial statements.	3 (1)	2	3 (1)	3
<b>Personnel and staff shortages</b> —improve succession plans or cross-training for key financial positions, or review the allocation of staff resources in the accounting function.	2 (0)	4	2 (0)	4
<b>Internal control weaknesses recommendations</b>				
<b>Cash management</b> —improve cash management processes and controls.	10 (6)	8	18 (9)	13
<b>Capital assets</b> —improve the recording and monitoring of capital assets.	3 (0)	5	3 (0)	5
<b>Goods and services tax</b> —improve their processes for charging the appropriate amount of GST and for recording accurately the amount of GST paid and recoverable.	4 (0)	2	4 (0)	3
<b>Payroll</b> —improve controls over the administration of employee payroll information, processing of expense claims, application of vacation pay policies, and regular reviews of payroll expenses.	11 (2)	7	15 (4)	13
<b>Policies and procedures</b> —implement, update, or follow formal procedures and policies.	10 (3)	12	13 (3)	16
<b>Purchases</b> —improve controls over the purchase cycle, such as review and authorization processes over purchases and payments, employee sign-off for goods received, and retention of supporting documentation.	13 (2)	11	15 (3)	18
<b>Segregation of duties</b> —improve segregation of duties over authorization and recording of transactions or custody of and accounting for certain assets.	3 (2)	3	3 (2)	3
<b>School-generated funds</b> —improve the processes used to collect, record, spend, and report school-generated funds.	6 (1)	5	7 (1)	7
<b>Information technology management recommendations</b>				
<b>Computer security</b> —improve computer-security processes by having unique individual usernames and passwords, implementing a mandatory password change policy, having user access restricted for the appropriate information, and backing up data at an offsite location.	5 (2)	4	6 (3)	6
<b>Change management</b> —implement or enhance formal documented policies and procedures for managing and testing changes to system and network software or hardware.	2 (2)	5	2 (2)	5

# Recommendations

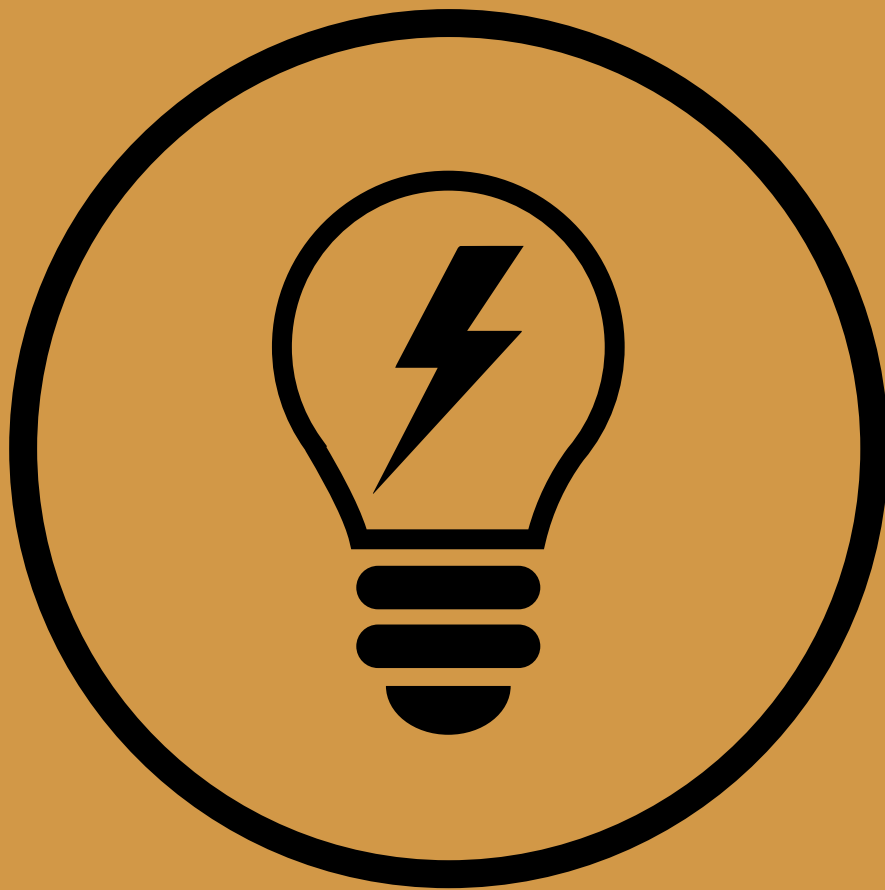
WHAT	WHEN	STATUS
<p>DEPARTMENT</p> <p><b>MONITORING SCHOOL JURISDICTIONS' ACCUMULATED OPERATING RESERVES:</b></p> <p><b>Improve monitoring, assessing, and reporting processes on school jurisdictions' accumulated reserve balances</b></p> <p>We recommend that the Department of Education improve its processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves.</p>	November 2018, Financial Statement Auditing, p. 53	NEW
<p>DEPARTMENT</p> <p><b>PROCESSES TO MANAGE THE STUDENT CLASS SIZE INITIATIVE:</b></p> <p><b>Develop an action plan and improve monitoring and reporting processes</b></p> <p>We recommend that, if the Department of Education continues the Class Size initiative, the Department should develop an action plan and improve processes to regularly monitor and report on the initiative.</p>	February 2018, p. 47	NOT READY
<p>DEPARTMENT</p> <p><b>ENTERPRISE RISK MANAGEMENT PROCESSES:</b></p> <p><b>Implement an enterprise risk management process</b></p> <p>We recommend that the Department of Education implement an enterprise risk management process.</p>	October 2017, Financial Statement Auditing, p. 50	READY
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE</p> <p><b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b></p> <p><b>Clarify roles and responsibilities</b></p> <p>We recommend that the Department of Education improve its oversight of the school-building program by:</p> <ul style="list-style-type: none"> <li>working with the Department of Infrastructure to clarify the roles and responsibilities of each department and establishing supporting policies and procedures</li> <li>developing clear decision making authorities for the program</li> </ul>	April 2016, no. 1, p. 9	NOT READY
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE</p> <p><b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b></p> <p><b>Improve the planning and approval process</b></p> <p>We recommend that the Department of Education improve project approvals for new schools and modernizations by:</p> <ul style="list-style-type: none"> <li>implementing a gated approval process</li> <li>identifying the approval gates, required deliverables and responsibilities for completion of the deliverables</li> </ul>	April 2016, no. 2, p. 12	NOT READY
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE</p> <p><b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b></p> <p><b>Improve systems to manage and control projects</b></p> <p>We recommend that the Department of Education improve its systems to manage and control school capital projects by:</p> <ul style="list-style-type: none"> <li>agreeing on project expectations promptly with school jurisdictions and Infrastructure, including scope, budget and key milestones</li> <li>developing and implementing change management policies and procedures</li> </ul>	April 2016, no. 3, p. 13	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Improve systems to manage and control projects</b></p> <p>We recommend that the departments of Education and Infrastructure improve the planning process by:</p> <ul style="list-style-type: none"> <li>identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors</li> <li>basing oversight of projects managed by school jurisdictions on risk</li> </ul>	April 2016, no. 4, p. 14	NOT READY
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Improve reporting systems and controls</b></p> <p>We recommend that the Department of Education define and report on the key performance indicators of the school-building program.</p>	April 2016, no. 6, p. 16	NOT READY
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Improve reporting systems and controls</b></p> <p>We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:</p> <ul style="list-style-type: none"> <li>defining reporting requirements, including measures to assess project performance</li> <li>using a common reporting system that specifies where information will be retained, who will update it and how it will be updated</li> </ul>	April 2016, no. 7, p. 16	NOT READY
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Match capital funding to project progress</b></p> <p>We recommend that the Department of Education improve its cash flow forecasting systems and ensure capital funding requests are supported by assumptions tied to project progress.</p>	April 2016, no. 8, p. 19	NOT READY
<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE  <b>EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b>  <b>Submit revised plan for approval</b></p> <p>We recommend if Treasury Board adjusts the Department of Education's funding request, the Department of Education should submit its revised school-building program plan to the Treasury Board for approval. The revised plan should align with the approved funding and should clearly identify the impact on project progress.</p>	April 2016, no. 9, p. 19	NOT READY
<p>DEPARTMENT  <b>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</b>  <b>Oversight by the department</b></p> <p>We recommend that the Department of Education exercise oversight of Northland School Division by ensuring:</p> <ul style="list-style-type: none"> <li>the division develops and executes an operational plan to improve student attendance</li> <li>the operational plan identifies the resources needed and how results will be measured, reported and analyzed</li> </ul>	March 2015, no. 2, p. 23	NOT READY



WHAT	WHEN	STATUS
<p>NORTHLAND SCHOOL DIVISION NO. 61  <b>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</b>  <b>Develop plan to improve student attendance</b></p> <p>We recommend that Northland School Division develop an operational plan with short- and long-term targets to improve student attendance. The operational plan should include:</p> <ul style="list-style-type: none"> <li>• measurable results and responsibilities</li> <li>• a prioritized list of student-centred strategies, initiatives and programs</li> <li>• documentation of the costs and resources required to action the strategies, initiatives and programs</li> <li>• a specific timeline for implementation</li> <li>• reporting on progress and accountability for improved attendance results</li> </ul>	<p>March 2015, no. 1, p. 23</p>	<p>READY</p>
<p>NORTHLAND SCHOOL DIVISION NO. 61  <b>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</b>  <b>Monitor and enforce student attendance</b></p> <p>We recommend that Northland School Division improve its guidance and procedures for schools to:</p> <ul style="list-style-type: none"> <li>• consistently record and monitor student attendance</li> <li>• benchmark acceptable attendance levels</li> <li>• manage and follow up on non-attendance</li> </ul>	<p>March 2015, no. 3, p. 30</p>	<p>NOT READY</p>





# Alberta Energy

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November 2018



## Summary

**15** Total Recommendations

**2** New Recommendations

**13** Outstanding Recommendations

**6** Outstanding Recommendations Older than 3 Years

**9** **READY** for Follow-up Audit

**6** **NOT READY** for Follow-up Audit

We issued unqualified independent auditors' reports on the 2017–2018 financial statements for the Ministry of Energy, the Department of Energy, the Alberta Energy Regulator (AER), the Alberta Utilities Commission (AUC), the Alberta Petroleum Marketing Commission (APMC) and the Post-Closure Stewardship Fund.

There are no new recommendations to the department or the AUC in this report. The department has two outstanding recommendations.

There are no new recommendations to the AER in this report. The AER has seven outstanding recommendations, six of which have been outstanding for more than three years.

There are two new recommendations to the APMC in this report - see below.

The APMC has four outstanding recommendations.

## Findings

### Alberta Petroleum Marketing Commission

#### Improve processes and controls for financial models

##### Context

The APMC is managing a large-scale, complex processing agreement with Northwest Redwater Partnership (NWRP) that commits about \$26 billion of government resources to supply bitumen to the Sturgeon refinery over a 30-year period. NWRP forecasts that the refinery will begin commercial operations by the end of 2018. APMC, an agent of government, has the role of feedstock provider, toll payer, and subordinated debt lender. The agency will also start collecting its share of revenues from the sale of petroleum products after the refinery begins commercial operations.

For financial reporting, the APMC must assess the financial condition of the processing agreement at each year end. The accounting standards require it to determine if the unavoidable costs of meeting its obligations under the processing agreement exceed the economic benefits. If this is the case, APMC must record an expense and a corresponding liability to recognize the loss in the annual financial statements.

Since inception of the processing agreement, APMC began using a complex cash-flow-valuation model in Excel to calculate the net present value (NPV) of cash flows spanning over at least 40 years. If the cash-flow model shows that the NPV of the costs of its obligations exceeds the financial benefits, APMC must account for the loss. The model is inherently complex because the NPV calculations depend on a number of variables (inputs) and heavily rely on the professional judgments of management. For example, the variables include crude oil prices (WTI), heavy-light differentials, ultra-low-sulphur diesel-WTI premiums, exchange rates, capital costs, operating costs, interest rates, discount rates, and operating performance compared to capacity.

#### Criteria: the standards of performance and control

The APMC should have effective processes and controls for sustaining its NPV cash-flow-valuation model. This includes:

- appropriate change management and access controls for its spreadsheets
- robust processes and documentation for management's assumptions, including support to defend management's judgements
- appropriate governance and oversight process over the model

#### Our audit findings

##### Key Findings

- Cash-flow model supports a positive NPV at APMC's year-end; hence the agency did not need to record losses.
- Change-management practices could benefit from application of stronger controls.
- Management's assumptions and judgements warrant improved support for better transparency.
- Access controls need improvements.

Overall, we found enough evidence to confirm the validity of APMC's management conclusion that the model calculated a positive net present value at December 31, 2017. The board fulfilled its oversight responsibility by reviewing management's model analysis and the related accounting conclusion. We agreed that APMC did not have to record a loss in its December 2017 financial statements.

Our audit identified the following areas that need improvement:

- change-management controls
- documentation for management's reasoning, assumptions, and significant judgements applied in the model
- access controls

#### *Change-management controls need improvement*

APMC does not maintain sufficient documentation of the controls or the rationale used for changes to the model. For example, APMC made changes to the forecast model inputs (e.g., commodity prices and carbon emission costs) without a sufficiently supported and documented rationale. In another example, a rationale was lacking to explain the change in the time period used (from 30 years to 40 years) in the NPV calculation in comparison to the prior year. Also, the revised period did not correspond with the period used to report commitments in the financial statement note.

*Process improvements needed for management of assumptions and key judgements*

APMC does have a process document for its model, but it does not sufficiently describe the assumptions and key judgements that are integral to the model decision process. For example, it does not include what assessment is done, if any, to justify the discount rate being used in the financial model. Also, APMC relies on data from NWRP, the refinery owner, for certain calculations. There is an absence of evidence explaining management's rationale for the decision and steps taken to support and have comfort over the reliance on data from the counter party to the agreement.

*Access to forecasting model needs control improvements*

APMC does not maintain sufficient documentation of the controls in place to ensure user access is appropriate for users' business needs and job functions. APMC has five individuals who were permitted to access the model.

**RECOMMENDATION:****Improve controls over the cash-flow model**

We recommend that the Alberta Petroleum Marketing Commission implement stronger access and change-management control procedures to ensure that access and changes to the financial model are working in a controlled and consistent manner.

We recommend that the Alberta Petroleum Marketing Commission improve its method for supporting, updating, and documenting assumptions and key judgements applied to its model analysis.

**Consequences of not taking action**

Without good access and change-management controls, uncontrolled changes could introduce failures in the model and impair the quality of model outcomes.

Without a good process and documentation for management's reasoning, assumptions, and judgements, the underlying process may be perceived as not transparent, and management may be challenged in defending its decisions. A sound and well evidenced process also demonstrates how the risk of bias is appropriately minimized in the financial model.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT USER ACCESS CONTROLS: <b>Improve controls over access to key business systems</b></p> <p>We recommend that the Department of Energy document conflicting roles within its key business systems and ensure appropriate controls are in place where conflicting roles are identified.</p>	October 2016, no. 16, p. 99	NOT READY
<p>DEPARTMENT SYSTEMS TO MANAGE ROYALTY REDUCTION PROGRAMS: <b>Evaluate and report on royalty reduction program objectives</b></p> <p>We recommend that the Department of Energy annually evaluate and report whether the department's royalty reduction programs achieve their objectives.</p>	February 2016, no. 1, p. 18	READY
<p>ALBERTA ENERGY REGULATOR SYSTEMS TO ENSURE SUFFICIENT FINANCIAL SECURITY FOR LAND DISTURBANCES FROM MINING: <b>Improve program monitoring</b></p> <p>We recommend that the Alberta Energy Regulator, as part of its enterprise risk assessment process, develop and execute on a risk-based plan for its Mine Financial Security Program monitoring activities to ensure it is carrying out the appropriate amount of verification.</p>	July 2015, no. 3, p. 31	READY
<p>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA: <b>Use risk management activities to make informed decisions</b></p> <p>We recommend that the Alberta Energy Regulator use its risk management activities to make informed decisions on allocating resources and determine the nature and extent of activities to oversee pipelines.</p>	March 2015, no. 4, p. 46	READY
<p>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA: <b>Formalize training program for core pipeline staff</b></p> <p>We recommend that the Alberta Energy Regulator complete a skills gap analysis and formalize a training program for its core pipeline staff.</p>	March 2015, no. 5, p. 46	READY
<p>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA: <b>Identify performance measures and targets</b></p> <p>We recommend that the Alberta Energy Regulator identify suitable performance measures and targets for pipeline operations, assess the results obtained against those measures and targets, and use what it learns to continue improving pipeline performance.</p>	March 2015, no. 6, p. 51	READY
<p>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA: <b>Review pipeline incident factors</b></p> <p>We recommend that the Alberta Energy Regulator:</p> <ul style="list-style-type: none"> <li>expand its analysis of pipeline incident contributing factors beyond the primary causes</li> <li>promptly share lessons learned from its investigations with industry and operators</li> </ul>	March 2015, no. 7, p. 53	READY



WHAT	WHEN	STATUS
<p><b>ALBERTA ENERGY REGULATOR</b>  <b>SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA:</b>  <b>Assess current pipeline information</b></p> <p>We recommend that the Alberta Energy Regulator complete an assessment of its current pipeline information needs to support effective decision making, and determine the type and extent of data it should collect from pipeline operators, through a proactive, risk-based submission process.</p>	March 2015, no. 8, p. 56	READY
<p><b>ALBERTA ENERGY REGULATOR</b>  <b>SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA:</b>  <b>Implement risk-based compliance process</b></p> <p>We recommend that the Alberta Energy Regulator implement a cost effective risk-based compliance process to evaluate the adequacy and effectiveness of pipeline operators' integrity management programs, and safety and loss management systems.</p>	March 2015, no. 9, p. 59	READY
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b>  <b>OFFICE OF THE AUDITOR GENERAL OF ALBERTA—NOVEMBER 2018:</b>  <b>Improve controls over the cash-flow model</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission implement stronger access and change-management control procedures to ensure access and changes to the financial model are working in a controlled and consistent manner.</p>	November 2018, Financial Statement Auditing, p. 69	NEW
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b>  <b>OFFICE OF THE AUDITOR GENERAL OF ALBERTA—NOVEMBER 2018:</b>  <b>Improve controls over the cash-flow model</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission improve its method for supporting, updating, and documenting assumptions and key judgements applied to its model analysis.</p>	November 2018, Financial Statement Auditing, p. 69	NEW
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b>  <b>APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</b>  <b>Develop processes for risk management and staff capacity, and ensure board oversight</b></p> <p>We recommend that:</p> <ul style="list-style-type: none"> <li>The Alberta Marketing Commission develop and document effective processes for managing risk and for ensuring the commission has sufficient expertise to manage its business arrangements</li> <li>The board of directors exercise oversight by ensuring the Alberta Petroleum Marketing Commission has these processes in place</li> </ul>	February 2018, p. 74	READY
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b>  <b>APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</b>  <b>Improve reporting to Albertans</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission prepare a business plan and an annual report that are made publicly available to Albertans. The APMC must be able to demonstrate it has given appropriate consideration to the nature and extent of information it will share with Albertans.</p>	February 2018, p. 79	NOT READY
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b>  <b>APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</b>  <b>Establish performance measures and targets</b></p> <p>We recommend that Alberta Petroleum Marketing Commission develop performance measures, set targets and compare results against planned performance.</p>	February 2018, p. 79	NOT READY

WHAT	WHEN	STATUS
<p>ALBERTA PETROLEUM MARKETING COMMISSION APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Complete a lessons learned analysis</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission complete an analysis of the lessons learned from its significant agreements, at a point in time when the commission deems it useful to do so.</p>	February 2018, p. 79	NOT READY



# Alberta Environment and Parks

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November 2018



## Summary

18 Total Recommendations

1 New Recommendation

17 Outstanding Recommendations

13 Outstanding Recommendations Older than 3 Years

1 **READY** for Follow-up Audit

17 **NOT READY** for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Environment and Parks, the Department of Environment and Parks and all related entities, including the Natural Resources Conservation Board, and Energy Efficiency Alberta, Climate Change and Emissions Management Fund, and the Land Stewardship Fund

In our *Systems to Manage and Report on the Oil Sands Monitoring Program Follow-up* audit (see "Performance Audit Reports"), we report that one recommendation has been implemented, and we issued one new recommendation.

The department has 17 outstanding recommendations, 13 of which have been outstanding for more than three years.

