

Alberta Environment and Parks

The department has 14 outstanding recommendations including one new recommendation—see page 100. Nine recommendations have been outstanding for more than three years. Four recommendations are ready for assessment.

The department has implemented four recommendations. In our *Regulating Large Industrial Facilities Followup* (see page 199), we report that two recommendations have been implemented. One recommendation has not been implemented, but we are not repeating it because the related area will be eliminated after 2021. The department has also implemented two outstanding recommendations in our *Systems to Regulate Dam Safety Assessment of Implementation Report*—see page 181. These two recommendations have also been implemented by the Alberta Energy Regulator (AER). AER became the regulator for energy related dams and tailings ponds in 2014, and developed the dams and safety program to meet our recommendations.

We issued unqualified independent auditor's reports on the 2019–2020 financial statements for the Natural Resources Conservation Board, Energy Efficiency Alberta, the Land Stewardship Fund, and the Technology Innovation and Emissions Reduction Fund formerly known as the Climate Change and Emissions Management Fund. There are no new or outstanding recommendations to these entities in this report.

Status of Recommendations

as of November 2020

- 4** Implemented
- 1** New Recommendation
- 14** Outstanding Recommendations
 - **4** Ready for Assessment
 - **10** Not Ready for Assessment
- 9** Outstanding Recommendations Older than Three Years

NEW Recommendation

Process for Legislative Compliance of Technology Innovation and Emissions Reduction Fund Grants

NEW Recommendation:

Establish an appropriate process to demonstrate compliance for all grants issued under the *Emission Management and Climate Resilience Act*.

We recommend the Department of Environment and Parks establish an appropriate process to demonstrate compliance for all grants issued under the *Emission Management and Climate Resilience Act*.

Process to ensure legislative compliance of grant expenditures with the *Emission Management and Climate Resilience Act*

Context

Government departments must ensure compliance with legislation for which they are responsible. The Department of Environment and Parks is responsible for administering the *Emissions Management and Climate Resilience Act*,²⁸ which came into force on January 1, 2020. This act, adds new provisions to the preceding act (*Climate Change and Emissions Management Act*) and continues the Climate Change and Emissions Management Fund, under a new name: Technology Innovation and Emissions Reduction Fund²⁹ (the TIER Fund).

The TIER Fund is held and administered by the Minister of Environment and Parks, with responsibilities for the TIER Fund's management carried out by the department.

