

# Report of the Auditor General

November 2021



**Auditor  
General**  
OF ALBERTA





Brad Rutherford, MLA  
Chair  
Standing Committee on Legislative Offices

I am honoured to transmit my *Report of the Auditor General of Alberta—November 2021* to the Members of the Legislative Assembly of Alberta, under Section 19(5) of the *Auditor General Act*.

A handwritten signature in blue ink, appearing to read "W. Doug Wylie".

W. Doug Wylie FCPA, FCMA, ICD.D  
Auditor General

Edmonton, Alberta  
November 18, 2021



# Report Contents

<b>Introduction</b> .....	<b>Tab 1</b>
Introduction by the Auditor General .....	1
Summary of Recommendations at a Glance .....	5
Summary of New, Implemented and Outstanding Recommendations .....	12
<b>Financial Statement Audits</b> .....	<b>Tab 2</b>
2020-2021 Consolidated Financial Statements of the Province of Alberta .....	17
2020-2021 Reports on Government Ministries .....	37
<b>Performance Audits</b> .....	<b>Tab 3</b>
Alberta Enterprise Corporation .....	147
<i>Processes to Report on Value Generation</i>	
Alberta Innovates .....	165
<i>Processes to Report on Value Generation</i>	
Alberta Treasury Board and Finance .....	183
<i>Travel, Meal and Hospitality Expenses of the Premier, Ministers, and Their Staff</i>	
<b>Assessment of Implementation Reports</b> .....	<b>Tab 4</b>
Introduction .....	193
Alberta Agriculture and Forestry .....	195
<i>Wildfire Management: Processes for Prevention and Review and Improvement</i>	
Alberta Energy Regulator (AER) .....	201
<i>Systems to Regulate Pipeline Safety and Reliability in Alberta</i>	
Alberta Justice and Solicitor General .....	209
<i>Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results</i>	
Alberta Treasury Board and Finance .....	215
<i>Government of Alberta Capital Planning</i>	
Service Alberta .....	219
<i>Contract Management Processes</i>	
<b>Glossary and Acknowledgments</b> .....	<b>Tab 5</b>





1

# Introduction



# Contents

Introduction by the Auditor General .....	1
Summary of Recommendations at a Glance .....	5
Summary of New, Implemented and Outstanding Recommendations .....	12



# Introduction by the Auditor General

It is my pleasure to present the *Report of the Auditor General—November 2021*. This is the fifth public report issued by my Office over the past year. This report includes our audit of the *2020–2021 Consolidated Financial Statements of the Province of Alberta*, and the results of three new performance audits and five assessment of implementation reports.

## Importance of Accountability

Most of the key findings and recommendations in this report speak to the need for good processes and internal controls to measure, monitor and report on organizational activities. Effective internal controls ensure reliable financial reporting, efficient operations and compliance with legislation and policies. In short, they are necessary to demonstrate accountability. Accountability is a cornerstone of public trust.

## Summary of Recommendations

In both our financial statement and performance audit work, we identify key findings which lead to recommendations to management on what needs to be improved.

We include a **Summary of Recommendations** (see page 12) showing which recommendations are new, implemented, still outstanding, and ready for assessment, by ministry, including their respective reporting entities. As of October 29, 2021, there were 116 recommendations from all past and current audit work. I am pleased to highlight in this report that 22 of our previous recommendations have been implemented.

While implementation is the responsibility of management, the value of our work is not fully realized until our recommendations are acted on. This is why we track and assess the status of all recommendations we make to those we audit.

Our monitoring of outstanding recommendations helps to ensure they are not simply shelved and forgotten. It also assists the Standing Committee on Public Accounts in delivering on its mandate.

## **2020–2021 Consolidated Financial Statements of the Province of Alberta**

On June 21, 2021, we issued an unqualified (clean) audit opinion on the Province’s Consolidated Financial Statements for the year ended March 31, 2021. A clean audit opinion means that we concluded, based on obtaining sufficient and appropriate audit evidence, that the financial statements are free of material misstatements and are presented fairly in accordance with Public Sector Accounting Standards.

Our audit of the *2020–2021 Consolidated Statements of the Province of Alberta* also focused on key financial risks that, in our professional judgement, were the most significant. We looked at:

- Impact of COVID-19
- Implementation of the government’s new enterprise resource planning system, 1GX (One Government Experience)
- Investment in Keystone XL pipeline
- Government’s contracts with the North West Redwater partnership
- Environmental liabilities

Overall, we found improvements in financial reporting and internal control processes over last year. We did not find any significant misstatements requiring adjustments this year. Our full findings and conclusions on the above risks are outlined in the Key Audit Matters section of the report (see page 24).

### **Impacts of COVID-19**

The ongoing pandemic continued to have significant impact on the economy, stock markets, individuals, businesses, and organizations. In response, the federal government announced programs and provided funding to the province. The Alberta government also implemented various programs and announced various types of financial relief. In the context of our financial statement audits, we found that those we audit assessed the impact of COVID-19 and appropriately reflected these transactions in their financial statements (see page 25).

In addition to our financial statement audit work in this area, we are also continuing with our COVID-19 performance audit work. Our work is focusing on public accountability for what was spent, program effectiveness, and on lessons learned by government for responding to similar crises in future. The results of this work will be reported in future audit reports.

### **Performance Audits**

This report includes the results of three recently completed performance audits.

We examined the *Processes to Report on Value Generation* for both the Alberta Enterprise Corporation and Alberta Innovates. In both audits, we found the entities did have processes to measure, monitor and report whether their activities generate value for Albertans; however, not all of these processes were effective, and improvements can be made (pages 147 to 182).

Our annual rotational audit—*Travel, Meal and Hospitality Expenses of the Premier, Ministers and Their Staff*—was done to ensure ministers and public servants are spending taxpayers’ dollars responsibly and prudently when conducting government business. This year we examined five departments. We found they all had effective processes to verify expenses and comply with and support Treasury Board oversight policies and process (page 183).

## Assessment of Implementation Reports

When management asserts it has implemented our recommendations, we assess its implementation to verify that assertion. Starting on page 195 are the results of five of our most recent Assessment of Implementation Reports. We found all but one of the previous recommendations examined in these reports has been implemented. We repeated one recommendation where we found more work is required to consider it implemented.

## Acknowledgements

I would like to thank those in oversight and management roles in the organizations we audit. Your cooperation is appreciated.

I also extend a thank you to all Members of the Legislative Assembly over the past year, and especially to the previous and current members of the Standing Committee on Legislative Offices and the Standing Committee on Public Accounts, as well as the members of the Provincial Audit Committee.

Finally, I extend my deep gratitude to every member of my Office. Your resilience, adaptability, and professionalism in conducting the audits and preparing this report in a COVID-19 environment have been inspirational.

Thank you.



W. Doug Wylie FCPA, FCMA, ICD.D  
Auditor General



# Report of the Auditor General—November 2021

## Summary of Recommendations at a Glance

### Introduction

The following is a summary of all of the recommendations included in the *Report of the Auditor General—November 2021*.

### NEW Recommendations

#### Alberta Advanced Education

##### Department

Ministry Chapter, page 40

##### **Allowance for Uncollectible Student Loans**

**NEW** Recommendation:

Improve process to estimate the allowance for uncollectible student loans

#### Alberta Agriculture and Forestry

##### Department

Ministry Chapter, page 48

##### **Timber Revenues Estimation Process**

**NEW** Recommendation:

Improve processes for estimating timber revenues at fiscal year-end

##### **Agriculture Financial Services Corporation**

Ministry Chapter, page 49

##### **Cloud Computing Risk Management Process**

**NEW** Recommendation:

Develop a process to manage the risks of using cloud computing

## Alberta Environment and Parks

### Department

Ministry Chapter, page 88

#### Process for Capital Asset Write-downs and Disposals

##### NEW Recommendation:

Improve process to ensure proper recording of tangible capital assets that require write-down or disposal

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## Alberta Jobs, Economy and Innovation

### Invest Alberta Corporation

Ministry Chapter, page 112

#### Improve Financial Reporting Processes

##### NEW Recommendation:

Improve processes to analyze and conclude on financial reporting of significant transactions

### Alberta Enterprise Corporation

*Processes to Report on Value Generation*, page 162

#### Improve processes to measure, monitor and report value generated by investment and ecosystem activities

##### NEW Recommendation

### Alberta Innovates

*Processes to Report on Value Generation*, page 180

#### Improve processes to measure, monitor and report value generated by research and innovation activities

##### NEW Recommendation

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## Service Alberta

### Department

Ministry Chapter, page 136

#### Improve User Access Controls

##### NEW Recommendation:

Remove terminated users' access to the government network and IT applications promptly

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# REPEATED Recommendation

## Alberta Justice and Solicitor General

### Department

*Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results  
Assessment of Implementation Report on page 209*

### Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results

#### **REPEATED** Recommendation:

Develop and publicly report on a business plan for the Victims of Crime and Public Safety Fund Program

# IMPLEMENTED Recommendations

## Alberta Agriculture and Forestry

### Department

*Wildfire Management: Processes for Prevention and Review and Improvement Assessment of Implementation Report, page 195*

#### **Wildfire Management: Processes for Prevention and Review and Improvement**

**IMPLEMENTED** Recommendation:

Ensure processes are in place to evaluate and report on wildfire prevention programs

#### **Wildfire Management: Processes for Prevention and Review and Improvement**

**IMPLEMENTED** Recommendation:

Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews

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## Alberta Education

### Department

Ministry Chapter, page 60

#### **Monitoring of School Jurisdictions' Accumulated Operating Reserves**

**IMPLEMENTED** Recommendation:

Improve monitoring, assessing, and reporting processes on school jurisdictions' accumulated operating reserve

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## Alberta Energy

### Alberta Energy Regulator

Ministry Chapter, page 77

**IMPLEMENTED** Recommendation:

Develop an effective cloud governance structure and retain documentation to evidence policies were followed

### Alberta Energy Regulator

Ministry Chapter, page 78

**IMPLEMENTED** Recommendation:

Strengthen processes for its senior management compensation arrangements

## Alberta Energy Regulator

Ministry Chapter, page 78

**IMPLEMENTED** Recommendation:  
Strengthen expense claim policy and improve controls over expense claims

## Alberta Energy Regulator

*Systems to Regulate Pipeline Safety and Reliability in Alberta Assessment of Implementation Report*  
on page 201

### Systems to Regulate Pipeline Safety and Reliability in Alberta

**IMPLEMENTED** Recommendation:  
Use risk management activities to make informed decisions

### Systems to Regulate Pipeline Safety and Reliability in Alberta

**IMPLEMENTED** Recommendation:  
Formalize training program for core pipeline staff

### Systems to Regulate Pipeline Safety and Reliability in Alberta

**IMPLEMENTED** Recommendation:  
Identify performance measures and targets

### Systems to Regulate Pipeline Safety and Reliability in Alberta

**IMPLEMENTED** Recommendation:  
Review pipeline incident factors

### Systems to Regulate Pipeline Safety and Reliability in Alberta

**IMPLEMENTED** Recommendation:  
Assess current pipeline information needs

### Systems to Regulate Pipeline Safety and Reliability in Alberta

**IMPLEMENTED** Recommendation:  
Implement risk-based compliance processes

## Canadian Energy Centre Ltd.

Ministry Chapter, page 80

**IMPLEMENTED** Recommendation:  
Design and implement effective contract management controls

## Alberta Environment and Parks

### Department

Ministry Chapter, page 89

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

**IMPLEMENTED** Recommendation:

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

### Department

Ministry Chapter, page 90

#### **Improve Capital Asset Monitoring and Recording Processes**

**IMPLEMENTED** Recommendation:

Improve asset management monitoring and recording processes for dam and water management structures

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## Alberta Justice and Solicitor General

### Department

*Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results Assessment of Implementation Report* on page 209

#### **Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results**

**IMPLEMENTED** Recommendation:

Determine best use of Victims of Crime and Public Safety Fund accumulated surplus

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# Alberta Treasury Board and Finance

## Department

Ministry Chapter, page 128

### Enterprise Risk Management Systems

**IMPLEMENTED** Recommendation:

Update and follow enterprise risk management system

## Department

Ministry Chapter, page 129

### Review and Approval of Department Accounting Changes

**IMPLEMENTED** Recommendation:

Implement a review and approval of department accounting changes

## Department

*Government of Alberta Capital Planning Assessment of Implementation Report on page 215*

### Government of Alberta Capital Planning

**IMPLEMENTED** Recommendation:

Improve capital planning standards and phased approach to capital planning and approval

# Service Alberta

## Department

*Contract Management Processes Assessment of Implementation Report on page 219*

### Contract Management Processes

**IMPLEMENTED** Recommendation:

Improve performance measurement processes

### Contract Management Processes

**IMPLEMENTED** Recommendation:

Improve compliance processes

### Contract Management Processes

**IMPLEMENTED** Recommendation:

Incorporate lessons learned

# Summary of New, Implemented and Outstanding Recommendations

The following is a summary of the total new and implemented recommendations in this November report as well as the status of outstanding recommendations, by ministry, including their respective reporting entities, as of October 29, 2021.

