Treasury Board and Finance

SUMMARY

DEPARTMENT

Matters from the current audit

Treasury Board and Finance—Collection of Outstanding Corporate Taxes—see page 47

We recommend that the Department of Treasury Board and Finance:
- update and follow its enterprise risk management systems—see page 194
- improve the security controls over the tax and revenue administration systems—see page 195
- approve tax refunds before they are made as required by the *Financial Administration Act*—see page 197

Matters from prior audits

The department implemented our recommendation related to inconsistent budgeting and accounting for grants—see page 198

ALBERTA GAMING AND LIQUOR COMMISSION

Matters from the current audit

There are no new recommendations to the Alberta Gaming and Liquor Commission in this report.

Matters from prior audits

The Alberta Gaming and Liquor Commission implemented our recommendation to improve its processes for managing information security patches—see page 196

ALBERTA INVESTMENT MANAGEMENT CORPORATION

Matters from the current audit

We recommend that the Alberta Investment Management Corporation ensure that its Statement of Investment Valuation Principles and Practices are applied when valuing and accounting for its life settlement investments—see page 199

Matters from prior audits

The Alberta Investment Management Corporation implemented our recommendation to improve controls over the investment risk IT system—see page 201

ATB FINANCIAL

Matters from the current audit

There are no new recommendations to ATB Financial in this report.

Matters from prior audits

We repeat our recommendation that ATB Financial improve its processes related to service providers by ensuring its business areas receive and review service auditor reports, assess the impact of control weaknesses at the service provider and implement controls that complement service providers' controls—see page 202

ATB Financial implemented recommendations related to:

- new banking system internal controls—see page 203
- action plans to resolve internal control weaknesses identified by its internal control group—see page 203
- securitization policy and business rules—see page 204
- change management processes—see page 204
- liquidity simulations—see page 204
- interest rate risk model assumptions—see page 205
- interest rate risk modeling and stress testing—see page 205

FINDING AND RECOMMENDATIONS

DEPARTMENT

Enterprise risk management systems

Background

Enterprise risk management is a continuous and proactive process to understand, manage and communicate risks from an organization-wide perspective. Risk management involves identifying risks relevant to the entity, assessing their likelihood and potential impact, implementing risk mitigation strategies, monitoring the risks and mitigation strategies and reporting to management.

In 2007, the government-wide deputy ministers' committee approved an enterprise risk management framework that required all departments to implement a risk management system.

RECOMMENDATION 22: ENTERPRISE RISK MANAGEMENT SYSTEMS

We recommend that the Department of Treasury Board and Finance update and follow its enterprise risk management system by identifying, monitoring, communicating and appropriately mitigating relevant risks.

Criteria: the standards for our audit

The department should have an effective enterprise risk management system that:

- identifies the risks associated with achieving the department's objectives
- assesses and ranks risks, including their likelihood and potential impact
- defines roles and responsibilities, including clearly identifying who is responsible for managing risk
- develops and implements programs or procedures for identified risks
- updates risk assessments as changes occur
- monitors and evaluates programs and processes to mitigate risks
- reports risks and actions taken to mitigate risks to senior management

Our audit findings

KEY FINDING

The department has not updated and followed a formal enterprise risk management process since 2011.

While the department continuously manages risks, through various methods, these systems could be more efficient and effective in a more coordinated approach. The department developed a risk management framework and drafted a risk management policy several years ago in response to the requirement across government to implement a risk management system. However, the department has still not approved the policy, nor has the department followed formal enterprise risk management processes since 2011.

The department has not:
- updated and communicated risk criteria to staff to enable a common understanding of acceptable levels of risk and pursuit of potential opportunities
- defined clear roles and responsibilities for risk management, including responsibility for monitoring, reviewing and reporting on risks and on the status of risk mitigation activities
- completed a comprehensive risk assessment. The risk register the department completed in 2011 has not been updated since that time.
- identified key risk indicators to monitor risks and respond to them promptly
- reported regularly to the department's executive team the key risks, any changes in risks, recommended actions and the status of risk mitigation activities

Implications and risks if recommendation not implemented

Without an effective enterprise risk management system, the department may not identify and manage its risks efficiently and effectively.

