

Alberta Treasury Board and Finance

The department has 17 outstanding recommendations, including one new recommendation in this report. Nine recommendations have been outstanding for more than three years. The department has three outstanding recommendations which are ready for assessment.

As part of our audit of the Consolidated Financial Statements of the Province of Alberta, we examined changes to the payment dates for the Assured Income for the Severely Handicapped (AISH) Program and assessed its impact on the public reporting of government program expenses for the fiscal year ended March 31, 2020. We found that the Department of Community and Social Services' original recording of AISH program benefit costs, as well as Income Support Program benefits, was not in accordance with Public Sector Accounting Standards and this was subsequently corrected. We recommend Alberta Treasury Board and Finance implement a process to review and approve significant accounting changes initiated by departments prior to their inclusion in the province's quarterly and annual fiscal reporting (see page 138).

The department has implemented our recommendation to consistently apply its policies when recommending to Treasury Board Committee approval of a payment based on agreement request (see page 143). In addition, our February 2014 recommendation to improve the public sector pension plan sustainability review processes is no longer relevant because the circumstances related to the recommendation have changed (see page 142).

We issued unqualified independent auditor's reports on the 2019-2020 financial statements for the Alberta Gaming, Liquor and Cannabis Commission; ATB Financial, the Credit Union Deposit Guarantee Corporation, and the endowment funds, regulated funds, pension plans, and other entities in the ministry. There are no new or outstanding recommendations to any of these entities in this report.

Status of Recommendations

as of November 2020

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

NEW Recommendation

Review and Approval of Department Accounting Changes

NEW Recommendation:

Implement a review and approval of department accounting changes

We recommend that the Department of Treasury Board and Finance implement a process to review and approve significant accounting changes initiated by departments prior to their inclusion in the province's quarterly and annual fiscal reporting.

Accounting for Assured Income for Severely Handicapped (AISH) and Income Support

Context

Our Office received enquiries from the public and MLAs on how the expenses of the Department of Community and Social Services' Assured Income for the Severely Handicapped (AISH) program were being recorded during 2019-20.

As part of our financial statement audit of the Consolidated Financial Statements of the Province, we examined the changes to the AISH payments and assessed its impact on the public reporting of program expenses for the fiscal year ended March 31, 2020.

The AISH program exists to help Albertans with disabilities support themselves and their families. AISH provides eligible applicants with financial and health benefits. The main financial benefit is a monthly living allowance, although there are also other, smaller benefits, such as support for childcare and children's education available. The AISH program serves nearly 70,000 Albertans.

On January 27, 2020, Community and Social Services announced that the benefit payment date would move to the first day of every month starting in March 2020. Community and Social Services stated this change was to improve the predictability of receipt of monthly AISH benefit payments by eligible program participants. Previously, Community and Social Services paid the monthly benefit a few days prior to the first of the month, usually between the 25th and 28th of the month. Community and Social Services made a similar change to the payment dates for the Income Supports Program.

The proposed payment date changes resulted in Community and Social Services not including the March 2020 AISH benefit expense of \$102 million and Income Support benefit expense of \$50 million in its forecasted annual program expenses in the Provincial 2019-20 third quarter update and Community and Social Services' accounts. Community and Social Services recorded these costs in the 2020-21 fiscal year because management asserted that the benefit payments related to April 2020. As a result, the total cost recorded by Community and Social Services in the draft Consolidated Financial Statements of the Province of Alberta we received during our audit for the AISH and Income Support programs in fiscal 2019-20 was only 11 months of program benefits.

There were no substantive changes to the AISH program or to Community and Social Services' processes to assess participant eligibility to receive the AISH benefits. Community and Social Services continued to provide monthly assistance benefits to eligible program participants throughout 2019-20.

The government reporting practice is to report expenses on an accrual basis.