The status of Ready for Assessment/Not Ready for Assessment is based on management's assertion to us that either:

- the recommendation has been implemented and is ready for our assessment
- the recommendation has yet to be implemented and is therefore not ready for our assessment

There are eight new recommendations in this report as well as 108 outstanding recommendations, 67 of which have been outstanding for three or more years. Management has indicated to us that 47 of these recommendations are ready to be assessed for implementation.

Ministry	Total <sup>1</sup>	New <sup>2</sup>	Implemented <sup>3</sup>	Outstanding Recommendations			
				Ready for Assessment	Not Ready for Assessment	> 3 Years	< 3 Years
Alberta Advanced Education	16	1	0	3	12	5	10
Alberta Agriculture and Forestry	2	2	2	0	0	0	0
Alberta Children's Services	4	0	0	3	1	4	0
Alberta Community and Social Services	4	0	0	0	4	2	2
Alberta Culture and Status of Women	0	0	0	0	0	0	0
Alberta Education <sup>4</sup>	3	0	1	0	3	3	0
Alberta Energy	9	0	10	7	2	4	5
Alberta Environment and Parks	14	1	2	2	11	8	5
Alberta Health	24	0	0	19	5	21	3
Alberta Indigenous Relations	0	0	0	0	0	0	0
Alberta Infrastructure	2	0	0	0	2	0	2
Alberta Jobs, Economy and Innovation	5	3	0	2	0	0	2
Alberta Justice and Solicitor General	9	0	1	5	4	6	3
Alberta Labour and Immigration	1	0	0	1	0	0	1
Alberta Municipal Affairs	3	0	0	0	3	1	2
Alberta Seniors and Housing	0	0	0	0	0	0	0
Alberta Transportation	2	0	0	0	2	0	2
Alberta Treasury Board and Finance	14	0	3	5	9	10	4
Service Alberta	4	1	3	0	3	3	0
Executive Council	0	0	0	0	0	0	0
Offices of the Legislative Assembly	0	0	0	0	0	0	0
<b>Total</b>	<b>116</b>	<b>8</b>	<b>22</b>	<b>47</b>	<b>61</b>	<b>67</b>	<b>41</b>

Notes:

<sup>1</sup> The total reflects new recommendations in this report plus the outstanding recommendations.

<sup>2</sup> New recommendations in this report.

<sup>3</sup> Recommendations reported as implemented in this report.

<sup>4</sup> The number for Education includes two recommendations made to the Northland School Division.



# 2 Financial Statement Audits



# Contents

<b>2020-2021 Consolidated Financial Statements of the Province of Alberta</b> .....	17
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## **2020-2021 Reports on Government Ministries**

Alberta Advanced Education .....	39
Alberta Agriculture and Forestry .....	47
Alberta Children's Services .....	53
Alberta Community and Social Services .....	55
Alberta Culture and Status of Women .....	57
Alberta Education .....	59
Alberta Energy .....	75
Alberta Environment and Parks .....	85
Alberta Health .....	97
Alberta Indigenous Relations .....	107
Alberta Infrastructure .....	109
Alberta Jobs, Economy and Innovation .....	111
Alberta Justice and Solicitor General .....	115
Alberta Labour and Immigration .....	119
Alberta Municipal Affairs .....	121
Alberta Seniors and Housing .....	123
Alberta Transportation .....	125
Alberta Treasury Board and Finance .....	127
Service Alberta .....	135
Executive Council .....	141
Offices of the Legislative Assembly .....	143

### **PLEASE NOTE:**

On July 8, 2021, the government announced a new ministry structure. The former Ministry of Culture, Multiculturalism and Status of Women became the Ministry of Culture and Status of Women.

# Audit Responsibility and Quality Assurance Statement

Management is responsible for the financial statements, and internal control, of the entities we audit.

**Our responsibility is to express an opinion on the financial statements, which is communicated in our independent auditor's reports that accompany the financial statements.**

Our financial statement audits are conducted under the authority of the *Auditor General Act* and in accordance with Canadian Auditing Standards.

Our financial statement audits are not for the purpose of expressing an opinion on the overall effectiveness of internal control. We make recommendations when we identify significant deficiencies in the course of our work, and perform assessments of the implementation of recommendations when management has asserted they have been implemented.

The Office of the Auditor General applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with applicable professional standards and applicable ethical, legal and regulatory requirements. The office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality, and professional behavior.



2020-2021  
Consolidated Financial  
Statements of the  
Province of Alberta

# Introduction

We prepared this chapter to help readers of the Province’s Consolidated Financial Statements understand our audit and the audit matters or items that in our professional judgement were most significant to the audit of the Province’s Consolidated Financial Statements. These include the government’s contracts related to the Keystone XL pipeline and North West Redwater partnership, and environmental liabilities. We also include information on the impact of COVID-19 and the government’s implementation of its new enterprise resource planning system (1GX) in our audit.

Alberta Treasury Board and Finance is responsible for preparing the Province’s Consolidated Financial Statements and ensuring that transactions and events are fairly presented in accordance with Canadian Public Sector Accounting Standards (PSAS). It is our responsibility to express an independent opinion that provides reasonable assurance that the consolidated financial statements are free of material misstatements and are fairly presented in accordance with PSAS.

We issued an unqualified (clean) audit opinion for the Province’s Consolidated Financial Statements. Based on our work, we have concluded the 2020–2021 financial statements are fairly presented in accordance with PSAS.

# Background

The Province's Consolidated Financial statements account for the full nature and extent of the financial affairs and resources of government, including the financial results of departments; regulated funds; agencies, boards and commissions; the legislative assembly and legislative offices; schools, universities, colleges and health entities such as Alberta Health Services; and government business enterprises such as ATB Financial and the Alberta Petroleum Marketing Commission. The financial statements provide a comprehensive view of the revenues that the province recognized, its spending on various programs for 2020–2021, and its financial position at March 31, 2021.

The Office of the Controller is responsible for preparing the Province's Consolidated Financial Statements in accordance with PSAS. These standards ensure the financial information is presented fairly and on a comparable basis to prior years and to other governments. Departments, provincial agencies, and crown-controlled organizations are responsible for:

- implementing internal controls related to the collection and disbursement of money and safeguarding of assets
- ensuring transactions comply with applicable legislation and regulations
- ensuring transactions are properly recorded in financial systems to reflect the substance of the transactions in accordance with the applicable financial reporting frameworks

Management also uses judgement to prepare estimates included in the financial statements. The significant estimates include, for example, income taxes and non-renewable resource revenue.

## Understanding the financial statements

The Province's Consolidated Financial Statements provide information for Albertans and Members of the Legislative Assembly. They tell an important story about the province's financial condition and the financial results for the year ended March 31, 2021. They show how much revenue the government raised and the sources and degree of uncertainty in estimating some of those revenues, such as income taxes. The financial statements also provide accountability information to show how money was spent compared to approved budgets and in which areas, such as healthcare and education. The financial statements further provide information about the province's financial assets, liabilities and capital assets.

The financial statements alone are not sufficient to communicate the complete picture of the province's financial health and annual results. The *Government of Alberta Annual Report 2020-2021* includes a section *Budget 2020 Key Results* that supplements the financial statements. The government also publishes the 2021 Final Results – Year-end report<sup>1</sup> with the annual report. These reports provide additional explanations for significant variances from budgets and prior years' financial results.

In addition, ministry annual reports include more detailed variance analysis of ministry revenues and expenses, comparing actual results to the budget approved by the Legislative Assembly and to prior-year results. The ministry annual reports also include financial information about significant programs and information required by legislation, such as reporting payments under agreements.

### What is debt, gross debt, net debt and net assets/(liabilities)?

The financial statements include important information about debt, gross debt, net debt and net assets/(liabilities). Questions often arise about what these terms mean. On the following page, we explain these terms and factors that readers and decision makers should consider when analyzing the information.

<sup>1</sup> <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/732c465a-196e-488f-8b79-c774197dedf9/download/2020-21-final-results-year-end-report.pdf>

## Alberta's Debt, Net Debt and Net Assets / (Liabilities) as at March 31, 2021

Balance	What it means	What to consider
<b>Debt</b> <b>\$111.7 billion</b>	<p>This is the money the government borrows and must repay. Government borrows money to pay for programs and capital expenditures and to lend to:</p> <ul style="list-style-type: none"> <li>various entities, such as cities, towns, villages, and regional airport authorities through the Department of Treasury Board and Finance<sup>2</sup></li> <li>entities and farmers in the agriculture sector through the Agriculture Financial Services Corporation</li> </ul> <p>The financial statements, Schedule 11, disclose the province's debt, including liabilities related to Public-Private Partnerships of \$3.1 billion and capital leases of \$268 million.</p>	<p>Debt can be broken down into:</p> <ul style="list-style-type: none"> <li>Debt for which the government must raise revenues and surpluses to repay the debt. Government refers to this as "Taxpayer supported debt". This totals \$93.3 billion, which includes P3 liabilities and capital leases. Government must generate enough revenues and surpluses to pay off this debt. Alternatively, government can also "roll-over" the debt when it borrows money again to pay off a debt that becomes due.</li> <li>Debt that government issues to lend the money to various entities, such as cities, towns, villages, regional airport authorities, and entities in the agriculture sector that are required to repay their loans. This totals \$18.4 billion. This debt is mostly offset by the loans receivable from the above entities. These are included in Loans and Advances on the statement of financial position and have further details in Schedule 9 to the financial statements.</li> </ul>
<b>Gross debt</b> <b>\$117.8 billion</b>	<p>This is the \$111.7 billion in debt described above, plus \$6.1 billion in debt of government business enterprises, such as ATB Financial, the Balancing Pool, and the Alberta Petroleum Marketing Commission.</p>	<p>The Department of Treasury Board and Finance issues debt on behalf of these government business enterprises. These entities generate revenues from their commercial operations to pay off the debt.</p>
<b>Net debt</b> <b>\$59.5 billion</b>	<p>This is the difference between the province's financial assets and liabilities. When the difference is negative, it means that the government must generate future surpluses to pay for past transactions and events (net debt). When the difference is positive, it means the province has financial resources available to pay for future programs and capital expenditures (net financial assets).</p>	<p>Financial assets include endowment investments of \$2.7 billion. Entities must maintain endowments in perpetuity and can only use the income from the endowment investments for specific purposes that donors specify. Post-secondary institutions hold most of the province's endowments. Financial assets also include investments held in regulated funds, such as the Alberta Heritage Savings Trust Fund, that are restricted by legislation. Generally, these funds are not available to pay off liabilities.</p>

<sup>2</sup> The Alberta Capital Finance Authority was dissolved on October 31, 2020, and its responsibilities were transferred to the Department of Treasury Board and Finance.

Balance	What it means	What to consider
<b>Net assets/ (liabilities) (\$5.8 billion)</b>	<p>This is the province’s net debt plus tangible capital assets and other non-financial assets. If the difference is positive, it means that the province’s assets (financial and non-financial) exceed its liabilities. When the difference is negative, it means the province’s liabilities exceed its assets.</p>	<p>The government often incurs debt to build or buy tangible capital assets. Thus, while there is an increase in debt, there is also often an increase in the province’s assets, and the province will use these assets over a long period of time. However, as the province borrows more for operating purposes, the net assets may become negative. This is what happened in 2021. The province moved from net assets of \$11.4 billion in 2020 to net liabilities of \$5.8 billion in 2021.</p>

# Audit Opinion on 2020-2021 Consolidated Financial Statements

The Office of the Auditor General, under the *Auditor General Act*, is responsible for the annual audit of the Province's Consolidated Financial Statements. The objective of our audit is to provide reasonable assurance that the consolidated financial statements are free of material misstatements and are fairly presented in accordance with PSAS.

On June 21, 2021, we issued an unqualified (clean) audit opinion on the Province's Consolidated Financial Statements for the year ended March 31, 2021. A clean audit opinion means that we concluded, based on obtaining sufficient and appropriate audit evidence, that the financial statements are free of material misstatements and are presented fairly in accordance with PSAS.

Our audit opinion on the Province's Consolidated Financial Statements provides confidence to readers about the financial statements because we:

- are independent of government
- have a professional obligation to comply with Canadian Auditing Standards when auditing the financial statements

As part of our audit, we are required by Canadian Auditing Standards to:

- understand the entities and business activities included in the Province's Consolidated Financial Statements
- assess the risks of material misstatement
- perform appropriate audit procedures to obtain sufficient and appropriate audit evidence to support our conclusion
- evaluate and conclude whether the Province's Consolidated Financial Statements fairly present the financial position, results of operations, cash flows, and changes in net debt

Our audit included consideration of internal control in order to design audit procedures but was not for the purpose of expressing an opinion on the effectiveness of internal control and is not designed to identify all matters that may be of interest to users. Internal control and other matters are limited to those we identified during the audit.