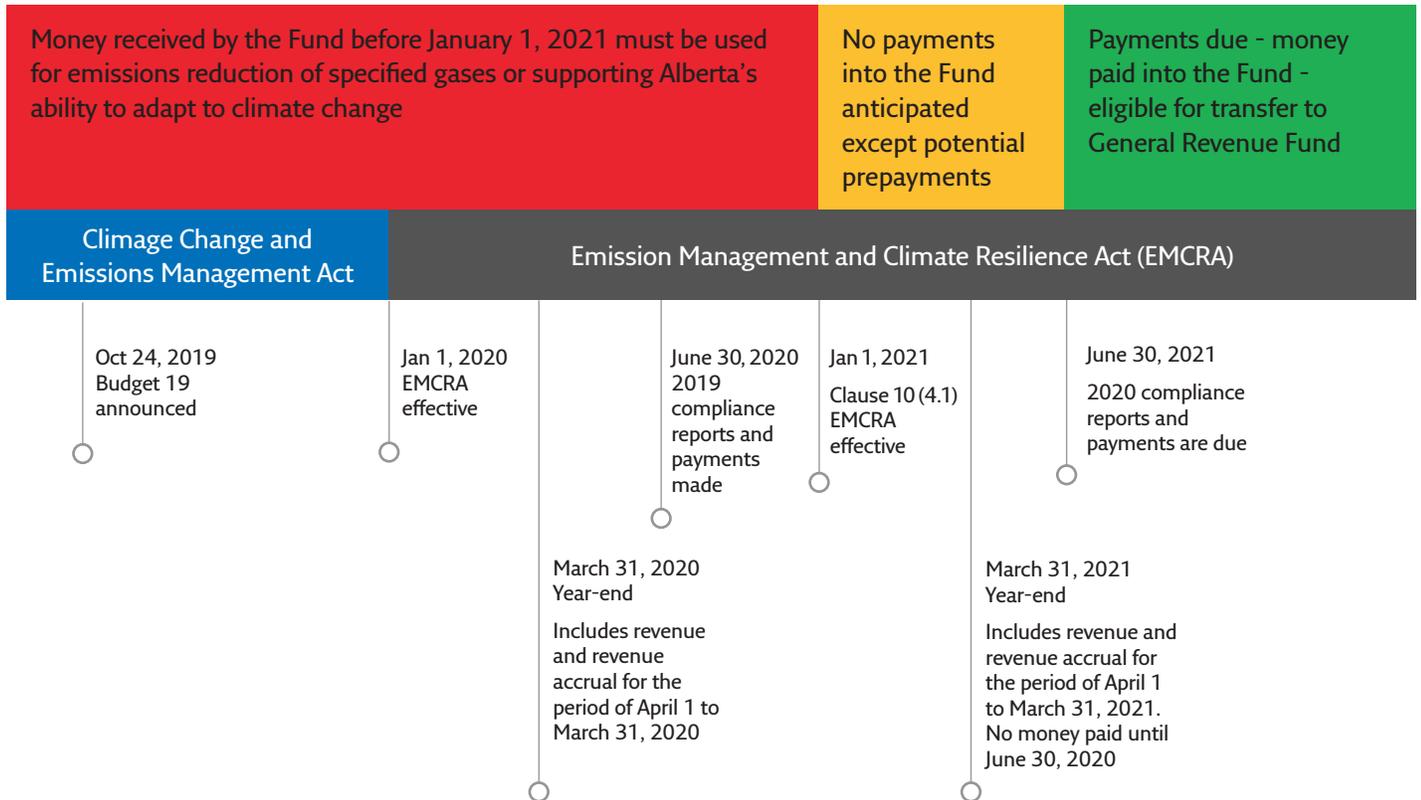
The *Emissions Management and Climate Resilience Act* includes a provision that the minister may transfer money received by the TIER Fund after January 1, 2021, to the government's General Revenue Fund (GRF). It also specifies the TIER Fund may only be used for purposes related to reducing emissions of specified gases or supporting Alberta's ability to adapt to climate change. However, monies paid into the TIER Fund after January 1, 2021, may be transferred by the minister to the GRF for other purpose, effectively permitting the TIER Fund to be used for general revenue purposes for the government.

²⁸ Effective January 1, 2020, the *Emission Management and Climate Resilience Act* replaced the *Climate Change Emissions Management Fund Act*.

²⁹ The Technology Innovation and Emissions Reduction Fund replaced the Climate Change and Emissions Management Fund through the passage of the *Emission Management and Climate Resilience Act*.

As of March 31, 2020, the TIER Fund had \$563 million in net assets, funded primarily through payments made by industrial emitters with specified gas emissions that exceed established thresholds.

Under the act compliance reporting and payments from emitters are due by June 30 and relate to the operator’s emissions from the preceding calendar year. For example, compliance reporting and payments due to the TIER Fund on June 30, 2020, are 2019 calendar-year emissions.



Current findings

Key findings

- The department did not identify that certain grants contemplated in Budget 2019 from the TIER Fund may not be in accordance with the *Emissions Management and Climate Resilience Act*.
- The department did not apply a process to demonstrate compliance with legislation for its “Other Investments” grants.