Access controls for the tax and revenue administration systems

Background

The tax and revenue administration (TRA) division of the Department of Treasury Board and Finance administers the collection of corporate income tax, fuel tax, tobacco tax and insurance tax. These taxes totaled $8 billion in 2014. Employees in the division use 29 information systems to register taxpayers, capture and assess returns, record tax payments, and manage objections, appeals, collections, compliance and audits. Management assigns role-based access to these information systems based on the jobs employees perform in the division.

RECOMMENDATION 23: IMPROVE ACCESS CONTROLS OVER THE TAX AND REVENUE ADMINISTRATION SYSTEMS

We recommend that the Department of Treasury Board and Finance improve the security of its tax and revenue information systems to ensure that it:
- assigns access based on job roles and responsibilities
- defines, monitors and enforces its rules for segregation of duties
- periodically reviews if access to its systems remain appropriate

Criteria: the standards for our audit

The department should have effective processes to:
- limit user access to that needed to an employee's roles and responsibilities
- document and enforce segregation of duties through defined roles

Our audit findings

KEY FINDINGS

- Security design, including segregation of duties for tax and revenue information systems are not documented.
- Management cannot demonstrate that assigned access to its information systems is appropriate.

TRA does not have well-designed and effective systems to manage security within the tax information systems. Specifically, TRA management did not:

- have documented evidence to support the design of security roles
- have documented rules for segregation of duties, and the system does not always enforce segregation of duties
- periodically review whether access to the information systems remains appropriate

a) Security design for tax system is not formalized

TRA uses role-based access to the tax and revenue information systems. In role-based access, managers create roles based on the job function requirements, assign appropriate access to applications to each role, and then give employees access to those roles based on the access they need for their jobs.

The department could not provide us with documentation that would allow department managers to assess whether the access they assigned was appropriate, required and ensured proper segregation of duties. TRA does not have effective processes or controls to ensure that it gave employees access to only the roles needed for their job or function. We also confirmed examples where TRA assigned access directly to users rather than assign that access to a role and then give the role to the user. Assigning access directly to users contradicts security best practices and makes it difficult to administer user and database security.

Several IT staff in the department have access to perform functions that are the responsibility of staff in the division. While we recognize IT staff may need to resolve issues in the systems, they should not have ongoing access to functions for which they are not responsible.

b) Segregation of duties is not formalized

Segregation of duties ensures that no single person can complete a significant financial process or task end-to-end without supervision or input from another user. While we agree that segregation of duties exist in manual processes, TRA could not demonstrate that it had designed and implemented adequate segregation of duties within its information systems that is consistent with its policies. This would include designing roles based on documented rules for segregation of duties. For example, we found a refund of $74 million that did not have the required second review because the person who authorized the refund had access that allowed them to bypass the requirement for a second review in the tax information system. As this is one example, TRA should do a comprehensive review of the segregation of duties controls within its information systems to ensure they align with policies.

c) Periodic review of access

TRA does not periodically review whether users' access to the various applications is appropriate. TRA staff may be seconded or move to another position and may be given additional access to perform certain functions. Periodic reviews are important to ensure that access to conflicting roles or functionality no longer needed is removed so segregation of duty risks are mitigated.

Implications and risks if recommendation not implemented

Without understanding its complex information systems security needs and capabilities, management may assign access that will allow users to perform transactions that are not part of their responsibilities.

Corporate tax refunds

Background

Corporations are required to pay tax installments to the department and file an annual tax return. The department's Tax and Revenue Administration division processes and assesses these tax returns and issues notices of assessment or reassessment. Because of these assessments, corporations may either owe additional money or receive a refund for overpayments.

Sections 37 and 38 of the *Financial Administration Act* require that an expenditure officer and accounting officer approve all disbursements of public money before the department makes the disbursement. The department delegates various employees to approve refunds, depending on their value.

RECOMMENDATION 24: CORPORATE TAX REFUNDS

We recommend that the Department of Treasury Board and Finance approve tax refunds before making payments in accordance with the requirements of the *Financial Administration Act*.

Criteria: the standards for our audit

The department should approve disbursements of public money before making corporate tax refund payments to comply with the *Financial Administration Act*.

Our audit findings

KEY FINDING

The department did not approve tax refund payments, as required by the *Financial Administration Act*, before the payments were made.