There are no new or outstanding recommendations to the Natural Resources Conservation Board or Energy Efficiency Alberta.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT SYSTEMS TO MANAGE AND REPORT ON THE OIL SANDS MONITORING PROGRAM:</p> <p><b>Improve annual reporting process</b></p> <p>We recommend that the Department of Environment and Parks, working with Environment and Climate Change Canada, improve processes to ensure the annual report on the oil sands monitoring program is complete, accurate, clear, and timely.</p>	November 2018, Performance Auditing, p. 7	NEW
<p>DEPARTMENT DESIGN OF SYSTEMS TO MANAGE THE CLIMATE LEADERSHIP PLAN AND ADAPTATION:</p> <p><b>Develop and use an implementation plan, improve quality of the monitoring data and report on the total cost</b></p> <p>We recommend that the Department of Environment and Parks:</p> <ul style="list-style-type: none"> <li>develop and use comprehensive implementation plans for the Climate Leadership Plan and for each of its programs</li> <li>implement efficient processes to sufficiently reduce the risk that the data used to monitor and report on progress is not accurate or complete</li> <li>provide clear and complete reporting on the expected and actual costs of programs and the Climate Leadership Plan overall</li> </ul>	February 2018, p. 102	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT CLIMATE CHANGE:</p> <p><b>Outsourced service providers</b></p> <p>We again recommend that the Department of Environment and Parks obtain assurance that data hosted or processed by its provider of registry services is accurate, complete and secure.</p>	<p>Repeated May 2017, no. 5, p. 62</p> <p>Originally reported October 2009, p. 49</p>	NOT READY
<p>DEPARTMENT REPORT OF THE AUDITOR GENERAL OF ALBERTA—OCTOBER 2016:</p> <p><b>Improve capital asset monitoring and recording processes</b></p> <p>We recommend that the Department of Environment and Parks improve its processes for monitoring and recording dam and water management structure assets by:</p> <ul style="list-style-type: none"> <li>reconciling the Environment Infrastructure Management System with the asset management accounting system so that the assets listed in one reasonably correspond to those in the other</li> <li>completing a comprehensive analysis of assets to verify existence, completeness and valuation in order to maintain reliable accounting records</li> <li>applying criteria to decide when to write down an asset, and documenting the assessment of such decisions</li> </ul>	<p>October 2016, no. 17, p. 104</p>	NOT READY
<p>DEPARTMENT MANAGING ALBERTA'S WATER ACT PARTNERSHIPS AND REGULATORY ACTIVITIES:</p> <p><b>Monitor wetland restoration</b></p> <p>We again recommend that the Department of Environment and Parks formalize its wetland restoration relationships and control procedures.</p>	<p>Repeated October 2015, no. 6, p. 45</p> <p>Originally reported April 2010, no. 6, p. 71</p>	NOT READY
<p>DEPARTMENT SYSTEMS TO MANAGE GRAZING LEASES:</p> <p><b>Clarify objectives, benefits and relevant performance measures</b></p> <p>We recommend that the Department of Environment and Parks define and communicate the environmental, social and economic objectives it expects grazing leases should provide all Albertans as well as relevant performance measures to monitor and ensure those objectives are met.</p>	<p>July 2015, no. 1, p. 20</p>	NOT READY
<p>DEPARTMENT SYSTEMS TO ENSURE SUFFICIENT FINANCIAL SECURITY FOR LAND DISTURBANCES FROM MINING:</p> <p><b>Improve program design</b></p> <p>We recommend that the Department of Environment and Parks, as part of its regular review of the Mine Financial Security Program:</p> <ul style="list-style-type: none"> <li>analyze and conclude on whether changes to the asset calculation are necessary due to overestimation of asset values in the methodology</li> <li>demonstrate that it has appropriately analyzed and concluded on the potential impacts of inappropriately extended mine life in the calculation</li> </ul>	<p>July 2015, no. 2, p. 29</p>	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT SYSTEMS TO MANAGE THE SPECIFIED GAS EMITTERS REGULATION:</p> <p><b>Clarify SGE Regulation guidance documents</b></p> <p>We recommend for a third time that the Department of Environment and Parks clarify the guidance it provides to facilities, verifiers, offset project developers and offset protocol developers, to ensure they consistently follow its requirements to achieve the Alberta government's emission reduction targets.</p>	<p>Repeated July 2015, no. 4, p. 43, and</p> <p>Repeated November 2011, no. 1, p. 17</p> <p>Originally reported October 2009, no. 4, p. 46</p>	NOT READY
<p>DEPARTMENT SYSTEMS TO MANAGE THE SPECIFIED GAS EMITTERS REGULATION:</p> <p><b>Ensure offset protocols meet new standard and improve transparency</b></p> <p>We again recommend that the Department of Environment and Parks implement processes to ensure that all approved protocols adhere to its protocol development standard.</p>	<p>Repeated July 2015, no. 5, p. 46</p> <p>Originally reported November 2011, no. 2, p. 23</p>	NOT READY
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p><b>Update flood hazard maps and mapping guidelines</b></p> <p>We recommend that the Department of Environment and Parks improve its processes to identify flood hazards by:</p> <ul style="list-style-type: none"> <li>mapping flood areas that are not currently mapped but are at risk of flooding communities</li> <li>updating and maintaining its flood hazard maps</li> <li>updating its flood hazard mapping guidelines</li> </ul>	<p>March 2015, no. 10, p. 76</p>	NOT READY
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p><b>Assess risk to support mitigation policies and spending</b></p> <p>We recommend that the Department of Environment and Parks conduct risk assessments to support flood mitigation decisions.</p>	<p>March 2015, no. 11, p. 78</p>	NOT READY
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p><b>Designate flood hazard areas and complete floodway development regulation</b></p> <p>To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that the:</p> <ul style="list-style-type: none"> <li>Department of Environment and Parks identify flood hazard areas for designation by the minister</li> <li>Department of Municipal Affairs: <ul style="list-style-type: none"> <li>establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas</li> <li>put in place processes to enforce the regulatory requirements</li> </ul> </li> </ul>	<p>March 2015, no. 12, p. 80</p>	NOT READY
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p><b>Assess effects of flood mitigation actions</b></p> <p>We recommend that the Department of Environment and Parks establish processes to assess what will be the cumulative effect of flood mitigation actions in communities when approving new projects and initiatives.</p>	<p>March 2015, no. 13, p. 82</p>	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT SYSTEMS TO REGULATE DAM SAFETY:</p> <p><b>Develop plan to regulate dams</b></p> <p>We recommend that the Department of Environment and Parks develop a plan to regulate dams and report on the results of its regulatory activities.</p>	March 2015, no. 14, p. 90	NOT READY
<p>DEPARTMENT SYSTEMS TO REGULATE DAM SAFETY:</p> <p><b>Improve dam regulatory activities</b></p> <p>We recommend that the Department of Environment and Parks improve its dam regulatory activities by:</p> <ul style="list-style-type: none"> <li>maintaining a reliable registry of dams</li> <li>obtaining sufficient information to assess the risk and consequences of dam failure</li> <li>retaining evidence of regulatory activities performed</li> <li>following up to ensure that owners correct deficiencies or manage them until they are corrected</li> </ul>	March 2015, no. 15, p. 92	NOT READY
<p>DEPARTMENT SAND AND GRAVEL:</p> <p><b>Enforcement of reclamation obligations</b></p> <p>We again recommend that the Department of Environment and Parks improve processes for inspecting aggregate holdings on public land and enforcing land reclamation requirements.</p>	<p>Repeated July 2014, no. 4, p. 51</p> <p>Originally reported October 2008, no. 40, p. 360</p>	NOT READY
<p>DEPARTMENT SAND AND GRAVEL:</p> <p><b>Quantity of aggregate removed</b></p> <p>We again recommend that the Department of Environment and Parks develop systems to verify quantities of aggregate reported as removed by industry from public lands so that all revenue due to the Crown can be assessed and recorded in the financial statements.</p>	<p>Repeated July 2014, no. 5, p. 52</p> <p>Originally reported October 2008, p. 364</p>	READY
<p>DEPARTMENT SAND AND GRAVEL:</p> <p><b>Flat fee security deposit</b></p> <p>We recommend that the Department of Environment and Parks assess the sufficiency of security deposits collected under agreements to complete reclamation requirements.</p>	October 2008, no. 41, p. 362	NOT READY





# Executive Council

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November 2018



## Summary

1	Total Recommendations
0	New Recommendations
1	Outstanding Recommendation
1	Outstanding Recommendation Older than 3 Years
0	READY for Follow-up Audit
1	NOT READY for Follow-up Audit

We issued an unqualified independent auditor's report on the 2017–2018 financial statements for the Ministry of Executive Council.

There are no new recommendations to the Department of Executive Council in this report. There is one outstanding recommendation.

## Recommendations

WHAT	WHEN	STATUS
<p><b>CONTRACTING PROCESSES FOLLOW-UP:</b>  <b>Improve contracting processes</b></p> <p>We again recommend that the Department of Executive Council improve its contracting processes by documenting:</p> <ul style="list-style-type: none"> <li>the rationale for contracting services and selecting vendors when entering into sole-sourced contracts</li> <li>its assessment of whether proposed contract rates are reasonable, and ensuring contracts are authorized and in place before contracted services are received</li> </ul>	<p>October 2016, no. 8, p. 55</p> <p>Originally reported October 2014, no. 10, p. 62</p>	<p><b>NOT READY</b></p>





# Alberta Health

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November 2018



## Summary

27 Total Recommendations

0 New Recommendations

27 Outstanding Recommendations

17 Outstanding Recommendations Older than 3 Years

4 **READY** for Follow-up Audit

23 **NOT READY** for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Health, the Department of Health, Alberta Health Services (AHS), Capital Care Group Inc., Calgary Laboratory Services Ltd., Carewest and the Health Quality Council of Alberta (HQCA).

There are no new recommendations to the department, AHS or HQCA in this report. There are 16 outstanding recommendations to the department, 10 of which have been outstanding for more than three years.

There are 11 outstanding recommendations to AHS, seven of which have been outstanding for more than three years.

AHS has implemented the following prior-year recommendations:

- capital project monitoring systems—see below
- information technology control policies and processes—see page 86

We repeat our 2012 recommendation that AHS reinforce its admission policies and review controls and processes over fees and charges to ensure that they were properly designed and consistently applied throughout the province—see page 85.

## Findings

### Alberta Health Services

#### Matters from prior audits

#### Capital project monitoring systems—recommendation implemented

##### Context

In 2009<sup>1</sup> we recommended that AHS improve the effectiveness of its financial capital project monitoring and reporting systems and processes by:

- implementing common systems, policies and procedures to track and monitor key financial information
- providing relevant, timely and accurate information to executive management and the audit and finance committee

We made this recommendation because AHS did not have effective systems to monitor and report financial information on capital projects promptly to senior executives and the board.

<sup>1</sup> Report of the Auditor General—October 2009, no. 32, page 271.

### Our audit findings

Since the date of our recommendation, the Department of Infrastructure has become responsible for the funding and building of major capital projects such as hospitals on behalf of AHS. Most of the projects that AHS directly manages are under \$5 million.

AHS has implemented our recommendation by adopting e-Facilities, which is a province-wide system used to manage capital projects. This system contains information such as project budgets, commitments, and actual and forecasted expenditures for all of AHS' capital projects. Policies and procedures were also developed to track and monitor key financial information.

This information is reconciled to the Oracle system, which is AHS's financial reporting and general ledger system. We selected 10 projects in Oracle and tested whether the information was consistent in e-Facilities. We did not find any errors.

We have assessed this recommendation as implemented because AHS now has complete and accurate capital project information and provides sufficient information on major capital projects to the finance committee.

## Information technology control policies and processes—recommendation implemented

### Context

Alberta Health Services was formed in April 2009 by consolidating nine former health regions and three agencies. Those entities had a number of outstanding information technology recommendations in areas such as access controls, change management, IT security, risk management, and policies.

The consolidation of the 12 entities provided AHS with the opportunity to improve the maturity of IT controls and standardize policies and procedures across the province. In 2009, with our understanding that AHS would standardize IT policies, we summarized our outstanding recommendations to the former health entities into one recommendation to improve information technology control policies and processes.

We repeated our recommendation in 2014<sup>2</sup> because AHS still had not:

- adequately documented its risk-management processes
- documented key controls for its four most critical applications
- fully implemented its process to evaluate compliance with key controls
- fixed a number of IT control weaknesses

### Our audit findings

AHS has implemented our recommendation by:

- adopting a risk-based IT control framework
- standardizing IT security controls
- monitoring compliance
- standardizing change management, access and password controls

<sup>2</sup> Report of the Auditor General—October 2014, no. 17, page 138 (originally October 2009, page 262).



*Risk-based IT control framework*

AHS has incorporated its IT risk management processes into the corporate enterprise risk management process. AHS uses a formal process to identify, document and report IT risks to executive management and the audit and risk committee.

*IT security controls*

AHS has standardized IT security practices across the province. AHS also benchmarks itself against the International Security Forum's standards of good practice.

*Monitoring compliance*

AHS has created a Compliance Coordination Committee that tests compliance with key controls quarterly. Each quarter, control compliance is tested for one of the four critical applications, and the results are reported to executive management and the audit and risk committee.

*Change management, access and password controls*

AHS has standardized these fundamental controls across the province. Through our financial statement audit and a review of the quarterly compliance testing, we have found that these controls are well designed and implemented.

**Fees and charges—recommendation repeated****Context**

In 2012<sup>3</sup> we recommended that AHS reinforce its admission policies and review controls and processes over fees and charges to ensure that they were properly designed and consistently applied throughout the province. We had concluded that there was inconsistent understanding and documentation of the admissions and billings processes throughout the province.

We made this recommendation because AHS still collects accounts receivable at individual sites due to the multiple legacy systems and processes. We repeat this recommendation because there has been limited centralization of billings, collections, and consolidation of bank accounts. If AHS employees do not fully understand admissions information flow, there is a risk of inappropriate billing.

**Criteria: the standards we used for our audit**

Controls in core businesses should be documented.

<sup>3</sup> Report of the Auditor General of Alberta—October 2012, page 123.

## Our audit findings

## Key Finding

- AHS cannot determine if admission policies are being followed and consistently applied

## RECOMMENDATION:

## Fees and charges

We again recommend that Alberta Health Services:

- reinforce its admission policies to ensure consistent application
- review its controls over the processes that generate fees and charge revenue to ensure they are appropriately designed, consistent across regions, and aligned with current policies

*Reinforce its admission policies to ensure consistent application*

We found that a new manual has been issued and communicated to staff that outlines the process to be followed when admitting a patient. We found that staff are required to perform training on this process; however, it is not adequately monitored. We noted that 638 employees registered in the training course from January 1, 2017, to December 31, 2017. Of these employees, 497 completed the assessment and 313 employees passed. AHS does not have a process to determine how many employees perform admitting services who would be required to complete the training or whether the employees who did not pass repeated the training.

We found that AHS has not yet identified direct verifiable measures to demonstrate that this process is being followed.

We will consider this portion of the recommendation implemented when AHS has put into place measures to verify that the process is being followed and consistently applied.

*Review its controls over the processes that generate fees and charges revenue*

AHS has implemented new policies to standardize the process for various billing situations. We found that AHS has also reviewed controls over the processes that generate fees and charge revenue and has created a Billable Goods and Services control framework to outline the relevant controls across the province. As AHS does not have a province-wide process to monitor admissions, this still could lead to incomplete billings prior to entering the fees and charges-control process.

**Consequences of not taking action**

If AHS employees do not fully understand admissions information, patients may not be billed appropriately.

# Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT PURE NORTH GRANTS:</p> <p><b>Improve conflict of interest processes</b></p> <p>We recommend that the Department of Health improve its conflict of interest processes by:</p> <ul style="list-style-type: none"> <li>improving the supplementary code to clearly outline the disclosure requirements of the deputy minister</li> <li>centrally managing conflicts in the department to ensure adherence to the conflict of interest policies</li> <li>providing advice to department staff on conflict of interest matters when necessary</li> </ul>	February 2018, p. 111	NOT READY
<p>DEPARTMENT PRIMARY CARE NETWORKS:</p> <p><b>Evaluate PCN effectiveness</b></p> <p>We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with the PCNs and PCN physicians to:</p> <ul style="list-style-type: none"> <li>agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets</li> <li>develop a formal action plan for public reporting of PCN program performance</li> </ul>	October 2017, Performance Auditing, p. 79	NOT READY
<p>DEPARTMENT PRIMARY CARE NETWORKS:</p> <p><b>Informing Albertans about PCN services</b></p> <p>We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with PCNs and PCN physicians to:</p> <ul style="list-style-type: none"> <li>require PCN physicians to complete the established patient attachment process, and set appropriate timelines for completing this process</li> <li>agree on the best approaches for engaging Albertans as active participants in their own care, and explaining the PCN services available to help them achieve their health goals</li> </ul>	October 2017, Performance Auditing, p. 84	NOT READY
<p>DEPARTMENT HEALTHCARE PROCESSES:</p> <p><b>Establish a proactive check to ensure that individuals with an Alberta healthcare number continue to meet residency requirements</b></p> <p>We recommend that the Department of Health improve its processes by establishing a proactive check to ensure that individuals who have been issued an Alberta healthcare number continue to meet the residency requirements specified in the <i>Alberta Health Care Insurance Act</i> and Regulation.</p>	October 2015, no. 12, p. 101	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT HEALTHCARE PROCESSES:</p> <p><b>Enhance processes to check for receipt of services for which physicians billed</b></p> <p>We recommend that the Department of Health enhance the processes it uses to check whether:</p> <ul style="list-style-type: none"> <li>patients received the medical services for which physicians billed the department</li> <li>payments are being made in accordance with the provisions of the <i>Alberta Health Care Insurance Act</i></li> </ul>	October 2015, no. 13, p. 102	NOT READY
<p>DEPARTMENT SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:</p> <p><b>Use action plan and progress reporting to implement strategy</b></p> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> <li>use an action plan to implement the strategy for mental health and addictions</li> <li>monitor and regularly report on implementation progress</li> </ul>	July 2015, no. 6, p. 63	NOT READY
<p>DEPARTMENT CROWN'S RIGHT OF RECOVERY OF HEALTHCARE COSTS FROM MOTOR VEHICLE ACCIDENTS:</p> <p><b>Clarify objectives of collecting revenue and prepare supporting rationale</b></p> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> <li>publicly articulate its objectives in setting the aggregate assessment</li> <li>report the extent to which the aggregate assessment recovers the department's calculation of healthcare costs caused by motor vehicle accidents</li> </ul> <p>We also recommend that the Department of Health obtain additional information to demonstrate that the amount proposed for the aggregate assessment is the appropriate amount that should be charged given the competing objectives.</p>	October 2014, no. 3, p. 37	READY
<p>DEPARTMENT CROWN'S RIGHT OF RECOVERY OF HEALTHCARE COSTS FROM MOTOR VEHICLE ACCIDENTS:</p> <p><b>Calculating the aggregate assessment</b></p> <p>We recommend that the Department of Health review the methodology it uses in the calculation of the aggregate assessment and put a process in place to periodically check whether the estimate calculated is a reasonable approximation of the Crown's associated healthcare costs.</p>	October 2014, no. 4, p. 38	READY
<p>DEPARTMENT SENIORS CARE IN LONG-TERM CARE FACILITIES:</p> <p><b>Oversight at the provincial level</b></p> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> <li>clearly define and separate its role and responsibilities from those of AHS in monitoring and managing long-term care service delivery</li> <li>improve public reporting on what results the provincial long-term care system is expected to achieve and whether it is achieving them</li> <li>finish the review of the continuing care health service standards</li> <li>implement a mechanism for timely analysis and action on the accommodation cost data</li> </ul>	October 2014, no. 13, p. 91	READY

WHAT	WHEN	STATUS
<p>DEPARTMENT CHRONIC DISEASE MANAGEMENT:</p> <p><b>Improve delivery of chronic disease management services</b></p> <p>We recommend that the Department of Health improve the delivery of chronic disease management services in the province by:</p> <ul style="list-style-type: none"> <li>defining the care services it expects physicians, Primary Care Networks and Alberta Health Services to provide to individuals with chronic disease</li> <li>requesting family physicians to deliver comprehensive team-based care to their patients with chronic disease, through a Primary Care Network or appropriate alternative</li> <li>establishing processes to assess the volumes, costs and, most importantly, the results of chronic disease management services delivered by the healthcare providers it funds</li> <li>facilitating secure sharing of patients' healthcare information among authorized providers</li> <li>strengthening its support for advancing chronic disease management services, particularly among family physicians where the need for better systems and information is most critical</li> </ul>	September 2014, no. 1, p. 11	NOT READY
<p>DEPARTMENT CHRONIC DISEASE MANAGEMENT:</p> <p><b>Improve delivery of pharmacist care plan initiative</b></p> <p>We recommend that the Department of Health improve the delivery of its pharmacist care plan initiative by:</p> <ul style="list-style-type: none"> <li>establishing a formal process to ensure pharmacists integrate their care plan advice with the care being provided by a patient's family physician and care team</li> <li>strengthening claims administration and oversight, including requiring pharmacists to submit diagnostic information showing patients qualify for a care plan, and making care plans subject to audit verification by Alberta Blue Cross</li> <li>setting expectations and targets for pharmacists' involvement in care plans and evaluating the effectiveness of their involvement on an ongoing basis</li> </ul>	September 2014, no. 7, p. 32	NOT READY
<p>DEPARTMENT CHRONIC DISEASE MANAGEMENT:</p> <p><b>Strengthen electronic medical records systems</b></p> <p>We recommend that the Department of Health strengthen support to family physicians and care teams in implementing electronic medical record systems capable of:</p> <ul style="list-style-type: none"> <li>identifying patient-physician relationships and each patient's main health conditions and risk factors</li> <li>tracking patient care plans and alerting physicians and care teams when medical services are due, and health goals or clinical targets are not met</li> <li>appropriately and securely sharing patient health information between authorized healthcare providers</li> <li>reporting key activity and outcome information for selected patient groups (e.g., diabetics) as the basis for continuous quality improvement</li> </ul>	September 2014, no. 8, p. 37	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT CHRONIC DISEASE MANAGEMENT: <b>Provide individuals access to their personal health information</b></p> <p>We recommend that the Department of Health provide individuals with chronic disease access to the following personal health information:</p> <ul style="list-style-type: none"> <li>• their medical history, such as physician visits, medications and test results</li> <li>• their care plan, showing recommended tests, diagnostic procedures and medications, including milestone dates and targets set out in the plan</li> </ul>	September 2014, no. 9, p. 41	NOT READY
<p>DEPARTMENT ELECTRONIC HEALTH RECORDS: <b>User access management</b></p> <p>We recommend that the Department of Health ensure that its user access management policies are followed and that user access to health information is removed when access privileges are no longer required.</p>	October 2009, p. 80	NOT READY
<p>ALBERTA HEALTH AND ALBERTA HEALTH SERVICES CHRONIC DISEASE MANAGEMENT: <b>Improve support of patient-physician relationships</b></p> <p>We recommend that the Department of Health improve its support of patient-physician relationships by:</p> <ul style="list-style-type: none"> <li>• requesting all family physicians establish a process to identify their patient panels and which of those patients have chronic disease, and providing them with healthcare data to help them do so</li> <li>• determining what it considers to be an effective care team size and composition, and working with family physicians, Primary Care Networks and other providers to help build teams to this level</li> </ul> <p>We recommend that Alberta Health Services identify individuals with chronic disease who do not have a family physician and actively manage their care until they can be linked with a family physician.</p>	September 2014, no. 2 & 3, p. 18	NOT READY
<p>ALBERTA HEALTH AND ALBERTA HEALTH SERVICES CHRONIC DISEASE MANAGEMENT: <b>Improve physician care plan initiative</b></p> <p>We recommend that the Department of Health improve its physician care plan initiative by:</p> <ul style="list-style-type: none"> <li>• defining its expectations for what care plans should contain and how they should be managed by physicians and care teams</li> <li>• setting targets for care plan coverage and evaluating the effectiveness of care plans on an ongoing basis</li> <li>• strengthening care plan administration by ensuring that claims identify qualifying diagnoses, and that care plan billings by individual physicians are reasonable</li> </ul> <p>We recommend that Alberta Health Services coordinate its services to patients with chronic disease with the care plans developed by family physicians and care teams.</p>	September 2014, no. 5 & 6, p. 26	NOT READY

