

NEWS RELEASE

November 21, 2019

Auditor General issues qualified audit opinion on Alberta Energy Regulator's 2018-2019 financial statements

Edmonton, Alberta, Canada ... Auditor General Doug Wylie issued a qualified audit opinion on the Alberta Energy Regulator's (AER) financial statements for the year ended March 31, 2019, disagreeing on how AER is accounting for expenses for an AER-controlled organization.

An auditor's report is qualified when there is either a limitation of scope in the auditor's work, or when there is a disagreement with management regarding application, acceptability or adequacy of accounting policies.

In his *Report of the Auditor General – November 2019*, Wylie reports on the qualification based on the determination that an agency created by AER to advance regulatory excellence – ICORE NFP – was an AER-controlled organization, from an accounting perspective.

AER's financial statements present the relationship and transactions with ICORE NFP as a related party, rather than a controlled organization, in a schedule to the financial statements.

"We did not accept the AER Board's view that it did not control ICORE NFP," Wylie said. "Because ICORE NFP was controlled, in our opinion AER should have consolidated the financial results of ICORE NFP for the period in which it was controlled, and described ICORE NFP as a controlled entity."

The audit opinion accompanying the financial statements of AER outlines the implications of the non-inclusion of ICORE NFP in AER's financial statements.

As part of the financial statement audit of AER for the year ended March 31, 2019, Wylie also found instances of internal control weaknesses and legislative non-compliance, including:

- Cash bonuses awarded to two senior executives breached compensation legislation
- Long distance work arrangements lacked the proper approvals
- Succession plans for some senior executives lacked support on how it would benefit AER
- AER intentionally did not assess taxes on employer subsidized parking, costing AER \$1.3 million
- Inappropriate approval of senior management expenses
- Weak expense claim processes allowed opportunities for inappropriate expenses being claimed

Based on these findings, Wylie issued three recommendations to the AER to improve its processes for expenses claims, long distance work arrangements and succession planning, and to ensure compliance with Alberta public agency compensation laws, tax rules for employer provided parking benefits.

“AER should have processes to ensure staff compensation arrangements are fair, align with delivery of its mandate and that they are properly approved and supported,” Wylie said. “Non-compliance with required laws could have a negative impact on AER’s reputation and could result in financial losses and public dollars being spent inappropriately.”

The *Report of the Auditor General – November 2019* and the *An Examination of the International Centre for Regulatory Excellence (ICORE)* are 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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