



Report of the Auditor General At A Glance

October 2017

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.

The October 2017 reports issued by Auditor General of Alberta Merwan Saher include the 2016–2017 financial statement auditing of all Government of Alberta departments, an overview of the 2016–2017 consolidated statements of the Province of Alberta (released June 2017), two new performance audits and seven follow-up performance audits.

New Performance Audits



Alberta Infrastructure

Alberta Capital Planning

Watch the news conference & read the reports at oag.ab.ca

What you need to know

- Planning for capital—such as health facilities, roads and bridges, and schools—is essential to any long-term strategic planning process. Governments must have well-designed long-term planning processes so that the capital investments they make today will meet the needs of tomorrow.
- The Department of Infrastructure develops, implements and monitors compliance with policies and processes that support the Government of Alberta's capital planning system. Annually, departments give Infrastructure a ranked list of capital projects and programs that they need funded. Infrastructure gives departments' capital planning submissions to government committees.
- Government committees rely on Infrastructure's capital planning system to make significant capital investment decisions with long-term impacts. They make these decisions in an environment with many competing capital priorities.
- Infrastructure needs an effective capital planning system so that it can provide the government committees with appropriate, evidence based information and ensure the committees understand the current and future implications of their capital planning decisions.
- We conducted an audit to determine whether the Department of Infrastructure has an adequate capital planning system to guide departments in identifying and assessing capital needs; confirm that the departments' capital needs align with their long-term program needs and service delivery plans; and make capital investment recommendations to government committees.
- Through our audit we found that between the March 2015 and April 2016 capital plans, the Department of Infrastructure made improvements to the capital planning system. However, Infrastructure needs to further improve its capital planning processes by updating its guidance to departments, clarifying its phased approach to capital planning and approval, and examining maintenance programs and how those programs are funded.
- While several departments have done some long-term program or service delivery planning to support their capital planning submissions, the planning varies in breadth and depth. Without comprehensive long-term plans for strategic program or service delivery, Infrastructure cannot verify that departments' capital needs, which they submit to Infrastructure, align with their long-term program or service delivery plans.



Alberta Gaming and Liquor Commission

Auditor General OF ALBERTA

Our Vision

Making a difference in the lives of Albertans

Our Mission

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

Vendor Access Controls

What you need to know

- The Alberta Gaming and Liquor Commission depends heavily on information technology to deliver video lottery, casino and liquor products and services throughout Alberta.
- The information technology (IT) used by the AGLC is specialized and has to constantly evolve to stay current in the gaming industry. A cost-effective way to keep pace is to contract out some IT services. As a result, the AGLC uses many external IT vendors that require direct access into its gaming systems and corporate network. It is critical for the AGLC to have effective systems to manage its vendor IT support activities.
- A failure with the AGLC's corporate systems from inappropriate use, or a security exposure caused by its external IT vendors, could impact its gaming and liquor business operations and delivery of services to Albertans.
- In 2016, we audited the AGLC's systems to manage its external IT vendors.
- We recommended that the AGLC improve its systems to provide oversight of and monitor its vendors' access to its internal systems.
- Because our findings dealt with IT security matters, reporting on detailed audit findings could have further exposed the AGLC's systems. We therefore did not publicly report the results of the audit.
- In 2017, we performed a follow-up audit and concluded that the AGLC has implemented our recommendation by improving its systems to manage external IT vendors' access to its critical gaming and liquor IT systems.