WHAT	WHEN	STATUS
<p>ALBERTA HEALTH SERVICES  <b>REPORT OF THE AUDITOR GENERAL OF ALBERTA—NOVEMBER 2018:</b>  <b>Fees and charges</b></p> <p>We again recommend that Alberta Health Services:</p> <ul style="list-style-type: none"> <li>reinforce its admissions policies to ensure consistent application</li> <li>review its controls over the processes that generate fees and charges revenue, to ensure they are appropriately designed, consistent across regions and aligned with current policies</li> </ul>	<p>Repeated November 2018, Financial Statement Auditing, p. 88</p> <p>Originally reported October 2012, no. 25, p. 123.</p>	NOT READY
<p>ALBERTA HEALTH SERVICES  <b>DISASTER RECOVERY PLANNING:</b>  <b>Develop a detailed plan for implementing risk-based disaster recovery processes</b></p> <p>We recommend that Alberta Health Services develop and follow a comprehensive plan for implementing risk-based disaster recovery processes, including the necessary IT infrastructure.</p>	October 2015, no. 14, p. 104	NOT READY
<p>ALBERTA HEALTH SERVICES  <b>SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:</b>  <b>Integrate mental health service delivery and eliminate gaps in service</b></p> <p>We recommend that Alberta Health Services for its own community and hospital mental health and addictions services:</p> <ul style="list-style-type: none"> <li>work with physicians and other non-AHS providers to advance integrated care planning and use of interdisciplinary care teams where appropriate for clients with severe and persistent mental illness who need a comprehensive level of care</li> <li>improve availability of mental health resources at hospital emergency departments</li> <li>improve its system to monitor and ensure community mental health clinics comply with AHS's expectations for treatment planning and case management</li> <li>improve its process to identify and evaluate good operational practices used by local mental health and addictions staff, and deploy the best ones across the province</li> </ul>	July 2015, no. 7, p. 67	NOT READY
<p>ALBERTA HEALTH SERVICES  <b>SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:</b>  <b>Improve information management in mental health and addictions</b></p> <p>We recommend that Alberta Health Services make the best use of its current mental health and addictions information systems by:</p> <ul style="list-style-type: none"> <li>providing authorized healthcare workers within all AHS sites access to AHS mental health and addictions clinical information systems</li> <li>strengthening information management support for its mental health treatment outcomes measurement tools</li> </ul>	July 2015, no. 8, p. 75	NOT READY

WHAT	WHEN	STATUS
<p>ALBERTA HEALTH SERVICES  <b>SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:</b>  <b>Complete assessment and develop wait-list for Albertans who need community housing supports</b></p> <p>We recommend that Alberta Health Services in supporting the work of the cross-ministry housing planning team established under the mandate of the Minister of Seniors:</p> <ul style="list-style-type: none"> <li>complete its assessment and report on gaps between supply and demand for specialized community housing support services for mental health and addictions in the province</li> <li>develop a wait-list management system to formally assess the housing support needs of AHS's mental health hospital and community patients and coordinate their placement into specialized community spaces funded by AHS</li> </ul>	July 2015, no. 9, p. 79	NOT READY
<p>ALBERTA HEALTH SERVICES  <b>SENIORS CARE IN LONG-TERM CARE FACILITIES:</b>  <b>Monitoring care at the resident level</b></p> <p>We recommend that Alberta Health Services improve the design of its current monitoring activities. AHS should:</p> <ul style="list-style-type: none"> <li>develop a system to periodically verify that facilities provide residents with an adequate number and level of staff, every day of their operation</li> <li>develop a system to periodically verify that facilities deliver the right care every day by implementing individual resident care plans and meeting basic needs of residents</li> </ul>	October 2014, no. 11, p. 84	READY
<p>ALBERTA HEALTH SERVICES  <b>SENIORS CARE IN LONG-TERM CARE FACILITIES:</b>  <b>Managing performance of long-term care facilities</b></p> <p>We recommend that Alberta Health Services improve its system to monitor and manage performance of long-term care facilities. AHS should:</p> <ul style="list-style-type: none"> <li>clearly define which program area within AHS is responsible for managing performance of individual facilities</li> <li>establish a formal mechanism to use all available compliance data to review periodically the overall performance of each facility, and initiate proactive compliance action with facilities based on the level of risk to health and safety of residents</li> <li>establish a formal mechanism to escalate compliance action for higher risk facilities</li> </ul>	October 2014, no. 12, p. 88	NOT READY
<p>ALBERTA HEALTH SERVICES  <b>CHRONIC DISEASE MANAGEMENT:</b>  <b>Improve AHS chronic disease management services</b></p> <p>We recommend that Alberta Health Services improve its chronic disease management services by:</p> <ul style="list-style-type: none"> <li>assessing the total demand for chronic disease management services across Alberta</li> <li>developing evidence to support decisions on how services provided by Alberta Health Services, family physicians, Primary Care Networks and Family Care Clinics should be integrated</li> <li>setting provincial objectives and standards for its- chronic disease management services</li> <li>establishing systems to measure and report the effectiveness of its chronic disease management services</li> </ul>	September 2014, no. 4, p. 22	NOT READY



WHAT	WHEN	STATUS
<p>ALBERTA HEALTH SERVICES  <b>AHS CONTROLS OVER EXPENSE CLAIMS, PURCHASING CARD TRANSACTIONS,  AND OTHER TRAVEL EXPENSES:</b></p> <p><b>Controls over expenses</b></p> <p>We recommend that Alberta Health Services tighten its controls over expense claims, purchasing card transactions and other travel expenses by:</p> <ul style="list-style-type: none"> <li>• improving the analysis and documentation that support the business reasons for—and the cost effectiveness of—these expenses</li> <li>• improving education and training of staff on their responsibilities for complying with policies</li> <li>• monitoring expenses and reporting results to the board</li> </ul>	<p>February 2013,  no. 1, p. 24</p>	<p><b>NOT  READY</b></p>





# Alberta Indigenous Relations

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November 2018



## Summary

3	Total Recommendations
0	New Recommendations
3	Outstanding Recommendations
2	Outstanding Recommendations Older than 3 Years
3	READY for Follow-up Audit
0	NOT READY for Follow-up Audit

We issued an independent unqualified auditor's report on on the 2017–2018 financial statements for the Ministry of Indigenous Relations.

There are no new recommendations to the department in this report. The department has three outstanding recommendations, two of which have been outstanding for more than three years.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT TRAVEL, MEAL AND HOSPITALITY EXPENSES OF THE PREMIER, MINISTERS AND THEIR STAFF</p> <p><b>Improve processes for preparing, reviewing and publicly disclosing travel, meal and hospitality expenses</b></p> <p>We recommend that the Department of Indigenous Relations improve its processes to prepare, review and publicly disclose travel, meal and hospitality expenses.</p>	February 2018, p. 125	READY
<p>DEPARTMENT FIRST NATIONS DEVELOPMENT FUND GRANTS:</p> <p><b>Improve review process</b></p> <p>We again recommend that the Department of Indigenous Relations improve its processes to review and approve grant applications by:</p> <ul style="list-style-type: none"> <li>formalizing the additional review processes it developed for complex grant applications</li> <li>consistently obtaining sufficient information to support its assessment of complex grant applications</li> </ul>	<p>Repeated May 2017, no. 6, p. 66</p> <p>Originally reported July 2013, no. 2, p. 24</p>	READY
<p>DEPARTMENT FIRST NATIONS DEVELOPMENT FUND GRANTS:</p> <p><b>Improve monitoring process</b></p> <p>We again recommend that the Department of Indigenous Relations improve its monitoring processes by consistently ensuring First Nations comply with reporting requirements and acting to correct non-compliance with a grant agreement.</p>	<p>Repeated May 2017, no. 7, p. 69</p> <p>Originally reported July 2013, no. 3, p. 26</p>	READY





# Alberta Infrastructure

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November 2018





## Summary

6	Total Recommendations
0	New Recommendations
6	Outstanding Recommendations
0	Outstanding Recommendations Older than 3 Years
0	READY for Follow-up Audit
6	NOT READY for Follow-up Audit

We issued an unqualified independent auditor's report on the 2017–2018 financial statements for the Ministry of Infrastructure.

There are no new recommendations to the department in this report. The department has six outstanding recommendations.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT GOVERNMENT OF ALBERTA CAPITAL PLANNING: <b>Improve capital planning standards and phased approach to capital planning and approval</b></p> <p>We recommend that the Department of Infrastructure improve its capital planning system by:</p> <ul style="list-style-type: none"> <li>• updating its capital planning standards</li> <li>• clarifying the capital planning phases and the planning deliverables required for each phase</li> <li>• verifying if departments have completed the required planning for capital submissions and, if not, reporting this information to government committees</li> </ul>	October 2017, Performance Auditing, p. 20	NOT READY
<p>DEPARTMENT GOVERNMENT OF ALBERTA CAPITAL PLANNING: <b>Improve maintenance planning systems</b></p> <p>We recommend that the Department of Infrastructure:</p> <ul style="list-style-type: none"> <li>• obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request</li> <li>• analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding</li> </ul>	October 2017, Performance Auditing, p. 23	NOT READY
<p>DEPARTMENT GOVERNMENT OF ALBERTA CAPITAL PLANNING: <b>Evaluate capital maintenance programs for buildings</b></p> <p>We recommend that the Department of Infrastructure work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well.</p>	October 2017, Performance Auditing, p. 26	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Improve systems to manage and control projects</b></p> <p>We recommend that the departments of Education and Infrastructure improve the planning process by:</p> <ul style="list-style-type: none"> <li>identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors</li> <li>basing oversight of projects managed by school jurisdictions on risk</li> </ul>	April 2016, no. 4, p. 14	NOT READY
<p>DEPARTMENT EDUCATION AND INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Improve reporting systems and controls</b></p> <p>We recommend that the Department of Infrastructure improve its systems for publicly reporting on the status of school capital projects.</p>	April 2016, no. 5, p. 16	NOT READY
<p>DEPARTMENT EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Improve reporting systems and controls</b></p> <p>We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:</p> <ul style="list-style-type: none"> <li>defining reporting requirements, including measures to assess project performance</li> <li>using a common reporting system that specifies where information will be retained, who will update it and how it will be updated</li> </ul>	April 2016, no. 7, p. 16	NOT READY



# Alberta Justice and Solicitor General

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November 2018



## Summary

11	Total Recommendations
0	New Recommendations
11	Outstanding Recommendations
5	Outstanding Recommendations Older than 3 Years
7	READY for Follow-up Audit
4	NOT READY for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Justice and Solicitor General, the Department of Justice and Solicitor General, Victims of Crime Fund, and the Human Rights Education and Multiculturalism Fund. The ministry annual report also includes the financial statements of the Office of the Public Guardian and Trustee (OPGT).

There are no new recommendations to the department or the OPGT in this report. The department has 11 outstanding recommendations, five of which have been outstanding for more than three years.

In our *Contracting for External Services Follow-up* audit (see "Performance Audit Reports"), we report that the department implemented our two prior-year recommendations.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT FUNDING SUSTAINABLE AND COST-EFFECTIVE LEGAL AID SERVICES:</p> <p><b>Determine the type and scope of services a public legal aid system can sustain</b></p> <p>We recommend that the Department of Justice and Solicitor General determine, through analysis, the type and scope of services Alberta's publicly funded legal aid system can provide and sustain.</p>	May 2017, no. 1, p. 39	NOT READY
<p>DEPARTMENT FUNDING SUSTAINABLE AND COST-EFFECTIVE LEGAL AID SERVICES:</p> <p><b>Ensure the performance measures in place for legal aid services</b></p> <p>We recommend that the Department of Justice and Solicitor General ensure there are processes in place to measure, monitor and report on the quality, efficiency and cost effectiveness of publicly funded legal aid services.</p>	May 2017, no. 2, p. 42	NOT READY
<p>DEPARTMENT VICTIMS OF CRIME FUND: SYSTEMS TO MANAGE SUSTAINABILITY AND ASSESS RESULTS:</p> <p><b>Develop and publicly report on a plan for the Victims of Crime Fund program</b></p> <p>We recommend that the Department of Justice and Solicitor General:</p> <ul style="list-style-type: none"> <li>develop and approve a business plan with measurable desired results for the Victims of Crime Fund</li> <li>publicly report on the results of this business plan</li> </ul>	February 2016, no. 5, p. 46	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT VICTIMS OF CRIME FUND: SYSTEMS TO MANAGE SUSTAINABILITY AND ASSESS RESULTS:</p> <p><b>Determine best use of Victims of Crime Fund accumulated surplus</b></p> <p>We recommend that the Department of Justice and Solicitor General, supported by sufficient analysis, determine an appropriate use of the Victims of Crime Fund accumulated surplus</p>	February 2016, no. 6, p. 49	NOT READY
<p>DEPARTMENT AND OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE SURPLUS MANAGEMENT AND RESULTS REPORTING:</p> <p><b>Improve results analysis processes and reporting</b></p> <p>We recommend that the Public Trustee and Ministry of Justice and Solicitor General improve the performance reporting for the operations of the Public Trustee.</p>	February 2016, no. 4, p. 40	READY
<p>OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE SURPLUS MANAGEMENT AND RESULTS REPORTING:</p> <p><b>Determine and manage surplus</b></p> <p>We recommend that the Public Trustee develop processes to effectively manage the growth and use of the accumulated surplus in the Common Fund.</p>	February 2016, no. 3, p. 36	READY
<p>OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Supervisory review of client files</b></p> <p>We recommend that the Office of the Public Guardian and Trustee improve its file management processes to ensure all client files are subject to adequate supervisory review.</p>	February 2013, no. 2, p. 42	READY
<p>OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Internal audit role</b></p> <p>We recommend that the Office of the Public Guardian and Trustee strengthen the role of its internal audit, ensuring it has adequate authority and independence to effectively perform its function.</p>	February 2013, no. 3, p. 42	READY
<p>OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Improve and follow policies</b></p> <p>We recommend that the Office of the Public Guardian and Trustee:</p> <ul style="list-style-type: none"> <li>review and assess whether its policies are appropriate, and procedures are adequate to mitigate the risk that client assets could be misappropriated or otherwise mismanaged</li> <li>improve its processes for ensuring compliance with policies and procedures</li> </ul>	February 2013, no. 4, p. 45	READY
<p>OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Segregation of duties</b></p> <p>We recommend that the Office of the Public Guardian and Trustee strengthen its processes for the approval and payment of client expenses or disbursements.</p>	February 2013, no. 5, p. 47	READY
<p>OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Documentation</b></p> <p>We recommend that the Office of the Public Guardian and Trustee improve its processes for ensuring client files are appropriately documented, including adequate documentation of supervisory review and internal audit.</p>	February 2013, no. 6, p. 48	READY



# Alberta Labour

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November 2018





## Summary

1	Total Recommendations
1	New Recommendation
0	Outstanding Recommendations
0	Outstanding Recommendations Older than 3 Years
0	READY for Follow-up Audit
1	NOT READY for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Labour and the Workers' Compensation Board – Alberta.

The ministry financial statements only include the Department of Labour. The financial statements of the Workers' Compensation Board – Alberta are not consolidated into the ministry financial statements.

In our *Occupational Health and Safety Follow-up* audit (see "Performance Audit Reports"), we report that the department has implemented two Recommendations.

In our *Systems to Update Alberta's Workforce Strategies* audit (see "Performance Audit Reports"), there is one new recommendation to the department.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT</p> <p><b>SYSTEMS TO UPDATE ALBERTA'S WORKFORCE STRATEGIES:</b></p> <p><b>Report on results of workforce strategies</b></p> <p>We recommend that the Department of Labour regularly measure and report on the results of its current workforce strategies, including lessons learned.</p>	<p>November 2018, Performance Auditing, p. 8</p>	<p><b>NEW</b></p>





# Legislative Assembly Offices

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November 2018



## Summary

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for each of the seven legislative offices, including: Legislative Assembly Office, Office of the Ethics Commissioner; Office of the Information and Privacy Commissioner, Office of the Chief Electoral Officer, Office of the Ombudsman, Office of the Public Interest Commissioner, and Office of the Child and Youth Advocate.

The Auditor General of Alberta is audited by an external, independent auditor engaged by and reporting to the Standing Committee on Legislative Offices.

There are no new or outstanding recommendations to the Legislative Assembly Offices in this report.





# Alberta Municipal Affairs

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November 2018





## Summary

- 2 Total Recommendations
- 0 New Recommendations
- 2 Outstanding Recommendations
- 1 Outstanding Recommendation Older than 3 Years
- 0 **READY** for Follow-up Audit
- 2 **NOT READY** for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Municipal Affairs and the Department of Municipal Affairs.

There are no new recommendations to the department, Improvements Districts' Trust (Improvement Districts 4, 9, 12, 13, 24, 25 and 349), Kananaskis Improvement District, and Special Areas Trust in this report. There are two outstanding recommendations, one of which has been outstanding for more than three years.

The department implemented our October 2015 recommendation to develop and implement an improved method for updating and supporting its estimated disaster recovery program liability—see below.

## Findings

### Department

#### Matters from prior audits

#### Disaster Recovery Program (DRP)—updating the estimated liability—**recommendation implemented**

##### Context

In 2015<sup>1</sup> we recommended that the Department of Municipal Affairs develop and implement an improved method for updating and supporting its estimated disaster recovery program liability. We identified that the department did not have an adequate process for updating its estimated DRP liability, and management could not support significant assumptions behind their estimate at March 31, 2015.

The department's Alberta Emergency Management Agency (AEMA) is responsible to estimate the DRP liability. This information is then provided to the department's financial services branch, which compiles the department's financial statements.

##### Our audit findings

The Department of Municipal Affairs implemented our recommendation by improving its systems to update the estimated DRP liability.

##### a) Methods for updating the estimated DRP liability

**Municipal recovery projects**—Management improved the way it updates liability estimates for municipal DRP projects. Staff obtain additional information from municipalities to support the estimates. This includes an updated list of all

<sup>1</sup> Report of the Auditor General of Alberta—October 2015, no. 16, page 144.

outstanding disaster recovery projects at each municipality, as well as their estimated costs, project completion percentages and expected completion dates.

Over the last few years, we have observed management using engineering assessments more consistently to support the DRP liability. In our view, an estimate prepared by a qualified and independent DRP engineer provides a strong basis for an estimate, when available.

**Other GOA recovery projects**—Management has improved the way it updates liability estimates for DRP projects managed by other government departments. Staff obtain and review updated and timely project cost estimates and other qualitative project information from other departments. In addition, management maintains regular communication with other departments and meets with them to provide updates on the projects.

**Contingency reserve estimate**—Management continues to estimate a contingency reserve for unknown risks that could affect the cost of the disaster recovery program, such as scope changes, inflation or estimate accuracy. Staff calculate the reserve using a percentage of the remaining claims payable and estimates for other known risks that are expected to impact the DRP liability.

Management has established a contingency policy. The policy includes methodology to guide when, how and what sorts of contingencies management applies to DRP projects and their component parts, as well as how this contingency changes over time.

b) Support, analysis and review of the DRP liability

The department has improved its process to support, analyze and review the DRP liability at March 31, 2018. AEMA staff was able to provide support, rationale and methodology behind the DRP liability. Our testing this year did not identify any material errors in the DRP liability estimate.

c) Review of the estimated DRP liability by financial services

The department's financial services division has improved its level of understanding of the DRP liability. Prior to finalizing the DRP liability as at March 31, 2018, financial services staff received the DRP continuity schedule and support for the DRP receivable owed from the Government of Canada. Financial services has increased the number of meetings with AEMA to understand and discuss the final DRP estimate and any changes to it.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT DISASTER RECOVERY PROGRAM TRANSITION:</p> <p><b>Implement a transition plan</b></p> <p>We recommend that the Department of Municipal Affairs implement its transition work plan to improve its disaster recovery program delivery system by:</p> <ul style="list-style-type: none"> <li>obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan</li> <li>improving project oversight to monitor implementation of the plan to ensure desired results are achieved within an acceptable time frame</li> </ul>	February 2016, no. 7, p. 62	NOT READY
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p><b>Designate flood hazard area and complete floodway development regulation</b></p> <p>To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that:</p> <ul style="list-style-type: none"> <li>the Department of Environment and Parks identify flood hazard areas for designation by the minister</li> <li>the Department of Municipal Affairs:             <ul style="list-style-type: none"> <li>establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas</li> <li>put in place processes to enforce the regulatory requirement</li> </ul> </li> </ul>	March 2015, no. 12, p. 80	NOT READY





# Alberta Seniors and Housing

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November 2018



## Summary

1	Total Recommendations
0	New Recommendations
1	Outstanding Recommendation
1	Outstanding Recommendation Older than 3 Years
0	READY for Follow-up Audit
1	NOT READY for Follow-up Audit

We issued unqualified independent auditor's reports on the 2017–2018 financial statements for the Ministry of Seniors and Housing, the Department of Seniors and Housing and the Alberta Social Housing Corporation (ASHC).

There are no new recommendations to the department or AHSC in this report. There is one outstanding recommendation that has been outstanding for more than three years.

In our *Affordable Housing Follow-up* audit (see "Performance Audit Reports"), we report that the department implemented our recommendations to improve its grant monitoring processes and its grant program evaluation systems.

The Alberta Social Housing Corporation implemented our recommendations to review its housing management body cash-reserve policy, and implemented change-management control procedures—see below.

## Findings

### Alberta Social Housing Corporation

#### Review housing management body cash-reserve policy—recommendation implemented

##### Context

In 2013,<sup>1</sup> we recommended that the Alberta Social Housing Corporation review the housing management body cash reserve policy to determine if the policy continues to meet its objective of providing appropriate short-term operational cash-flow requirements to the housing management bodies.