An effective and efficient internal control program that mitigates key financial and operational risks is an essential part of any organization. A key part of such an internal control program is evaluating the substance of transactions and events based on applicable accounting standards to ensure the complete, accurate and appropriate accounting and disclosures in financial statements. In an environment where financial and operational risks are continually changing and emerging, a structured program for internal controls can assist an organization in identifying, assessing and responding when appropriate to the changing environment. Effective internal controls ensure reliable financial reporting, effective and efficient operations, and compliance with legislation and internal policies.

# Key Audit Matters

Our audit of the *2020–2021 Consolidated Statements of the Province of Alberta* focused on the following key risks—or those matters that, in our professional judgement, were of most significance—during our audit:

- Impact of COVID-19
- Implementation of the new enterprise resource planning system, called 1GX. This is an integrated system that manages various business processes, such as human resources and payroll, procurement, capital asset management, financial transactions and financial reporting.
- Investment in the Keystone XL pipeline
- Government’s contracts with the North West Redwater Partnership
- Environmental liabilities

The communication of key audit matters does not alter in any way our opinion about the consolidated financial statements, taken as a whole, and we are not, by communicating the key audit matters below, providing separate opinions about the key audit matters or the accounts or disclosures to which they relate.

## **COVID-19 impacts, government’s actions and our audit procedures for the audit of the Province’s Consolidated Financial Statements**

### **Overview of Risk**

The impacts of COVID-19 on the economy and financial markets and government’s actions in response to these introduced additional audit risks such as the valuation of investments, collectability of loans and other receivables, and whether recipients met eligibility requirements for new COVID-19 programs. Governments implemented emergency measures to combat the spread of the virus. Significant uncertainties remain about the impacts of COVID-19. The unprecedented nature of COVID-19 and the emergency measures had a significant impact on the economy, stock markets, individuals, businesses and organizations.

In response, the Alberta government implemented various programs and publicly announced supports and financial relief to individuals, businesses and organizations. In addition, the federal government also announced various programs and provided funding to the Province of Alberta. Some of the funding had stipulations on its use, affecting when revenue is recognized.

## What We Examined

We:

- requested management to provide us an accounting assessment of the impacts on their financial statements
- updated our understanding and risk assessments, including the impact of any emergency measures, new programs or relief measures, government announcements, ministerial orders, and relevant changes in processes and internal controls
- performed additional audit procedures to ensure that management appropriately recognized and disclosed the transactions in their financial statements. This included:
  - › additional testing of investment valuations and other-than-temporary declines in investment values
  - › testing the collectability of loans and other receivables
  - › performing a range of control and substantive audit procedures related to COVID-19 spending to verify that transactions were appropriately accounted for and disclosed
  - › verifying that transactions and events were recorded in the correct period
  - › examining whether disclosures such as measurement uncertainty and subsequent events appropriately described the impacts of COVID-19
  - › evaluating management's accounting assessment whether the federal government set stipulations on the use of the funding, and verifying that management deferred revenue when stipulations were not met or recognized revenue when stipulations were met

## What We Found

We found that entities assessed the impact of COVID-19 and appropriately reflected these impacts and transactions in their financial statements. We conclude amounts and disclosures in the consolidated financial statements relating to COVID-19 related expenses, inventory balances, revenue and deferred revenues were reasonable.

## Context

The province announced various programs to provide financial supports to Albertans, businesses and other organizations. Some of these programs were funded by the federal government. Below is a table of some of the significant programs included in our audit.

Program	Expenses recognized to March 31, 2021
Small and Medium Enterprise Relaunch Grant (SMERG)	\$626 million
Critical Workers Benefit	\$365 million
Site Rehabilitation Program	\$128 million
<p>Various programs funded under the Safe Restart Agreement with the federal government. The most significant components are:</p> <ul style="list-style-type: none"> <li>• Health related programs for: <ul style="list-style-type: none"> <li>› healthcare capacity • \$276 million</li> <li>› mental health and problematic substance use • \$45 million</li> <li>› vulnerable populations • \$147 million</li> <li>› testing, contact tracing and data management • \$264 million</li> </ul> </li> <li>• Municipal Operating Support Transfer \$576 million</li> <li>• Personal Protective Equipment \$539 million</li> </ul>	

The federal government provided significant funding to the province for various programs related to COVID-19. For example, it provided \$1 billion for the site rehabilitation program and \$1.3 billion under the Safe Restart Agreement.<sup>3</sup> Most of this funding had stipulations on how the province must use it or that the province must provide matching funding. The province recognized the funding as deferred revenue until it met the stipulations, at which time the province would recognize the revenue. For example, for the site rehabilitation program, the federal government provided \$1 billion to the province to remediate and reclaim inactive wells. At March 31, 2021, the province had spent \$128 million. Thus, it had met the stipulations for that amount and recognized \$128 million as revenue, while the remaining \$872 million is reported as deferred revenue since the province has not yet met the stipulations at March 31, 2021. The province will recognize the deferred revenue into revenue in future years when it pays companies for the eligible cleanup work under the Site Rehabilitation Program.

The province recorded the fair value of contributed personal protective equipment and supplies it received at no cost from the Government of Canada in response to COVID-19. The province did not record the COVID-19 vaccines because the fair value of the vaccines could not be reasonably determined as the Government of Canada could not share the price per vaccine with the province due to confidentiality clauses embedded in contracts between the Government of Canada and the various COVID-19 vaccine manufacturers.

<sup>3</sup> <https://www.canada.ca/en/intergovernmental-affairs/services/safe-restart-agreement/letters/alberta.html>

# Implementation of new enterprise resource planning system

## Overview of Risk

The government implemented a new enterprise resource planning (ERP) system (called 1GX for "one government experience") and common business processes and controls for finance, procurement and human resources. Three departments piloted 1GX starting July 1, 2020, while all other departments transitioned on December 1, 2020.

## What We Examined

We performed the following work over the implementation of 1GX to allow us to issue our audit opinion regarding the province's financial statements. We:

- reviewed and relied on the work that Corporate Internal Audit Services (CIAS) completed on the design and implementation of controls over 1GX, including access controls and data conversion. On a sample basis, we reperformed audit procedures on a sample basis that CIAS completed to allow us to rely on their audit work
- tested the financial data to ensure that IMAGIS (the government's previous enterprise resource planning system) data was completely and accurately converted to 1GX systems
- examined the delegation of authority for approvals implemented in 1GX
- assessed whether that Service Alberta implemented adequate controls to verify that interfaces between government departments' legacy applications and 1GX are operating effectively
- assessed the design, implementation and operation of business processes and controls over payroll, purchases, payables and payments, and capital assets
- assessed the design, implementation and operation of IT general controls, including interfaces between 1GX and GOA legacy applications and assurance over the controls at IT service organizations
- tested transactions and balances to ensure they are appropriately recorded
- performed various data analytics to identify anomalies and trends and to verify the accuracy of reports

## What We Found

Overall, we found that departments implemented well-designed processes and controls over significant business processes, and completely and accurately converted data from IMAGIS to 1GX. Service Alberta also implemented processes and controls to continuously transfer data between legacy applications and 1GX. Finally, we performed a range of controls testing, substantive testing and data analytics to conclude that the Province's Consolidated Financial Statements are not materially misstated.

## Context

The government implemented a new ERP system. The new ERP system uses cloud-based capabilities and introduces standard processes for finance, treasury, budgets and forecasting, supply chain management, payroll and human capital management. Along with transforming financial services in government, the government's new ERP system is aimed at strengthening government's financial management and maximizing the benefits of new technologies, such as process robotics and artificial intelligence. The new technology will automate many processes and controls across government.

## Investment in the Keystone XL pipeline

### Overview of Risk

The Alberta Petroleum Marketing Commission (APMC) signed an Investment Agreement with TC Energy, effective March 31, 2020. APMC, through five newly created subsidiaries, agreed to provide financial support for the construction of the KXL expansion pipeline. APMC provided equity contributions up to December 31, 2020, and also signed a guarantee agreement for the TC Energy credit facility on January 4, 2021. On January 20, 2021, U.S. President Biden revoked the presidential permit for the cross-border portion of the KXL pipeline. As a result, TC Energy suspended the construction of the pipeline. On June 9, 2021, the government announced<sup>4</sup> that it reached an agreement to exit the KXL project and partnership. Due to these events, significant judgment and estimation are required about the fair value of equity contributions and the loss allowance for the debt guarantee.

### What We Examined

We examined the agreements and transactions with TC Energy and the impacts of the cancellation of the KXL project to determine if the investments and guarantee were appropriately valued and accounted for in the Province's Consolidated Financial Statements.

We also examined the disclosures in the Province's Consolidated Financial Statements to ensure the equity contributions, guarantee and the impacts of the cancellation of the KXL project on the government's investment were completely and properly described.

### What We Found

APMC analyzed the various transactions and events to completely and accurately account for the KXL transactions.

Overall, we were satisfied that the:

- controls that APMC implemented were appropriately designed and implemented. APMC properly analyzed the various transactions and events to completely and accurately account for the KXL transactions
- transactions recorded and related disclosures to the KXL arrangement were reasonable

<sup>4</sup> <https://www.alberta.ca/release.cfm?xID=7934377BC4B2A-9A8A-DDD0-DF72AF17F370A44B>

## Context

Schedule 8 of the Province's Consolidated Financial Statements discloses the investment agreement. Based on this agreement, APMC agreed to extend financial support of up to USD \$5.3 billion, beginning with an equity commitment of up to USD \$1.06 billion by December 31, 2020. The balance of the support, commencing January 1, 2021, was to be in the form of a debt guarantee to backstop TC Energy's credit facility for the KXL expansion pipeline. APMC was to earn a specified return on equity contributions paid until March 31, 2026, and was to earn a loan guarantee fee on outstanding debts on TC Energy's KXL credit facility. Approximately one year after project completion, TC Energy was to pay APMC the value of the outstanding equity contributions and accretion earned thereon. Further, TC Energy was to pay the debt guarantee fee at the same time APMC's debt guarantees are released.

The government made equity contributions of CAD \$1.036 billion and earned a CAD \$33 million return on these contributions. On January 8, 2021, TC Energy exercised their contractual rights to purchase substantially all of the U.S. Class A interests held by an APMC subsidiary for CAD \$632 million. TC Energy financed the repurchase by drawing on the TC Energy credit facility covered by the province's guarantee.

On January 20, 2021, U.S. President Biden revoked the Presidential Permit for the cross-border portion of the KXL pipeline. As a result, TC Energy suspended the advancement of the KXL project, while TC Energy and APMC, along with the Alberta government, assessed the implications of the revocation and considered their options.

APMC signed the Debt Guarantee Agreement effective January 4, 2021, for the TC Energy credit facility. On March 26, 2021, TC Energy reduced the total amount available under the credit facility from USD \$4.1 billion to USD \$1.6 billion pursuant to negotiated amendments.

On June 9, 2021, the government announced that it reached an agreement to exit the KXL project and partnership.

APMC recorded a liability related to the guarantee of CAD \$1.035 billion at March 31, 2021, as management expected that there was a significant risk that the borrowers would default on the debt on or before the middle of June 2021. On June 16, 2021, APMC paid CAD \$1.035 billion under the guarantee agreement.

Below is a breakdown of the costs recorded in the province's financial statements for the year ended March 31, 2021. This is an estimate (in Canadian dollars) of the cost (in millions), and this number may change as assets are being liquidated.

Fair value loss on investment in KXL Expansion Project	\$256
Foreign exchange loss	35
Loss allowance for KXL Expansion Project Debt Guarantee	1,035
Administration and finance costs	7
<hr/> Total KXL Expansion Project expenses	<hr/> \$1,333

# Government's Contracts with the North West Redwater Partnership

## Overview of Risk

APMC manages contracts with the North West Redwater Partnership (NWRP) on behalf of the government. The NWRP owns and operates the Sturgeon refinery. The refinery refines bitumen to produce ultra low-sulfur diesel, among other refined products. The partnership acquired the financing and will own, construct, and operate the refinery. Under the original 30-year tolling agreement, when the refinery reached commercial operation date on June 1, 2020, APMC provides 75 per cent of the bitumen, shares 75 per cent of the refined product sales, and pays 75 per cent of the monthly cost of service toll. The Processing Agreement began at Toll Commencement Date (June 1, 2018) and therefore expires May 31, 2048. This toll includes a component for the operating cost of the refinery, NWRP's debt and debt servicing costs, and equity for financing the refinery. APMC has the option to renew the processing agreement for successive five-year terms.

The Lieutenant Governor in Council prescribed a change in year-end for APMC from December 31 to March 31. As at March 31, 2021, the contracts commit the government to \$26.4 billion in toll payments over the remainder of the Processing Agreement. APMC assessed, using a forecasting model, if the unavoidable costs of the obligations under the NWRP agreements exceed the economic benefits APMC will receive (that is, has the contract become onerous). APMC concluded the contract is onerous by \$2.5 billion at March 31, 2021, and adjusted their provision as a result.