Current findings

Key findings

- The original recording of only 11 months of AISH and Income Support benefit costs by Community and Social Services was not in accordance with Public Sector Accounting Standards. This had the affect of understating recorded 2019-20 AISH program expenses by \$102 million and Income Support program expenses by \$50 million. Community and Social Services subsequently corrected these errors.
- We found Community and Social Services did not consult with Office of the Controller on a timely basis. Nor did the Office of the Controller review and approve this significant change to how program expenses would be reported prior to it being reported in the Province's third quarter forecast.

Recognition of program expenses and timelines

Accounting standards promote accountability for the recording of underlying economic transaction(s) or events. The standards require program expenditures be recorded when program participants meet eligibility criteria for the benefit entitlement authorized by legislation. The government reports expenses on an accrual basis. The objective of the standards is to record the economic cost of the event or transaction occurring during the reporting period rather than when payment is made.

The payment date change did not affect the amount of the benefit entitlement provided during the fiscal year. The evidence did not support only reporting eleven months of benefits to program participants. As a result, we concluded Community and Social Services' application of its accounting for the AISH program in fiscal 2019-2020 was not in accordance with accounting standards. This resulted in an understatement of AISH program expenditures of \$102 million in the accounts of Community and Social Services as originally recorded.

When changing the payment date for the AISH program, Community and Social Services made a similar change to their Income Supports program, also deferring expense recognition for one month, or \$50 million to fiscal 2020-2021. Our conclusion on the accounting for the Income Supports program mirrors that for the AISH program.

Community and Social Services subsequently corrected these errors. As a result, the amount reported in the audited Consolidated Financial Statements of the Province is now in accordance with Public Sector Accounting Standards. The expenses now reported in the audited consolidated financial statements reflect the increased demand on the programs during the year. Community and Social Services' total actual expenses exceeded the budget by \$120 million (See Schedule 17 of the consolidated financial statements).

We do not audit the province's quarterly reporting to Albertans. However, we note that the third quarter forecast for fiscal 2019-20 reported to Albertans only reflected eleven months of payments for the AISH and Income Supports programs. As a result, the methodology used to prepare quarterly reporting of AISH and Income Support programs is inconsistent with that of the audited Consolidated Financial Statements of the Province of Alberta.

Community and Social Services' process requires that when proposing significant program changes, management prepare a thorough analysis considering the impact and implications of the proposed change, including various options for making the changes and any consultations conducted.

In November 2019, Community and Social Services' second quarter fiscal update to Treasury Board and Finance forecasted Community and Social Services would exceed its annual budget appropriation. The demand for benefits under both the AISH and Income Support programs had increased during fiscal 2019-20. Community and Social Services examined program and policy changes in order to achieve fiscal targets. Late in November 2019, Community and Social Services decided to change the payment dates and resulting recording of expenses for the AISH and Income Supports programs commencing March 2020. This change resulted in management originally deferring program expense recognition for March to fiscal 2020-21.

Community and Social Services' management did not perform its program change analysis process on the change in AISH and Income Support program payment date. Management determined the process was not required because the change in payment date was deemed a change in program administration (to improve predictability of payment date), not a change to program structure or benefits.

Diagram 1 - Timeline of AISH and Income Support program payment date change

Date	Event
November 2019	Community and Social Services forecasts a 2019-20 budget over-expenditure from its programs due to increased demands. Community and Social Services commences identifying in-year mitigation strategies to contain program costs within budget. Among the proposed options is to revise AISH and Income Support program payment dates to the first of each month starting March 2020. Community and Social Services would defer recognition of program expenditures for March under the existing payment date to 2020-21.
December 2019	Community and Social Services' staff inform Treasury Board and Finance's Office of the Controller (OOC) of the payment date change and deferral of program expenditures.
January 20, 2020	Community and Social Services' management prepare a memorandum to the Minister on the AISH and Income Support programs. There is no mention of the payment date change as management judges the change is a minor administrative item.
January 27, 2020	Community and Social Services publicly announces the change in payment dates for AISH and Income Support programs.
February 6-10, 2020	Community and Social Services' management prepare support for the proposed accounting for the payment date change to the OOC. The OOC responds to Community and Social Services that further analysis is required to support the recording of only 11 months of payments under accounting standards.
February 26, 2020	Community and Social Services sends to the OOC its updated accounting for the payment date change. The analysis considers some, but not all, of the OOC's previous comments and questions.

