

Economic Development and Trade

SUMMARY

DEPARTMENT

The Department of Economic Development and Trade should improve its financial reporting process —see below.

ALBERTA ENTERPRISE CORPORATION

Alberta Enterprise Corporation should improve its policies and processes to assess and account for impairment losses— see page 86.

INNOVATION¹

There are no new recommendations in this report.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT

Matters from current audits

Financial reporting processes

BACKGROUND

Management of the Department of Economic Development and Trade is responsible for ensuring that the department has effective internal controls and quality review processes in preparing its annual financial reporting. Organizations with weak year-end financial statement preparation processes are likely to experience difficulty preparing timely and accurate periodic financial reports. 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.

RECOMMENDATION 14: IMPROVE FINANCIAL REPORTING PROCESSES

We recommend that the Department of Economic Development and Trade improve its internal controls and quality review processes to ensure prompt preparation of accurate financial reporting.

CRITERIA: THE STANDARDS FOR OUR AUDIT

The department should have efficient and effective processes in place to ensure accurate reporting of its financial information within the timelines mandated for all Government of Alberta ministries.

OUR AUDIT FINDINGS

KEY FINDING

Management did not produce accurate year-end financial reporting within the Government of Alberta's mandated financial reporting timelines.

¹ Innovation in this chapter includes Alberta Innovates corporations (Bio Solutions, Energy and Environment Solutions, and Technology Futures).

We found accounting and presentation errors that were material to the ministry consolidated financial statements. Errors included expenses recorded in the wrong periods, government reorganization and program transfer amounts, related party transactions balances, salary and benefits disclosures, and various other note disclosure items.

Management corrected the financial statements for the errors we identified. However the root cause of the errors was due to weaknesses in financial reporting controls. Management must improve its processes to produce accurate financial reporting by enhancing its quality review and monitoring processes, developing staff proficiency in areas of complex accounting, and improving documentation of accounting processes, transactions and conclusions.

IMPLICATIONS AND RISKS IF RECOMMENDATION NOT IMPLEMENTED

Without effective financial reporting processes, management risks making critical operating decisions based on inaccurate financial information.

Matters from current audits

ALBERTA ENTERPRISE CORPORATION

Improve policies and processes to account for investment impairments

BACKGROUND

Alberta Enterprise Corporation invests in venture capital funds that finance early-stage companies. As of March 31, 2016, the corporation's investments were recorded at \$83.5 million.

Management should record a loss when an investment's fair value declines below cost and when management's analysis indicates that the impairment in value will persist.

RECOMMENDATION 15: ASSESS INVESTMENT IMPAIRMENT LOSSES

We recommend that the Alberta Enterprise Corporation develop and implement policies and procedures to assess investment impairment losses.

CRITERIA: THE STANDARDS FOR OUR AUDIT

The corporation should have policies and procedures to assess investments for impairment.

OUR AUDIT FINDINGS

KEY FINDING

The corporation's policies and processes do not consider when to record an impairment loss on investments.

The corporation does not have a policy specifying when to report an impairment loss on its statement of operations. Further, the corporation does not have documented processes to ensure that management completes impairment assessments consistently and in accordance with accounting standards.

IMPLICATIONS AND RISKS IF RECOMMENDATION NOT IMPLEMENTED

Without adequate policies and processes to identify and account for impairments in investment value, management risks making decisions based on inaccurate financial information.

OUTSTANDING RECOMMENDATIONS

DEPARTMENT

The following recommendations are outstanding and not yet ready for follow-up audits:

Evaluating international offices' performance—March 2015, no. 16, p. 121
(originally October 2008, p. 324)

We again recommend that the Department of Economic Development and Trade improve the processes management uses to evaluate the performance of each international office.

Improve financial reporting processes—October 2016, no. 14, p. 85

We recommend that the Department of Economic Development and Trade improve its internal controls and quality review processes to ensure prompt preparation of accurate financial reporting.

ALBERTA ENTERPRISE CORPORATION

The following recommendation is outstanding and not yet ready for a follow-up audit:

Improve financial reporting processes—October 2016, no. 15, p. 86

We recommend that the Alberta Enterprise Corporation develop and implement policies and procedures to assess investment impairment losses.

ALBERTA INNOVATES—ENERGY AND ENVIRONMENT SOLUTIONS

Management has identified this recommendation as implemented—to be confirmed with a follow-up audit:

Improve financial reporting processes—October 2014, no. 19, p. 159

We recommended that Alberta Innovates—Energy and Environment Solutions:

- improve its processes to identify contributions that funders have restricted
- ensure it has incurred eligible expenses before recording the same amount of contributions as revenue in financial statements