##### Our audit findings

The corporation implemented our recommendation by sending out surveys to the different housing-management bodies regarding cash management practices and preferences. The survey results were compiled and considered when recommending an approach. The summary of these surveys was used to confirm the housing-management bodies' cash reserve policies.

#### Improve and implement change-management control procedures—recommendation implemented

##### Context

In 2017,<sup>2</sup> we recommended that the Alberta Social Housing Corporation improve and implement change-management control procedures to ensure that it implements changes to its computer information systems in a controlled and consistent manner.

<sup>1</sup> Report of the Auditor General of Alberta—October 2013, no. 11, p. 145.

<sup>2</sup> Report of the Auditor General of Alberta—October 2017, Financial Statement Auditing, p.287.

Our audit findings

The corporation implemented our recommendation by improving its general computing controls for change management. The new process supports its housing system by providing clear, step-by-step guidance for classifying changes to the IT environment according to defined categories.

Recommendations

WHAT	WHEN	STATUS
<div>DEPARTMENT</div> <div>SENIORS LODGE PROGRAM:</div> <div>Effectiveness of Seniors Lodge Program</div> <div><div>We again recommend that the Department of Seniors:</div><ul style="list-style-type: none"><li>improve the measures it uses to assess the effectiveness of the Seniors Lodge Program and obtain sufficient information periodically to set the minimum disposable income of seniors used as a basis for seniors lodge rent charges</li><li>improve its processes for identifying the increasing care needs of lodge residents and consider this information in its plans for the Seniors Lodge Program</li></ul></div>	<div>Repeated October 2014, no. 20, p. 183</div> <div>Originally reported October 2005, no. 12, p. 66</div>	<div>NOT READY</div>





# Service Alberta

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November 2018



## Summary

- 7 Total Recommendations
- 3 New Recommendations
- 4 Outstanding Recommendations
- 3 Outstanding Recommendations Older than 3 Years
- 2 **READY** for Follow-up Audit
- 5 **NOT READY** for Follow-up Audit

We issued an unqualified independent auditor's report on the 2017–2018 financial statements for the Ministry of Service Alberta.

In our *Contract Management Processes* audit (see "Performance Audit Reports"), there are three new recommendations for the department.

The department has four outstanding recommendations, three of which have been outstanding for more than three years.

The department implemented our 2008 recommendation related to access and security monitoring of the revenue systems.

## Findings

### Department

#### Access and security monitoring of the revenue application systems—recommendation implemented

##### Context

In 2008<sup>1</sup>, we recommended that the Department of Service Alberta ensure that adequate logging and monitoring processes are in place in all application systems that host or support financial information and Albertans' personal information.

##### Our audit findings

We examined the department's risk assessment and actions related to the five IT systems that host or support financial information as well as Albertans' personal information. These are registry systems for motor vehicles and operators' licenses, vital statistics, land titles, personal property, and corporate registries.

The department has implemented our recommendation to ensure adequate access and security monitoring processes for all application systems by:

- completing a risk assessment of the registry systems and the financial and personal information contained in them
- implementing appropriate processes for systems it identified as high risk to ensure users only have the access they need and are using that access appropriately

We tested user-access controls and sampled system monitoring exception reports. We identified no deviations in our testing.

<sup>1</sup> Report of the Auditor General of Alberta—October 2008, page 346.

## Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT CONTRACT MANAGEMENT PROCESSES:</p> <p><b>Improve performance measurement processes</b></p> <p>We recommend that the Department of Service Alberta develop processes to improve its measuring, monitoring, and reporting of the performance of its large and complex contracts.</p>	November 2018, Performance Auditing, p. 5	NEW
<p>DEPARTMENT CONTRACT MANAGEMENT PROCESSES:</p> <p><b>Improve compliance processes</b></p> <p>We recommend that the Department of Service Alberta develop processes to improve its monitoring and enforcement of contract compliance to ensure that the desired results of the contract are achieved.</p>	November 2018, Performance Auditing, p. 10	NEW
<p>DEPARTMENT SYSTEMS CONTRACT MANAGEMENT PROCESSES:</p> <p><b>Incorporate lessons learned</b></p> <p>We recommend that the Department of Service Alberta develop processes to improve its evaluation of contracts and implement risk mitigation strategies and lessons learned where required.</p>	November 2018, Performance Auditing, p. 13	NEW
<p>DEPARTMENT SYSTEMS TO MANAGE A COMPREHENSIVE INVENTORY OF INFORMATION TECHNOLOGY APPLICATIONS:</p> <p><b>Establish a comprehensive inventory system for information technology applications used across government</b></p> <p>We recommend that the Department of Service Alberta complete its plans to implement a comprehensive inventory system of all IT applications used across government, with supporting processes to maintain the inventory. If required, Service Alberta should seek the necessary authority to complete the project.</p>	May 2017, no. 3, p. 51	NOT READY
<p>DEPARTMENT IT DISASTER RECOVERY PROGRAM:</p> <p><b>Improve recovery of critical information technology applications</b></p> <p>We recommend that the Department of Service Alberta, with support from the Deputy Ministers' Council:</p> <ul style="list-style-type: none"> <li>• identify the most critical IT applications throughout all government entities</li> <li>• identify the times, after a disaster, that critical IT applications must be recovered</li> <li>• ensure that there are tested plans and adequate resources to recover critical IT applications within those times</li> </ul>	October 2014, no. 5, p. 45	READY

WHAT	WHEN	STATUS
<p>DEPARTMENT PROTECTING INFORMATION ASSETS FOLLOW-UP: <b>Assess risk and improve oversight</b></p> <p>We recommend that the Department of Service Alberta:</p> <ul style="list-style-type: none"> <li>• assess the risks to public information assets throughout the government</li> <li>• determine if the government has adequate IT security policies, standards and controls to mitigate risks</li> <li>• determine who is responsible and accountable to ensure that public information assets are adequately protected. Specifically: <ul style="list-style-type: none"> <li>- who is responsible for monitoring compliance with IT security requirements</li> <li>- who is responsible for ensuring or enforcing compliance with security requirements</li> <li>- what actions should be taken when non-compliance is identified</li> <li>- how is compliance to security requirements demonstrated</li> </ul> </li> </ul>	<p>October 2012, no. 11, p. 62</p>	<p>NOT READY</p>
<p>DEPARTMENT REPORT OF THE AUDITOR GENERAL OF ALBERTA—OCTOBER 2008: <b>System conversion process</b></p> <p>We recommend that the Department of Service Alberta document its review of actual system conversion activities to ensure that they comply with the approved test plan for system conversion and data migration.</p>	<p>October 2008, p. 349</p>	<p>READY</p>





# Alberta Status of Women

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November 2018





## Summary

We issued an unqualified independent auditor's report on the 2017–2018 financial statements for the Ministry of Status of Women.

There are no new or outstanding recommendations to the department in this report.





# Alberta Transportation

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November 2018



## Summary

1	Total Recommendations
0	New Recommendations
1	Outstanding Recommendation
1	Outstanding Recommendation Older than 3 Years
0	READY for Follow-up Audit
1	NOT READY for Follow-up Audit

We issued unqualified independent auditors' reports on the 2017–2018 financial statements for the Ministry of Transportation, the Department of Transportation, and the Alberta Transportation Safety Board.

There are no new recommendations to the department in this report. The department has one outstanding recommendation that has been outstanding for more than three years.

There are no new or outstanding recommendations to the Alberta Transportation Safety Board.

## Recommendations

WHAT	WHEN	STATUS
DEPARTMENT <b>COMMERCIAL VEHICLE SAFETY:</b> <b>Progressive sanctions</b> We recommend for the third time that the Department of Transportation consistently comply with its policy to take disciplinary and enforcement action against non-compliant carriers.	Repeated February 2018, p. 115  Repeated July 2014, no. 7, p. 70  Originally reported October 2009, no. 14, p. 127	<b>NOT READY</b>





# Alberta Treasury Board and Finance

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November 2018





## Summary

13 Total Recommendations

0 New Recommendations

13 Outstanding Recommendations

7 Outstanding Recommendations Older than 3 Years

5 **READY** for Follow-up Audit

8 **NOT READY** for Follow-up Audit

We issued unqualified independent auditors' reports on the 2017–2018 financial statements for the Ministry of Treasury Board and Finance, the Department of Treasury Board and Finance, endowment funds, regulated funds, the Alberta Gaming and Liquor Commission, ATB Financial, Credit Union Deposit Guarantee Corporation, pension plans, and other organizations that we audit within the ministry.

There are no new recommendations to the department of the related entities in this ministry in this report. There are 13 outstanding recommendations, seven of which are more than three years old.

In our *Collections of Corporate Income Tax and Filing Compliance Follow-up* audit (see "Performance Audit Reports"), we report that the department implemented our prior recommendations.

ATB Financial has implemented our recommendations to improve its controls over service auditor reports and develop payment cards processes related to service providers—see below.

## Findings

### ATB Financial

#### Matters from prior audits

#### Service auditor reports—user control considerations—recommendation implemented

##### Context

ATB uses service providers to process transactions and carry out business functions. Service auditor reports provide independent information and assurance that a service provider has appropriate internal controls over the transactions and business functions ATB has outsourced.

In 2009, we recommended that ATB improve its processes related to service providers. We repeated this recommendation in 2014 because ATB had not assessed whether end-user control considerations were in place for its material outsourcing arrangements.

##### Our audit findings

ATB has implemented our recommendation to improve its processes related to service providers.<sup>1</sup>

We selected a sample of outsourced service provider arrangements. We found that, for each arrangement, an appropriate business manager and a risk manager obtained and reviewed the service auditor report.

<sup>1</sup> Report of the Auditor General of Alberta—October 2009, page 227.

The managers used a sign-off checklist as guidance for the areas of focus for the review. As a part of the review, the managers also assessed end-user controls. When the assessment revealed an area of risk, the reviewer identified the compensating controls or determined a planned course of action to respond to identified risks.

Using criteria from its outsourcing framework, ATB also completed a semi-annual review of its outsourcing relationship with service providers.

## Payment card industry data security standards—**recommendation implemented**

### Context

The payment card industry data security standards (PCI DSS) apply to all entities involved in payment card processing and entities that store, process, or transmit cardholder data. The objective of PCI DSS is to enhance cardholder data security and facilitate the broad adoption of data security measures globally. ATB applies the PCI DSS to both debit and credit cardholder data.

In 2012,<sup>2</sup> we recommended that ATB develop processes to monitor its compliance with the payment card industry's data security standards.

### Our audit findings

ATB has implemented our recommendation.

Management's implementation processes included:

- developing a PCI DSS compliance strategy
- defining the scope of ATB's compliance
- defining roles and responsibilities of the parties responsible for compliance
- setting procedures for monitoring and reporting on compliance
- developing a training program for team members to become certified PCI DSS Internal Security Assessors (ISA)

As part of our procedures, we:

- examined the PCI DSS compliance strategy, which provides clear direction and defined timelines and milestones for the remediation of existing compliance gaps
- ensured that the scope of the PCI DSS compliance covers the 12 objectives of PCI applicable to ATB
- verified that management carried out an external assessment to identify compliance gaps
- ensured that management developed a remediation plan with defined timelines to comply with PCI DSS
- verified that management is periodically assessing its progress in remediating compliance gaps
- ensured that there is a periodic reporting to senior management on the progress of PCI compliance
- verified that several ATB staff members are enrolled in the Internal Security Assessor training program

We conclude that management's PCI compliance processes are appropriate and significantly improve compliance with PCI data security standards.

<sup>2</sup> Report of the Auditor General of Alberta—October 2012, page 149.

# Recommendations

WHAT	WHEN	STATUS
<p>DEPARTMENT PAYMENTS BASED ON AGREEMENT:</p> <p><b>Apply policies when recommending approval to Treasury Board Committee</b></p> <p>We recommend that the Department of Treasury Board and Finance consistently apply its policies when recommending to Treasury Board Committee to approve a payment based on agreement request.</p>	October 2017, Financial Statement Auditing, p. 134	READY
<p>DEPARTMENT ENTERPRISE RISK MANAGEMENT SYSTEMS:</p> <p><b>Update and follow enterprise risk management system</b></p> <p>We again recommend that the Department of Treasury Board and Finance update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks.</p>	<p>Repeated October 2017, Financial Statement Auditing, p. 135</p> <p>Originally reported October 2014, no. 22, p. 194</p>	READY
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><b>Evaluate cash management for efficiency and economy</b></p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>• evaluate how it can use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs, and implement mechanisms to utilize excess liquidity</li> <li>• evaluate the Consolidated Cash Investment Trust Fund and pursue opportunities to increase its use or modify its current structure to ensure it remains a relevant cash management tool</li> </ul>	February 2016, no. 8, p. 77	NOT READY
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><b>Develop policies to prevent early payment of grants and an accumulation of large cash balances</b></p> <p>We recommend that the Department of Treasury Board and Finance issue policies and guidance for departments to monitor the working capital needs of government-controlled entities to ensure departments only provide cash when needed.</p>	February 2016, no. 9, p. 79	NOT READY
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><b>Implement and use information technology to manage cash</b></p> <p>We recommend that the Department of Treasury Board and Finance implement an integrated treasury management system to manage treasury functions and processes, including government-wide cash pooling and management.</p>	February 2016, no. 10, p. 82	NOT READY
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><b>Use leading banking and related practices and evaluate cost benefits of bank accounts</b></p> <p>We recommend that the Department of Treasury Board and Finance work with departments to implement leading banking practices and evaluate the benefits of existing bank accounts compared to the costs of administering them, and make changes where the costs exceed the benefits.</p>	February 2016, no. 11, p. 85	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT: <b>Improve policies for payments</b></p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>periodically analyze payment data to identify non-compliance with policies and seek opportunities for improvements</li> <li>ensure that cost recoveries between government entities consider costs and benefits, and a transaction threshold</li> </ul>	February 2016, no. 12, p. 86	NOT READY
<p>DEPARTMENT RESULTS ANALYSIS REPORTING: <b>Guidance, training and monitoring needed</b></p> <p>We recommend that the Department of Treasury Board and Finance, working with the Deputy Ministers' Council, improve:</p> <ul style="list-style-type: none"> <li>the guidance and training for ministry management to identify, analyze and report on results in ministry annual reports</li> <li>processes to monitor ministry compliance with results analysis reporting standards</li> </ul>	July 2014, no. 1, p. 18	READY
<p>DEPARTMENT DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS: <b>Policies designed to achieve plan objectives</b></p> <p>We recommend that the Department of Treasury Board and Finance set standards for the public sector pension plan boards to establish funding and benefit policies with:</p> <ul style="list-style-type: none"> <li>tolerances for the cost and funding components</li> <li>alignment between plan objectives and benefit, investment and funding policies</li> <li>predefined responses when tolerances are exceeded or objectives are not met</li> </ul>	February 2014, no. 1, p. 24	NOT READY
<p>DEPARTMENT DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS: <b>Risk management system</b></p> <p>We recommend that the Department of Treasury Board and Finance establish an Alberta public sector pension plan risk management system to support the minister in fulfilling his responsibilities for those plans.</p>	February 2014, no. 2, p. 26	NOT READY
<p>DEPARTMENT DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS: <b>Sustainability support processes</b></p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>validate the objectives for the pension plan sustainability review with stakeholders</li> <li>evaluate and report on how each proposed change meets the objectives for the review</li> <li>cost and stress test all proposed changes to assess the likely and possible future impacts on Alberta's public sector pension plans</li> <li>conduct or obtain further analysis of the impact of proposed pension plan design changes on employee attraction and retention</li> <li>prepare a detailed implementation plan for the changes</li> </ul>	February 2014, no. 3, p. 28	NOT READY

WHAT	WHEN	STATUS
<p>DEPARTMENT ANALYZING PERFORMANCE:</p> <p><b>Improve ministry annual report processes</b></p> <p>We recommend that the Department of Treasury Board and Finance work with ministries to improve annual report:</p> <ul style="list-style-type: none"> <li>• preparation processes for identifying significant performance measure variances and developing explanations for these variances for reporting</li> <li>• approval processes, including senior management sign off of a summary of the year's performance measure variances and significant variance assessments</li> </ul>	<p>July 2012, no. 10, p. 65</p>	<p>READY</p>
<p>DEPARTMENT ANALYZING PERFORMANCE:</p> <p><b>Improve performance measure reporting guidance and standards</b></p> <p>We recommend that the Department of Treasury Board and Finance improve its guidance for:</p> <ul style="list-style-type: none"> <li>• performance measure target setting</li> <li>• variance identification</li> <li>• significant performance measure variance assessments and annual report explanation development</li> <li>• preparing the results analysis</li> </ul>	<p>July 2012, no. 11, p. 67</p>	<p>READY</p>









# Summary Report of Recommendations

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November 2018



## November 2018 Report: Summary of Recommendations

This summary lists recommendations by ministry, including the respective reporting entities. Each recommendation notes its status, based on management informing us that either:

- the recommendation is still being implemented and is not ready for a follow-up audit, or
- the recommendation has been implemented and is ready for a follow-up audit

As of November 2018, there are 150 recommendations: 138 outstanding recommendations and 12 new ones, summarized by department as follows:

Department	As at November 2018				Ready / Not Ready <sup>†</sup>	Implemented <sup>††</sup>
	New Recommendations	Outstanding Recommendations		Total		
		More than 3 Years	Less than 3 Years			
Advanced Education	1	4	9	14	3 / 11	1
Agriculture and Forestry	2	–	4	6	0 / 6	1
Children’s Services	–	1	3	4	0 / 4	–
Community and Social Services	–	1	3	4	3 / 1	–
Culture and Tourism	–	–	1	1	0 / 1	–
Economic Development and Trade	1	–	–	1	0 / 1	1
Education <sup>†††</sup>	1	3	10	14	2 / 12	1
Energy	2	6	7	15	9 / 6	–
Environment and Parks	1	13	4	18	1 / 17	2
Executive Council	–	1	–	1	0 / 1	–
Health	–	17	10	27	4 / 23	2
Human Services	–	–	–	–	0 / 0	–
Indigenous Relations	–	2	1	3	3 / 0	–
Infrastructure	–	–	6	6	0 / 6	–
Justice and Solicitor General	–	5	6	11	7 / 4	2
Labour	1	–	–	1	0 / 1	2
Legislative Assembly Offices	–	–	–	–	0 / 0	–
Municipal Affairs	–	1	1	2	0 / 2	3
Seniors and Housing	–	1	–	1	0 / 1	2
Service Alberta	3	3	1	7	2 / 5	1
Status of Women	–	–	–	–	0 / 0	–
Transportation	–	1	–	1	0 / 1	–
Treasury Board and Finance	–	7	6	13	5 / 8	6
Total Outstanding						
Ready for Follow-up Audit	–	27	12	39		
Not Ready for Follow-up Audit	12	39	60	111		
Total	12	66	72	150		24

**Notes:**

<sup>†</sup> Recommendations listed as "Not Ready" include new recommendations.

<sup>††</sup> Recommendations implemented since October 2017.

<sup>†††</sup> The numbers for Education include two recommendations made to the Northland School Division.





## Alberta Advanced Education

	WHAT	WHEN	STATUS
<b>Total Recommendations</b>	DEPARTMENT COLLABORATIVE INITIATIVES AMONG POST-SECONDARY INSTITUTIONS: <b>Develop strategic plan and accountability framework</b>	Repeated October 2017, Performance Auditing, p. 37  Originally reported July 2013, no. 6, p. 48	NOT READY
<b>1</b> New Recommendation	We again recommend that the Department of Advanced Education, working with institutions: <ul style="list-style-type: none"> <li>• develop and communicate a strategic plan that clearly defines the minister's expected outcomes for Campus Alberta, initiatives to achieve those outcomes, the resources required and sources of funding</li> <li>• develop relevant performance measures and targets to assess if the outcomes are being achieved</li> <li>• publicly report results and the costs associated with collaborative initiatives</li> <li>• review and clarify the accountability structure for governing collaborative initiatives</li> </ul>		
<b>13</b> Outstanding Recommendations			
<b>4</b> Outstanding Recommendations Older than 3 Years	DEPARTMENT COLLABORATIVE INITIATIVES AMONG POST-SECONDARY INSTITUTIONS: <b>Develop processes and guidance to plan, implement and govern collaborative projects</b>	Repeated October 2017, Performance Auditing, p. 40  Originally reported July 2013, no. 7, p. 51	NOT READY
<b>3</b> READY for Follow-up Audit	We again recommend that the Department of Advanced Education, working with institutions, develop systems and guidance for institutions to follow effective project management processes for collaborative initiatives.		
<b>11</b> NOT READY for Follow-up Audit	DEPARTMENT ENTERPRISE RISK-MANAGEMENT FRAMEWORK: <b>Implement enterprise risk management framework</b>	Repeated October 2017, Financial Statement Auditing, p. 13  Originally reported October 2015, no. 15, p. 124	NOT READY
	We again recommend that the Department of Advanced Education implement an integrated enterprise risk management framework to identify and mitigate relevant risks.		
	DEPARTMENT TRAVEL, MEAL, AND HOSPITALITY EXPENSES OF THE PREMIER, MINISTERS, ASSOCIATE MINISTERS, AND THEIR STAFF: <b>Improve review of travel, meal and hospitality expenses</b>	May 2017, no. 4, p. 56	READY
	We recommend that the Department of Advanced Education improve its review processes for travel, meal and hospitality expenses.		