Date	Event
February 27, 2020	Government publishes Budget 2020. The budget includes Community and Social Services' third quarter forecast for 2019-20 reflecting the deferral of March estimated program expenditures (\$135 million) to fiscal 2020-21. Forecasted expenditures for the AISH and Income Support programs are a combined \$73 million below budget.
June 2020	The OOC prepares the Province's 2019-20 Consolidated Financial Statements reflecting only 11 months of AISH and Income Support program expenditures.
July 10, 2020	The OOC agrees to adjust the Province's Consolidated Financial Statements for \$152 million based on the audit conclusion the accounting for AISH and income support programs is not in accordance with Public Sector Accounting Standards. Total department over-expenditure for the fiscal year is \$120 million.

Treasury Board and Finance review processes

Treasury Board and Finance's Office of the Controller is responsible for establishing government accounting policies that comply with Public Sector Accounting Standards. Departments are responsible for implementing processes to ensure that they comply with government accounting policies. The Office of the Controller supports departments to ensure compliance with accounting policies, but it relies on departments to initiate that consultation. The accounting for significant changes in department programs can have a material impact on the Consolidated Financial Statements of the Province of Alberta.

We examined the government's proposed accounting for the change in benefit payment date for the AISH and Income Support programs. We found Community and Social Services did not consult with the Office of the Controller on a timely basis. Nor did the Office of the Controller review and approve this significant accounting change prior to it being reported in the Province's third quarter forecast.

Specifically we found:

- Community and Social Services informed the Office of the Controller in December 2019 of its proposed accounting for the change in benefit payment date and provided the Office of the Controller with its draft accounting analysis in February 2020, after it had publicly announced the changes in program payment dates
- the Office of the Controller expressed concerns to Community and Social Services about the analysis because it did not adequately consider the applicable accounting standards
- the Office of the Controller worked with Community and Social Services to improve and complete its accounting analysis on March 11, 2020, subsequent to the change being reflected in the third quarter forecast published in Budget 2020 on February 27, 2020

While it is reasonable for Treasury Board and Finance to rely on departments to complete a proper analysis on the accounting impacts of their business decisions, Treasury Board and Finance is responsible for ensuring the resulting Provincial quarterly reporting and forecasts, and annual financial reporting are accurate and reliable.

Consequences of not taking action

Without a consistent process at Treasury Board and Finance to know of and review material accounting changes in a timely manner prior to the public release of the Province's quarterly and preparation of annual fiscal reporting, the government risks Members of the Legislative Assembly and the public using inaccurate or incomplete information.

CHANGED Circumstance

Department's Oversight Systems for Alberta's Public Sector Pension Plans

CHANGED Circumstance:

Sustainability support processes

Original: *Report of the Auditor General of Alberta—February 2014*, no. 3, page 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

Context

In February 2014,³¹ we reported on our audit of Treasury Board and Finance's Oversight Systems for Alberta's Public Sector Pension Plans. During our audit, the government initiated a sustainability review of the public sector pension plans. At the department's request, we amended our audit plan to include examining processes supporting the sustainability review. We recommended areas where the sustainability review support processes could be strengthened.

In the fall of 2014, the government discontinued the sustainability review and proposed changes to the public sector pension plans never occurred. Consequently, the department decided this recommendation was no longer relevant and we agree with its assessment.

We made two other recommendations in our February 2014 report to improve the risk management processes of the public sector pension system. We are currently assessing the department's progress on implementing these two recommendations.

³¹ *Report of the Auditor General of Alberta—February 2014*, Stand-Alone System Auditing—New Audit, no. 3, page 28.