The department did not identify that certain grants contemplated in Budget 2019 from the TIER Fund may not be in accordance with the *Emissions Management and Climate Resilience Act*

Budget 2019³⁰ was released October 24, 2019 – prior to the passage of the *Emissions Management and Climate Change Resilience Act* – and included the following related to the TIER Fund:

- The first \$100 million in annual revenue and 50 per cent of remaining revenue paid into the TIER Fund will be used for emissions reduction projects
- Over the next four years, amounts will be allocated to deficit reduction and to support the Canadian Energy Centre (CEC) Limited

Once the act passed on November 22, 2019, it set the timeline for granting money for purposes outside of emissions reduction and climate change adaptation as well as for any amounts paid into the TIER Fund prior to January 1, 2021. We did not see evidence that the department identified the risk that Budget 2019 was inconsistent with the time restrictions for grant funding under the act.

Further, when we received a listing of “Other Investments” grants from the department, a significant portion of them fell under a category titled “deficit reduction,” which we believe increased the risk that some of the grants could be allocated for purposes outside those permitted by the act.

Because we found no evidence of proactive analysis to support the appropriateness of the allocated amounts in accordance with the act. We needed to complete additional audit work to assess whether the expenses were appropriate.

The department did not apply a process to demonstrate compliance with legislation for its “Other Investments” grants

While the department does have a process in place to ensure legislative compliance of its grant expenditures, it did not apply this process for the TIER Fund’s “Other Investments” grants.

“Other Investments” grants initially included \$139 million to various government departments for “deficit reduction” and \$6 million to the CEC. These categories were new in the current year, and the department changed the compliance process related to these grants. For example, we found no evidence of a sign-off confirming funds were spent on projects in accordance with the act nor any communication to recipient departments of the source of the TIER Funding and the restrictions imposed by the act on that funding, both important steps in their existing compliance process.

³⁰ Budget 2019 pages 104 and 105 <https://open.alberta.ca/dataset/3d732c88-68b0-4328-9e52-5d3273527204/resource/2b82a075-f8c2-4586-a2d8-3ce8528a24e1/download/budget-2019-fiscal-plan-2019-23.pdf>

During our examination, we received minimal documentation to prove the grants provided under “Other Investments” to various government departments complied with the legislative requirement that money from the TIER Fund only be used for reducing emissions or adaptation to climate change. The projects the grant money was allocated for, in various departments, appeared to be related to potential climate change initiatives; however, it was not documented adequately by the department.

For example, one of the grants was for dam maintenance, but we were not provided evidence to explain how the project reduced emissions, or how it related to adaptation to climate change.

The risk of legislative non-compliance was increased by the fact that recipient departments were not made aware that some of their projects were receiving money from the TIER Fund, with the accompanying legal restrictions. To confirm the intent and appropriateness of these grants, we obtained senior management’s retroactive assertion that the projects funded met the purposes under the act.

We also found that the \$6 million grant allocation to CEC, via the Department of Energy, did not comply with requirements of the act nor did the grant agreement between Energy and the CEC contain any reference to the TIER Fund, emissions reduction or climate change adaptation. Further, the department did not have any evidence the money going to the CEC was going to be used for purposes related to emission reduction or climate change adaptation. When we raised this issue with Environment and Parks management, they subsequently reversed the TIER Fund’s grant related to funding the CEC, bringing it inside with the act.

Consequences of not taking action

If an appropriate process to ensure legislative compliance of grant expenditures is not followed, it increases the risks of non-compliance with legislation and inappropriate use of funds.

IMPLEMENTED Recommendations

Systems to Regulate Dam Safety

IMPLEMENTED Recommendation:

Develop plan to regulate dams

Original: *Report of the Auditor General of Alberta—March 2015*, no. 14, page 90

We recommend that the Department of Environment and Parks develop a plan to regulate dams and report on the results of its regulatory activities.

Findings

Details on our assessment of implementation on the above recommendation can be found in the *Systems to Regulate Dam Safety Assessment of Implementation Report* on page 182.