	WHAT	WHEN	STATUS
<div>Alberta Advanced Education</div>	<div>DEPARTMENT FOR-PROFIT AND COST RECOVERY VENTURES AT POST-SECONDARY INSTITUTIONS: <b>Document and communicate expectations and guidelines</b></div> <p>We recommend that the Department of Advanced Education:</p> <ul style="list-style-type: none"><li>• document its expectations in terms of desired results and risk management for institutions participating in for-profit and cost recovery ventures</li><li>• establish approved guidelines for cost recovery ventures, to support best practices and align with the department's expectations</li><li>• update and approve for-profit venture guidelines to support best practices and align with the department's expectations</li><li>• develop a process to communicate the department's expectations and guidelines to all institutions</li></ul>	October 2015, no. 1, p. 25	NOT READY
	<div>DEPARTMENT FOR-PROFIT AND COST RECOVERY VENTURES AT POST-SECONDARY INSTITUTIONS: <b>Improve department's oversight of institution's risk assessment of ventures</b></div> <p>We recommend that the Department of Advanced Education improve its oversight processes to ensure that boards of governors oversee management's assessment of the risks associated with for-profit and cost recovery ventures by:</p> <ul style="list-style-type: none"><li>• tailoring board training to examine these ventures</li><li>• maintaining relevant documentation of the institution's risk assessment and venture approval requests</li><li>• requiring the institution to comply with the department's expectations and guidelines</li><li>• requiring the institution to report on venture results on an ongoing basis</li><li>• providing effective feedback and ongoing guidance to the boards</li></ul>	October 2015, no. 2, p. 27	NOT READY

## Post-secondary Institutions: Summary of Recommendations

Institution	More than 3 Years <sup>1</sup>	Less than 3 Years	Total	Ready / Not Ready
Alberta College of Art + Design	–	1	1	1 / 0
Athabasca University	1	–	1	1 / 0
Bow Valley College	–	–	–	0 / 0
Grande Prairie Regional College	–	–	–	0 / 0
Keyano College <sup>2</sup>	1	1	2	0 / 2
Lakeland College	–	–	–	0 / 0
Lethbridge College	–	–	–	0 / 0
MacEwan University	–	1	1	0 / 1
Medicine Hat College	–	–	–	0 / 0
Mount Royal University	–	–	–	0 / 0
NorQuest College	–	–	–	0 / 0
Northern Alberta Institute of Technology	–	–	–	0 / 0
Northern Lakes College	–	1	1	0 / 1
Olds College	–	1	1	0 / 1
Portage College	–	–	–	0 / 0
Red Deer College	–	–	–	0 / 0
Southern Alberta Institute of Technology	–	–	–	0 / 0
University of Alberta	–	–	–	0 / 0
University of Calgary	–	1	1	0 / 1
University of Lethbridge	–	–	–	0 / 0
<b>Total</b>	<b>2</b>	<b>6</b>	<b>8</b>	
Ready for Follow-up Audit <sup>3</sup>	1	1	2	
Not Ready for Follow-up Audit	1	5	6	
<b>Total</b>	<b>2</b>	<b>6</b>	<b>8</b>	

### Notes:


<sup>1</sup> Originally issued in the March 2015 and earlier reports

<sup>2</sup> Includes recommendation to improve financial reporting process

<sup>3</sup> Based on management representations to August 31, 2018

	WHAT	WHEN	STATUS
Alberta Advanced Education			
Alberta College of Art + Design	<p><b>REPORT ON POST-SECONDARY INSTITUTIONS: Consistently enforce purchasing procedures</b></p> <p>We recommend that the Alberta College of Art + Design enforce consistent compliance with its purchasing procedures.</p>	February 2018, p. 33	READY
Athabasca University	<p><b>POST-SECONDARY INSTITUTIONS REPORT CARD: Improve procedures to monitor and report access and security violations</b></p> <p>We again recommend that Athabasca University formalize its access and security monitoring procedures to:</p> <ul style="list-style-type: none"> <li>• detect and assess security threats to critical information systems</li> <li>• report access and security violations to senior management</li> <li>• identify and resolve the root causes of security threats and violations</li> </ul>	<p>Repeated October 2016, no. 10, p. 67</p> <p>Originally reported October 2013, no. 8, p. 95.</p>	READY
Keyano College	<p><b>POST-SECONDARY INSTITUTIONS REPORT CARD: Improve financial reporting processes</b></p> <p>We again recommend that Keyano College improve its financial reporting by:</p> <ul style="list-style-type: none"> <li>• training staff on Canadian Public Sector Accounting Standards</li> <li>• improving its monitoring and reviewing process to ensure that financial information is accurate</li> </ul>	<p>Repeated November 2018, Financial Statement Auditing, p. 19</p> <p>Originally reported February 2016, no. 13, p. 102</p>	NOT READY
Keyano College	<p><b>POST-SECONDARY INSTITUTIONS REPORT CARD: Improve systems to ensure compliance with legislation<sup>†</sup></b></p> <p>We again recommend that Keyano College implement systems to:</p> <ul style="list-style-type: none"> <li>• understand what legislation they must comply with</li> <li>• develop appropriate policies, procedures and controls to ensure compliance with legislation</li> <li>• monitor and report non-compliance to senior management and the audit committees</li> </ul> <p><sup>†</sup>As a result of our assessment, we made this common recommendation to all colleges and universities as part of our original audit in February 2013, and then followed up in October 2013, February 2014, February 2016, October 2016, and May 2017.</p>	<p>Repeated November 2018, Financial Statement Auditing, p. 20</p> <p>Repeated May 2017, no. 8, p. 86</p> <p>Originally reported February 2013, no. 7, p. 60</p>	NOT READY
MacEwan University	<p><b>REPORT ON POST-SECONDARY INSTITUTIONS: Strengthen controls supporting key financial and business processes</b></p> <p>We recommend that MacEwan University improve its processes for management to regularly communicate to the board of governors and its committees the adequacy and operating effectiveness of the university's internal control environment.</p>	February 2018, p. 36	NOT READY




	WHAT	WHEN	STATUS
 Alberta Advanced Education	<b>REPORT ON POST-SECONDARY INSTITUTIONS:</b> <b>Promptly remove system user access of terminated employees</b> We recommend that Northern Lakes College consistently apply procedures to promptly remove terminated employees' system user access.	February 2018, p. 37	NOT READY
	<b>REPORT ON POST-SECONDARY INSTITUTIONS:</b> <b>Improve access controls to information systems</b> We recommend that Olds College strengthen its information systems access controls, to ensure it: <ul style="list-style-type: none"> <li>• promptly removes system access privileges when staff or contractors leave the college</li> <li>• discontinues the practice of leaving accounts open for email access after staff are terminated</li> </ul>	February 2016, no. 15, p. 105	NOT READY
	<b>REPORT ON POST-SECONDARY INSTITUTIONS:</b> <b>Improve internal controls program to mitigate key financial risks</b> We recommend that the University of Calgary improve the design and effectiveness of its internal controls program to mitigate key financial risks.	November 2018, Financial Statement Auditing, p. 17	NEW





# Alberta Agriculture and Forestry

	WHAT	WHEN	STATUS
<b>Total Recommendations</b>	<p><b>DEPARTMENT WILDFIRE MANAGEMENT: PROCESSES FOR PREVENTION AND REVIEW AND IMPROVEMENT:</b>  <b>Ensure processes are in place to evaluate and report on wildfire prevention programs</b></p> <p>We recommend that the Department of Agriculture and Forestry:</p> <ul style="list-style-type: none"> <li>publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk</li> <li>ensure there are processes in place to measure, monitor and report on the results and effectiveness of the various activities set out in the forest areas' annual wildfire prevention plans</li> </ul>	November 2018, Performance Auditing, p. 9	NEW
<b>New Recommendations</b>			
<b>Outstanding Recommendations</b>			
<b>Outstanding Recommendations Older than 3 Years</b>	<p><b>DEPARTMENT WILDFIRE MANAGEMENT: PROCESSES FOR PREVENTION AND REVIEW AND IMPROVEMENT:</b>  <b>Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews</b></p> <p>We recommend that the Department of Agriculture and Forestry:</p> <ul style="list-style-type: none"> <li>comply with its established business rules for internal results reporting for the review and improvement program</li> <li>establish and monitor implementation timelines for recommendations and opportunities for improvement from independent external reviews and publicly report implementation progress against these</li> </ul>	November 2018, Performance Auditing, p. 12	NEW
<b>READY for Follow-up Audit</b>			
<b>NOT READY for Follow-up Audit</b>	<p><b>AGRICULTURE AND FORESTRY AND AGRICULTURE FINANCIAL SERVICES CORPORATION</b>  <b>SYSTEMS TO MANAGE THE LENDING PROGRAM:</b>  <b>Define oversight responsibilities</b></p> <p>We recommend that the Department of Agriculture and Forestry and the board of directors of the Agriculture Financial Services Corporation clearly define the oversight responsibilities of both parties for the lending program.</p> <p><b>AGRICULTURE FINANCIAL SERVICES CORPORATION</b>  <b>SYSTEMS TO MANAGE THE LENDING PROGRAM:</b>  <b>Define strategic objectives, articulate sector credit needs and re-evaluate the relevance of the lending program</b></p> <p>We recommend that the Agriculture Financial Services Corporation:</p> <ul style="list-style-type: none"> <li>clearly define the strategic objectives of the lending program; these objectives should be consistent with AFSC's legislative mandate</li> <li>clearly articulate the credit needs of the agriculture sector in Alberta, which should drive its lending activities</li> <li>develop a process to periodically re-evaluate the relevance of the lending products it offers to ensure they continue to be relevant</li> </ul>	October 2016, no. 2, p. 25	NOT READY
		October 2016, no. 1, p. 23	NOT READY

	WHAT	WHEN	STATUS
<div>Agriculture and Forestry</div>	<p>AGRICULTURE FINANCIAL SERVICES CORPORATION SYSTEMS TO MANAGE THE LENDING PROGRAM:</p> <p><b>Develop a funding model and costing system</b></p> <p>We recommend that the Agriculture Financial Services Corporation:</p> <ul style="list-style-type: none"><li>• develop a product-specific government funding model</li><li>• develop a costing system capable of allocating, tracking and reporting product-specific costs</li></ul>	October 2016, no. 3, p. 29	NOT READY
	<p>AGRICULTURE FINANCIAL SERVICES CORPORATION SYSTEMS TO MANAGE THE LENDING PROGRAM:</p> <p><b>Monitor the performance of the loan portfolio</b></p> <p>We recommend that the Agriculture Financial Services Corporation set up an independent function to monitor the performance of the loan portfolio.</p>	October 2016, no. 4, p. 29	NOT READY



## Alberta Children's Services

	WHAT	WHEN	STATUS
<b>Total Recommendations</b>	<p>DEPARTMENT SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA: <b>Enhance early support services</b></p> <p>We recommend that the Department of Children's Services:</p> <ul style="list-style-type: none"> <li>enhance its processes so that they include the needs of Indigenous children and families in the design and delivery of its early support services</li> <li>report to the public regularly on the effectiveness of early support services</li> </ul>	July 2016, no. 1, p. 13	NOT READY
<b>New Recommendations</b>			
<b>Outstanding Recommendations</b>	<p>DEPARTMENT SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA: <b>Ensure a child-centred approach</b></p> <p>We recommend that the Department of Children's Services improve its systems to:</p> <ul style="list-style-type: none"> <li>ensure the care plan for each Indigenous child requiring intervention services is adhered to and meets the standards of care the department sets for all children in Alberta</li> <li>analyze the results of services to Indigenous children and report to the public regularly on its progress in achieving planned results</li> </ul>	July 2016, no. 2, p. 17	NOT READY
<b>Outstanding Recommendation Older than 3 Years</b> <b>READY for Follow-up Audit</b>			
<b>NOT READY for Follow-up Audit</b>	<p>DEPARTMENT SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA: <b>Strengthen intercultural understanding</b></p> <p>We recommend that the Department of Children's Services continue to enhance its staff training of the history and culture of Indigenous peoples, as well as its training of intercultural understanding. The department should seek the expertise of Indigenous leaders and communities when developing the training.</p> <p>DEPARTMENT USER ACCESS CONTROL: <b>Improve access control processes</b></p> <p>We recommend that the Department of Children's Services improve access control processes for all its information systems to ensure:</p> <ul style="list-style-type: none"> <li>user access to application systems and data is properly authorized</li> <li>user access is disabled promptly when employees leave their employment or role</li> </ul>	<p>July 2016, no. 3, p. 24</p> <p>October 2014, no. 18, p. 151</p>	NOT READY





## Alberta Community and Social Services

	WHAT	WHEN	STATUS
<b>4</b> Total Recommendations	<p><b>DEPARTMENT</b> SYSTEMS TO MANAGE THE ASSURED INCOME FOR THE SEVERELY HANDICAPPED (AISH) PROGRAM: <b>Improve program accessibility</b></p> <p>We recommend that the Department of Community and Social Services ensure its application processes are user friendly.</p>	October 2016, no. 5, p. 35	READY
<b>0</b> New Recommendations			
<b>4</b> Outstanding Recommendations	<p><b>DEPARTMENT</b> SYSTEMS TO MANAGE THE AISH PROGRAM: <b>Set service standards and improve eligibility procedures and guidelines</b></p> <p>We recommend that the Department of Community and Social Services:</p> <ul style="list-style-type: none"> <li>• set service standards for application processing times and regularly monitor against these standards</li> <li>• improve procedures and guidelines to ensure staff apply policy in a consistent manner</li> </ul>	October 2016, no. 6, p. 38	READY
<b>1</b> Outstanding Recommendation Older than 3 Years			
<b>3</b> <b>READY</b> for Follow-up Audit	<p><b>DEPARTMENT</b> SYSTEMS TO MANAGE THE AISH PROGRAM: <b>Improve reporting on efficiency</b></p> <p>We recommend that the Department of Community and Social Services improve its processes to measure, monitor and report on the efficiency of the AISH program.</p>	October 2016, no. 7, p. 42	READY
<b>1</b> <b>NOT READY</b> for Follow-up Audit	<p><b>DEPARTMENT</b> USER ACCESS CONTROL: <b>Improve access control processes</b></p> <p>We recommend that the Department of Community and Social Services improve access control processes for all its information systems, to ensure:</p> <ul style="list-style-type: none"> <li>• user access to application systems and data is properly authorized</li> <li>• user access is disabled promptly when employees leave their employment or role</li> </ul>	October 2014, no. 18, p. 151	NOT READY







## Alberta Culture and Tourism

	WHAT	WHEN	STATUS
DEPARTMENT FUNDING TO SUPPORT THE FILM AND TELEVISION SECTOR: <b>Improve controls over administration of the Alberta Production Grant (APG) program</b>	<p>We recommend that the Department of Culture and Tourism improve its controls over administration of the APG program by:</p> <ul style="list-style-type: none"><li>• defining and documenting clear, easy-to-understand criteria for Alberta eligible expense; and communicating them to stakeholders</li><li>• using a risk based approach when selecting grant files to audit</li><li>• establishing an appropriate mechanism to facilitate a timely recovery of funds</li></ul>	October 2017, Financial Statement Auditing, p. 37	NOT READY
<div>1</div> <div>Total Recommendations</div>			
<div>0</div> <div>New Recommendations</div>			
<div>1</div> <div>Outstanding Recommendation</div>			
<div>0</div> <div>Outstanding Recommendations Older than 3 Years</div>			
<div>0</div> <div>READY for Follow-up Audit</div>			
<div>1</div> <div>NOT READY for Follow-up Audit</div>			





## Alberta Economic Development and Trade


	WHAT	WHEN	STATUS
Total Recommendations	ALBERTA INNOVATES STRENGTHEN ACCESS CONTROLS AND SEGREGATE INCOMPATIBLE DUTIES: <b>Improve financial reporting system controls</b>	November 2018, Financial Statement Auditing, p. 45	NEW
New Recommendation	We recommend that Alberta Innovates improve user access controls and segregate incompatible duties within the financial reporting system.		
Outstanding Recommendations			
Outstanding Recommendations Older than 3 Years			
READY for Follow-up Audit			
NOT READY for Follow-up Audit			






## Alberta Education

	WHAT	WHEN	STATUS
<b>14</b> Total Recommendations	<b>DEPARTMENT MONITORING SCHOOL JURISDICTIONS' ACCUMULATED OPERATING RESERVES:</b> <b>Improve monitoring, assessing, and reporting processes on school jurisdictions' accumulated reserve balances</b>	November 2018, Financial Statement Auditing, p. 53	NEW
<b>1</b> New Recommendation	We recommend that the Department of Education improve its processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves.		
<b>13</b> Outstanding Recommendations	<b>DEPARTMENT PROCESSES TO MANAGE THE STUDENT CLASS SIZE INITIATIVE:</b> <b>Develop an action plan and improve monitoring and reporting processes</b>	February 2018, p. 47	NOT READY
<b>3</b> Outstanding Recommendations Older than 3 Years	We recommend that, if the Department of Education continues the Class Size initiative, the Department develop an action plan and improve processes to regularly monitor and report on the initiative.		
<b>2</b> <b>READY</b> for Follow-up Audit	<b>DEPARTMENT ENTERPRISE RISK MANAGEMENT PROCESSES:</b> <b>Implement an enterprise risk management process</b>	October 2017, Financial Statement Auditing, p. 50	READY
<b>12</b> <b>NOT READY</b> for Follow-up Audit	We recommend that the Department of Education implement an enterprise risk management process.  <b>DEPARTMENT AND ALBERTA INFRASTRUCTURE EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b> <b>Clarify roles and responsibilities</b>	April 2016, no. 1, p. 9	NOT READY
	We recommend that the Department of Education improve its oversight of the school-building program by: <ul style="list-style-type: none"> <li>• working with the Department of Infrastructure to clarify the roles and responsibilities of each department and establishing supporting policies and procedures</li> <li>• developing clear decision making authorities for the program</li> </ul>		
	<b>DEPARTMENT AND ALBERTA INFRASTRUCTURE EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM:</b> <b>Improve the planning and approval process</b>	April 2016, no. 2, p. 12	NOT READY
	We recommend that the Department of Education improve project approvals for new schools and modernizations by: <ul style="list-style-type: none"> <li>• implementing a gated approval process</li> <li>• identifying the approval gates, required deliverables and responsibilities for completion of the deliverables</li> </ul>		

STATUS	WHEN	WHAT	Alberta Education
NOT READY	April 2016, no. 3, p. 13	<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Improve systems to manage and control projects</b></p> <p>We recommend that the Department of Education improve its systems to manage and control school capital projects by:</p> <ul style="list-style-type: none"> <li>• agreeing on project expectations promptly with school jurisdictions and Infrastructure, including scope, budget and key milestones</li> <li>• developing and implementing change management policies and procedures</li> </ul>	 <p>Alberta Education</p>
NOT READY	April 2016, no. 4, p. 14	<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Improve systems to manage and control projects</b></p> <p>We recommend that the departments of Education and Infrastructure improve the planning process by:</p> <ul style="list-style-type: none"> <li>• identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors</li> <li>• basing oversight of projects managed by school jurisdictions on risk</li> </ul>	
NOT READY	April 2016, no. 6, p. 16	<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE EDUCATION INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Improve reporting systems and controls</b></p> <p>We recommend that the Department of Education define and report on the key performance indicators of the school-building program.</p>	
NOT READY	April 2016, no. 7, p. 16	<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Improve reporting systems and controls</b></p> <p>We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:</p> <ul style="list-style-type: none"> <li>• defining reporting requirements, including measures to assess project performance</li> <li>• using a common reporting system that specifies where information will be retained, who will update it and how it will be updated</li> </ul>	
NOT READY	April 2016, no. 8, p. 19	<p>DEPARTMENT AND ALBERTA INFRASTRUCTURE EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Match capital funding to project progress</b></p> <p>We recommend that the Department of Education improve its cash flow forecasting systems and ensure capital funding requests are supported by assumptions tied to project progress.</p>	

ALBERTA EDUCATION	WHAT	WHEN	STATUS
<div></div> <div>DEPARTMENT AND ALBERTA INFRASTRUCTURE EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Submit revised plan for approval</b></div>	<p>We recommend if Treasury Board adjusts the Department of Education’s funding request, the Department of Education should submit its revised school-building program plan to the Treasury Board for approval. The revised plan should align with the approved funding and should clearly identify the impact on project progress.</p>	April 2016, no. 9, p. 19	NOT READY
	<div>DEPARTMENT</div> <div>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</div> <div><b>Oversight by the department</b></div> <p>We recommend that the Department of Education exercise oversight of Northland School Division by ensuring:</p> <ul style="list-style-type: none"><li>• the division develops and executes an operational plan to improve student attendance</li><li>• the operational plan identifies the resources needed and how results will be measured, reported and analyzed</li></ul>	March 2015, no. 2, p. 23	NOT READY
	<div>NORTHLAND SCHOOL DIVISION NO. 61</div> <div>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</div> <div><b>Develop plan to improve student attendance</b></div> <p>We recommend that Northland School Division develop an operational plan with short- and long-term targets to improve student attendance. The operational plan should include:</p> <ul style="list-style-type: none"><li>• measurable results and responsibilities</li><li>• a prioritized list of student-centred strategies, initiatives and programs</li><li>• documentation of the costs and resources required to action the strategies, initiatives and programs</li><li>• a specific timeline for implementation</li><li>• reporting on progress and accountability for improved attendance results</li></ul>	March 2015, no. 1, p. 23	READY
	<div>NORTHLAND SCHOOL DIVISION NO. 61</div> <div>SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</div> <div><b>Monitor and enforce student attendance</b></div> <p>We recommend that Northland School Division improve its guidance and procedures for schools to:</p> <ul style="list-style-type: none"><li>• consistently record and monitor student attendance</li><li>• benchmark acceptable attendance levels</li><li>• manage and follow up on non-attendance</li></ul>	March 2015, no. 3, p. 30	NOT READY