IMPLEMENTED Recommendation

Payments Based on Agreement

IMPLEMENTED Recommendation:

Apply policies when recommending approval to Treasury Board Committee

Original: *Report of the Auditor General of Alberta—October 2017*, Financial Statement Auditing, page 134

We recommend that the Department of Treasury Board and Finance consistently apply its policies when recommending to Treasury Board Committee to approve a payment based on agreement request.

Findings

Department

Matters from prior audits

Context

In 2017,³² we recommended that the department consistently apply its policies when recommending to Treasury Board Committee to approve a payment based on agreement request. We had identified a transaction misapplied as payment based on agreement. The Budget Development and Reporting division of the department did not apply its policy when recommending the Treasury Board Committee to approve the treatment for budget purposes, and the Office of the Controller did not ensure the treatment of the funding for accounting and budgeting purposes was consistent with the required criteria in the department's accounting policy.

Current findings

The department developed new policies and processes when recommending to Treasury Board Committee to approve a payment based on agreement request. As payment based on agreement transactions do not occur frequently, we will test compliance with the policy in the future when these transactions occur.

³² *Report of the Auditor General of Alberta—October 2017*, Financial Statement Auditing, page 134.

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT REVIEW AND APPROVAL OF DEPARTMENT ACCOUNTING CHANGES:</p> <p>Implement a review and approval of department accounting changes</p> <p>We recommend that the Department of Treasury Board and Finance implement a process to review and approve significant accounting changes initiated by departments prior to their inclusion in the Province’s quarterly and annual fiscal reporting.</p>	<p>November 2020, p. 138</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT REPORTING PERFORMANCE RESULTS TO ALBERTANS FOLLOWUP:</p> <p>Results Analysis Performance</p> <p>We again recommend that the Department of Treasury Board and Finance improve:</p> <ul style="list-style-type: none"> • 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 	<p>Repeated August 2019, p. 12</p> <p>> Originally reported July 2014, no. 1, p. 18</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT ALBERTA PUBLIC SERVICE COMMISSION: PUBLIC AGENCY BOARD MEMBER RECRUITMENT AND SELECTION:</p> <p>Improve the usage of succession plans and reappointments</p> <p>We recommend that the Public Agency Secretariat improve the processes described in the guidebook by requiring departments to:</p> <ul style="list-style-type: none"> • include the board succession plan in the recruitment package • evaluate incumbent candidates seeking reappointment before proceeding to open competition 	<p>August 2019, p. 13</p>	<p>Not Ready for Assessment</p>

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT ALBERTA PUBLIC SERVICE COMMISSION: PUBLIC AGENCY BOARD MEMBER RECRUITMENT AND SELECTION:</p> <p>Improve guidance on use of professional recruitment</p> <p>We recommend that the Public Agency Secretariat improve the guidance used by departments by requiring the recruitment package include an assessment of whether professional recruitment services are needed given the skills and experience sought by the agency.</p>	<p>August 2019, p. 14</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT ALBERTA PUBLIC SERVICE COMMISSION: PUBLIC AGENCY BOARD MEMBER RECRUITMENT AND SELECTION:</p> <p>Strengthen the recruitment, screening, and selection processes</p> <p>We recommend that the Public Agency Secretariat strengthen the guidance for recruitment, screening, and selection processes that departments follow by:</p> <ul style="list-style-type: none"> including in the selection package the candidate competency assessment along with the agency board’s written recommendation of qualified candidates setting standards for boards and departments in assessing, resolving and documenting potential conflicts of interest prior to appointment, and including a documented assessment for any potential conflicts pertaining to candidates in the selection package 	<p>August 2019, p. 17</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT ALBERTA PUBLIC SERVICE COMMISSION: PUBLIC AGENCY BOARD MEMBER RECRUITMENT AND SELECTION:</p> <p>Improve information systems to monitor process outcomes</p> <p>We recommend that the Public Agency Secretariat:</p> <ul style="list-style-type: none"> consolidate information systems used to track competitions and appointments develop reports that can be used by departments to measure and monitor upcoming and existing board vacancies, the status of open competitions, and metrics on board continuity 	<p>August 2019, p. 19</p>	<p>Not Ready for Assessment</p>

