



# 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>	Repeated October 2017, Financial Statement Auditing, p. 135  Originally reported October 2014, no. 22, p. 194	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>	<p>February 2016, no. 12, p. 86</p>	<p>NOT READY</p>
<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>	<p>July 2014, no. 1, p. 18</p>	<p>READY</p>
<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>	<p>February 2014, no. 1, p. 24</p>	<p>NOT READY</p>
<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>	<p>February 2014, no. 2, p. 26</p>	<p>NOT READY</p>
<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>	<p>February 2014, no. 3, p. 28</p>	<p>NOT READY</p>

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>