The department pays refunds to corporations daily after it issues a notice of assessment or reassessment. Management told us that they pay the refunds promptly, to avoid or minimize any interest due on the refunds. However, the department does not have well-designed processes to ensure an appropriate expenditure officer approves these payments before they are made in accordance with the *Financial Administration Act*. For the samples we reviewed, the expenditure officer approved the payments after the disbursements occurred, not before.

Implications and risks if recommendation not implemented

Approval before disbursement allows the department to comply with the *Financial Administration Act* and to prevent erroneous refunds to taxpayers.

Matters from prior audits

Inconsistent budgeting and accounting for grants—implemented

Background
In 2007[1] we recommended that the Department of Treasury Board and Finance provide guidance to ensure consistent accounting treatment of grants throughout government. Since we provided our recommendation, Public Sector Accounting Standards for accounting for grants changed. The change in standards helped resolve several inconsistencies we noted in our original recommendation. Accounting for multi-year grants remained inconsistent.

Our audit findings
The department implemented our recommendation by developing a corporate accounting policy on accounting for government transfers, including accounting for multi-year grants.

ALBERTA GAMING AND LIQUOR COMMISSION

Matters from prior audits

Security patch management—implemented

Background
In 2013[2] we recommended that AGLC ensure it regularly applies security patches to its information systems, to manage security vulnerabilities.

Patches generally come from vendors to fix security vulnerabilities and improve software. A good security patch management program reduces security risks to information systems.

Our audit findings
AGLC implemented this recommendation by improving its process to manage security patches. This year we found that security patches were up to date on critical servers and regularly applied, and that a new automated process had been implemented for certain security patches.

ALBERTA INVESTMENT MANAGEMENT CORPORATION

Matter from current audit

Investments in life settlements

Background
In 2010 AIMCo began investing in life settlements on behalf of its pension and endowment fund clients. At December 31, 2013 AIMCo had valued its clients' investments in life settlements at approximately $1.3 billion. These life settlements are held in two corporations established by AIMCo and administered by several agents.

In a life settlement, the policy holder settles their policy with an investor at an amount that is higher than the surrender value that would be paid by the insurance company writing the policy, but less than the death benefit of the policy. The investor, from the time of settlement, pays the annual premiums on the policy until the original policy holder dies and the investor collects the death benefit from the insurance company.

[1] *Annual Report of the Auditor General of Alberta—2006-2007*, volume 2, page 178.
[2] *Report of the Auditor General of Alberta—October 2013,* no. 15, page 159.

Life settlements are recorded at their estimated fair value in the financial statements of AIMCo's clients, such as the public sector pension funds and endowment funds like the Alberta Heritage Savings Trust Fund. Life settlements are not publicly traded securities with quoted market prices and therefore changes in fair value must be estimated using a valuation model.

Generally accepted accounting principles used by AIMCo's clients permit valuation models to be used for accounting purposes to estimate the fair value of these investments. The valuation model has to produce an estimate of the fair value that the investment would sell for in an orderly transaction between market participants under current market conditions at the reporting date. The accounting standards also require:

- at the time of purchase the recorded fair value should not exceed the purchase price (i.e., no day-one gains) unless the difference is supported by data from observable markets—A day-one gain indicates that the purchase price of an investment was less than its fair value on the date of purchase. Such circumstances should be rare.
- subsequent revaluations should be consistent with observable market data
- models should be periodically calibrated to ensure they result in values that are in line with recent market transactions

The AIMCo board of directors has approved a Statement of Investment Valuation Principles and Practices (the SIVPP) which serves as the foundation of the corporation's valuation policies and processes. The SIVPP document refers to the accounting principles summarized above as its authoritative guidance.

RECOMMENDATION 25: VALUING INVESTMENTS IN LIFE SETTLEMENTS

We recommend that Alberta Investment Management Corporation ensure that its Statement of Investment Valuation Principles and Practices is applied when valuing and accounting for its life settlement investments.

Criteria: the standards for our audit

AIMCo and its agents should develop and implement valuation models that follows generally accepted accounting principles and its Statement of Investment Valuation Principles and Practices.

Our audit findings

KEY FINDING

We identified the following concerns with how AIMCo is accounting for and valuing its clients' life settlements investments:

- day-one gains were recognized on the investments
- management was not able to provide adequate support for their valuations
- these exceptions to AIMCo's Investment Valuation Principles and Practices were not identified by management and therefore not reported to the audit committee in a timely manner as required by policy

Day-one gains and subsequent valuations

Management recognized day-one gains for the life settlement investments by purchasing the investment at one price and then revaluing the investment to a higher price shortly after the purchase. This was done by changing the discount rate used to value these investments. We asked management to provide support to show that these investments met the accounting requirements for recognizing day-one gains. Management told us they relied on their external agent's representations of the market and did not challenge whether this accounting treatment was appropriate for its clients at the inception of the investment.