## Alberta Energy

	WHAT	WHEN	STATUS
<b>15</b> Total Recommendations	<p><b>DEPARTMENT USER ACCESS CONTROLS:</b> <b>Improve controls over access to key business systems</b></p> <p>We recommend that the Department of Energy document conflicting roles within its key business systems and ensure appropriate controls are in place where conflicting roles are identified.</p>	October 2016, no. 16, p. 99	NOT READY
<b>2</b> New Recommendations	<p><b>DEPARTMENT SYSTEMS TO MANAGE ROYALTY REDUCTION PROGRAMS:</b> <b>Evaluate and report on royalty reduction program objectives</b></p> <p>We recommend that the Department of Energy annually evaluate and report whether the department's royalty reduction programs achieve their objectives.</p>	February 2016, no. 1, p. 18	READY
<b>13</b> Outstanding Recommendations	<p><b>ALBERTA ENERGY REGULATOR SYSTEMS TO ENSURE SUFFICIENT FINANCIAL SECURITY FOR LAND DISTURBANCES FROM MINING:</b> <b>Improve program monitoring</b></p> <p>We recommend that the Alberta Energy Regulator, as part of its enterprise risk assessment process, develop and execute on a risk-based plan for its Mine Financial Security Program monitoring activities to ensure it is carrying out the appropriate amount of verification.</p>	July 2015, no. 3, p. 31	READY
<b>6</b> Outstanding Recommendations Older than 3 Years	<p><b>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA:</b> <b>Use risk management activities to make informed decisions</b></p> <p>We recommend that the Alberta Energy Regulator use its risk management activities to make informed decisions on allocating resources and determine the nature and extent of activities to oversee pipelines.</p>	March 2015, no. 4, p. 46	READY
<b>9</b> <b>READY</b> for Follow-up Audit	<p><b>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA:</b> <b>Formalize training program for core pipeline staff</b></p> <p>We recommend that the Alberta Energy Regulator complete a skills gap analysis and formalize a training program for its core pipeline staff.</p>	March 2015, no. 5, p. 46	READY
<b>6</b> <b>NOT READY</b> for Follow-up Audit	<p><b>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA:</b> <b>Identify performance measures and targets</b></p> <p>We recommend that the Alberta Energy Regulator identify suitable performance measures and targets for pipeline operations, assess the results obtained against those measures and targets, and use what it learns to continue improving pipeline performance.</p>	March 2015, no. 6, p. 51	READY

	WHAT	WHEN	STATUS
 <p>Alberta Energy</p>	<p>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA: <b>Review pipeline incident factors</b></p> <p>We recommend that the Alberta Energy Regulator:</p> <ul style="list-style-type: none"> <li>• expand its analysis of pipeline incident contributing factors beyond the primary causes</li> <li>• promptly share lessons learned from its investigations with industry and operators</li> </ul>	<p>March 2015, no. 7, p. 53</p>	<p>READY</p>
	<p>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA: <b>Assess current pipeline information</b></p> <p>We recommend that the Alberta Energy Regulator complete an assessment of its current pipeline information needs to support effective decision making, and determine the type and extent of data it should collect from pipeline operators, through a proactive, risk-based submission process.</p>	<p>March 2015, no. 8, p. 56</p>	<p>READY</p>
	<p>ALBERTA ENERGY REGULATOR SYSTEMS TO REGULATE PIPELINE SAFETY AND RELIABILITY IN ALBERTA: <b>Implement risk-based compliance process</b></p> <p>We recommend that the Alberta Energy Regulator implement a cost effective risk-based compliance process to evaluate the adequacy and effectiveness of pipeline operators' integrity management programs, and safety and loss management systems.</p>	<p>March 2015, no. 9, p. 59</p>	<p>READY</p>
	<p>ALBERTA PETROLEUM MARKETING COMMISSION OFFICE OF THE AUDITOR GENERAL OF ALBERTA—NOVEMBER 2018: <b>Improve controls over the cash-flow model</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission implement stronger access and change-management control procedures to ensure access and changes to the financial model are working in a controlled and consistent manner.</p>	<p>November 2018, Financial Statement Auditing, p. 69</p>	<p>NEW</p>
	<p>ALBERTA PETROLEUM MARKETING COMMISSION OFFICE OF THE AUDITOR GENERAL OF ALBERTA—NOVEMBER 2018: <b>Improve controls over the cash-flow model</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission improve its method for supporting, updating, and documenting assumptions and key judgements applied to its model analysis.</p>	<p>November 2018, Financial Statement Auditing, p. 69</p>	<p>NEW</p>


	WHAT	WHEN	STATUS
 <b>Alberta Energy</b>	<p>ALBERTA PETROLEUM MARKETING COMMISSION APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Develop processes for risk management and staff capacity, and ensure board oversight</b></p> <p>We recommend that:</p> <ul style="list-style-type: none"> <li>The Alberta Petroleum Marketing Commission develop and document effective processes for managing risk and for ensuring the commission has sufficient expertise to manage its business arrangements</li> <li>The board of directors exercise oversight by ensuring the Alberta Petroleum Marketing Commission has these processes in place</li> </ul>	February 2018, p. 74	READY
	<p>ALBERTA PETROLEUM MARKETING COMMISSION APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Improve reporting to Albertans</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission prepare a business plan and an annual report that are made publicly available to Albertans. The APMC must be able to demonstrate it has given appropriate consideration to the nature and extent of information it will share with Albertans.</p>	February 2018, p. 79	NOT READY
	<p>ALBERTA PETROLEUM MARKETING COMMISSION APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Establish performance measures and targets</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission develop performance measures, set targets and compare results against planned performance.</p>	February 2018, p. 79	NOT READY
	<p>ALBERTA PETROLEUM MARKETING COMMISSION APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Complete a lessons learned analysis</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission complete an analysis of the lessons learned from its significant agreements, at a point in time when the commission deems it useful to do so.</p>	February 2018, p. 79	NOT READY






## Alberta Environment and Parks

	WHAT	WHEN	STATUS
<b>Total Recommendations</b>	DEPARTMENT SYSTEMS TO MANAGE AND REPORT ON THE OIL SANDS MONITORING PROGRAM: <b>Improve annual reporting process</b>	November 2018, Performance Auditing, p. 7	NEW
<b>1</b>	We recommend that the Department of Environment and Parks, working with Environment and Climate Change Canada, improve processes to ensure the annual report on the oil sands monitoring program is complete, accurate, clear, and timely.		
<b>17</b>	DEPARTMENT DESIGN OF SYSTEMS TO MANAGE THE CLIMATE LEADERSHIP PLAN AND ADAPTATION: <b>Develop and use an implementation plan, improve quality of the monitoring data and report on the total cost</b>	February 2018, p. 102	NOT READY
<b>13</b>	We recommend that the Department of Environment and Parks:		
<b>1</b>	<ul style="list-style-type: none"> <li>develop and use comprehensive implementation plans for the Climate Leadership Plan and for each of its programs</li> <li>implement efficient processes to sufficiently reduce the risk that the data used to monitor and report on progress is not accurate or complete</li> <li>provide clear and complete reporting on the expected and actual costs of programs and the Climate Leadership Plan overall</li> </ul>		
<b>17</b>	DEPARTMENT CLIMATE CHANGE: <b>Outsourced service providers</b>	Repeated May 2017, no. 5, p. 62  Originally reported October 2009, p. 49	NOT READY
	We again recommend that the Department of Environment and Parks obtain assurance that data hosted or processed by its provider of registry services is accurate, complete and secure.		
	DEPARTMENT REPORT OF THE AUDITOR GENERAL OF ALBERTA—OCTOBER 2016: <b>Improve capital asset monitoring and recording processes</b>	October 2016, no. 17, p. 104	NOT READY
	We recommend that the Department of Environment and Parks improve its processes for monitoring and recording dam and water management structure assets by:		
	<ul style="list-style-type: none"> <li>reconciling the Environment Infrastructure Management System with the asset management accounting system so that the assets listed in one reasonably correspond to those in the other</li> <li>completing a comprehensive analysis of assets to verify existence, completeness and valuation in order to maintain reliable accounting records</li> <li>applying criteria to decide when to write down an asset, and documenting the assessment of such decisions</li> </ul>		

Alberta Environment and Parks	WHAT	WHEN	STATUS
 <p>Alberta Environment and Parks</p>	<p><b>DEPARTMENT</b>  <b>MANAGING ALBERTA'S WATER ACT PARTNERSHIPS AND REGULATORY ACTIVITIES:</b>  <b>Monitor wetland restoration</b></p> <p>We again recommend that the Department of Environment and Parks formalize its wetland restoration relationships and control procedures.</p>	<p>Repeated October 2015, no. 6, p. 45</p> <p>Originally reported April 2010, no. 6, p. 71</p>	NOT READY
	<p><b>DEPARTMENT</b>  <b>SYSTEMS TO MANAGE GRAZING LEASES:</b>  <b>Clarify objectives, benefits and relevant performance measures</b></p> <p>We recommend that the Department of Environment and Parks define and communicate the environmental, social and economic objectives it expects grazing leases should provide all Albertans as well as relevant performance measures to monitor and ensure those objectives are met.</p>	<p>July 2015, no. 1, p. 20</p>	NOT READY
	<p><b>DEPARTMENT</b>  <b>SYSTEMS TO ENSURE SUFFICIENT FINANCIAL SECURITY FOR LAND DISTURBANCES FROM MINING:</b>  <b>Improve program design</b></p> <p>We recommend that the Department of Environment and Parks, as part of its regular review of the Mine Financial Security Program:</p> <ul style="list-style-type: none"> <li>analyze and conclude on whether changes to the asset calculation are necessary due to overestimation of asset values in the methodology</li> <li>demonstrate that it has appropriately analyzed and concluded on the potential impacts of inappropriately extended mine life in the calculation</li> </ul>	<p>July 2015, no. 2, p. 29</p>	NOT READY
	<p><b>DEPARTMENT</b>  <b>SYSTEMS TO MANAGE THE SPECIFIED GAS EMITTERS REGULATION:</b>  <b>Clarify SGE Regulation guidance documents</b></p> <p>We recommend for a third time that the Department of Environment and Parks clarify the guidance it provides to facilities, verifiers, offset project developers and offset protocol developers, to ensure they consistently follow its requirements to achieve the Alberta government's emission reduction targets.</p>	<p>Repeated July 2015, no. 4, p. 43, and</p> <p>Repeated November 2011, no. 1, p. 17</p> <p>Originally reported October 2009, no. 4, p. 46</p>	NOT READY
	<p><b>DEPARTMENT</b>  <b>SYSTEMS TO MANAGE THE SPECIFIED GAS EMITTERS REGULATION:</b>  <b>Ensure offset protocols meet new standard and improve transparency</b></p> <p>We again recommend that the Department of Environment and Parks implement processes to ensure that all approved protocols adhere to its protocol development standard.</p>	<p>Repeated July 2015, no. 5, p. 46</p> <p>Originally reported November 2011, no. 2, p. 23</p>	NOT READY

Alberta Environment and Parks	WHAT	WHEN	STATUS
<div>DEPARTMENT FLOOD MITIGATION SYSTEMS:</div> <div>Update flood hazard maps and mapping guidelines</div> <div>We recommend that the Department of Environment and Parks improve its processes to identify flood hazards by:<ul style="list-style-type: none"><li>mapping flood areas that are not currently mapped but are at risk of flooding communities</li><li>updating and maintaining its flood hazard maps</li><li>updating its flood hazard mapping guidelines</li></ul></div>		March 2015, no. 10, p. 76	NOT READY
	<div>DEPARTMENT FLOOD MITIGATION SYSTEMS:</div> <div>Assess risk to support mitigation policies and spending</div> <div>We recommend that the Department of Environment and Parks conduct risk assessments to support flood mitigation decisions.</div>	March 2015, no. 11, p. 78	NOT READY
	<div>DEPARTMENT FLOOD MITIGATION SYSTEMS:</div> <div>Designate flood hazard areas and complete floodway development regulation</div> <div>To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that the:<ul style="list-style-type: none"><li>Department of Environment and Parks identify flood hazard areas for designation by the minister</li><li>Department of Municipal Affairs:<ul style="list-style-type: none"><li>establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas</li><li>put in place processes to enforce the regulatory requirements</li></ul></li></ul></div>	March 2015, no. 12, p. 80	NOT READY
	<div>DEPARTMENT FLOOD MITIGATION SYSTEMS:</div> <div>Assess effects of flood mitigation actions</div> <div>We recommend that the Department of Environment and Parks establish processes to assess what will be the cumulative effect of flood mitigation actions in communities when approving new projects and initiatives.</div>	March 2015, no. 13, p. 82	NOT READY
	<div>DEPARTMENT SYSTEMS TO REGULATE DAM SAFETY:</div> <div>Develop plan to regulate dams</div> <div>We recommend that the Department of Environment and Parks develop a plan to regulate dams and report on the results of its regulatory activities.</div>	March 2015, no. 14, p. 90	NOT READY

	WHAT	WHEN	STATUS
 <p>Alberta Environment and Parks</p>	<p>DEPARTMENT SYSTEMS TO REGULATE DAM SAFETY: <b>Improve dam regulatory activities</b></p> <p>We recommend that the Department of Environment and Parks improve its dam regulatory activities by:</p> <ul style="list-style-type: none"> <li>• maintaining a reliable registry of dams</li> <li>• obtaining sufficient information to assess the risk and consequences of dam failure</li> <li>• retaining evidence of regulatory activities performed</li> <li>• following up to ensure that owners correct deficiencies or manage them until they are corrected</li> </ul>	March 2015, no. 15, p. 92	NOT READY
	<p>DEPARTMENT SAND AND GRAVEL: <b>Enforcement of reclamation obligations</b></p> <p>We again recommend that the Department of Environment and Parks improve processes for inspecting aggregate holdings on public land and enforcing land reclamation requirements.</p>	<p>Repeated July 2014, no. 4, p. 51</p> <p>Originally reported October 2008, no. 40, p. 360</p>	NOT READY
	<p>DEPARTMENT SAND AND GRAVEL: <b>Quantity of aggregate removed</b></p> <p>We again recommend that the Department of Environment and Parks develop systems to verify quantities of aggregate reported as removed by industry from public lands so that all revenue due to the Crown can be assessed and recorded in the financial statements.</p>	<p>Repeated July 2014, no. 5, p. 52</p> <p>Originally reported October 2008, p. 364</p>	READY
	<p>DEPARTMENT SAND AND GRAVEL: <b>Flat fee security deposit</b></p> <p>We recommend that the Department of Environment and Parks assess the sufficiency of security deposits collected under agreements to complete reclamation requirements.</p>	October 2008, no. 41, p. 362	NOT READY





## Executive Council

	WHAT	WHEN	STATUS
	<p><b>CONTRACTING PROCESSES FOLLOW-UP:</b>  <b>Improve contracting processes</b></p> <p>We again recommend that the Department of Executive Council improve its contracting processes by documenting:</p> <ul style="list-style-type: none"> <li>the rationale for contracting services and selecting vendors when entering into sole-sourced contracts</li> <li>its assessment of whether proposed contract rates are reasonable, and ensuring contracts are authorized and in place before contracted services are received</li> </ul>	<p>October 2016, no. 8, p. 55</p> <p>Originally reported October 2014, no. 10, p. 62</p>	NOT READY
<p><b>1</b></p> <p>Total Recommendations</p>			
<p><b>0</b></p> <p>New Recommendations</p>			
<p><b>1</b></p> <p>Outstanding Recommendation</p>			
<p><b>1</b></p> <p>Outstanding Recommendation Older than 3 Years</p>			
<p><b>0</b></p> <p><b>READY</b> for Follow-up Audit</p>			
<p><b>1</b></p> <p><b>NOT READY</b> for Follow-up Audit</p>			





## Alberta Health


	WHAT	WHEN	STATUS
<b>Total Recommendations</b> <b>27</b>	<b>DEPARTMENT PURE NORTH GRANTS:</b> <b>Improve conflict of interest processes</b> We recommend that the Department of Health improve its conflict of interest processes by: <ul style="list-style-type: none"> <li>improving the supplementary code to clearly outline the disclosure requirements of the deputy minister</li> <li>centrally managing conflicts in the department to ensure adherence to the conflict of interest policies</li> <li>providing advice to department staff on conflict of interest matters when necessary</li> </ul>	February 2018, p. 111	NOT READY
<b>New Recommendations</b> <b>0</b>			
<b>Outstanding Recommendations</b> <b>27</b>			
<b>Outstanding Recommendations Older than 3 Years</b> <b>READY for Follow-up Audit</b> <b>17</b>	<b>DEPARTMENT PRIMARY CARE NETWORKS:</b> <b>Evaluate PCN effectiveness</b> We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with the PCNs and PCN physicians to: <ul style="list-style-type: none"> <li>agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets</li> <li>develop a formal action plan for public reporting of PCN program performance</li> </ul>	October 2017, Performance Auditing, p. 79	NOT READY
<b>NOT READY for Follow-up Audit</b> <b>23</b>	<b>DEPARTMENT PRIMARY CARE NETWORKS:</b> <b>Informing Albertans about PCN services</b> We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with PCNs and PCN physicians to: <ul style="list-style-type: none"> <li>require PCN physicians to complete the established patient attachment process, and set appropriate timelines for completing this process</li> <li>agree on the best approaches for engaging Albertans as active participants in their own care, and explaining the PCN services available to help them achieve their health goals</li> </ul>	October 2017, Performance Auditing, p. 84	NOT READY
	<b>DEPARTMENT HEALTHCARE PROCESSES:</b> <b>Establish a proactive check to ensure that individuals with an Alberta healthcare number continue to meet residency requirements</b> We recommend that the Department of Health improve its processes by establishing a proactive check to ensure that individuals who have been issued an Alberta healthcare number continue to meet the residency requirements specified in the <i>Alberta Health Care Insurance Act</i> and Regulation.	October 2015, no. 12, p. 101	NOT READY

Alberta Health	WHAT	WHEN	STATUS
	<b>DEPARTMENT HEALTHCARE PROCESSES:</b> <b>Enhance processes to check for receipt of services for which physicians billed</b> <p>We recommend that the Department of Health enhance the processes it uses to check whether:</p> <ul style="list-style-type: none"> <li>patients received the medical services for which physicians billed the department</li> <li>payments are being made in accordance with the provisions of the <i>Alberta Health Care Insurance Act</i></li> </ul>	October 2015, no. 13, p. 102	NOT READY
	<b>DEPARTMENT SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:</b> <b>Use action plan and progress reporting to implement strategy</b> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> <li>use an action plan to implement the strategy for mental health and addictions</li> <li>monitor and regularly report on implementation progress</li> </ul>	July 2015, no. 6, p. 63	NOT READY
	<b>DEPARTMENT CROWN'S RIGHT OF RECOVERY OF HEALTHCARE COSTS FROM MOTOR VEHICLE ACCIDENTS:</b> <b>Clarify objectives of collecting revenue and prepare supporting rationale</b> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> <li>publicly articulate its objectives in setting the aggregate assessment</li> <li>report the extent to which the aggregate assessment recovers the department's calculation of healthcare costs caused by motor vehicle accidents</li> </ul> <p>We also recommend that the Department of Health obtain additional information to demonstrate that the amount proposed for the aggregate assessment is the appropriate amount that should be charged given the competing objectives.</p>	October 2014, no. 3, p. 37	READY
	<b>DEPARTMENT CROWN'S RIGHT OF RECOVERY OF HEALTHCARE COSTS FROM MOTOR VEHICLE ACCIDENTS:</b> <b>Calculating the aggregate assessment</b> <p>We recommend that the Department of Health review the methodology it uses in the calculation of the aggregate assessment and put a process in place to periodically check whether the estimate calculated is a reasonable approximation of the Crown's associated healthcare costs.</p>	October 2014, no. 4, p. 38	READY
	<b>DEPARTMENT SENIORS CARE IN LONG-TERM CARE FACILITIES:</b> <b>Oversight at the provincial level</b> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> <li>clearly define and separate its role and responsibilities from those of AHS in monitoring and managing long-term care service delivery</li> <li>improve public reporting on what results the provincial long-term care system is expected to achieve and whether it is achieving them</li> <li>finish the review of the continuing care health service standards</li> <li>implement a mechanism for timely analysis and action on the accommodation cost data</li> </ul>	October 2014, no. 13, p. 91	READY


Alberta Health	WHAT	WHEN	STATUS
<div>DEPARTMENT CHRONIC DISEASE MANAGEMENT:</div> <div>Improve delivery of chronic disease management services</div>	<p>We recommend that the Department of Health improve the delivery of chronic disease management services in the province by:</p> <ul style="list-style-type: none"><li>defining the care services it expects physicians, Primary Care Networks and Alberta Health Services to provide to individuals with chronic disease</li><li>requesting family physicians to deliver comprehensive team-based care to their patients with chronic disease, through a Primary Care Network or appropriate alternative</li><li>establishing processes to assess the volumes, costs and, most importantly, the results of chronic disease management services delivered by the healthcare providers it funds</li><li>facilitating secure sharing of patients' healthcare information among authorized providers</li><li>strengthening its support for advancing chronic disease management services, particularly among family physicians where the need for better systems and information is most critical</li></ul>	September 2014, no. 1, p. 11	NOT READY
<div>DEPARTMENT CHRONIC DISEASE MANAGEMENT:</div> <div>Improve delivery of pharmacist care plan initiative</div>	<p>We recommend that the Department of Health improve the delivery of its pharmacist care plan initiative by:</p> <ul style="list-style-type: none"><li>establishing a formal process to ensure pharmacists integrate their care plan advice with the care being provided by a patient's family physician and care team</li><li>strengthening claims administration and oversight, including requiring pharmacists to submit diagnostic information showing patients qualify for a care plan, and making care plans subject to audit verification by Alberta Blue Cross</li><li>setting expectations and targets for pharmacists' involvement in care plans and evaluating the effectiveness of their involvement on an ongoing basis</li></ul>	September 2014, no. 7, p. 32	NOT READY
<div>DEPARTMENT CHRONIC DISEASE MANAGEMENT:</div> <div>Strengthen electronic medical records systems</div>	<p>We recommend that the Department of Health strengthen support to family physicians and care teams in implementing electronic medical record systems capable of:</p> <ul style="list-style-type: none"><li>identifying patient-physician relationships and each patient's main health conditions and risk factors</li><li>tracking patient care plans and alerting physicians and care teams when medical services are due, and health goals or clinical targets are not met</li><li>appropriately and securely sharing patient health information between authorized healthcare providers</li><li>reporting key activity and outcome information for selected patient groups (e.g., diabetics) as the basis for continuous quality improvement</li></ul>	September 2014, no. 8, p. 37	NOT READY