Follow-up performance audits



Alberta Advanced Education

Collaborative Initiatives Among Alberta's Post-secondary Institutions

What you need to know

- Alberta's 21 public post-secondary institutions spend about \$5.4 billion annually. They contribute to the government's priorities of building a knowledge-based economy and improving the social well-being of Albertans. The government wants these institutions to collaborate in an effort to improve services to students and make the advanced education system more efficient, effective and sustainable.
- In 2002, the government created Campus Alberta—A Policy Framework, designed to formalize and encourage collaborative initiatives among post-secondary institutions.
- We performed an audit in 2013 to determine if the Department of Advanced Education and public post-secondary institutions had adequate systems to plan, govern, implement and sustain the collaborative initiatives among Alberta's institutions.
- In the original audit, we found institutions executed collaborative initiatives with no ministry strategic or business plan for collaboration. Institutions did not understand what the department expected Campus Alberta to achieve or how to achieve it.
- In this follow-up audit, we concluded that the Department of Advanced Education has not implemented our recommendations to work with institutions to:
 - develop and communicate a strategic plan that clearly defines:
 - the minister's expected outcomes for Campus Alberta
 - initiatives required to achieve those outcomes
 - resources and funding needed to carry out the strategic plan
 - develop relevant performance measures and targets to assess if the outcomes are being achieved
 - publicly report results and the cost of achieving them
 - review and clarify the accountability structures for governing collaborative initiatives
 - develop processes and guidance on how to plan, implement and govern collaborative initiatives
- Two current government reviews of post-secondary institutions have delayed implementation of our recommendation. Both reviews plan to be finished in 2017–2018. The department is waiting to see if the results of these reviews will impact its strategic plan on collaboration.
- Collaboration allows post-secondary institutions to share costs, resources and best practices. Alberta's students are not getting the full benefits of collaboration because the department still has no plan for how institutions should work together.



Alberta Agriculture and Forestry, Alberta Health Services and Alberta Health

Food Safety

What you need to know

- Food safety is essential to good public health. To trust that the food they eat is safe, Albertans need to know that effective food safety systems are in place and working at all stages of food production, from meat processing plants to restaurants. To have this assurance, Albertans also need to know that Alberta Health Services (AHS), the Department of Health and the Department of Agriculture and Forestry are co-operating and working together on food safety.
- In our October 2006 public report we made 10 recommendations to improve food safety in Alberta. We followed up and reported on the implementation progress of these recommendations in 2009 and 2013. After the most recent follow-up audit, two of the original 2006 recommendations remained outstanding.
- We conclude that AHS, the Department of Health and the Department of Agriculture and Forestry have achieved the outcomes described in the audit objective:
 - AHS, Health and Agriculture jointly developed an integrated food safety work plan, and senior management from all three entities now work together to improve provincial food safety policies and program delivery through the Food Safety Modernization Committee.
 - Both AHS and Agriculture now publicly report food safety facility inspection results on their websites.
 - AHS and Agriculture now have similar practices to each other for inspecting businesses that both process and sell meat.





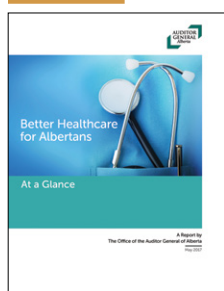
Alberta Energy and Alberta Energy Regulator

IT Security for Industrial Control Systems in Alberta's Oil and Gas Industry

What you need to know

- Alberta's oil and gas industry relies on critical infrastructure to extract and refine its products and safely deliver those products to provincial, national and international markets.
- Industrial control systems (ICS) are a key component of energy operators' efforts to monitor and ensure safe and reliable operations. If these control systems are not secure, they can be misused to cause damage to critical infrastructure—such as oil wells, pipelines and refineries—resulting in harm to Albertans and the environment.
- In 2015, we performed an audit to evaluate if the government should assess the risks to Alberta from unsecured industrial control systems used in provincially regulated oil and gas infrastructure. We made one recommendation to the Alberta Energy Regulator (AER) and the Department of Energy to work together to determine whether a further assessment of threats, risks and impacts to ICS used in provincially regulated oil and gas infrastructure would benefit Alberta.
- In our follow up audit, we concluded that the AER and the Department of Energy have implemented our recommendation by conducting an assessment to understand how the oil and gas industry was managing its ICS security risk and the controls that the operators have implemented to secure the ICS.





**Better Healthcare
for Albertans
A Report by the
Office of the
Auditor General,
May 2017**

Integrated care—or a system of care built around the patient not on administrative needs—has been the stated government policy direction since the 1990s.