Similar to the accounting standards, the SIVPP also requires that day-one gains only be recognized where management can support the valuation increase through comparison to similar transactions in an observable market. We concluded that management's practice of revaluing the life settlements immediately after purchase did not comply with AIMCo's SIVPP.

All of the $325 million of unrealized gains on these investments, up to December 31, 2013, originated from revaluing the investments through a change to the discount rate, which was different than the internal rate of return implicit in the purchase prices. Management and their agents were unable to provide adequate support for the change to the discount rate that is required by the accounting standards.

Aside from the discount rate, life expectancy is another key variable in estimating the value of the life settlements. Management has not yet reviewed whether the life expectancy assumptions underlying the valuations should also be updated.

Roles and responsibilities

The SIVPP also states that "In order to achieve the principles contained in this policy, there will be segregation of duties between those responsible for investment decisions and trading (portfolio management personnel) and those responsible for valuation functions (Investment Valuations Services group within Investment Operations)."

AIMCo has a valuation group whose designated responsibilities include:

- determining the fair value of securities for which market quotations are not readily available
- reviewing valuation information for reasonableness
- resolving valuation issues and providing oversight to the valuation process
- ensuring the independence of the valuation process

We did not see evidence that AIMCo's valuation group had examined the valuation processes used by management's agents for life settlements from the initial investment in 2010 through to 2013. Management indicated this exception occurred because they relied on the external agents' processes.

Reporting non-compliance to the board

The SIVPP requires management to report exceptions to the SIVPP above $25 million to the audit committee of the board of directors. With life settlements, each of the following was an exception to the SIVPP:

- recognition of day-one gains significantly exceeded $25 million
- lack of adequate supporting documentation and review of the key discount rate assumption
- valuation review process for private investments was not followed

The current process relies on management to identify exceptions. In this case, the exceptions were not identified or reported.

Implications and risks if recommendations not implemented

Accounting information provided to clients does not comply with their financial reporting frameworks. Performance of these investments may be overstated in the year of purchase and understated in later years because large day-one gains were recognized.

Matters from prior-year audits

Investment risk IT system—implemented

Background
In our November 2011 report[3] we recommended that AIMCo improve its controls over the investment risk IT system. The system is used by AIMCo to measure and manage portfolio risk. AIMCo's clients also rely on the system for some of their required financial statement disclosures.

Our audit findings
AIMCo implemented this recommendation by:
- cataloguing and augmenting the documentation detailing the configuration of the system
- completing a review of the valuation models as part of its enterprise-wide systems conversion
- implementing a policy to conduct periodic reviews of the models in the future
- configuring the system to run in accordance with its documented policy
- establishing a process for handling processing errors
- restricting access to certain standing data files so that unauthorized changes cannot be made

AIMCo's internal audit department conducted a review of these changes as well. We reviewed documentation provided by management and internal audit and were satisfied that the steps management has taken mitigate the risks identified in the original recommendation.

ATB FINANCIAL

Matters from the current audit

Service auditor reports—user control considerations—repeated

Background
In 2009[4] we recommended that ATB Financial improve its processes related to service providers.

ATB uses service providers to process transactions and carry out business functions. Service auditor reports provide independent information and assurance that a service provider has appropriate internal controls over the transactions and business functions ATB has outsourced.

Service auditor reports contain procedures that the service auditor recommends ATB implement called end user controls. These controls complement controls at the service provider to enhance the level of control over ATB's transactions and data. For example, the service provider may require ATB have input controls over data before it is sent to the service provider. The controls at ATB and the service provider together comprise the overall control environment.

We repeat this recommendation because ATB has not assessed whether end user control considerations are in place for its material outsourcing arrangements.

---

[3] *Report of the Auditor General of Alberta—November 2011,* no.14, page 97.
[4] *Report of the Auditor General of Alberta—October 2009*, page 227.