On July 5, 2021, government announced that it had signed a new agreement related to the refinery. Under the new agreement, APMC became a 50 per cent equity partner with Canadian Natural Resources Limited, and extended the original agreement by an extra 10 years. However, this occurred after the date of our auditor's report and thus is not reflected in the Province's Consolidated Financial Statements for March 31, 2021. We will audit the impact of the new agreement during our audit of the Province's Consolidated Financial Statements for March 31, 2022. The information presented below does not consider the new agreement and reflects the agreements in effect at March 31, 2021.

## What We Examined

We audited:

- management's process to assess whether the unavoidable costs of meeting the obligations under the processing agreement exceed the economic benefits APMC expects to receive. To do this, we examined management's financial model and the key assumptions used to estimate the net present value of the arrangement
- the design and implementation of controls for the new business processes for handling the transition to commercial operations

We also examined the disclosures within the Province's Consolidated Financial Statements to ensure the nature of the arrangement, including the onerous contract provision, future toll commitments and loans by government to the NWRP, was properly described.

## What We Found

We were satisfied that the onerous contract provision, contractual obligations and cost of service tolls were reasonable, and that the agreement, onerous contract provision, term loan and contractual obligation to pay a monthly toll over the remainder of the processing agreement were appropriately disclosed. APMC designed adequate controls for managing the Sturgeon refinery transactions.

## Context

Schedule 8 to the consolidated financial statements discloses the impacts of the agreements with the NWRP. Using an example<sup>5</sup>, we illustrate below the financial benefits and risks to the government. The refined product will typically have a higher market value than the bitumen the government supplies to the refinery. For the government to make money, the difference between the market price of refined product and the cost of bitumen (the value-add of the refinery) must be higher than the toll the government is required to pay. However, this potential benefit is uncertain because the market price of refined products and cost of bitumen are hard to forecast. In addition, the debt toll the government is required to pay also increases as the capital cost of the refinery increases.

### Refined Product at Profit to Albertans (Benefits)



\*The government is entitled to a portion of this profit calculated based on terms of the agreement

### Refined Product at Loss to Albertans (Risks)



\*The government is obligated to pay for 75 per cent of the loss

At March 31, 2021, the facility capital costs were \$10 billion, from an original estimate of \$5.7 billion in 2014. The NWRP reported<sup>6</sup> that, effective June 1, 2020, it achieved Commercial Operation Date (COD) and started processing bitumen on behalf of the Government of Alberta and Canadian Natural Resources Limited.

<sup>5</sup> Hypothetical numbers used for illustrative purposes

<sup>6</sup> <https://nwrsturgeonrefinery.com/assets/uploads/2020/05/Behind-the-Scenes-Status-Update-Notification-of-COD.jpg>

## Onerous contract assessment

The contracts with NWRP entitle APMC to a share of the revenues from the sale of refined products but also require APMC to pay a monthly cost-of-service toll. International Financial Reporting Standards require APMC to determine if the net present value (NPV) of the unavoidable future costs of meeting the obligations under the processing agreement exceed the future economic benefits expected to be received. Where the NPV of the expected costs exceed the expected benefits, the contract is defined as "onerous" and APMC must record an expense and a corresponding liability in its financial statements to recognize the NPV of the expected loss. In subsequent years, APMC will normally adjust the liability based on future annual assessments.

APMC is using a cash-flow valuation model to determine the future economic benefits. The model calculates the net present value (NPV) of cash flows until March 2061. The model is inherently complex because the NPV calculation depends on a number of variables, such as crude oil prices (WTI), heavy light differentials, ultra-low-sulphur diesel-WTI premiums, exchange rates, capital and operating costs, interest and discount rates, and the operating performance of the refinery compared to its capacity.

APMC completed the onerous contract assessment at March 31, 2021. APMC determined that the contract is onerous by \$2.5 billion at March 31, 2021. This amount is subject to measurement uncertainty due to the assumptions used in determining the estimate. For example, if the WTI-WCS differential changes by USD \$1 per barrel, the estimate changes by approximately \$295 million. Also, for every \$0.01 change in the Canadian dollar, the estimate will change by \$112 million.

The onerous contract provision will be adjusted each year to a new NPV (either higher or lower) with the offset being recorded through the income statement. If the NPV turns positive, then the reversal of the provision on the balance sheet is to zero (i.e., the contract cannot become an asset).

## Tolls

In accordance with the processing agreement, APMC started paying the debt toll effective the Toll Commencement Date (defined as the earlier of June 1, 2018, and COD). The debt toll covers the debt and debt servicing costs that the NWRP incurs to finance the construction of the refinery. APMC paid \$837 million in "cost of service" tolls for the 15 months ended March 21, 2021 (\$201 million in "debt" tolls for the 12 months ended December 31, 2019). The cost of service tolls for 2020-2021 include the operating tolls since the refinery reached COD on June 1, 2020, while for the 12 months ended December 31, 2019, does not include these portions of the toll. APMC expensed these payments in accordance with International Financial Reporting Standards. Effective June 1, 2020, APMC also started to receive its share of the revenues as per the agreements. APMC's share of refinery sales was \$1.1 billion for the year ending March 31, 2021.

# Environmental Liabilities

## Overview of Risk

At March 31, 2021, environmental liabilities recorded in the Province's Consolidated Financial Statements totaled \$278 million (2020: \$248 million) representing future funding required to comply with environmental legislation. Under environmental legislation, the province is responsible to clean up contamination on sites that it owns and operates. Government has also accepted responsibility to clean up contamination on some orphan sites<sup>7</sup> created by industrial activity over the last century before and after current environmental laws and standards existed. There are also sites across various industries where, in government's capacity as a regulator, environmental liabilities can exist due to care and custody work required to ensure a site does not pose an undue risk to Albertans and the environment. The operators of these sites often no longer exist. Sites were not always cleaned up, and remaining contamination often exceeds current environmental standards.

The government is not directly responsible, and it has not accepted responsibility, for sites of private operators and the orphan wells that the industry-funded Orphan Well Association (OWA) is responsible for cleaning up. As a result, the Province's Consolidated Financial Statements appropriately exclude the environmental liabilities of private operators and the OWA.

## What We Examined

We audited whether entities recorded environmental liabilities in the Province's Consolidated Financial Statements and whether the disclosures of environmental liabilities are reasonable.

## What We Found

In June 2021, we issued a report that describes the weaknesses and recommendations related to the government's processes to provide information about government's environmental liabilities. That report recommends process improvements that entities must make. Since we brought the weaknesses to management's attention, we found that the entities made some improvements to their processes, which resulted in additional liabilities being recorded in 2020–2021. However, further improvements are necessary.

Despite the weaknesses, we found that management's estimates and disclosures of environmental liabilities in the Province's Consolidated Financial Statements comply with public sector accounting standards.

As government completes environmental assessments and determines what work is required, the cost of that work and who is responsible to do the work, management may need to account for additional liabilities in future years when the accounting criteria for a liability are met.

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<sup>7</sup> Orphan sites are industrial sites for which regulators have exhausted every way to identify a responsible party and hold it accountable to clean up a site but could not do so. This includes sites that government cannot transfer to the Orphan Well Association because the current orphan levy does not cover these sites, or there is no orphan levy. Orphan sites occur across several industries and include oil and gas wells and facilities, pipelines, coal mines, wood treatment plants, and sand and gravel pits.

## Context

Canadian Public Sector Accounting Standards<sup>8</sup> require management to prepare a best estimate of the costs necessary to remediate and reclaim a site to an appropriate level for its specific use as well as the costs for any post-remediation operations, maintenance, and monitoring activities. This includes sites that the government owns and operates and sites for which the government accepted responsibility to manage, remediate and reclaim the site.

An estimate for a liability to remediate and reclaim sites is not necessarily determinable at a specific point in time. The estimate becomes known over time and over various phases. Specialists first determine the type and extent of contamination, then assess the risks to humans and the environment, and then develop appropriate plans to clean up and restore sites. Public sector accounting standards recognize this and thus require disclosure of the reasons why the province did not record a liability.

Sometimes, it is uncertain who is responsible to remediate and restore sites. There may be situations in which the government might become responsible to remediate and restore sites in the future. This is contingent on the government determining if there are any private parties it can hold responsible. PSAS require the province to disclose details about when the responsible party is unknown. This tells readers of the province's financial statements that there is a risk that taxpayers may have to pay the costs to clean up and restore certain sites in the future.

Note 7(e) of the Province's Consolidated Financial Statements discloses the liabilities that management recorded and information about the nature and extent of environmental liabilities. It also includes:

- the reasons for not recording a liability on certain sites and where there are sites for which the parties responsible for remediating and reclaiming the sites are unknown
- a description that the province may record additional environmental liabilities as it completes or updates assessments and determines which party is responsible to do the work

At March 31, 2021, the province recorded the following environmental liabilities totaling \$278 million. This includes:

- \$179 million related to the future remediation and reclamation costs for the Swan Hills treatment plant
- \$99 million related to contaminated sites and other environmental liabilities across various entities

<sup>8</sup> PS 3200—Liabilities, PS 3260—Liability for contaminated sites, PS 3270—Solid waste landfill closure and post-closure liability, and PS 3300—Contingent liabilities.





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## 2020-2021 Reports on Government Ministries



# Alberta Advanced Education

In this report, there is one new recommendation to the department to improve its process to estimate the allowance for uncollectible student loans—see page 40.

The department has four outstanding recommendations. All four have been outstanding for more than three years and two are ready for assessment.

## Post-secondary Institutions Report Card<sup>9</sup>

We will report separately on the results of our 2020–2021 audits of 20 public post-secondary institutions, and will update our annual Report Card on the the post-secondary institutions' financial reporting processes and controls when those audits are complete.

In our Report on Post-secondary Institutions (December 2020), we issued three new recommendations to post-secondary institutions. Four outstanding recommendations were implemented. There are no new recommendations to the post-secondary institutions in this report. There are 11 outstanding recommendations, one of which has been outstanding for more than three years and is ready for assessment.

## Status of Recommendations

as of November 2021

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- 1** New Recommendation
- 0** Implemented Recommendations
- 15** Outstanding Recommendations
  - > 3** Ready for Assessment
  - > 12** Not Ready for Assessment
- 5** Outstanding Recommendations Older than Three Years

<sup>9</sup> See also *Report on Post-secondary Institutions 2020—December 2020*.

# Findings

## Department

### Allowance for Uncollectible Student Loans

#### NEW Recommendation:

Improve process to estimate the allowance for uncollectible student loans

We recommend that the Department of Advanced Education improve its process to estimate the allowance for uncollectible student loans.

## Context

The Department of Advanced Education provides needs-based financial assistance to students in the form of loans, grants, scholarships and awards to help pay for the cost of post-secondary education. Annually, department management must estimate the amount of loans and interest deemed uncollectible (in default) and record an allowance for the amount. The allowance also includes amounts for loan subsidies and repayment assistance. As at March 31, 2021, the allowance was \$513 million on a student loan receivable balance of \$3.4 billion.

Management uses an internally developed model to calculate the allowance for default loans and the repayment assistance. Management applies various assumptions that include student loan projected recovery, repayment assistance uptake and loan write-off rates based on the total accumulated historical data.

Estimates are subject to measurement uncertainty due to complexity of the calculations and subjectivity of the assumptions used. To reduce the level of measurement uncertainty associated with student loan allowance, it is important that the department has an effective estimation process that includes:

- identification, selection and validation of the method/model used to determine the allowance, including regular assessment of its reliability, accuracy and continued suitability
- annually assessing the relevance and completeness of management's assumptions applied in making the estimate
- completion of a look-back analysis to review the outcome of previous estimates to the actual result to identify improvements to the estimation methodology and process

## Our findings

### Key findings

The department did not:

- properly calculate the allowance for default and repayment assistance loans
- segregate the data to assess the impact of external and internal factors on the allowance
- perform a look-back analysis to refine assumptions based on actual data to improve the accuracy of the allowance estimate

We examined management's process to determine the student loan allowance. We found the formula used to calculate the estimated default and repayment assistance loans had an error. Management used a mixture of accumulated and single year data that miscalculated the estimated default and repayment assistance allowance. Management updated the formula and corrected the calculation error at year-end resulting in an increase to the overall student loan allowance of \$121 million.

Management's estimation process does not segregate student loan data since the inception of the loan program. Aggregation limits management's ability to assess the impact of external and internal changes, such as the student lending rate or the COVID-19 pandemic. Stratifying the loans into different groups will allow management to continuously improve the estimation process.

We also found that management does not perform a look-back analysis. All estimation processes should incorporate a look-back analysis to identify differences between the estimated amounts and actual results. This analysis will help management to refine the estimation assumptions and improve the reliability of its estimate for the allowance of uncollectible student loans.

