

Energy

SUMMARY

DEPARTMENT

Matter from the current audit

There are no new recommendations to the Department of Energy in this report.

Matters from the prior audits

We followed up two outstanding recommendations and determined that the Department of Energy has implemented them—see below.

FINDINGS AND RECOMMENDATIONS

DEPARTMENT

Matters from prior audits

Improve financial reporting process—implemented

Our audit findings

Last year¹ we recommended that the department improve its financial reporting processes. We identified many errors and inconsistencies in the financial statements due to insufficient understanding by program areas on how to develop financial reporting estimates and ineffective review by the finance area.

The department implemented our recommendation. The finance area designed and introduced standard procedures to assist program areas in developing estimates for financial reporting. These procedures were tested early in the year to ensure they would be effective for year end. We also noted that the department has developed effective processes to review the financial statements and supporting working papers to ensure accuracy and completeness before they are presented for audit.

Improve controls to ensure consistent application of methodology used to calculate bitumen royalty estimates—implemented

Our audit findings

In 2011² we made a recommendation to the department to improve its processes to estimate bitumen royalty revenue. We repeated this recommendation in 2012,³ as our audit work continued to identify a significant number of errors in the bitumen royalty estimate.

The department implemented our recommendation to improve controls to ensure consistent application of methodology used to calculate bitumen royalty estimates. This year we noted that the department has developed complete documentation on items that impact the bitumen estimates. The program areas also improved their communication with the finance team, which resulted in accurate bitumen royalty estimates. Our audit procedures did not identify any significant errors in bitumen royalty estimates this year.

¹ *Report of the Auditor General of Alberta—October 2014*, no. 15, page 125.

² *Report of the Auditor General of Alberta—November 2011*, no. 13, page 89.

³ *Report of the Auditor General of Alberta—October 2012*, no. 15, page 97.

OUTSTANDING RECOMMENDATIONS

DEPARTMENT

There are no outstanding recommendations to the Department of Energy.

ALBERTA ENERGY REGULATOR

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

Systems to regulate pipeline safety and reliability in Alberta: Use risk management activities to make informed decisions—March 2015, no. 4, p. 46

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.

Systems to regulate pipeline safety and reliability in Alberta: Formalize training program for core pipelines staff—March 2015, no. 5, p. 46

We recommend that the Alberta Energy Regulator complete a skills gap analysis and formalize a training program for its core pipeline staff

Systems to regulate pipeline safety and reliability in Alberta: Identify performance measures and targets—March 2015, no. 6, p. 51

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.

Systems to regulate pipeline safety and reliability in Alberta: Review pipeline incident factors—March 2015, no. 7, p. 53

We recommend that the Alberta Energy Regulator:

- expand its analysis of pipeline incident contributing factors beyond the primary causes
- promptly share lessons learned from its investigations with industry and operators

Systems to regulate pipeline safety and reliability in Alberta: Assess current pipeline information—March 2015, no. 8, p. 56

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.

Systems to regulate pipeline safety and reliability in Alberta: Implement risk-based compliance process—March 2015, no. 9, p. 59

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.

Systems to ensure sufficient financial security for land disturbances from mining:

Improve program monitoring—July 2015, no. 3, p. 31

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.