RECOMMENDATION 26: SERVICE AUDITOR REPORTS—REPEATED

We again recommend that ATB Financial improve its processes related to service providers by ensuring its business areas:

- receive service auditor reports
- review service auditor reports and assess the impact of identified internal control weaknesses
- put end user controls in place to complement service provider controls

Criteria: the standards for our audit

ATB should have a process to:

- obtain service auditor reports from significant service providers
- review service auditor reports to assess the impact of internal control deficiencies identified by the service provider's auditor
- evaluate the end user requirements in the service auditor reports to ensure they are in place

Our audit findings

KEY FINDING

ATB is unable to demonstrate that end user requirements in the service auditor reports are in place.

ATB has 19 outsourced service provider arrangements that are considered by management to be material. The health of these arrangements is assessed annually as green (good overall health), yellow (requires attention) or red (requires immediate attention).

ATB provided us with a flowchart that documents the service auditor report process:

- service auditor reports are obtained from the vendor management office and sent to applicable lines of business
- lines of business review the report and determine if any actions are required based on internal control deficiencies contained in the service auditor report
- the service auditor report and completed review are sent back to the vendor management office for filing

We selected a sample of five outsourced service provider arrangements and asked ATB to provide us evidence that:

- the service auditor report was obtained
- the service auditor report was reviewed including the impact of any internal control deficiencies
- end user requirements were evaluated

ATB was only able to provide us three out of five of the most current service auditor reports. None of the three provided to us were reviewed by ATB staff. There was also no evidence that end user control considerations were evaluated or in place.

Implications and risks if recommendation not implemented

Operational problems with outsourcing arrangements can go undetected if ATB does not monitor the control environment of its service providers, and design and implement the end user controls the outsourced service provider expects ATB to follow.

Matters from prior audits

New banking system internal control—implemented

Background
In 2011[5] we recommended that ATB Financial confirm that the key controls in its new banking system, as identified in ATB's risk and control matrices, were implemented and operating effectively.

In 2012[6] we repeated the recommendation because management's target date of August 2013 was too late to confirm that the key internal controls in the new banking system were operating effectively. We reported that ATB had walked through processes to support the key controls in its new banking system and had voluntarily begun a program to comply with Canadian Securities Administrators' standards for internal controls over financial reporting. However, ATB had not yet tested the operating effectiveness of these controls.

Our audit findings
ATB implemented our recommendation by creating a process to enable the CEO and CFO to assert to the audit committee that key internal controls over financial reporting are well designed, implemented and operating effectively. ATB concluded that its internal controls over financial reporting were effective as at March 31, 2014. This process included examining the key controls in the banking system.

We reviewed the key controls and concluded they were sufficient and appropriate. We reviewed the work done by the internal controls over financial reporting group and agreed with the conclusion that the controls were operating effectively.

Action plans to resolve internal control weaknesses identified by ATB's internal control group—implemented

Background
In 2008[7] we recommended that ATB Financial validate and approve business processes and internal control documentation developed by its internal control group and implement plans to resolve identified internal control weaknesses.

Our audit findings
ATB implemented our recommendation by creating an internal control group to test the design and operating effectiveness of key financial reporting controls. This group tested the operating effectiveness of these key controls for the first time in fiscal 2013. As of November 2013:
- all deficiencies identified were validated with control owners
- action plans were created by management to resolve the deficiencies

This group follows up quarterly to confirm that management has implemented their action plans.

---

[5] *Report of the Auditor General of Alberta—November 2011*, page 102.
[6] *Report of the Auditor General of Alberta—October 2012*, page 148.
[7] *Report of the Auditor General of Alberta—October 2008*, no. 29, page 27.

Securitization policy and business rules—implemented

Background
In 2008[8] we recommended that ATB Financial develop and implement a securitization policy and securitization business rules.

Our audit findings
ATB has implemented our recommendation by including securitization in its liquidity risk management policy and liquidity risk management framework. The policy and framework assist ATB in managing liquidity risk by outlining roles and responsibilities, liquidity metrics and reporting requirements. Participation in securitization transactions is a funding option ATB uses to manage its liquidity.

Change management—implemented

Background
In 2013[9] we recommended that ATB Financial ensure its IT change management processes are followed.

Our audit findings
ATB implemented this recommendation by consistently following its change management processes. ATB hired a consultant to test whether it followed its change management processes during the year. This testing included whether changes to programs and applications were properly approved and tested before going live. We reviewed the work performed and concluded that ATB followed its change management processes.