## Consequences of not taking action

Without an effective process to determine the student loan allowance, the department cannot reasonably estimate the government's true costs of providing student loans and inform future adjustments to its student loan policies.

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## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b> ALLOWANCE FOR UNCOLLECTIBLE STUDENT LOANS:</p> <p><b>Improve process to estimate the allowance for uncollectible student loans</b></p> <p>We recommend that the Department of Advanced Education improve its process to estimate the allowance for uncollectible student loans.</p>	<p>November 2021, p. 40</p>	<p><b>NEW</b></p>
<p><b>DEPARTMENT</b> COLLABORATIVE INITIATIVES AMONG POST-SECONDARY INSTITUTIONS:</p> <p><b>Develop strategic plan and accountability framework</b></p> <p>We again recommend that the Department of Advanced Education, working with institutions:</p> <ul style="list-style-type: none"> <li>develop and communicate a strategic plan that clearly defines the minister’s expected outcomes for Campus Alberta, initiatives to achieve those outcomes, the resources required and sources of funding</li> <li>develop relevant performance measures and targets to assess if the outcomes are being achieved</li> <li>publicly report results and the costs associated with collaborative initiatives</li> <li>review and clarify the accountability structure for governing collaborative initiatives</li> </ul>	<p><b>Repeated October 2017, Performance Auditing, p. 37</b></p> <p>&gt; <b>Originally reported July 2013, no. 6, p. 48</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> COLLABORATIVE INITIATIVES AMONG POST-SECONDARY INSTITUTIONS:</p> <p><b>Develop processes and guidance to plan, implement and govern collaborative projects</b></p> <p>We again recommend that the Department of Advanced Education, working with institutions, develop systems and guidance for institutions to follow effective project management processes for collaborative initiatives.</p>	<p><b>Repeated October 2017, Performance Auditing, p. 40</b></p> <p>&gt; <b>Originally reported July 2013, no. 7, p. 51</b></p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> FOR-PROFIT AND COST RECOVERY VENTURES AT POST-SECONDARY INSTITUTIONS:</p> <p><b>Document and communicate expectations and guidelines</b></p> <p>We recommend that the Department of Advanced Education:</p> <ul style="list-style-type: none"> <li>document its expectations in terms of desired results and risk management for institutions participating in for-profit and cost recovery ventures</li> <li>establish approved guidelines for cost recovery ventures, to support best practices and align with the department's expectations</li> <li>update and approve for-profit venture guidelines to support best practices and align with the department's expectations</li> <li>develop a process to communicate the department's expectations and guidelines to all institutions</li> </ul>	<p><b>October 2015, no. 1, p. 25</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> FOR-PROFIT AND COST RECOVERY VENTURES AT POST-SECONDARY INSTITUTIONS:</p> <p><b>Improve department's oversight of institution's risk assessment of ventures</b></p> <p>We recommend that the Department of Advanced Education improve its oversight processes to ensure that boards of governors oversee management's assessment of the risks associated with for-profit and cost recovery ventures by:</p> <ul style="list-style-type: none"> <li>tailoring board training to examine these ventures</li> <li>maintaining relevant documentation of the institution's risk assessment and venture approval requests</li> <li>requiring the institution to comply with the department's expectations and guidelines</li> <li>requiring the institution to report on venture results on an ongoing basis</li> <li>providing effective feedback and ongoing guidance to the boards</li> </ul>	<p><b>October 2015, no. 2, p. 27</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA UNIVERSITY OF THE ARTS</b> POST-SECONDARY INSTITUTION REPORT CARD:</p> <p><b>Implement processes for testing and monitoring the effectiveness of internal controls</b></p> <p>We recommend that Alberta University of the Arts test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p>	<p>December 2019, p. 7</p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>GRANDE PRAIRIE REGIONAL COLLEGE</b> POST-SECONDARY INSTITUTION REPORT CARD: <b>Internal Control Over Information Technology Environment</b></p> <p>We recommend that the Grande Prairie Regional College consistently enforce its IT policies, which set out internal controls to protect its IT systems, applications, and data.</p>	<p>December 2019, p. 9</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>KEYANO COLLEGE</b> POST-SECONDARY INSTITUTION REPORT CARD: <b>Implement processes for testing and monitoring the effectiveness of internal controls</b></p> <p>We recommend that Keyano College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p>	<p>December 2019, p. 7</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>KEYANO COLLEGE</b> POST-SECONDARY INSTITUTIONS REPORT CARD: <b>Improve systems to ensure compliance with legislation</b></p> <p>We again recommend that Keyano College implement systems to:</p> <ul style="list-style-type: none"> <li>• understand what legislation they must comply with</li> <li>• develop appropriate policies, procedures and controls to ensure compliance with legislation</li> <li>• monitor and report non-compliance to senior management and the audit committees</li> </ul>	<p>Repeated November 2018, Financial Statement Auditing, p. 20</p> <p>&gt; <b>Originally reported February 2013, no. 7, p. 60</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>LAKELAND COLLEGE</b> POST-SECONDARY INSTITUTION REPORT CARD: <b>Implement processes for testing and monitoring the effectiveness of internal controls</b></p> <p>We recommend that Lakeland College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p>	<p>December 2019, p. 7</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>MEDICINE HAT COLLEGE</b> REPORT ON POST-SECONDARY INSTITUTIONS: <b>Improve purchasing processes</b></p> <p>We recommend that Medicine Hat College improve monitoring and consistent application of its purchasing policies and procedures.</p>	<p>March 2021, p. 7</p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>MEDICINE HAT COLLEGE</b> POST-SECONDARY INSTITUTION REPORT CARD:</p> <p><b>Implement processes for testing and monitoring the effectiveness of internal controls</b></p> <p>We recommend that Medicine Hat College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p>	December 2019, p. 7	<b>Not Ready for Assessment</b>
<p><b>NORQUEST COLLEGE</b> REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p><b>Implement consistent cloud computing processes</b></p> <p>We recommend that NorQuest College implement consistent cloud computing processes related to data security and monitoring of cloud providers' controls.</p>	March 2021, p. 8	<b>Not Ready for Assessment</b>
<p><b>OLDS COLLEGE</b> REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p><b>Improve financial reporting processes</b></p> <p>We recommend that Olds College improve its financial reporting processes to:</p> <ul style="list-style-type: none"> <li>• provide sufficient update training to staff of Public Sector Accounting Standards</li> <li>• ensure proper management oversight of the preparation of consolidated financial statements</li> </ul>	March 2021, p. 10	<b>Not Ready for Assessment</b>
<p><b>OLDS COLLEGE</b> POST-SECONDARY INSTITUTION REPORT CARD:</p> <p><b>Implement processes for testing and monitoring the effectiveness of internal controls</b></p> <p>We recommend that Olds College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p>	December 2019, p. 7	<b>Not Ready for Assessment</b>
<p><b>PORTAGE COLLEGE</b> POST-SECONDARY INSTITUTION REPORT CARD:</p> <p><b>Implement processes for testing and monitoring the effectiveness of internal controls</b></p> <p>We recommend that Portage College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p>	December 2019, p. 7	<b>Not Ready for Assessment</b>



# Alberta Agriculture and Forestry

In this report, there is one new recommendation to the department to improve processes for estimating timber revenues at fiscal year-end—see page 48.

The department has implemented two outstanding recommendations from our *Wildfire Management: Processes for Prevention and Review and Improvement Assessment of Implementation Report*—see page 195.

We issued an unqualified independent auditor’s report on the 2020–2021 financial statements for the Agriculture Financial Services Corporation (AFSC). There is one new recommendation to this entity to develop a process to manage the risks of using cloud computing—see page 49.

## Status of Recommendations

as of November 2021

---

- 2** New Recommendations
- 2** Implemented Recommendations
- 0** Outstanding Recommendations
  - **0** Ready for Assessment
  - **0** Not Ready for Assessment
- 0** Outstanding Recommendations Older Than Three Years

# NEW Recommendation

## Department

### Timber Revenues Estimation Process

#### NEW Recommendation:

Improve processes for estimating timber revenues at fiscal year-end

We recommend that the Department of Agriculture and Forestry improve its processes for estimating timber dues<sup>10</sup> at year-end to ensure accurate timber royalties and fees revenue.

## Context

The department is responsible for the accounting of timber royalties and fees revenue (timber revenue). A portion of the timber revenue recognized each fiscal year includes an estimate for unreported amounts at year-end. This estimate is necessary because timber disposition<sup>11</sup> holders have 45 days to report their monthly or quarterly timber dues to the department. The department uses a number of variables, like estimated volumes and prices, to estimate the timber revenue expected from the unreported amounts to ensure it has reflected twelve months of revenues.

## Our findings

### Key findings

- The department's timber royalty revenue estimate required a material correction because their estimation model did not reflect significant changes in underlying variables, like pricing, nor was a reasonability check completed as part of their process.

The department uses a historical average of timber dues to estimate timber revenues expected but not yet reported by disposition holders at year-end. This historical average approach can be suitable when underlying variables, like prices and volumes, are relatively stable. However, during the current fiscal year, the timber dues rates increased significantly across the majority of timber products compared to prior years. The estimates prepared by the department did not reflect the impact of these increases, large volume adjustments or existing dues modifiers. This resulted in an understatement of approximately \$93 million in timber revenue, which the department corrected. The original estimate recorded by the department was significantly lower than the final estimate which, demonstrates the need for the department to improve its estimation model in addition to ensuring it applies a reasonability check as part of its estimation process. Given that the majority of timber revenue is earned in the last quarter of the fiscal year, the expectation would be that the estimate would account for and be reflective of the current trends. As at March 31, 2021, the actual timber revenue reported by disposition holders was approximately \$300 million. A reasonability assessment would likely have highlighted that the original estimate was significantly lower than expected.

<sup>10</sup> Timber dues and other fees associated with timber dispositions are collected by the province to ensure that Albertans receive fair compensation for the use of publicly-owned forest resources.

<sup>11</sup> A timber disposition is a forest management agreement, timber licence or timber permit. Timber dispositions are issued and managed by the Forestry Division of Alberta Agriculture and Forestry.

## Consequences of not taking action

Without an appropriate process to develop a reasonable estimate for the unreported timber revenue, the department may not accurately reflect its timber royalties and fees revenue, resulting in inaccuracies in the Province's Consolidated Financial Statements.

## NEW Recommendation

### Agriculture Financial Services Corporation

#### Cloud Computing Risk Management Process

##### NEW Recommendation:

Develop a process to manage the risks of using cloud computing

We recommend that the Agriculture Financial Services Corporation:

- develop a process to ensure compliance with its cloud security policy
- implement complementary user entity controls
- provide regular reporting on cloud computing risks to the board

## Context

Cloud computing is becoming a preferred option for delivering information technology (IT) services for government agencies and businesses. The opportunities of using this rapidly emerging technology introduces unique risks to an organization. For example, cloud services elevate risks surrounding data security, privacy and compliance.

Since 2017, the Agriculture Financial Services Corporation (AFSC) has been transitioning important processes and information to cloud-based solutions. For example, AFSC entered in to a service agreement with a cloud service provider to implement a client relationship management system (AFSC Connect) to capture customers' information and transform the way AFSC interacts and exchanges information with its customers. This project was implemented in phases to cater to the unique requirements of the various programs that AFSC administers.

Also in the current fiscal year, AFSC contracted with another cloud service provider and moved its Human Capital Management application to the cloud, and is currently in the process of moving its lending business application to the cloud.

## Our findings

#### Key findings

- AFSC has not complied with its cloud security policy.
- AFSC does not have a formal process to implement complementary user entity controls.
- Board oversight of cloud computing risks could be improved.

## Non-compliance with cloud security policy

AFSC has a cloud security policy that was developed in 2017 and has been regularly updated. The cloud security policy requires that where private information is involved, a Privacy Impact Assessment (PIA) and Security Threat Risk Assessment (STRA) must be completed. We found that AFSC has not complied with its cloud security policy.

PIA is an assessment tool used to evaluate privacy impacts, including compliance with privacy protection responsibilities under the *Freedom of Information and Protection of Privacy Act* (FOIP Act). Management provided us with a PIA that was prepared in 2017, and covered the period of the first phase of the AFSC Connect project up to the date at which AFSC Connect was made available internally to AFSC employees.

We found that management has not prepared any PIAs that cover the subsequent phases of the AFSC Connect where access to AFSC clients was provided. Also, no PIA was prepared before the launch of the Human Capital Management application.

STRA is primarily used to identify and assess risks relating to a service or solution (target of the assessment), develop and define treatment of identified risks, and ensure that identified risks become part of the organization's Information and Technology Risk Register. This ensures the risks are monitored and managed while the related service or solution is used in production. The STRA can also be used to assist in deciding whether a service or solution should be implemented based on assessed risks and potential treatment of the risks.

AFSC prepared a security risk assessment report in relation to AFSC Connect in 2017 and updated the report in January 2018. The updated report highlighted several areas requiring immediate attention. Since January 2018, AFSC implemented critical phases of the AFSC Connect, and other key applications were either moved to the cloud or are currently in transition. AFSC should have prepared a STRA before the launch of any critical cloud initiative.