Systems to Regulate Dam Safety

IMPLEMENTED Recommendation:

Improve dam regulatory activities

Original: *Report of the Auditor General of Alberta—March 2015*, no. 15, page 92

We recommend that the Department of Environment and Parks improve its dam regulatory activities by:

- maintaining a reliable registry of dams
- obtaining sufficient information to assess the risk and consequences of dam failure
- retaining evidence of regulatory activities performed
- following up to ensure that owners correct deficiencies or manage them until they are corrected

Findings

Details on our assessment of implementation on the above recommendation can be found in the *Systems to Regulate Dam Safety Assessment of Implementation Report* on page 183.

Regulating Large Industrial Facilities

IMPLEMENTED Recommendation:

Ensure offset protocols meet new standard and improve transparency

Original: *Report of the Auditor General of Alberta—November 2011*, no. 2, page 23

Repeated: *Report of the Auditor General of Alberta—July 2015*, no. 5, page 46

We again recommend that the Department of Environment and Parks implement processes to ensure that all approved protocols adhere to its protocol development standard.

Findings

Details on our followup can be found in the *Regulating Large Industrial Facilities Followup* on page 212.

Regulating Large Industrial Facilities

IMPLEMENTED Recommendation:

Obtain assurance on the registry provider's data

Original: *Report of the Auditor General of Alberta—October 2009*, page 49

Repeated: *Report of the Auditor General of Alberta—May 2017*, no. 5, page 62

We again recommend that the Department of Environment and Parks obtain assurance that data hosted and processed by its provider of registry services is accurate, complete and secure.

Findings

Details on our followup can be found in the *Regulating Large Industrial Facilities Followup* on page 213.

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT PROCESS FOR LEGISLATIVE COMPLIANCE OF TECHNOLOGY INNOVATION AND EMISSIONS REDUCTION FUND GRANTS:</p> <p>Technology Innovations and Emissions Reduction Fund grant process</p> <p>We recommend the Department of Environment and Parks establish an appropriate process to demonstrate compliance for all grants issued under the <i>Emission Management and Climate Resilience Act</i>.</p>	November 2020, p. 100	Not Ready for Assessment
<p>DEPARTMENT MANAGEMENT OF SAND AND GRAVEL PITS:</p> <p>Reclamation monitoring and enforcement</p> <p>We again recommend that the AEP improve the effectiveness and efficiency of reclamation monitoring and enforce reclamation requirements.</p>	<p>Repeated November 2019, Followup Audit, p. 13</p> <p>> Repeated July 2014, no. 4, p. 51</p> <p>> Originally reported October 2008, no. 40, p. 360</p>	Not Ready for Assessment
<p>DEPARTMENT MANAGEMENT OF SAND AND GRAVEL PITS:</p> <p>Collect sufficient security</p> <p>We recommend that AEP collect sufficient security to compel operators to reclaim the land and to cover reclamation costs if operators fail to do so.</p>	November 2019, Followup Audit, p. 16	Not Ready for Assessment
<p>DEPARTMENT MANAGEMENT OF SAND AND GRAVEL PITS:</p> <p>Collect outstanding royalties</p> <p>We recommend that AEP collect outstanding royalties for sand and gravel on oil sands sites.</p>	November 2019, Followup Audit, p. 17	Not Ready for Assessment
<p>DEPARTMENT SYSTEMS TO MANAGE AND REPORT ON THE OIL SANDS MONITORING PROGRAM:</p> <p>Improve annual reporting process</p> <p>We recommend that the Department of Environment and Parks, working with Environment and Climate Change Canada, improve processes to ensure annual reporting on the environmental monitoring in the oil sands is complete, accurate, transparent and timely.</p>	November 2018 Performance Auditing, p. 7	Not Ready for Assessment