Alberta Health	WHAT	WHEN	STATUS
 Alberta Health	<p><b>DEPARTMENT CHRONIC DISEASE MANAGEMENT:</b>  <b>Provide individuals access to their personal health information</b></p> <p>We recommend that the Department of Health provide individuals with chronic disease access to the following personal health information:</p> <ul style="list-style-type: none"> <li>• their medical history, such as physician visits, medications and test results</li> <li>• their care plan, showing recommended tests, diagnostic procedures and medications, including milestone dates and targets set out in the plan</li> </ul>	September 2014, no. 9, p. 41	NOT READY
	<p><b>DEPARTMENT ELECTRONIC HEALTH RECORDS:</b>  <b>User access management</b></p> <p>We recommend that the Department of Health ensure that its user access management policies are followed and that user access to health information is removed when access privileges are no longer required.</p>	October 2009, p. 80	
	<p><b>ALBERTA HEALTH AND ALBERTA HEALTH SERVICES CHRONIC DISEASE MANAGEMENT:</b>  <b>Improve support of patient-physician relationships</b></p> <p>We recommend that the Department of Health improve its support of patient-physician relationships by:</p> <ul style="list-style-type: none"> <li>• requesting all family physicians establish a process to identify their patient panels and which of those patients have chronic disease, and providing them with healthcare data to help them do so</li> <li>• determining what it considers to be an effective care team size and composition, and working with family physicians, Primary Care Networks and other providers to help build teams to this level</li> </ul> <p>We recommend that Alberta Health Services identify individuals with chronic disease who do not have a family physician and actively manage their care until they can be linked with a family physician.</p>	September 2014, no. 2 & 3, p. 18	
	<p><b>ALBERTA HEALTH AND ALBERTA HEALTH SERVICES CHRONIC DISEASE MANAGEMENT:</b>  <b>Improve physician care plan initiative</b></p> <p>We recommend that the Department of Health improve its physician care plan initiative by:</p> <ul style="list-style-type: none"> <li>• defining its expectations for what care plans should contain and how they should be managed by physicians and care teams</li> <li>• setting targets for care plan coverage and evaluating the effectiveness of care plans on an ongoing basis</li> <li>• strengthening care plan administration by ensuring that claims identify qualifying diagnoses, and that care plan billings by individual physicians are reasonable</li> </ul> <p>We recommend that Alberta Health Services coordinate its services to patients with chronic disease with the care plans developed by family physicians and care teams.</p>	September 2014, no. 5 & 6, p. 26	NOT READY

	WHAT	WHEN	STATUS
 <p>Alberta Health</p>	<p><b>ALBERTA HEALTH SERVICES REPORT OF THE AUDITOR GENERAL OF ALBERTA—NOVEMBER 2018: Fees and charges</b></p> <p>We again recommend that Alberta Health Services:</p> <ul style="list-style-type: none"> <li>reinforce its admissions policies to ensure consistent application</li> <li>review its controls over the processes that generate fees and charges revenue, to ensure they are appropriately designed, consistent across regions and aligned with current policies</li> </ul> <p><b>ALBERTA HEALTH SERVICES DISASTER RECOVERY PLANNING: Develop a detailed plan for implementing risk-based disaster recovery processes</b></p> <p>We recommend that Alberta Health Services develop and follow a comprehensive plan for implementing risk-based disaster recovery processes, including the necessary IT infrastructure.</p>	<p>Repeated November 2018, Financial Statement Auditing, p. 88</p> <p>Originally reported October 2012, no. 25, p. 123.</p>	NOT READY
	<p><b>ALBERTA HEALTH SERVICES SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES: Integrate mental health service delivery and eliminate gaps in service</b></p> <p>We recommend that Alberta Health Services for its own community and hospital mental health and addictions services:</p> <ul style="list-style-type: none"> <li>work with physicians and other non-AHS providers to advance integrated care planning and use of interdisciplinary care teams where appropriate for clients with severe and persistent mental illness who need a comprehensive level of care</li> <li>improve availability of mental health resources at hospital emergency departments</li> <li>improve its system to monitor and ensure community mental health clinics comply with AHS's expectations for treatment planning and case management</li> <li>improve its process to identify and evaluate good operational practices used by local mental health and addictions staff, and deploy the best ones across the province</li> </ul>	<p>July 2015, no. 7, p. 67</p>	NOT READY
	<p><b>ALBERTA HEALTH SERVICES SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES: Improve information management in mental health and addictions</b></p> <p>We recommend that Alberta Health Services make the best use of its current mental health and addictions information systems by:</p> <ul style="list-style-type: none"> <li>providing authorized healthcare workers within all AHS sites access to AHS mental health and addictions clinical information systems</li> <li>strengthening information management support for its mental health treatment outcomes measurement tools</li> </ul>	<p>July 2015, no. 8, p. 75</p>	NOT READY

	WHAT	WHEN	STATUS
 <p>Alberta Health</p>	<p><b>ALBERTA HEALTH SERVICES SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:</b>  <b>Complete assessment and develop wait-list for Albertans who need community housing supports</b></p> <p>We recommend that Alberta Health Services in supporting the work of the cross-ministry housing planning team established under the mandate of the Minister of Seniors:</p> <ul style="list-style-type: none"> <li>• complete its assessment and report on gaps between supply and demand for specialized community housing support services for mental health and addictions in the province</li> <li>• develop a wait-list management system to formally assess the housing support needs of AHS's mental health hospital and community patients and coordinate their placement into specialized community spaces funded by AHS</li> </ul>	<p>July 2015 no. 9, p. 79</p>	<p>NOT READY</p>
	<p><b>ALBERTA HEALTH SERVICES SENIORS CARE IN LONG-TERM CARE FACILITIES:</b>  <b>Monitoring care at the resident level</b></p> <p>We recommend that Alberta Health Services improve the design of its current monitoring activities. AHS should:</p> <ul style="list-style-type: none"> <li>• develop a system to periodically verify that facilities provide residents with an adequate number and level of staff, every day of their operation</li> <li>• develop a system to periodically verify that facilities deliver the right care every day by implementing individual resident care plans and meeting basic needs of residents</li> </ul>	<p>October 2014, no. 11, p. 84</p>	<p>READY</p>
	<p><b>ALBERTA HEALTH SERVICES SENIORS CARE IN LONG-TERM CARE FACILITIES:</b>  <b>Managing performance of long-term care facilities</b></p> <p>We recommend that Alberta Health Services improve its system to monitor and manage performance of long-term care facilities. AHS should:</p> <ul style="list-style-type: none"> <li>• clearly define which program area within AHS is responsible for managing performance of individual facilities</li> <li>• establish a formal mechanism to use all available compliance data to review periodically the overall performance of each facility, and initiate proactive compliance action with facilities based on the level of risk to health and safety of residents</li> <li>• establish a formal mechanism to escalate compliance action for higher risk facilities</li> </ul>	<p>October 2014, no. 12, p. 88</p>	<p>NOT READY</p>



ALBERTA HEALTH	WHAT	WHEN	STATUS
 <p>ALBERTA HEALTH SERVICES CHRONIC DISEASE MANAGEMENT: <b>Improve AHS chronic disease management services</b></p>	<p>We recommend that Alberta Health Services improve its chronic disease management services by:</p> <ul style="list-style-type: none"> <li>• assessing the total demand for chronic disease management services across Alberta</li> <li>• developing evidence to support decisions on how services provided by Alberta Health Services, family physicians, Primary Care Networks and Family Care Clinics should be integrated</li> <li>• setting provincial objectives and standards for its chronic disease management services</li> <li>• establishing systems to measure and report the effectiveness of its chronic disease management services</li> </ul>	<p>September 2014, no. 4, p. 22</p>	<p>NOT READY</p>
<p>ALBERTA HEALTH SERVICES AHS CONTROLS OVER EXPENSE CLAIMS, PURCHASING CARD TRANSACTIONS, AND OTHER TRAVEL EXPENSES: <b>Controls over expenses</b></p>	<p>We recommend that Alberta Health Services tighten its controls over expense claims, purchasing card transactions and other travel expenses by:</p> <ul style="list-style-type: none"> <li>• improving the analysis and documentation that support the business reasons for—and the cost effectiveness of—these expenses</li> <li>• improving education and training of staff on their responsibilities for complying with policies</li> <li>• monitoring expenses and reporting results to the board</li> </ul>	<p>February 2013, no. 1, p. 24</p>	<p>NOT READY</p>





## Alberta Indigenous Relations


	WHAT	WHEN	STATUS
<b>Total Recommendations</b>	DEPARTMENT TRAVEL, MEAL AND HOSPITALITY EXPENSES OF THE PREMIER, MINISTERS AND THEIR STAFF <b>Improve processes for preparing, reviewing and publicly disclosing travel, meal and hospitality expenses</b>	February 2018, p. 125	READY
<b>New Recommendations</b>	We recommend that the Department of Indigenous Relations improve its processes to prepare, review and publicly disclose travel, meal and hospitality expenses.		
<b>Outstanding Recommendations</b>	DEPARTMENT FIRST NATIONS DEVELOPMENT FUND GRANTS: <b>Improve review process</b>	Repeated May 2017, no. 6, p. 66  Originally reported July 2013, no. 2, p. 24	READY
<b>Outstanding Recommendations Older than 3 Years</b>	We again recommend that the Department of Indigenous Relations improve its processes to review and approve grant applications by: <ul style="list-style-type: none"> <li>formalizing the additional review processes it developed for complex grant applications</li> <li>consistently obtaining sufficient information to support its assessment of complex grant applications</li> </ul>		
<b>READY for Follow-up Audit</b>	DEPARTMENT FIRST NATIONS DEVELOPMENT FUND GRANTS: <b>Improve monitoring process</b>	Repeated May 2017, no. 7, p. 69  Originally reported July 2013, no. 3, p. 26	READY
<b>NOT READY for Follow-up Audit</b>	We again recommend that the Department of Indigenous Relations improve its monitoring processes by consistently ensuring First Nations comply with reporting requirements and acting to correct non-compliance with a grant agreement.		






## Alberta Infrastructure

	WHAT	WHEN	STATUS
<b>6</b> Total Recommendations	<p><b>DEPARTMENT OF ALBERTA CAPITAL PLANNING:</b>  <b>Improve capital planning standards and phased approach to capital planning and approval</b></p> <p>We recommend that the Department of Infrastructure improve its capital planning system by:</p> <ul style="list-style-type: none"> <li>• updating its capital planning standards</li> <li>• clarifying the capital planning phases and the planning deliverables required for each phase</li> <li>• verifying if departments have completed the required planning for capital submissions and, if not, reporting this information to government committees</li> </ul>	October 2017, Performance Auditing, p. 20	NOT READY
<b>0</b> New Recommendations			
<b>6</b> Outstanding Recommendations			
<b>0</b> Outstanding Recommendations Older than 3 Years	<p><b>DEPARTMENT OF ALBERTA CAPITAL PLANNING:</b>  <b>Improve maintenance planning systems</b></p> <p>We recommend that the Department of Infrastructure:</p> <ul style="list-style-type: none"> <li>• obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request</li> <li>• analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding</li> </ul>	October 2017, Performance Auditing, p. 23	NOT READY
<b>0</b> <b>READY</b> for Follow-up Audit			
<b>6</b> <b>NOT READY</b> for Follow-up Audit	<p><b>DEPARTMENT OF ALBERTA CAPITAL PLANNING:</b>  <b>Evaluate capital maintenance programs for buildings</b></p> <p>We recommend that the Department of Infrastructure work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well.</p> <p><b>DEPARTMENT OF ALBERTA CAPITAL PLANNING:</b>  <b>Improve systems to manage and control projects</b></p> <p>We recommend that the departments of Education and Infrastructure improve the planning process by:</p> <ul style="list-style-type: none"> <li>• identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors</li> <li>• basing oversight of projects managed by school jurisdictions on risk</li> </ul>	October 2017, Performance Auditing, p. 26	NOT READY
	<p><b>DEPARTMENT OF ALBERTA CAPITAL PLANNING:</b>  <b>Improve systems to manage and control projects</b></p> <p>We recommend that the departments of Education and Infrastructure improve the planning process by:</p> <ul style="list-style-type: none"> <li>• identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors</li> <li>• basing oversight of projects managed by school jurisdictions on risk</li> </ul>	April 2016, no. 4, p. 14	NOT READY
	<p><b>DEPARTMENT OF ALBERTA CAPITAL PLANNING:</b>  <b>Improve systems to manage and control projects</b></p> <p>We recommend that the departments of Education and Infrastructure improve the planning process by:</p> <ul style="list-style-type: none"> <li>• identifying who must review and approve project planning deliverables and formally communicate these approvals to school jurisdictions or the Department of Infrastructure's contractors</li> <li>• basing oversight of projects managed by school jurisdictions on risk</li> </ul>	April 2016, no. 5, p. 16	NOT READY

	WHAT	WHEN	STATUS
<div>Alberta Infrastructure</div> <div>DEPARTMENT EDUCATION &amp; INFRASTRUCTURE—SCHOOL-BUILDING PROGRAM: <b>Improve reporting systems and controls</b></div> <div>We recommend that the departments of Education and Infrastructure improve reporting on the school-building program by:<ul style="list-style-type: none"><li>• defining reporting requirements, including measures to assess project performance</li><li>• using a common reporting system that specifies where information will be retained, who will update it and how it will be updated</li></ul></div>		April 2016, no. 7, p. 16	NOT READY

# Alberta Justice and Solicitor General

	WHAT	WHEN	STATUS
			
<b>11</b> Total Recommendations	DEPARTMENT FUNDING SUSTAINABLE AND COST-EFFECTIVE LEGAL AID SERVICES: <b>Determine the type and scope of services a public legal aid system can sustain</b> We recommend that the Department of Justice and Solicitor General determine, through analysis, the type and scope of services Alberta's publicly funded legal aid system can provide and sustain.	May 2017, no. 1, p. 39	NOT READY
<b>0</b> New Recommendations	DEPARTMENT FUNDING SUSTAINABLE AND COST-EFFECTIVE LEGAL AID SERVICES: <b>Ensure the performance measures in place for legal aid services</b> We recommend that the Department of Justice and Solicitor General ensure there are processes in place to measure, monitor and report on the quality, efficiency and cost-effectiveness of publicly funded legal aid services.	May 2017, no. 2, p. 42	NOT READY
<b>11</b> Outstanding Recommendations	DEPARTMENT FUNDING SUSTAINABLE AND COST-EFFECTIVE LEGAL AID SERVICES: <b>Ensure the performance measures in place for legal aid services</b> We recommend that the Department of Justice and Solicitor General ensure there are processes in place to measure, monitor and report on the quality, efficiency and cost-effectiveness of publicly funded legal aid services.		
<b>5</b> Outstanding Recommendations Older than 3 Years	DEPARTMENT VICTIMS OF CRIME FUND: SYSTEMS TO MANAGE SUSTAINABILITY AND ASSESS RESULTS: <b>Develop and publicly report on a plan for the Victims of Crime Fund program</b> We recommend that the Department of Justice and Solicitor General:	February 2016, no. 5, p. 46	NOT READY
<b>7</b> <b>READY</b> for Follow-up Audit	<ul style="list-style-type: none"> <li>develop and approve a business plan with measurable desired results for the Victims of Crime Fund</li> <li>publicly report on the results of this business plan</li> </ul>		
<b>4</b> <b>NOT READY</b> for Follow-up Audit	DEPARTMENT VICTIMS OF CRIME FUND: SYSTEMS TO MANAGE SUSTAINABILITY AND ASSESS RESULTS: <b>Determine best use of Victims of Crime Fund accumulated surplus</b> We recommend that the Department of Justice and Solicitor General, supported by sufficient analysis, determine an appropriate use of the Victims of Crime Fund accumulated surplus	February 2016, no. 6, p. 49	NOT READY
	DEPARTMENT AND OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE SURPLUS MANAGEMENT AND RESULTS REPORTING: <b>Improve results analysis processes and reporting</b> We recommend that the Public Trustee and Ministry of Justice and Solicitor General improve the performance reporting for the operations of the Public Trustee.	February 2016, no. 4, p. 40	READY
	OFFICE OF THE PUBLIC GUARDIAN & TRUSTEE SURPLUS MANAGEMENT AND RESULTS REPORTING: <b>Determine and manage surplus</b> We recommend that the Public Trustee develop processes to effectively manage the growth and use of the accumulated surplus in the Common Fund.	February 2016, no. 3, p. 36	READY

	WHAT	WHEN	STATUS
 Alberta Justice and Solicitor General	OFFICE OF THE PUBLIC GUARDIAN & TRUSTEE OFFICE OF THE PUBLIC TRUSTEE: <b>Supervisory review of client files</b> We recommend that the Office of the Public Guardian and Trustee improve its file management processes to ensure all client files are subject to adequate supervisory review.	February 2013, no. 2, p. 42	READY
	OFFICE OF THE PUBLIC GUARDIAN & TRUSTEE OFFICE OF THE PUBLIC TRUSTEE: <b>Internal audit role</b> We recommend that the Office of the Public Guardian and Trustee strengthen the role of its internal audit, ensuring it has adequate authority and independence to effectively perform its function.	February 2013, no. 3, p. 42	READY
	OFFICE OF THE PUBLIC GUARDIAN & TRUSTEE OFFICE OF THE PUBLIC TRUSTEE: <b>Improve and follow policies</b> We recommend that the Office of the Public Guardian and Trustee: <ul style="list-style-type: none"> <li>• review and assess whether its policies are appropriate, and procedures are adequate to mitigate the risk that client assets could be misappropriated or otherwise mismanaged</li> <li>• improve its processes for ensuring compliance with policies and procedures</li> </ul>	February 2013, no. 4, p. 45	READY
	OFFICE OF THE PUBLIC GUARDIAN & TRUSTEE OFFICE OF THE PUBLIC TRUSTEE: <b>Segregation of duties</b> We recommend that the Office of the Public Guardian and Trustee strengthen its processes for the approval and payment of client expenses or disbursements.	February 2013, no. 5, p. 47	READY
	OFFICE OF THE PUBLIC GUARDIAN & TRUSTEE OFFICE OF THE PUBLIC TRUSTEE: <b>Documentation</b> We recommend that the Office of the Public Guardian and Trustee improve its processes for ensuring client files are appropriately documented, including adequate documentation of supervisory review and internal audit	February 2013, no. 6, p. 48	READY





## Alberta Labour

WHO	WHAT	WHEN	STATUS
DEPARTMENT SYSTEMS TO UPDATE ALBERTA'S WORKFORCE STRATEGIES: <b>Report on results of workforce strategies</b>  We recommend that the Department of Labour regularly measure and report on the results of its current workforce strategies, including lessons learned.	November 2018, Performance Auditing, p. 8	NEW	
<div>1</div> Total Recommendations			
<div>1</div> New Recommendation			
<div>0</div> Outstanding Recommendations			
<div>0</div> Outstanding Recommendations Older than 3 Years <b>READY</b> for Follow-up Audit			
<div>1</div> <b>NOT READY</b> for Follow-up Audit			





## Alberta Municipal Affairs

WHO	WHAT	WHEN	STATUS
<p><b>2</b> Total Recommendations</p> <p><b>0</b> New Recommendations</p> <p><b>2</b> Outstanding Recommendations</p>	<p><b>DEPARTMENT DISASTER RECOVERY PROGRAM TRANSITION:</b>  <b>Implement a transition plan</b></p> <p>We recommend that the Department of Municipal Affairs implement its transition work plan to improve its disaster recovery program delivery system by:</p> <ul style="list-style-type: none"> <li>obtaining skilled project managers and implementing project management practices that will achieve the objectives outlined in the plan</li> <li>improving project oversight to monitor implementation of the plan to ensure desired results are achieved within an acceptable time frame</li> </ul>	February 2016, no. 7, p. 62	NOT READY
<p><b>1</b> Outstanding Recommendation Older than 3 Years</p> <p><b>0</b> <b>READY</b> for Follow-up Audit</p> <p><b>2</b> <b>NOT READY</b> for Follow-up Audit</p>	<p><b>DEPARTMENT FLOOD MITIGATION SYSTEMS:</b>  <b>Designate flood hazard area and complete floodway development regulation</b></p> <p>To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that:</p> <ul style="list-style-type: none"> <li>the Department of Environment and Parks identify flood hazard areas for designation by the minister</li> <li>the Department of Municipal Affairs:             <ul style="list-style-type: none"> <li>establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas</li> <li>put in place processes to enforce the regulatory requirement</li> </ul> </li> </ul>	March 2015, no. 12, p. 80	NOT READY





## Alberta Seniors and Housing


WHO	WHAT	WHEN	STATUS
<p><b>1</b> Total Recommendations</p> <p><b>0</b> New Recommendations</p> <p><b>1</b> Outstanding Recommendation</p> <p><b>1</b> Outstanding Recommendation Older than 3 Years</p> <p><b>0</b> <b>READY</b> for Follow-up Audit</p> <p><b>1</b> <b>NOT READY</b> for Follow-up Audit</p>	<p><b>DEPARTMENT SENIORS LODGE PROGRAM:</b>  <b>Effectiveness of Seniors Lodge Program</b></p> <p>We again recommend that the Department of Seniors:</p> <ul style="list-style-type: none"> <li>improve the measures it uses to assess the effectiveness of the Seniors Lodge Program and obtain sufficient information periodically to set the minimum disposable income of seniors used as a basis for seniors lodge rent charges</li> <li>improve its processes for identifying the increasing care needs of lodge residents and consider this information in its plans for the Seniors Lodge Program</li> </ul>	<p>Repeated October 2014, no. 20, p. 183</p> <p>Originally reported October 2005, no. 12, p. 66</p>	NOT READY