## No formal process to implement complementary user entity controls

AFSC uses several cloud service providers to capture clients' information or to process transactions. Service auditor reports provide independent assurance on the operating effectiveness of controls relevant to security, availability and confidentiality of the cloud service provider.

Service auditor reports also describe additional customer control responsibilities that AFSC should consider implementing called complementary user entity controls. These controls complement controls at the service provider to enhance the level of control over AFSC's data and transactions. Examples of complementary user entity controls include implementation of encryption features available within the platform and reviewing activity logs of actions performed by the customer support personnel. The controls at AFSC and the cloud service provider together comprise the overall control environment.

We found during our examination that AFSC does not have a formal process to:

- ensure timely receipt of service auditors' reports
- implement complementary user entity controls
- review service auditors' reports and assess the impact of identified internal control weaknesses

## Board oversight of cloud risks could be improved

We found that the board had not requested nor received regular reporting on:

- AFSC’s cloud computing strategy and implementation plan
- cloud computing risks and benefits

## Consequences of not taking action

Without effective risk management and oversight processes related to the use of cloud computing, AFSC exposes itself to data loss, privacy breach and business interruption that threaten the organization’s ability to deliver effective and efficient services to Albertans.

## IMPLEMENTED Recommendations

### Department

#### Wildfire Management: Processes for Prevention and Review and Improvement

##### IMPLEMENTED Recommendation:

Ensure processes in place to evaluate and report on wildfire prevention programs

#### Wildfire Management: Processes for Prevention and Review and Improvement

##### IMPLEMENTED Recommendation:

Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews

Details on the above recommendations can be found in the *Wildfire Management: Processes for Prevention and Review and Improvement Assessment of Implementation Report* on page 195.

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b> TIMBER REVENUES ESTIMATION PROCESS:</p> <p><b>Improve processes for estimating timber revenues at fiscal year-end</b></p> <p>We recommend that the Department of Agriculture and Forestry improve its processes for estimating timber dues at year-end to ensure accurate timber royalties and fees revenue.</p>	<p>November 2021, p. 48</p>	<p><b>NEW</b></p>

Recommendation	When	Status
<p><b>AGRICULTURE FINANCIAL SERVICES CORPORATION</b>  <b>CLOUD COMPUTING RISK MANAGEMENT PROCESS:</b>  <b>Develop a process to manage the risks of using cloud computing</b></p> <p>We recommend the Agriculture Financial Services Corporation:</p> <ul style="list-style-type: none"> <li>• develop a process to ensure compliance with its cloud security policy</li> <li>• implement complementary user entity controls</li> <li>• provide regular reporting on cloud computing risks to the board</li> </ul>	<p>November 2021,                      p. 49</p>	<p><b>NEW</b></p>

# Alberta Children's Services

In this report, there are no new recommendations to the department. The department has four outstanding recommendations. Four recommendations have been outstanding for more than three years and three are ready for assessment.

## Status of Recommendations

as of November 2021

---

- 0** New Recommendations
- 0** Implemented Recommendations
- 4** Outstanding Recommendations
  - > 3** Ready for Assessment
  - > 1** Not Ready for Assessment
- 4** Outstanding Recommendations Older than Three Years

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b>                      USER ACCESS CONTROL:  <b>Improve access control processes</b></p> <p>We again recommend that the Department of Children's Services improve access control processes for all its information systems to ensure:</p> <ul style="list-style-type: none"> <li>• user access to application systems and data is properly authorized</li> <li>• user access is disabled promptly when employees leave their employment or role</li> </ul>	<p>Repeated November 2020, p. 51</p> <p>&gt; Originally reported October 2014, no. 18, p. 151</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b>                      SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:  <b>Enhance early support services</b></p> <p>We recommend that the Department of Children's Services:</p> <ul style="list-style-type: none"> <li>• enhance its processes so that they include the needs of Indigenous children and families in the design and delivery of its early support services</li> <li>• report to the public regularly on the effectiveness of early support services</li> </ul>	<p>July 2016, no. 1, p. 13</p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b>                      SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:  <b>Ensure a child-centred approach</b></p> <p>We recommend that the Department of Children's Services improve its systems to:</p> <ul style="list-style-type: none"> <li>• ensure the care plan for each Indigenous child requiring intervention services is adhered to and meets the standards of care the department sets for all children in Alberta</li> <li>• analyze the results of services to Indigenous children and report to the public regularly on its progress in achieving planned results</li> </ul>	<p>July 2016, no. 2, p. 17</p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b>                      SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:  <b>Strengthen intercultural understanding</b></p> <p>We recommend that the Department of Children's Services continue to enhance its staff training of the history and culture of Indigenous peoples, as well as its training of intercultural understanding. The department should seek the expertise of Indigenous leaders and communities when developing the training.</p>	<p>July 2016, no. 3, p. 24</p>	<p><b>Ready for Assessment</b></p>

# Alberta Community and Social Services

In this report, there are no new recommendations to the department. The department has four outstanding recommendations. Two recommendations have been outstanding for more than three years and none are ready for assessment.

## Status of Recommendations

as of November 2021

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- 0** New Recommendations
- 0** Implemented Recommendations
- 4** Outstanding Recommendations
  - **0** Ready for Assessment
  - **4** Not Ready for Assessment
- 2** Outstanding Recommendations Older than Three Years

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b> SYSTEMS TO MANAGE THE AISH PROGRAM:</p> <p><b>Set service standards and improve eligibility procedures and guidelines</b></p> <p>We again recommend that the Department of Community and Social Services:</p> <ul style="list-style-type: none"> <li>• set service standards for application processing times and regularly monitor against these standards</li> <li>• improve procedures and guidelines to ensure staff apply policy in a consistent manner</li> </ul>	<p>Repeated June 2021, Assessment of Implementation, p. 43</p> <p>&gt; Originally reported October 2016, no. 6, p. 38</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> USER ACCESS CONTROL:</p> <p><b>Improve access control processes</b></p> <p>We again recommend that the Department of Community and Social Services improve access control processes for all its information systems to ensure:</p> <ul style="list-style-type: none"> <li>• user access to application systems and data is properly authorized</li> <li>• user access is disabled promptly when employees leave their employment or role</li> </ul>	<p>Repeated November 2020 p. 56</p> <p>&gt; Originally reported October 2014, no. 18, p. 151</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> INCOME SUPPORT FOR ALBERTANS:</p> <p><b>Improve eligibility processes</b></p> <p>We recommend the Department of Community and Social Services improve its processes to approve client eligibility, assess the client's needs and employability, and monitor compliance with client service plans.</p>	<p>December 2019, p. 10</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> INCOME SUPPORT FOR ALBERTANS:</p> <p><b>Improve performance management processes</b></p> <p>We recommend that the Department of Community and Social Services improve its processes to measure and report on the Income Support program's performance.</p>	<p>December 2019, p. 12</p>	<p><b>Not Ready for Assessment</b></p>

# Alberta Culture and Status of Women

On July 8, 2021, the government announced a new ministry structure. The former Ministry of Culture, Multiculturalism and the Status of Women became the Ministry of Culture and Status of Women.

In this report, there are no new or outstanding recommendations to the department. We issued an unqualified independent auditor's report on the 2020–2021 financial statements for the Alberta Foundation for the Arts. There are no new or outstanding recommendations to this entity in this report.

## Status of Recommendations

as of November 2021

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- 0** New Recommendations
- 0** Implemented Recommendations
- 0** Outstanding Recommendations
  - **0** Ready for Assessment
  - **0** Not Ready for Assessment
- 0** Outstanding Recommendations Older than Three Years



# Alberta Education

In this report, there are no new recommendations to the department. The department has one outstanding recommendation that has been outstanding for more than three years and is not ready for assessment.

The department has implemented an outstanding recommendation to improve monitoring, assessing and reporting processes on school jurisdictions' accumulated operating reserve balances—see page 60.

We issued an unqualified independent auditor's report on the 2020–2021 financial statements for Alberta School Foundation Fund. There are no new or outstanding recommendations to this entity.

## The Northland School Division No.61

In May 2017, the *Northland School Division Act* changed, resulting in the Auditor General no longer being the legislated auditor for the division. The board of trustees of the division chooses its external auditor, a process consistent with all other school jurisdictions in the province.

The division has two outstanding recommendations from the Auditor General on systems to improve student attendance in the division. The two recommendations have been outstanding for more than three years and are not ready for assessment. We will follow up once the division confirms implementation.

## Alberta School Jurisdictions' Financial Audits Summary

In accordance with Section 19(4) of the *Auditor General Act*, we have compiled a summary of the results of school jurisdictions' audited fiscal 2020 financial statements and recommendations from their auditors—see page 63.

## Status of Recommendations

as of November 2021

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

# IMPLEMENTED Recommendation

## Department

### Monitoring of School Jurisdictions' Accumulated Operating Reserves

#### IMPLEMENTED Recommendation:

Improve monitoring, assessing, and reporting processes on school jurisdictions' accumulated operating reserve

**Original:** *Report of the Auditor General of Alberta—November 2018*, Financial Statement Auditing, p. 53.

We recommend that the Department of Education improve its processes to monitor, assess, and report on school jurisdictions' accumulated operating reserves.

## Context

School jurisdictions have flexibility in using annual operating funding provided by the Department of Education. School jurisdictions decide how to best meet local needs, provided they meet certain general funding conditions and limitations. Funding not spent in a year increases a school jurisdiction's accumulated operating surplus or internally restricted reserves. The department monitors the amount of accumulated operating reserves as a key financial health indicator of a school jurisdiction. The department had used a guideline that accumulated operating reserves at each school jurisdiction be between one to five per cent of annual operating expenditures.

In 2018,<sup>12</sup> we audited the department process to monitor school jurisdictions' accumulated operating reserves. We found that the department did not consistently follow its processes to monitor, assess and report on school jurisdictions' accumulated operating reserves.

## Our current findings

The department has implemented our recommendation to improve its processes to monitor, assess and report on school jurisdictions' operating reserves.

In September 2020, the *Fiscal Measures and Taxation Act (FMTA)* came into effect requiring school jurisdictions to get approval from the Minister of Education to use their accumulated operating reserves.<sup>13</sup> As a result of the new legislation, the department updated its reserve monitoring process for the 2020–2021 school year.

The department no longer follows up with school jurisdictions that accumulate operating reserves in excess of five per cent of operating expenditures. No limit was set for the level of operating reserves that a school jurisdiction can have. Instead, the department annually assesses school jurisdictions' accumulated operating reserves information along with budgeted annual deficits to judgmentally determine school jurisdictions' allowable limit on spending of accumulated operating reserves. The department will decide whether to set a maximum allowable operating reserve when the FMTA expires on September 1, 2022.

<sup>12</sup> *Report of the Auditor General of Alberta—November 2018*, Financial Statement Auditing, page 53.

<sup>13</sup> *Fiscal Measures and Taxation Act, Chapter 3, Education Act*, amendment to section 143 of the *Education Act*, expires September 1, 2022.

We examined documentation demonstrating that the department reviewed accumulated operating reserves as a percentage of total expenses for fiscal 2020, analyzed budget submissions for fiscal 2021, and examined annual budgeted deficit plans to provide recommendations to the minister to approve the use of accumulated operating reserves by the school jurisdictions in fiscal 2021.

In 2018, we found the department had no formal mechanism to enforce its monitoring activities if they determined a school jurisdiction had excessive reserve balances. The department has the legislative authority under the new FMTA to control school jurisdictions' spending and use of operating reserves.

The department improved processes to identify and monitor school jurisdictions with accumulated deficits from operations. The department developed a deficit elimination plan guideline and requires school jurisdictions to submit a deficit elimination plan template along with the formal plan signed by the board chair. Two jurisdictions had an accumulated deficit from operations in 2020. We examined the department's communication and school jurisdictions' elimination plans and found that the department consistently applied its process to assess school jurisdictions with accumulated operating deficits.

The department improved its internal and external communication on the results of its monitoring activities. The department annually evaluates audited financial statements of the school jurisdictions and provides a report to the minister. We examined the department's detailed analyses report to the minister of fiscal 2020 financial information identifying trends, risks and significant variances.

The ministry's annual report 2020-21 included information on department monitoring of accumulated deficit balances and introduction of the new legislation. The department continues to work on identifying further details to report on school jurisdictions' financial information. The department will finalize its external reporting requirements once the department makes the decision on maximum allowable reserves.