Our report *Better Healthcare for Albertans* – issued in May 2017 – is our attempt to use our skills as auditors to help the government better deal with our recommendations over the years – all of which point to integrated healthcare.

By identifying and better understanding the root causes to what is impeding the system from achieving fully integrated care, we can move toward achieving it more rapidly and more effectively.

Read *Better Healthcare for Albertans*
at oag.ab.ca.



Alberta Health and Alberta Health Services

Infection Prevention and Control

What you need to know

- Proper hand hygiene and cleaning of medical devices are vital for protecting patients and healthcare workers. Timely screening and treatment of patients with antibiotic-resistant organisms is key for containing the spread of these micro-organisms. Judicious use of antibiotics is critical for preventing microbes from developing resistance to these medications.
- The Department of Health has overall oversight of IPC, while Alberta Health Services (AHS) is responsible for developing and implementing appropriate processes and systems to manage the risk of infections in hospitals.
- In 2013 we made recommendations on the following:
 - oversight of IPC (department)
 - cleaning, disinfecting and sterilizing medical devices (AHS)
 - prevention and control of antibiotic-resistant organisms (AHS)
 - hand hygiene practices (AHS)
- Both the department and AHS have made significant progress in infection prevention and control by implementing our recommendations. We saw meaningful improvement in key areas.
- The department has strengthened its process to oversee implementation of the Infection Prevention and Control Strategy, including better engagement of AHS and professional regulatory bodies.
- AHS has strengthened its oversight of hand hygiene practices at hospitals, as well as hospital activities related to cleaning, disinfecting and sterilizing medical devices. AHS has also strengthened its systems for managing risk associated with antibiotic-resistant organisms in hospitals.





Alberta Health Services

Non-hospital Contracted Surgical Services

What you need to know

- Surgical services in Alberta can be provided at public hospitals or non-hospital surgical facilities. Most surgical procedures, including all major surgeries, are performed at hospitals, where specialized resources and equipment are available for complex procedures and managing serious complications. However, some other operations may be contracted to non-hospital surgical facilities.
- AHS is responsible for ensuring that all of Alberta's surgical services, including those delivered in contracted facilities, meet AHS requirements. Accordingly, AHS must have systems that monitor and manage surgical performance and patient outcomes in contracted non-hospital surgical facilities.
- Since the initial audit in 2001, we have completed several follow-up audits. Most recently, in 2014, we repeated our recommendation that AHS strengthen its process to monitor the performance of contracted non-hospital surgical facilities.
- We conclude that AHS has implemented our recommendation by establishing an oversight process to monitor the performance of contracted non-hospital surgical facilities and improving its processes to record and analyze performance information for these surgical facilities.







Primary Care Networks

What you need to know

- Effective primary care is the foundation of a high-performing healthcare system. It is critical for preventing acute illness and managing chronic disease. By focusing on health promotion and disease prevention, primary care can help to identify illness at its onset and minimize its severity. Effective primary care can improve health outcomes and reduce the demand on more expensive services such as hospitals, emergency departments and long-term care facilities.
- PCNs comprise groups of family physicians working with other healthcare professionals such as nurses, nurse practitioners, dietitians, pharmacists, social workers and mental health professionals. The department's overarching goal for the PCN program is to help primary care in Alberta transition to a patient medical home model of care, which is the foundation of the Alberta Primary Health Care Strategy released in 2014.
- The PCN program was launched by the Department of Health in 2005. By April 2017, there were 42 PCNs operating across the province. PCNs have approximately 3,800 family physician members and employ over 1,400 full-time equivalent non-physician healthcare providers to deliver primary care services to 3.6 million Albertans. The department expects to pay PCNs a total of \$240 million in 2017–2018 and has provided over \$1.5 billion in direct funding to PCNs since the program began.
- PCNs have increasingly demonstrated their potential to drive improvement in primary care and the healthcare system as a whole. The significance of the PCN program underscores the importance of setting clear objectives and performance measures for the program, and reporting on results achieved.
- In our opinion, the department, AHS and PCNs, collectively, have taken sufficient action since 2012 for us to conclude that our recommendations to improve the systems to manage the PCN program have been implemented.
- However, the healthcare sector's understanding and awareness of how PCNs, and primary care in general, should evolve has also progressed considerably since our original audit. The department, AHS and physicians recognize that more work is needed to fulfill the objectives of the PCN program. To help the program continue to advance, we are providing two new recommendations.
- We are recommending the department, through its leadership role in the new PCN governance framework, work with PCNs and PCN physicians to:
 - agree on performance targets and report publicly on results
 - require PCN physicians confirm their patient panels, and agree on best approaches for engaging Albertans as active participants in their own care and explaining the PCN services available to them.