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT GOVERNMENT OF ALBERTA CAPITAL PLANNING:</p> <p>Improve capital planning standards and phased approach to capital planning and approval</p> <p>We recommend that the Department of Treasury Board and Finance improve the government capital planning system by:</p> <ul style="list-style-type: none"> • updating its capital planning standards • clarifying the capital planning phases and the planning deliverables required for each phase • verifying if departments have completed the required planning for capital submissions and, if not, reporting this information to government committees 	<p>October 2017, Performance Auditing, p. 20</p>	<p>Ready for Assessment</p>
<p>DEPARTMENT GOVERNMENT OF ALBERTA CAPITAL PLANNING:</p> <p>Improve maintenance planning systems</p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> • obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request • analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding 	<p>October 2017, Performance Auditing, p. 23</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT GOVERNMENT OF ALBERTA CAPITAL PLANNING:</p> <p>Evaluate capital maintenance programs for buildings</p> <p>We recommend that the Department of Treasury Board and Finance work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well.</p>	<p>October 2017, Performance Auditing, p. 26</p>	<p>Not Ready for Assessment</p>

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT ENTERPRISE RISK MANAGEMENT SYSTEMS:</p> <p>Update and follow enterprise risk management system</p> <p>We again 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.</p>	<p>Repeated October 2017, Financial Statement Auditing, p. 135</p> <p>> Originally reported October 2014, no. 22, p. 194</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p>Evaluate cash management for efficiency and economy</p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> • evaluate how it can use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs, and implement mechanisms to utilize excess liquidity • evaluate the Consolidated Cash Investment Trust Fund and pursue opportunities to increase its use or modify its current structure to ensure it remains a relevant cash management tool 	<p>February 2016, no. 8, p. 77</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p>Develop policies to prevent early payment of grants and an accumulation of large cash balances</p> <p>We recommend that the Department of Treasury Board and Finance issue policies and guidance for departments to monitor the working capital needs of government-controlled entities to ensure departments only provide cash when needed.</p>	<p>February 2016, no. 9, p. 79</p>	<p>Not Ready for Assessment</p>

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p>Implement and use information technology to manage cash</p> <p>We recommend that the Department of Treasury Board and Finance implement an integrated treasury management system to manage treasury functions and processes, including government-wide cash pooling and management</p>	<p>February 2016, no. 10, p. 82</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p>Use leading banking and related practices and evaluate cost benefits of bank accounts</p> <p>We recommend that the Department of Treasury Board and Finance work with departments to implement leading banking practices and evaluate the benefits of existing bank accounts compared to the costs of administering them, and make changes where the costs exceed the benefits</p>	<p>February 2016, no. 11, p. 85</p>	<p>Not Ready for Assessment</p>
<p>DEPARTMENT ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p>Improve policies for payments</p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> periodically analyze payment data to identify non-compliance with policies and seek opportunities for improvements ensure that cost recoveries between government entities consider costs and benefits, and a transaction threshold 	<p>February 2016, no. 12, p. 86</p>	<p>Not Ready for Assessment</p>

Outstanding Recommendations as of November 2020

Recommendation	When	Status
<p>DEPARTMENT DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS:</p> <p>Policies designed to achieve plan objectives</p> <p>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:</p> <ul style="list-style-type: none"> • tolerances for the cost and funding components • alignment between plan objectives and benefit, investment and funding policies • predefined responses when tolerances are exceeded or objectives are not met 	<p>February 2014, no. 1, p. 24</p>	<p>Ready for Assessment</p>
<p>DEPARTMENT DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS:</p> <p>Risk management system</p> <p>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.</p>	<p>February 2014, no. 2, p. 26</p>	<p>Ready for Assessment</p>