Liquidity simulations—implemented

Background
In 2008[10] we recommended that ATB Financial further expand its use of liquidity simulations as a forward-looking liquidity risk measurement tool. We also recommended that management's asset and liability committee and the board's oversight committee consider whether the results of liquidity simulation indicate a need to modify ATB's business plan.

In 2011[11] we reported that ATB made satisfactory progress implementing the recommendation. We had concluded that ATB was performing reasonable liquidity simulations. We also reported to fully implement the recommendation, ATB must perform and report its liquidity simulations at least quarterly to comply with its liquidity risk management policy.

Our audit findings
ATB implemented our recommendation by performing and reporting its liquidity simulations monthly to management's asset liability committee and quarterly to the risk committee of ATB's board of directors.

---

8 *Report of the Auditor General of Alberta—October 2008*, no. 31, page 281.
9 *Report of the Auditor General of Alberta—October 2013*, no. 13, page 157.
10 *Report of the Auditor General of Alberta—October 2008*, page 128.
11 *Report of the Auditor General of Alberta—April 2011*, page 47.

Interest rate risk model assumptions—implemented

Background
In 2008[12] we recommended that ATB Financial improve processes for creating, applying and validating assumptions used in its interest rate risk models.

In 2011[13] we repeated our recommendation because ATB had not made sufficient progress.

Our audit findings
ATB implemented this recommendation by validating the accuracy of important assumptions in its interest rate risk models. Although not all assumptions have been validated and built into the interest rate risk models, in our view ATB has made enough progress validating the critical assumptions for us to consider the recommendation implemented.

Interest rate risk modeling and stress testing—implemented

Background
In 2008[14] we recommended that ATB Financial define its significant interest rate risk exposures and model those significant exposures to assess the effects on future financial results.

In 2011[15] we reported that ATB made satisfactory progress implementing the recommendation. We also reported that to fully implement the recommendation, ATB must complete its analysis of option[16] and basis risk,[17] and perform its stress testing scenarios regularly.

Our audit findings
ATB implemented this recommendation by identifying and quantifying its exposures to:
- option risk within various products such as prepayments in its mortgage portfolio
- basis risk when hedging the exposures of products such as variable rate loans

ATB incorporated these exposures into its interest rate risk modeling and stress testing and reports this information monthly to management's asset liability committee and quarterly to the risk committee of ATB's board of directors.

[12] *Report of the Auditor General of Alberta—October 2008*, page 132.
[13] *Report of the Auditor General of Alberta—April 2011*, no. 1, page 48.
[14] *Report of the Auditor General of Alberta—October 2008*, page 134.
[15] *Report of the Auditor General of Alberta—April 2011*, page 49.
[16] Option risk occurs when a customer or the financial institution has the ability to alter transaction terms and cash flows. In general, options will only be exercised if there is a benefit to be gained by the holder of the option. Common examples of product options are prepayments for loans or interest rate commitments.
[17] Basis risk occurs in variable interest rate products when the interest rate spread between two different rates widens or contracts. Since variable rate products are indexed to either a market index or an internally managed rate, certain indices may lag the market rate movements, which can slow or accelerate the impact of basis risk.

OUTSTANDING RECOMMENDATIONS

DEPARTMENT

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

Policies designed to achieve plan objectives—February 2014, no. 1, p. 24
We recommend that the Department of Treasury Board and Finance set standards for the public sector pension plan boards to establish funding and benefit policies with:

- tolerances for the cost and funding components
- alignment between plan objectives and benefit, investment and funding policies
- pre-defined responses when tolerances are exceeded or objectives are not met

Risk management system—February 2014, no 2, p. 26
We recommend that the Department of Treasury Board and Finance establish an Alberta public sector pension plan risk management system to support the minister in fulfilling his responsibilities for those plans.