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT DESIGN OF SYSTEMS TO MANAGE THE CLIMATE LEADERSHIP PLAN AND ADAPTATION:</p> <p>Develop and use an implementation plan, improve quality of the monitoring data and report on the total cost</p> <p>We recommend that the Department of Environment and Parks:</p> <ul style="list-style-type: none"> develop and use comprehensive implementation plans for the Climate Leadership Plan and for each of its programs implement efficient processes to sufficiently reduce the risk that the data used to monitor and report on progress is not accurate or complete provide clear and complete reporting on the expected and actual costs of programs and the Climate Leadership Plan overall 	<p>February 2018, p. 102</p>	<p>Ready for Assessment</p>
<p>DEPARTMENT <i>REPORT OF THE AUDITOR GENERAL OF ALBERTA—OCTOBER 2016:</i></p> <p>Improve capital asset monitoring and recording processes</p> <p>We recommend that the Department of Environment and Parks improve its processes for monitoring and recording dam and water management structure assets by:</p> <ul style="list-style-type: none"> reconciling the Environment Infrastructure Management System with the asset management accounting system so that the assets listed in one reasonably correspond to those in the other completing a comprehensive analysis of assets to verify existence, completeness and valuation in order to maintain reliable accounting records applying criteria to decide when to write down an asset, and documenting the assessment of such decisions 	<p>October 2016, no. 17, p. 104</p>	<p>Ready for Assessment</p>
<p>DEPARTMENT WETLAND RESTORATION:</p> <p>Formalize wetland restoration relationships and control procedures</p> <p>We again recommend that AEP formalize its wetland restoration relationships and control procedures.</p>	<p>Repeated October 2015, no. 6, p. 45</p> <p>› Originally reported April 2010, no. 6, p. 71</p>	<p>Ready for Assessment</p>

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT SYSTEMS TO MANAGE GRAZING LEASES:</p> <p>Clarify objectives, benefits and relevant performance measures</p> <p>We recommend that the Department of Environment and Parks define and communicate the environmental, social and economic objectives it expects grazing leases should provide all Albertans as well as relevant performance measures to monitor and ensure those objectives are met.</p>	<p>July 2015, no. 1, p. 20</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT SYSTEMS TO ENSURE SUFFICIENT FINANCIAL SECURITY FOR LAND DISTURBANCES FROM MINING:</p> <p>Improve program design</p> <p>We recommend that the Department of Environment and Parks, as part of its regular review of the Mine Financial Security Program:</p> <ul style="list-style-type: none"> analyze and conclude on whether changes to the asset calculation are necessary due to overestimation of asset values in the methodology demonstrate that it has appropriately analyzed and concluded on the potential impacts of inappropriately extended mine life in the calculation 	<p>July 2015, no. 2, p. 29</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p>Update flood hazard maps and mapping guidelines</p> <p>We recommend that the Department of Environment and Parks improve its processes to identify flood hazards by:</p> <ul style="list-style-type: none"> mapping flood areas that are not currently mapped but are at risk of flooding communities updating and maintaining its flood hazard maps updating its flood hazard mapping guidelines 	<p>March 2015, no. 10, p. 76</p>	<p>Not Ready for Assessment</p>

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p>Assess risk to support mitigation policies and spending</p> <p>We recommend that the Department of Environment and Parks conduct risk assessments to support flood mitigation decisions.</p>	<p>March 2015, no. 11, p. 78</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p>Designate flood hazard areas and complete floodway development regulation</p> <p>To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that the:</p> <ul style="list-style-type: none"> • Department of Environment and Parks identify flood hazard areas for designation by the minister • Department of Municipal Affairs: <ul style="list-style-type: none"> › establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas › put in place processes to enforce the regulatory requirements 	<p>March 2015, no. 12, p. 80</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT FLOOD MITIGATION SYSTEMS:</p> <p>Assess effects of flood mitigation actions</p> <p>We recommend that the Department of Environment and Parks establish processes to assess what will be the cumulative effect of flood mitigation actions in communities when approving new projects and initiatives.</p>	<p>March 2015, no. 13, p. 82</p>	<p>Ready for Assessment</p>