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## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b> SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</p> <p><b>Oversight by the department</b></p> <p>We recommend that the Department of Education exercise oversight of Northland School Division by ensuring:</p> <ul style="list-style-type: none"> <li>the division develops and executes an operational plan to improve student attendance</li> <li>the operational plan identifies the resources needed and how results will be measured, reported, and analyzed</li> </ul>	<p><b>March 2015, no. 2, p. 23<sup>14</sup></b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>THE NORTHLAND SCHOOL DIVISION</b> SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</p> <p><b>Develop a plan to improve student attendance</b></p> <p>We recommend that Northland School Division develop an operational plan with short- and long-term targets to improve student attendance. The operational plan should include:</p> <ul style="list-style-type: none"> <li>measurable results and responsibilities</li> <li>a prioritized list of student-centered strategies, initiatives, and programs</li> <li>documentation of the costs and resources required to action the strategies, initiatives, and programs</li> <li>a specific timeline for implementation</li> <li>reporting on progress and accountability for improved attendance results</li> </ul>	<p><b>March 2015, no. 1, p. 23<sup>15</sup></b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>THE NORTHLAND SCHOOL DIVISION</b> SYSTEMS TO IMPROVE STUDENT ATTENDANCE IN NORTHLAND SCHOOL DIVISION:</p> <p><b>Monitor and enforce student attendance</b></p> <p>We recommend that Northland School Division improve its guidance and procedures for schools to:</p> <ul style="list-style-type: none"> <li>consistently record and monitor student attendance</li> <li>benchmark acceptable attendance levels</li> <li>manage and follow up on non-attendance</li> </ul>	<p><b>March 2015, no. 3, p. 30<sup>16</sup></b></p>	<p><b>Not Ready for Assessment</b></p>

<sup>14</sup> See also—*Alberta Education: Systems to Improve Student Attendance in Northland School Division Progress Report—February 2018.*

<sup>15</sup> See also—*Alberta Education: Systems to Improve Student Attendance in Northland School Division Progress Report—February 2018.*

<sup>16</sup> See also—*Alberta Education: Systems to Improve Student Attendance in Northland School Division Progress Report—February 2018.*



**Alberta Education  
Summary of 2020  
Financial Audit Results  
of School Jurisdictions  
in Alberta**



# Contents

About this Report .....	66
Summary of Findings .....	67
Financial Statement Audit Opinions .....	67
2020 Financial Information Highlights .....	67
Recommendations by External Auditors .....	69
Summary of Recommendations .....	71



## Related Reports:

- [Education: Summary of school jurisdictions financial results](#)—November 2020
- [Education: Summary of school jurisdictions financial results](#)—November 2019
- [Education: Summary of school jurisdictions financial results](#)—November 2018
- [Education: Summary of school jurisdictions financial results](#)—October 2017

Appointed under Alberta's *Auditor General Act*, the Auditor General is the legislated auditor of every provincial ministry; department; 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.

# About This Report

This report summarizes the results of examination of audits performed by the independent auditors of all school jurisdictions in Alberta, as required under Section 19(4) of the Alberta *Auditor General Act*.

Section 19(4) of the Alberta *Auditor General Act* requires the Auditor General to report each fiscal year to the Legislative Assembly the *results of examinations* by the auditor of a regional authority. The act defines a regional authority to include “a board under the *Education Act*.”<sup>17</sup> *Results of examinations* include information on the audit opinion issued on the financial statements of each school jurisdiction and the results of the audit reported to management and those charged with governance of the jurisdiction, including recommendations for process improvements.

The Auditor General is not the auditor of individual school jurisdictions in Alberta; however, the financial results of each school jurisdiction are included in the consolidated financial reporting of the Ministry of Education, the legislated auditor of which is the Auditor General.

In Alberta, each school jurisdiction is responsible for hiring an external auditor<sup>18</sup> to examine their annual financial statements. Under Section 139 of the *Education Act*, school jurisdictions are required to provide to the Department of Education, by November 30 each year, their audited financial statements, auditors’ reports, and management letters detailing recommendations made by their auditor to management.

This report includes a Summary of Findings of our annual review of the audit reports on all school jurisdictions, including:

- The number of modified audit opinions issued to school jurisdictions
- Selected financial information from the combined audited financial statements of the school jurisdictions

- The number and type of recommendations issued to school jurisdictions

The purpose of our summary of the financial information and recommendations made to school jurisdictions is to identify trends across the sector, and it is not intended to provide an assurance opinion on the work of the school jurisdictions’ auditor.

Users of this summary should keep in mind that the school jurisdictions’ auditor did not design their audit to assess all key control and accountability systems. However, when auditing the financial statements, the auditor reports to management and the board of trustees any control weaknesses that come to their attention and any recommendations for improvement.

The Department of Education and school jurisdictions can use information on recommendations to work together to rectify identified common control weaknesses. Management of individual school jurisdictions can also use this information to proactively consider the sustainability of their jurisdictions’ control environment.

We do not identify the school jurisdictions associated with specific recommendations, as this information is not necessary in order for the department and school jurisdictions to achieve their desired outcome—establishing sector-wide strong, sustainable internal controls for financial reporting.

There are 74 school jurisdictions in Alberta not including private schools, comprised of 13 charter schools and 61 school boards.<sup>19</sup> All school jurisdictions have a common fiscal year-end date of August 31. As a result, this report summarizes the results of examination of school jurisdictions audits for fiscal 2020, with comparative information for the two fiscal years prior.

<sup>17</sup> Throughout the document we refer to the “board” or “regional authority” as a school jurisdiction.

<sup>18</sup> *Education Act* Section 138.

<sup>19</sup> The composition of school jurisdictions is unchanged for 2018, 2019, and 2020.

# Summary of Findings

## Financial Statement Audit Opinions

Two school jurisdictions received a qualified<sup>20</sup> auditor's opinion on their fiscal 2020 financial statements (2019 and 2018—one jurisdiction).

One school jurisdiction received a qualified auditor's opinion because the auditor was unable to verify the cost of donated land to the jurisdiction. Consistent with prior years, one school jurisdiction received a qualified auditor's opinion because the auditor was unable to verify the completeness of gifts, donations, and fundraising revenue at the jurisdiction.

## Selected 2020 Financial Information Highlights<sup>21</sup>

### Cash, cash equivalents, and portfolio investments

The combined total cash, cash equivalents, and portfolio investments in school jurisdictions increased to \$1.202 billion (2019—\$1.058 billion; 2018—\$1.122 billion). The increase was from school jurisdictions receiving additional funding for capital maintenance of schools. In addition, some school jurisdictions realized cash savings on staffing and transportation costs as most schools moved to on-line learning in March 2020.

## Cash, Cash Equivalents, and Portfolio Investments

(in millions)



## Tangible capital assets

Tangible capital assets include physical assets such as buildings and equipment. The combined net book value of tangible capital assets at school jurisdictions is approximately \$8.5 billion (2019—\$8.3 billion; 2018—\$8.1 billion).<sup>22</sup> School jurisdictions fund the acquisition of these assets through a combination of the jurisdictions' accumulated surpluses, restricted grant funding, and debt.

As at August 31, 2020, school jurisdictions funded approximately \$730 million, or nine per cent, of these assets from unrestricted operating surpluses (2019—\$746 million; 2018—\$699 million). School jurisdictions have also set aside capital reserves of \$222 million for future capital expenses (2019—\$196 million; 2018—\$226 million) that government does not fund to cover the full costs. Capital reserves increased by \$26 million. Half of the increase is attributed to the restatement of the prior year capital reserve balances in some school jurisdictions as reported by their auditors.

<sup>20</sup> A qualified audit opinion is one where the auditor assesses that financial statements are prepared fairly in accordance with accounting standards, with exception to a particular area.

<sup>21</sup> Detailed financial information can be found in the 2020-21 Annual Report of Alberta Education. School jurisdictions' financial information summary, pp. 173-213.

<sup>22</sup> 2020-21 Annual Report of Alberta Education, p.193—Buildings and construction in progress remained the largest component of tangible capital assets' net book value. As of March 31, 2021, net book value of buildings and construction in progress totaled \$7.9 billion (Annual Report of Alberta Education, p.144), or 93 per cent, of the total tangible capital assets net book value.

The other \$13 million increase is attributed to some school jurisdictions transferring additional funding they received in the year from operating to capital reserves.

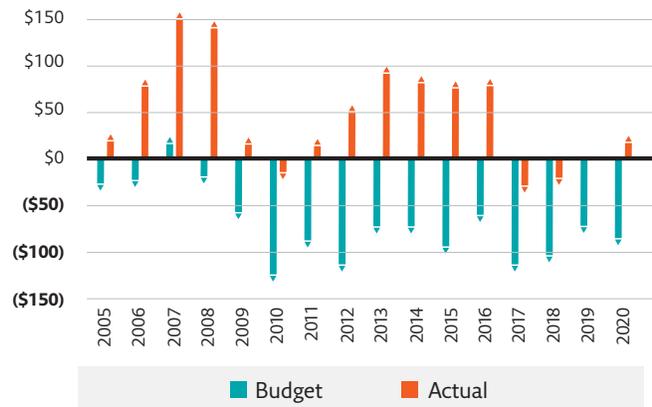
## Annual operating deficits

The number of school jurisdictions that incurred annual operating deficits increased to 39 (2019—37; 2018—40) while 59 school jurisdictions budgeted to use their operating reserves to cover the current year deficits. School jurisdictions had a combined net annual operating surplus of \$17 million (2019—\$2 million surplus; 2018—\$20 million deficit) compared to the budgeted deficit of \$85 million (2019: deficit of \$73 million; 2018: deficit of \$103 million), because they were able to reduce salary expenses and transportation costs due to the transition to on-line learning.

We noted a trend indicating a significant variability between school jurisdictions’ budgeted and actual operating results. Over the past 16 years, school jurisdictions incurred a total net operating surplus of \$0.7 billion compared to the total budgeted deficit of \$1.1 billion. Beginning in the 2020/21 school year, the department introduced a new funding method, based on a three-year weighted moving average enrollment of school jurisdictions. The new funding method is designed to improve school jurisdiction enrollment and revenue estimation processes that previously contributed to the significant variability between budgeted and actual operating results. The department expects this variability to persist in the short-term because of school jurisdictions’ receiving unbudgeted funding in fiscal 2021 to respond to the COVID-19 pandemic.

## Total Net Operating Surplus (Deficit) by Year

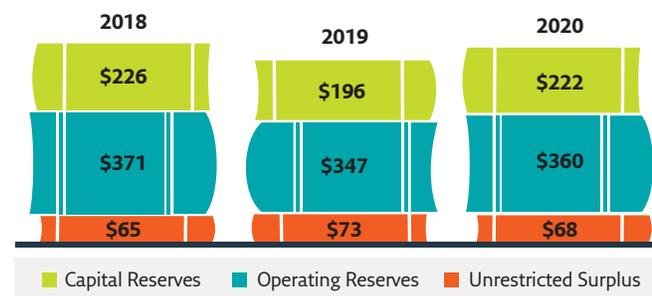
(in millions)



## Accumulated reserves and deficits from operations

The combined accumulated unrestricted operating surplus and operating reserves<sup>23</sup> increased to \$428 million (2019—\$420 million; 2018—\$436 million). Some school jurisdictions budgeting an annual operating deficit reported a surplus due to unanticipated expense reductions as a result of school closures. Capital reserves<sup>24</sup> increased to \$222 million (2019—\$196 million; 2018—\$226 million) because some school jurisdictions transferred their unbudgeted operating savings into capital reserves.

## Total Unrestricted Surplus, Operating Reserves and Capital Reserves



<sup>23</sup> Reserves are an unrestricted surplus that the school trustees have internally restricted for a planned future operating or capital expenditure. The trustees restrict the unrestricted surplus into a reserve (or remove restrictions to increase the unrestricted surplus) at their discretion through an approved board of trustees resolution. Operating reserves also include school-generated funds, which are non-discretionary funds raised by the schools for a specific purpose. School-generated funds in 2020 are \$44 million (2019—\$56 million; 2018—\$43 million).

<sup>24</sup> Capital reserves are the funds set aside by the board to meet future capital expenditures. Once the capital reserves are established, the funds cannot be spent on operating purposes without ministerial approval.

Accumulated deficits from operations are not acceptable to the department.

The department expects school jurisdictions with accumulated deficits from operations to submit a deficit elimination plan and work with the department to eliminate the deficit within one year.

Two jurisdictions had an accumulated deficit from operations in 2020. Both of them also had a deficit in the prior year (four in 2019, four in 2018). The department is monitoring the deficit elimination plans from the two school jurisdictions.

The department implemented our 2018 recommendation to improve its processes to monitor, assess, and report on school jurisdictions' accumulated operating reserve balances.<sup>25</sup>

The department monitored 2020 accumulated operating reserves at school jurisdictions by continuing to apply a guideline that reasonable accumulated operating reserves should be in the range of one to five per cent of a jurisdiction's annual operating expenditures. 39 jurisdictions were above five per cent, and three jurisdictions were below one per cent as at August 31, 2020 (2019—39 jurisdictions above five per cent and seven below one per cent; 2018—37 jurisdictions above five per cent and five below one per cent).

Range	2020	2019	2018
>5%	39	39	37
<1%	3	7	5

The department used this information to decide which school jurisdictions required further follow-up to understand and monitor the jurisdiction's planned use of the reserves.