## Service Alberta

WHO	WHAT	WHEN	STATUS
<b>7</b> Total Recommendations	<b>DEPARTMENT CONTRACT MANAGEMENT PROCESSES:</b> <b>Improve performance measurement processes</b> We recommend that the Department of Service Alberta develop processes to improve its measuring, monitoring, and reporting of the performance of its large and complex contracts.	November 2018, Performance Auditing, p. 5	NEW
<b>3</b> New Recommendations	<b>DEPARTMENT CONTRACT MANAGEMENT PROCESSES:</b> <b>Improve compliance processes</b> We recommend that the Department of Service Alberta develop processes to improve its monitoring and enforcement of contract compliance to ensure that the desired results of the contract are achieved.	November 2018, Performance Auditing, p. 10	NEW
<b>4</b> Outstanding Recommendations	<b>DEPARTMENT SYSTEMS CONTRACT MANAGEMENT PROCESSES:</b> <b>Incorporate lessons learned</b> We recommend that the Department of Service Alberta develop processes to improve its evaluation of contracts and implement risk mitigation strategies and lessons learned where required.	November 2018, Performance Auditing, p. 13	NEW
<b>3</b> Outstanding Recommendations Older than 3 Years <b>READY</b> for Follow-up Audit	<b>DEPARTMENT SYSTEMS CONTRACT MANAGEMENT PROCESSES:</b> <b>Incorporate lessons learned</b> We recommend that the Department of Service Alberta develop processes to improve its evaluation of contracts and implement risk mitigation strategies and lessons learned where required.	May 2017, no. 3, p. 51	NOT READY
<b>2</b> NOT READY for Follow-up Audit	<b>DEPARTMENT SYSTEMS TO MANAGE A COMPREHENSIVE INVENTORY OF INFORMATION TECHNOLOGY APPLICATIONS:</b> <b>Establish a comprehensive inventory system for information technology applications used across government</b> We recommend that the Department of Service Alberta complete its plans to implement a comprehensive inventory system of all IT applications used across government, with supporting processes to maintain the inventory. If required, Service Alberta should seek the necessary authority to complete the project.	October 2014, no. 5, p. 45	READY
<b>5</b> NOT READY for Follow-up Audit	<b>DEPARTMENT IT DISASTER RECOVERY PROGRAM:</b> <b>Improve recovery of critical information technology applications</b> We recommend that the Department of Service Alberta, with support from the Deputy Ministers' Council: <ul style="list-style-type: none"> <li>• identify the most critical IT applications throughout all government entities</li> <li>• identify the times, after a disaster, that critical IT applications must be recovered</li> <li>• ensure that there are tested plans and adequate resources to recover critical IT applications within those times</li> </ul>		

WHO	WHAT	WHEN	STATUS
<div>Service Alberta</div> <div></div>	<div>DEPARTMENT PROTECTING INFORMATION ASSETS FOLLOW-UP: <b>Assess risk and improve oversight</b></div> <div>We recommend that the Department of Service Alberta:<ul style="list-style-type: none"><li>• assess the risks to public information assets throughout the government</li><li>• determine if the government has adequate IT security policies, standards and controls to mitigate risks</li><li>• determine who is responsible and accountable to ensure that public information assets are adequately protected. Specifically:<ul style="list-style-type: none"><li>- who is responsible for monitoring compliance with IT security requirements</li><li>- who is responsible for ensuring or enforcing compliance with security requirements</li><li>- what actions should be taken when non-compliance is identified</li><li>- how is compliance to security requirements demonstrated</li></ul></li></ul></div>	October 2012, no. 11, p. 62	NOT READY
	<div>DEPARTMENT REPORT OF THE AUDITOR GENERAL OF ALBERTA—OCTOBER 2008: <b>System conversion process</b></div> <div>We recommend that the Department of Service Alberta document its review of actual system conversion activities to ensure that they comply with the approved test plan for system conversion and data migration.</div>	October 2008, p. 349	READY





## Alberta Transportation

WHO	WHAT	WHEN	STATUS
<p><b>1</b></p> <p>Total Recommendations</p>	<p>DEPARTMENT COMMERCIAL VEHICLE SAFETY: <b>Progressive sanctions</b></p>	<p>Repeated February 2018, p. 115</p>	<p>NOT READY</p>
<p><b>0</b></p> <p>New Recommendations</p>	<p>We recommend for the third time that the Department of Transportation consistently comply with its policy to take disciplinary and enforcement action against non-compliant carriers.</p>	<p>Repeated July 2014, no. 7, p. 70</p>	
<p><b>1</b></p> <p>Outstanding Recommendation</p>		<p>Originally reported October 2009, no. 14, p. 127</p>	
<p><b>1</b></p> <p>Outstanding Recommendation Older than 3 Years</p>			
<p><b>0</b></p> <p><b>READY</b> for Follow-up Audit</p>			
<p><b>1</b></p> <p><b>NOT READY</b> for Follow-up Audit</p>			






## Alberta Treasury Board and Finance

WHO	WHAT	WHEN	STATUS
<p><b>13</b> Total Recommendations</p>	<p><b>DEPARTMENT</b> <b>PAYMENTS BASED ON AGREEMENT:</b> <b>Apply policies when recommending approval to Treasury Board Committee</b></p> <p>We recommend that the Department of Treasury Board and Finance consistently apply its policies when recommending to Treasury Board Committee to approve a payment based on agreement request.</p>	October 2017, Financial Statement Auditing, p. 134	READY
<p><b>0</b> New Recommendations</p>			
<p><b>13</b> Outstanding Recommendations</p>	<p><b>DEPARTMENT</b> <b>ENTERPRISE RISK MANAGEMENT SYSTEMS:</b> <b>Update and follow enterprise risk management system</b></p> <p>We again recommend that the Department of Treasury Board and Finance update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks.</p>	<p>Repeated October 2017, Financial Statement Auditing, p. 135</p> <p>Originally reported October 2014, no. 22, p. 194</p>	READY
<p><b>7</b> Outstanding Recommendations Older than 3 Years</p>			
<p><b>5</b> READY for Follow-up Audit</p>	<p><b>DEPARTMENT</b> <b>ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</b> <b>Evaluate cash management for efficiency and economy</b></p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>• evaluate how it can use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs, and implement mechanisms to utilize excess liquidity</li> <li>• evaluate the Consolidated Cash Investment Trust Fund and pursue opportunities to increase its use or modify its current structure to ensure it remains a relevant cash management tool</li> </ul>	February 2016, no. 8, p. 77	NOT READY
<p><b>8</b> NOT READY for Follow-up Audit</p>	<p><b>DEPARTMENT</b> <b>ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</b> <b>Develop policies to prevent early payment of grants and an accumulation of large cash balances</b></p> <p>We recommend that the Department of Treasury Board and Finance issue policies and guidance for departments to monitor the working capital needs of government controlled entities to ensure departments only provide cash when needed.</p>	February 2016, no. 9, p. 79	NOT READY
	<p><b>DEPARTMENT</b> <b>ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</b> <b>Implement and use information technology to manage cash</b></p> <p>We recommend that the Department of Treasury Board and Finance implement an integrated treasury management system to manage treasury functions and processes, including government-wide cash pooling and management.</p>	February 2016, no. 10, p. 82	NOT READY

WHO	WHAT	WHEN	STATUS
<b>Alberta Treasury Board and Finance</b> 	<b>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</b> <b>Use leading banking and related practices and evaluate cost benefits of bank accounts</b> <p>We recommend that the Department of Treasury Board and Finance work with departments to implement leading banking practices and evaluate the benefits of existing bank accounts compared to the costs of administering them, and make changes where the costs exceed the benefits.</p>	February 2016, no. 11, p. 85	NOT READY
	<b>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</b> <b>Improve policies for payments</b> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>periodically analyze payment data to identify non-compliance with policies and seek opportunities for improvements</li> <li>ensure that cost recoveries between government entities consider costs and benefits, and a transaction threshold</li> </ul>	February 2016, no. 12, p. 86	NOT READY
	<b>DEPARTMENT RESULTS ANALYSIS REPORTING:</b> <b>Guidance, training and monitoring needed</b> <p>We recommend that the Department of Treasury Board and Finance, working with the Deputy Ministers' Council, improve:</p> <ul style="list-style-type: none"> <li>the guidance and training for ministry management to identify, analyze and report on results in ministry annual reports</li> <li>processes to monitor ministry compliance with results analysis reporting standards</li> </ul>	July 2014, no. 1, p. 18	READY
	<b>DEPARTMENT DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS:</b> <b>Policies designed to achieve plan objectives</b> <p>We recommend that the Department of Treasury Board and Finance set standards for the public sector pension plan boards to establish funding and benefit policies with:</p> <ul style="list-style-type: none"> <li>tolerances for the cost and funding components</li> <li>alignment between plan objectives and benefit, investment and funding policies</li> <li>predefined responses when tolerances are exceeded or objectives are not met</li> </ul>	February 2014, no. 1, p. 24	NOT READY
	<b>DEPARTMENT DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS:</b> <b>Risk management system</b> <p>We recommend that the Department of Treasury Board and Finance establish an Alberta public sector pension plan risk management system to support the minister in fulfilling his responsibilities for those plans.</p>	February 2014, no. 2, p. 26	NOT READY

WHO	WHAT	WHEN	STATUS
 <p>Alberta Treasury Board and Finance</p>	<p><b>DEPARTMENT</b>  <b>DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS:</b>  <b>Sustainability support processes</b></p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>• validate the objectives for the pension plan sustainability review with stakeholders</li> <li>• evaluate and report on how each proposed change meets the objectives for the review</li> <li>• cost and stress test all proposed changes to assess the likely and possible future impacts on Alberta's public sector pension plans</li> <li>• conduct or obtain further analysis of the impact of proposed pension plan design changes on employee attraction and retention</li> <li>• prepare a detailed implementation plan for the changes</li> </ul>	<p>February 2014, no. 3, p. 28</p>	NOT READY
	<p><b>DEPARTMENT</b>  <b>ANALYZING PERFORMANCE:</b>  <b>Improve ministry annual report processes</b></p> <p>We recommend that the Department of Treasury Board and Finance work with ministries to improve annual report:</p> <ul style="list-style-type: none"> <li>• preparation processes for identifying significant performance measure variances and developing explanations for these variances for reporting</li> <li>• approval processes, including senior management sign off of a summary of the year's performance measure variances and significant variance assessments</li> </ul>	<p>July 2012, no. 10, p. 65</p>	READY
	<p><b>DEPARTMENT</b>  <b>ANALYZING PERFORMANCE:</b>  <b>Improve performance measure reporting guidance and standards</b></p> <p>We recommend that the Department of Treasury Board and Finance improve its guidance for:</p> <ul style="list-style-type: none"> <li>• performance measure target setting</li> <li>• variance identification</li> <li>• significant performance measure variance assessments and annual report explanation development</li> <li>• preparing the results analysis</li> </ul>	<p>July 2012, no. 11, p. 67</p>	READY









# Glossary and Acknowledgments

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November 2018

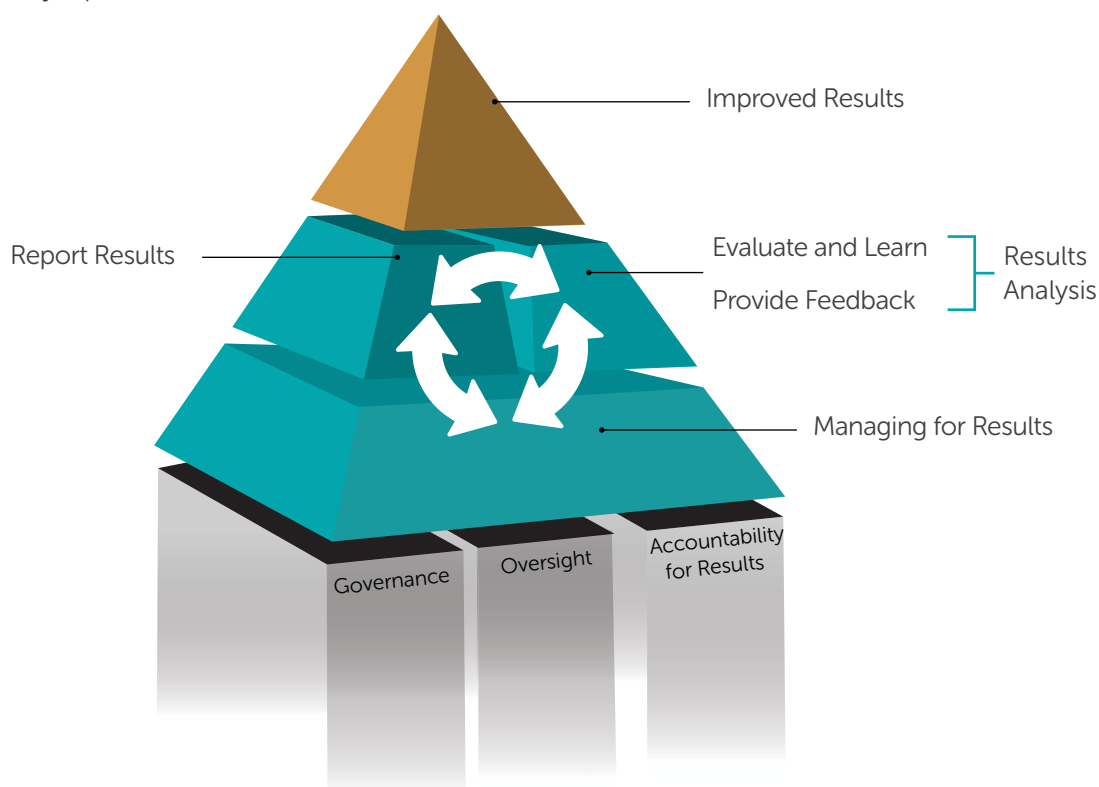


## Glossary

### Accountability for results

The obligation to demonstrate results achieved through the use of public resources in the context of fair and agreed on expectations. To demonstrate value for money for Albertans, all those who use public resources must:

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



### Accrual basis of accounting

A way of recording financial transactions that puts revenues and expenses in the period when they are earned and incurred.

### Adverse auditor's conclusion

An auditor's written statement that the underlying subject matter being audited does not meet the applicable criteria, and that the effect of the deviations are material and pervasive.

### Assurance

An auditor's written conclusion about something audited. Absolute assurance is impossible because of several factors, including the nature of judgment and testing, the inherent limitations of control and the fact that much of the evidence available to an auditor is only persuasive, not conclusive.

### Financial statement audit

Procedures an auditor carries out to evaluate and express a conclusion on the reliability of financial statements.

### Audit

An auditor's examination and verification of evidence to determine whether the subject matter meets applicable criteria, such as whether financial information is reliable, activities or outcomes are in compliance with laws, or that management has effective processes and controls to achieve results or manage risks. The Office carries out financial statement audits and performance audits.

### Auditor

A person who examines and evaluates a specified subject matter against appropriate criteria and provides a conclusion.

### Auditor's conclusion

An auditor's written communication on whether the subject matter audited meets, in all material respects, the criteria that apply to them.

### Auditor's report

An auditor's written communication on the results of an audit.

### Business case

An assessment of a project's financial, social and economic impacts. A business case is a proposal that analyzes the costs, benefits and risks associated with the proposed investment, including reasonable alternatives.

### Capital asset

A long-term asset.

### COBIT

COBIT is a framework that provides good practices for managing IT processes to meet the needs of enterprise management. It bridges the gaps between business risks, technical matters, control needs and performance measurement requirements.

### COSO

Acronym for Committee of Sponsoring Organizations of the Treadway Commission. COSO is a joint initiative of five private sector organizations and is dedicated to the development of frameworks and guidance on risk management, internal control and fraud deterrence.

### CPA Canada

Abbreviation for Chartered Professional Accountants of Canada, the national professional accounting body established to support a unified Canadian accounting profession. It replaced the Canadian Institute of Chartered Accountants (CICA), the Society of Management Accountants of Canada (CMA Canada) and Certified General Accountants of Canada (CGA Canada).

### Criteria

Reasonable and attainable standards of performance and control that auditors use to assess systems or information.

### Cross-ministry

A section of this report covering systems or problems that affect several ministries or the whole government.

### Crown

Government of Alberta.

### Deferred maintenance

Any maintenance work not performed when it should be. Maintenance work should be performed when necessary so that capital assets provide acceptable service over their expected lives.

### Disclaimer of conclusion

An auditor's written communication that they have not been able to obtain sufficient appropriate evidence to support a reliable conclusion on whether the subject matter meets the criteria.

### Enterprise risk management (ERM)

The systems and processes within an organization used to identify and manage risks so it can achieve its goals and objectives. An ERM creates linkages between significant business risks and possible outcomes so that management can make informed decisions. An ERM framework helps organizations identify risks and opportunities, assess them for likelihood and magnitude of impact, and determine and monitor the organization's responses and actions to mitigate risk. A risk-based approach to managing an enterprise includes internal controls and strategic planning.

### Enterprise resource planning (ERP)

ERP integrates and automates all data and processes of an organization into one comprehensive system. ERP may incorporate just a few processes, such as accounting and payroll, or may contain additional functions, such as accounts payable, accounts receivable, purchasing, asset management, and/or other administrative processes. ERP achieves integration by running modules on standardized computer hardware with centralized databases used by all modules.

### Exception

Something that does not meet or is a deviation from criteria.

### Expense

The cost of acquiring or consuming an economic resource.

### IFRS

International Financial Reporting Standards (IFRS) are global accounting standards, adopted by the Accounting Standards Board of the Chartered Professional Accountants of Canada. They are required for government business enterprises for fiscal years beginning on or after January 1, 2011.

### GAAP

Acronym for “generally accepted accounting principles,” which are established by the Chartered Professional Accountants of Canada. GAAP are criteria for financial reporting.

### Governance

A process and structure that brings together capable people and relevant information to achieve cost effective results.

### Government business enterprise

A commercial-type enterprise controlled by government. A government business enterprise primarily sells goods or services to individuals or organizations outside government and is able to sustain its operations and meet its obligations from revenues received from sources outside government.

### Internal audit

A group of auditors within an organization that performs assurance activities to evaluate and improve an organization’s governance, risk management and internal control processes. The group typically reports its findings directly to the deputy minister or governing board. Internal auditors need an unrestricted scope to examine business strategies; internal control systems; risk management practices; compliance with policies, procedures, and legislation; economical and efficient use of resources and effectiveness of operations.

### Internal control

A process designed and implemented to provide reasonable assurance that an organization will achieve its objectives. Management is responsible for an effective internal control system in an organization. The organization’s governing body, in its oversight role, should challenge management to demonstrate that the control system operates as intended. A control system is effective when the governing body and management have reasonable assurance that:

- they understand the effectiveness and efficiency of operations
- internal and external reporting is reliable
- the organization is complying with laws, regulations and internal policies

## Management letter

A letter to management of an entity we have audited, communicating:

1. the scope of our work
2. our findings
3. our recommendation(s) of what the entity should improve
4. the risks if the entity does not implement the recommendation

We also ask the entity to explain specifically how and when it will implement the recommendation(s).

## Material, materiality, significant

Something that makes a difference to decision-makers.

## Misstatement

A misrepresentation of financial information due to error, fraud or other irregularities.

## Outcomes

The results an organization tries to achieve based on its goals.

## Outputs

The goods and services an organization actually delivers to achieve outcomes. They show “how much” or “how many.”

## Oversight

The role of monitoring and evaluating whether an entity or its management have used resources efficiently and effectively to achieve desired results through:

- being vigilant,
- challenging management to demonstrate that processes/systems are working well,
- requiring accountability for results, and
- signalling preferred behaviour, all in the pursuit of desired results.

## Performance audit

To help improve the use of public resources, we audit and recommend improvements to systems designed to achieve value for money. Paragraphs (d) and (e) of Subsection 19(2) of the *Auditor General Act* require us to report every case in which we observe that:

- an accounting system or management control system, including those designed to ensure economy and efficiency, was not in existence, or was inadequate or not complied with, or
- appropriate and reasonable procedures to measure and report on the effectiveness of programs were not established or complied with.

To meet this requirement, we do performance audits. Performance audits are conducted in accordance with the assurance standards established by the Chartered Professional Accountants of Canada. First, we develop criteria (the standards) that a system or procedure should meet. We always discuss our proposed criteria with management and try to gain their agreement that the criteria are appropriate for the audit. Then we design and carry out procedures to gather audit evidence. Next, we compare our evidence to the criteria.

If the audit evidence indicates the entity meets all the criteria, we conclude the system or procedure is meeting its objective. But if the evidence indicates that not all criteria have been met, we have an audit finding that leads us to recommend what the ministry or organization must do to ensure that the system or procedure will meet all the criteria. For example, if we have five criteria and a system meets three of them, the two unmet criteria lead to the recommendation. A performance audit should not be confused with assessing systems with a view to relying on them in an audit of financial statements.

### Performance measure

Indicator of progress in achieving a desired result.

### Performance reporting

Reporting on financial and non-financial performance compared with plans and targets.

### Performance target

The expected result for a performance measure.

### PSAB

Acronym for Public Sector Accounting Board, the body that sets public sector accounting standards.

### PSAS

Acronym for Public Sector Accounting Standards, which are applicable to federal, provincial, territorial and local governments.

### Qualified auditor's conclusion

An auditor's conclusion that the subject matter meets the criteria, except for one or more material but not pervasive exceptions which form the basis for the qualification.

### Recommendation

A solution we—the Office of the Auditor General of Alberta—propose to improve the use of public resources or to improve performance reporting to Albertans.

### Review

Reviews are different from audits in that the scope of a review is less than that of an audit; subsequently, the level of assurance is lower. A review consists primarily of inquiry, analytical procedures and discussion related to information supplied to the reviewer with the objective of assessing whether the information being reported on is plausible in relation to the criteria.

### Risk

Anything that impairs an organization's ability to achieve its goals.



## Sample

A sample is a portion of a population. We use sampling to select items from a population. We perform audit tests on the sample items to obtain evidence and form a conclusion about the population as a whole. We use either statistical or judgmental selection of sample items, and we base our sample size, sample selection and evaluation of sample results on our judgment of risk, the nature of the items in the population and the specific audit objectives for which sampling is being used.

## Systems (accounting)

A set of interrelated accounting processes for revenue, spending, preservation or use of assets and determination of liabilities.

## Systems (management)

A set of interrelated management processes designed to achieve goals economically and efficiently.

## Unqualified auditor's conclusion

An auditor's conclusion that the subject matter audited meets the criteria.

## Value for money

The concept underlying a performance audit is value for money. It is the "bottom line" for the public sector, analogous to profit in the private sector. The greater the value added by a government program, the more effective it is. The fewer resources used to create that value, the more economical or efficient the program is. "Value" in this context means the impact that the program is intended to achieve or promote on conditions such as public health, highway safety, crime, farm incomes, etc. To help improve the use of public resources, we audit and recommend improvements to systems designed to ensure value for money.

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