Sustainability support processes—February 2014, no. 3, p 28
We recommend that the Department of Treasury Board and Finance:

- validate the objectives for the pension plan sustainability review with stakeholders
- evaluate and report on how each proposed change meets the objectives for the review
- cost and stress-test all proposed changes to assess the likely and possible future impacts on Alberta's public sector pension plans
- conduct or obtain further analysis of the impact of proposed pension plan design changes on employee attraction and retention
- prepare a detailed implementation plan for the changes

Results Analysis Reporting: Guidance, training and monitoring needed—July 2014, no. 1, p. 18
We recommend that the Department of Treasury Board and Finance, working with the Deputy Ministers' Council, improve:

- the guidance and training for ministry management to identify, analyze and report on results in ministry annual reports
- processes to monitor ministry compliance with results analysis reporting standards

Oversight of premier's office expenses and use of government aircraft—August 2014, no. 1, p. 19
We recommend that the Treasury Board:

- establish a process to provide oversight through monitoring of the Office of the Premier's expenses and usage of government aircraft
- consider what type of oversight should be used for the expenses of ministers' offices

Conduct periodic Air Transportation Services program evaluation—August 2014, no. 2, p. 34
We recommend that the Department of Treasury Board and Finance complete an evaluation of the Air Transportation Services program and immediately communicate the results publicly.

Clarify aircraft use policies—August 2014, no. 3 and no. 4, p. 37
We recommend that the Department of Treasury Board and Finance clarify its aircraft use policies to deal with:

- any partisan and personal use of government aircraft
- requirements for cost effectiveness evaluations when requesting to use government aircraft

We recommend that the Department of Treasury Board and Finance develop a common government aircraft use policy that all users must comply with.

Re-evaluate out-of-province use of government aircraft—August 2014, no. 5, p. 38
We recommend that the Department of Treasury Board and Finance require that a cost benefit analysis be performed, documented and approved by the responsible minister or deputy minister requesting service prior to authorizing the use of its aircraft for out-of-province travel.

Air Transportation Services program—August 2014, no. 6, p. 40
We recommend that the Department of Treasury Board and Finance review its costing model for government aircraft and publicly report on the costs associated with travel on government aircraft.

Management has identified these recommendations as implemented—to be confirmed with follow-up audits:

Chief executive officer compensation disclosure—October 2008, no. 3, p. 32
We recommend that the Treasury Board and Finance consider applying the new private-sector compensation-disclosure requirement to the Alberta public sector.

Salary and benefits disclosure—October 2008, p. 371
We recommend that the Ministry of Treasury Board and Finance, through the Salaries and Benefits Disclosure Directive, clarify what form of disclosure, under what circumstances, is required of the salary and benefits of an individual in an organization's senior decision making/management group who is compensated directly by a third party.

Public agencies: Disclosure of termination benefits paid—October 2009, no. 2, p. 29
We recommend that the Ministry of Treasury Board and Finance increase transparency of termination benefits by adopting disclosure practices for Alberta public agencies that disclose termination benefits paid.

Improve ministry annual report processes—July 2012, no. 10, p. 65
We recommend that the Department of Treasury Board and Finance work with ministries to improve annual report:

- preparation processes for identifying significant performance measure variances and developing explanations for these variances for reporting
- approval processes, including senior management sign-off of a summary of the year's performance measure variances and significant variance assessments

Improve performance measure reporting guidance and standards—July 2012, no. 11, p. 67
We recommend that the Department of Treasury Board and Finance improve its guidance for:

- performance measure target setting
- variance identification
- significant performance measure variance assessments and annual report explanation development
- preparing the results analysis

ALBERTA INVESTMENT MANAGEMENT CORPORATION

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

Help clients meet financial reporting requirements—October 2010, no. 17, p. 156

We recommend that Alberta Investment Management Corporation identify financial reporting requirements in its investment management agreements with clients. The Alberta Investment Management Corporation should meet with the clients to understand their financial reporting frameworks, their financial accounting requirements and the investment-related information they need to prepare financial statements.

ATB FINANCIAL

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

Payment card industry—October 2012, no. 31, p. 149

We recommend that ATB Financial put in place processes to monitor its compliance with the Payment Card Industry's requirements.

Borrower risk ratings—October 2013, no. 14, p. 158

We recommend that ATB Financial fix the borrower risk ratings in the banking system.

Service auditor reports—October 2014, no. 26, p. 202
(Originally October 2009, p. 227)

We again recommend that ATB Financial improve its processes related to service providers by ensuring its business areas:

- receive service provider audit reports
- review service provider audit reports and assess the impact of identified internal control weaknesses
- put end-user controls in place to complement service provider controls

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

Risk assessments—October 2012, no. 12, p. 156

We recommend that ATB Financial implement processes to identify, assess and remediate or accept IT risks.