

NEWS RELEASE

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Auditor General issues annual fall report on government finances and followups of previous audits

Edmonton, Alberta, Canada ... Auditor General Doug Wylie presented his annual fall report to the Legislative Assembly today, including commentary on the 2018-2019 Consolidated Financial Statements of the Province of Alberta, and followup reporting on five previous audits by his office.

Highlights of *The Report of the Auditor General – November 2019* include:

2018-2019 Consolidated Financial Statements of the Province of Alberta

On June 18, 2019, the Auditor General issued an unqualified (clean) audit opinion on the *2018-2019 Consolidated Financial Statements of the Province of Alberta*, meaning that the government's reporting of its finances were free of material misstatements and are presented fairly in accordance with Public Sector Accounting Standards.

The Report of the Auditor General – November 2019 includes information on the audit to provide a better understanding of the financial statements. The report also includes a section on key risks the Auditor General examined within the context of the consolidated financial statements.

One of the risks reviewed in the context of the 2018-2019 consolidated financial statements was government contracts with the North West Redwater Partnership (NWRP) – through the Alberta Petroleum Marketing Commission (APMC) – related to the Sturgeon Refinery.

The Auditor General found that the disclosures of the agreements, term loan, and contractual obligation to pay a monthly toll over the 30-year contract terms are reasonable. In accordance with the processing agreement, APMC had to start paying the debt toll effective June 1, 2018, irrespective of whether the refinery operator accepts delivery of or processes bitumen. The debt toll related to the debt servicing costs that the NWRP incurs to finance the construction of the refinery.

“APMC started paying debt tolls in June 2018 and had paid \$261 million by March 31, 2019. The APMC continues to pay for this cost,” Wylie said. “As the refinery is not yet in operation, and APMC has not received any significant revenue to cover these costs APMC incurred a net loss for the year.”

Alberta Energy Regulator

Systems to Ensure Sufficient Financial Security for Land Disturbances from Mining Followup

The Mine Financial Security Program (MFSP) is one of many government environmental liability management programs. It is an important program because, if a mine operator cannot or does not fulfil its reclamation obligations, Alberta may have to pay the costs to complete conservation and reclamation work. Alberta Environment and Parks is responsible for the policy and design of the program, and it is administered by the Alberta Energy Regulator (AER).

“We found that AER’s approach meets the intent of the risk-focused plan to monitor and verify the sufficiency of mine financial securities,” Wylie said. “Alberta Environment and Parks has yet to implement our July 2015 recommendations to improve the design of the MFSP program.”

Alberta Environment and Parks

Management of Sand and Gravel Pits Followup

In his *Management of Sand and Gravel Pits Followup*, Wylie found that Alberta Environment and Parks is not doing enough to protect Albertans from the environmental and financial risks of un-reclaimed sand and gravel pits.

The department implemented two previous recommendations related to the program, but the audit still found that the department does not:

- Collect enough security from pit operators to compel them to reclaim the land and to cover the costs of reclaiming pits
- Enforce reclamation requirements when operators fail to meet them
- Collect royalty payments that operators owe to Albertans – oil sands operators owe \$25 million because the department gave exemptions it had no authority to issue

“Ten years after our original audit, the processes for reclamation monitoring and enforcement are still inadequate, and so is reclamation security,” Wylie said. “Security collected by the department does not cover reclamation costs, and Albertans may have to cover the shortfall if operators fail to reclaim the land.”

Alberta Health

Crown’s Right of Recovery of Healthcare Costs from Motor Vehicle Accidents Followup

The *Crown’s Right of Recovery Act* allows the government to recover healthcare costs that it incurs as a result of personal injuries suffered by Albertans due to a wrongful act or omission of a third party. Between 2013 and 2017, Alberta Health did not recover approximately \$140 million that it could have because it did not collect the full amount of motor vehicle accident costs, nor articulate why it did not.

“In following up on our previous audits we found the department implemented our recommendation to update its methodology for 2018 and 2019 to more accurately estimate healthcare costs from motor vehicle accidents,” said Wylie. “This change in methodology resulted in the government being able to recover costs of \$28 million a year.”

Alberta Indigenous Relations

Systems to Assess First Nations Development Fund (FNDF) Grants Followup

The First Nations Development Fund (FNDF) is a lottery grant program supported by a portion of the revenues from government-owned slot machines on First Nations in Alberta to provide a flexible source of funding for First Nations community projects. Since 2006, more than \$1 billion has been allocated to support hundreds of social, economic and community projects in First Nations communities across the province.

“We found Alberta Indigenous Relations implemented our recommendations and improved its processes to administer the FNDF program,” Wylie said. “This is important because, when administered carefully against the grant agreement, the FNDF program represents an opportunity for the government to support self-determination of First Nations in Alberta.”

Service Alberta

Information Technology Disaster Recovery Program Followup

The followup audit on Service Alberta's *Information Technology Disaster Recovery Program* repeats a 2014 recommendation to improve recovery of critical government information technology (IT) applications. An IT application is a single or group of programs used to do certain tasks, and include such things as email, internet browsers and database software. Some critical Government of Alberta IT applications include: the Alberta NetCare portal; the motor vehicle registry; payments for equipment and supplies for people with long-term disabilities or chronic illness.

"Albertans require and expect that these IT applications and systems are restored as soon as possible after a disaster," said Wylie. "We found Service Alberta has made process improvements since 2014, and progress has been made in assessing criticality of applications. However, our findings indicate more work needs to be done for this recommendation to be considered implemented."

The *Report of the Auditor General – November 2019* is available at www.oag.ab.ca.

Appointed under Alberta's Auditor General Act, the Auditor General is the legislated auditor of every provincial ministry, department, public post-secondary institution, and most provincial agencies, boards, commissions, and regulated funds. The audits conducted by the Office of the Auditor General report on how government is managing its responsibilities and the province's resources. Through our audit reports, we provide independent assurance to the 87 Members of the Legislative Assembly of Alberta, and the people of Alberta, that public money is spent properly and provides value.

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