Alberta Treasury Board and Finance

CEO Selection, Evaluation and Compensation and Executive Compensation

What you need to know

- In 2008 we audited the systems that agencies use to select, evaluate and compensate chief executive officers. Further, an audit we reported in 2009 looked at agencies' compensation not only of the chief executive officers but of other senior executive as well.
- In those audits we found that:
 - government needed to provide guidance to agencies on policies and practices for CEO selection, evaluation and compensation and executive compensation
 - government did not obtain and evaluate information on CEO selection, evaluations and compensation systems to support ministers in holding boards accountable for their decisions
 - agencies' compensation disclosures were incomplete and inconsistent
- In 2016, the *Reform of Agencies, Boards and Commissions Compensation Act* was proclaimed. The first compensation regulation under this act became effective on March 16, 2017 and includes a centralized approach to determining compensation with constraints on base salaries of CEOs; elimination of variable pay for executives; caps on termination benefits; other constraints on benefits.
- The March 2017 compensation regulations cover 23 Alberta agencies. It does not cover post-secondary institutions. The government review of compensation in post-secondary institutions is underway.
- In light of the new legislation, regulation and centralized approach, our 2008 and 2009 recommendations are no longer applicable. We are therefore withdrawing our recommendations.
- In withdrawing our recommendations, we are not concluding on the adequacy of the government's current systems on executive compensation. To form a conclusion on the current systems, we would need to perform a new audit. When planning future audits, we will consider whether such an audit could provide value.



Financial Statement Auditing

2016-2017 Consolidated Financial Statements Audit for the Province of Alberta

What you need to know

- 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, in addition to auditing the financial statements of every ministry, government department, regulated fund and most provincial agencies.
- On June 20, 2017, we issued our unqualified independent Auditor's Report on the 2016–2017 Consolidated Financial Statements for the Province of Alberta. We also 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 government's financial position at its fiscal year-end.



2016–2017 Financial Statement Audits Ministries of the Government of Alberta

What you need to know

- In the 2016–2017 financial statement audits of all ministries, we issued six new recommendations—Culture and Tourism (2), Economic Development and Trade (1), Education (2), Seniors and Housing (1)—and repeated two recommendations to Advanced Education.
- A general observation from the 2016–2017 ministry financial statement audits is a need for improvement in enterprise risk management. While our audits include specific recommendations to Education and Advanced Education on risk management, other new recommendations to Economic Development and Trade, and Treasury Board and Finance also relate to financial controls and mitigation of risks.
- Part of our process in conducting financial statement audits of each department includes considering where we may need to make an in-depth examination either within the financial statement audits, or identifying an area that may merit a performance audit of systems or processes.
- A key matter for which we felt an in-depth examination was necessary in this past year's financial statement audits was related to the Alberta Production Grant program (APG) run by the Department of Culture and Tourism. Through our audit we found that in the administration of this program:
 - unclear guidelines have allowed grant recipients to claim ineligible expenses
 - the department did not use a risk-based approach in its audits of the grant recipients
 - the department continues to fund individuals even when the companies they own or are associated with claim ineligible expenses

Without effective controls over administration of this program, there is an increased risk to the viability of the program and ultimately its ability to contribute to the economic diversification of the province.

For a list of all of the entities we audit, please go to oag.ab.ca







**Auditor
General**
OF ALBERTA

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

Phone: 780.427.4222
Fax: 780.422.9555
Email: info@oag.ab.ca

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