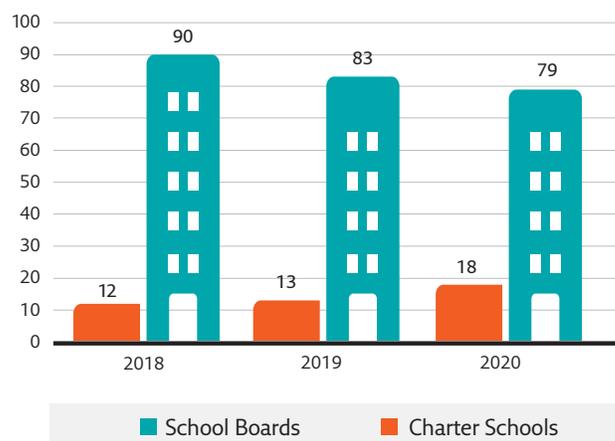
School jurisdictions' combined accumulated unrestricted surplus and operating reserves were five per cent of the total combined jurisdictional operating expenses in fiscal 2020, 2019 and 2018.

The department added additional information in the ministry 2020–2021 annual report on school jurisdictions' reserve balances. The department still does not report analyses of the reasonableness of school jurisdictions' financial information as we have highlighted in the past.<sup>26</sup> Management told us they are currently considering what information on school jurisdictions' financial information should be included in the ministry's annual report.

In September 2020, the *Fiscal Measures and Taxation Act (FMTA)* came into effect requiring school jurisdictions to get approval from the Minister of Education to use their accumulated operating reserves.<sup>27</sup> The department will use school jurisdictions' accumulated operating reserves information from fiscal 2020 along with budgeted annual deficits for fiscal 2021 to judgmentally determine school jurisdictions' allowable limit on spending of accumulated operating reserves for fiscal 2021. The department may set a maximum level of accumulated operating reserves in a school jurisdiction when the *FMTA* expires in the fall of 2022.

## Recommendations by External Auditors

### Total Number of Recommendations



<sup>25</sup> *Report of the Auditor General of Alberta—November 2018*, Financial Statement Auditing, page 49.

<sup>26</sup> *Report of the Auditor General of Alberta—November 2019*, page 64, *Report of the Auditor General of Alberta—November 2018*, page 54, *Report of the Auditor General of Alberta—October 2017*, page 55, *Report of the Auditor General of Alberta—October 2016*, page 93, *Report of the Auditor General of Alberta—October 2015*, page 84, and *Report of the Auditor General of Alberta—October 2014*, page 122.

<sup>27</sup> *Fiscal Measures and Taxation Act*, Chapter 3- *Education Act*, amendment to section 143 of the *Education Act*, expires September 1, 2022.

The 96 recommendations issued to school jurisdictions equals the number issued in the prior year (2019-96, 2018-102). However, recommendations to charter schools continued to trend upward over the past three years. Most of the recommendations issued to charter schools relate to weaknesses in processes related to accounting issues, payroll, development of policies and procedures and review of financial information. Based on the review of the department's communication with charter schools, it appears the upward trend is caused by the turnover of finance staff in some schools.

Four of 17 process areas reported on by auditors had fewer recommendations made than in 2019. School jurisdictions demonstrated significant improvement in processes related to cash management and incremental improvements to processes related to charging and recording goods and services tax, segregation of duties and computer security.

Eight process areas have more recommendations than 2019, the most significant increases in the areas of review of financial information and the recording and monitoring of capital assets. The overall trend from the prior year is more recommendations related to financial reporting and oversight processes and controls. We inquired with the department's staff to understand the reasons behind the trend but the department's monitoring processes did not identify any specific reasons for the existing trend. The review of financial information, payroll, purchasing and policies, and procedures continue to pose the most difficulty for school jurisdictions to sustain annually.

Auditors repeated 22 recommendations among nine jurisdictions.

The largest number of jurisdictions to receive a recommendation in any one area was 13 out of 74 school jurisdictions, an increase from 10 in both 2019 and 2018. Despite this increase, this means the auditors assessed at least 82 per cent of school jurisdictions have adequate controls in each of the specific process areas.

Auditors for 44 school jurisdictions did not report any findings and recommendations to management (2019—38; 2018—39).

We encourage all school jurisdiction trustees to hold management of their respective jurisdictions accountable for implementing all process recommendations identified. The department contacts jurisdictions, where necessary, to encourage them to resolve control weaknesses identified in the management letters, particularly recommendations repeated from prior years.

The table that follows summarizes audit findings and recommendations reported to school jurisdictions for fiscal years ended August 31, 2020, and August 31, 2019.

The findings are grouped into three categories:

- financial reporting and oversight
- internal control weaknesses
- information technology management

# Summary of Recommendations

## Financial reporting and oversight recommendations

### TREND

	Number of jurisdictions (repeated from prior year)		Recommendations made (repeated from prior year)	
	2020	2019	2020	2019
<b>Accounting issues</b> —improve accounting treatment in areas including capitalization of expenses, liability recognition, revenue recognition, and leases.	3(0)	2	3(0)	3
 <b>Board information</b> —improve board receipt of timely financial information to maintain and strengthen overall stewardship.	1(0)	0	1(0)	0
 <b>Review of financial information</b> —improve the review and approval of financial information such as bank reconciliations, journal entries, monthly financial statements, and variances between budget and actual expenditures.	9(0)	6	14(0)	9
 <b>Timeliness of recording financial information</b> —improve accurate recording of accounting transactions for capital assets and capital grant expenditures, accruals and receivables, and prompt preparation of financial statements.	2(0)	0	2(0)	0
 <b>Personnel and staff shortages</b> —improve succession plans or cross-training for key financial positions or review the allocation of staff resources in the accounting function.	2(0)	1	3(0)	1

## Internal control weaknesses recommendations

### TREND

**Number of jurisdictions**  
(repeated from prior year)

**Recommendations made**  
(repeated from prior year)

**2020 2019 2020 2019**

	<b>Cash management</b> —improve cash management processes and controls.	6(4)	10	8(6)	19
	<b>Capital assets</b> —improve the recording and monitoring of capital assets.	6(0)	2	6(0)	2
	<b>Goods and services tax</b> —improve their processes for charging the appropriate amount of GST and for recording accurately the amount of GST paid and recoverable.	2(0)	3	2(0)	3
	<b>Payroll</b> —improve controls over the administration of employee payroll information, processing of expense claims, application of vacation pay policies, and regular reviews of payroll expenses.	9(3)	9	13(4)	12
	<b>Policies and procedures</b> —implement, update, or follow formal procedures and policies.	13(3)	10	18(4)	18
	<b>Purchases</b> —improve controls over the purchase cycle, such as review and authorization processes over purchases and payments, employee sign-off for goods received, and retention of supporting documentation.	7(2)	8	12(4)	12
	<b>Segregation of duties</b> —improve segregation of duties over authorization and recording of transactions or custody of and accounting for certain assets.	3(0)	5	3(0)	5
	<b>School-generated funds</b> —improve the processes used to collect, record, spend, and report school-generated funds.	3(0)	1	3(0)	1

## Information technology management recommendations

### TREND



**Computer security**—improve computer-security processes by having unique individual usernames and passwords, implementing a mandatory password change policy, having user access restricted for the appropriate information, and backing up data at an offsite location.

**Change management**—implement or enhance formal documented policies and procedures for managing and testing changes to system and network software or hardware.

**Number of jurisdictions**  
(repeated from prior year)

**Recommendations made**  
(repeated from prior year)

**2020 2019 2020 2019**

4(1)	4	6(3)	9
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1(1)	2	2(1)	2
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# Alberta Energy

In this report, there are no new or outstanding recommendations to the department.

We issued unqualified independent auditor's reports on the 2020–2021 financial statements for the Alberta Energy Regulator, the Alberta Utilities Commission, the Alberta Petroleum Marketing Commission, the Post-closure Stewardship Fund and the Canadian Energy Centre Ltd.

The Alberta Energy Regulator (AER) has five outstanding recommendations. None have been outstanding for more than three years. Four are ready for assessment.

AER has implemented nine recommendations, including:

- three financial statement recommendations encompassing processes for management compensation, expense claims and cloud computing—see page 77 and 78
- six outstanding recommendations from our *Systems to Regulate Pipeline Safety and Reliability Assessment of Implementation Report*—see page 201

The Alberta Petroleum Marketing Commission has four outstanding recommendations. All four have been outstanding for more than three years and three are ready for assessment.

The Canadian Energy Centre Ltd. (CEC) has implemented one recommendation to design and implement effective contract management controls—see page 80.

## Status of Recommendations

as of November 2021

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<b>0</b>	New Recommendations
<b>10</b>	Implemented Recommendations
<b>9</b>	Outstanding Recommendations
<b>&gt; 7</b>	Ready for Assessment
<b>&gt; 2</b>	Not Ready for Assessment
<b>4</b>	Outstanding Recommendations Older than Three Years

# Reported Findings

## Alberta Utilities Commission

### Context

As part of our audit of the financial statements of the Alberta Utilities Commission (AUC) for the year ended March 31, 2021, we performed additional procedures to examine allegations in an anonymous complaint our office received in May 2021.

We examined AUC's relationship with a not-for-profit company known as 1736768 Alberta Ltd. (the company). The company's sole business activities are administrating two forums: the energy law forum and the energy regulatory forum. To assess the merits of the allegations, we completed audit procedures to understand the nature of AUC's relationship with the company, how AUC had assessed and managed the risks in maintaining this relationship, and the financial statement and reporting implications.

### Our findings

#### Key findings

- A not-for-profit company was established to administer an energy law forum and an energy regulatory forum.
- Oversight and risk management controls were not engaged to manage AUC's relationship with the company. There were also gaps in documentation.
- The Chief Executive annually disclosed his relationship with the company to the Ethics Commissioner.
- The transactions between AUC and the company were legitimate business expenses at fair market value and did not have a material effect on AUC's financial statements.

Based on the evidence we collected and interviews we held, AUC management's actions were intended to serve the best interests of AUC. However, we did identify a few areas for improvement based on our work. Our audit findings supported a recommendation we made to AUC. The recommendation centered on the need for AUC to evaluate the residual risks in its existing arrangement with the company whose directors include an AUC senior executive, and correct documentation gaps.

Overall, these weaknesses were not material to affect our ability to issue AUC an unqualified auditor's report for its fiscal 2021 financial statements.

A key learning from our audit work is that it is essential for public sector entities to initiate proper oversight and controls when contemplating such arrangements. When similar ventures are created without the necessary oversight and controls, organizations can be left vulnerable. The AUC took prompt action and already implemented our recommendation.

# IMPLEMENTED Recommendations

## Alberta Energy Regulator

### IMPLEMENTED Recommendation:

Develop an effective cloud governance structure and retain documentation to evidence policies were followed

**Original:** *Report of the Auditor General of Alberta—November 2020, page 87*

We recommend that the Alberta Energy Regulator improve its processes for cloud computing by:

- putting in place an effective governance structure to ensure proper oversight of cloud initiatives
- ensuring documentary evidence is retained to prove that policies are followed, including change management

## Context

In our 2020 financial statements audit, we identified the following weaknesses in AER's cloud computing processes:

- AER lacked cloud governance processes to oversee whether cloud objectives are met, risks are managed and performance is measured
- AER did not have sufficient evidence that proper change management controls were applied when moving applications to the cloud environment

## Our current findings

AER has implemented our recommendation to develop an effective cloud governance structure to properly oversee cloud initiatives and retain documentation to prove that policies were followed, including change management.

AER designed and implemented a governance approach that is supported by a cloud services policy and a cloud governance framework for managing cloud processes. The structured approach, including reporting, enables the AER board to adequately oversee cloud initiatives and the mitigation of cybersecurity risks in a controlled, consistent and sustainable manner. On November 19, 2020, the vice-president of Information Management and Technology (IMT) delivered a presentation to update the AER board on transition to the cloud, including risks, benefits and costs involved to transform to a cloud environment.

We examined AER's cloud governance framework document that sets out methodology for deploying cloud services, including steps to move applications and infrastructure to the cloud environment. We also examined the cloud policy approved in January 2021 by the executive leadership team and two IMT committees. We obtained supporting documents and observed AER's processes that include a cloud readiness assessment, cloud evaluation steps, risk assessments, proper reviews and approvals and reporting to executive team and the board.

To assess whether that change management and cloud related controls and policies were applied and documented, we tested the controls for the OneStop<sup>28</sup> application migration to the cloud. We found that the controls are designed, implemented and operate effectively.

<sup>28</sup> OneStop is AER's digital application that uses an integrated decision approach to streamline AER's baseline review of applications for lower-risk activities and forwards applications for higher-risk activities to AER staff for a more detailed assessment.

**IMPLEMENTED** Recommendation:  
Strengthen processes for its senior management compensation arrangements

**Original:** *Report of the Auditor General of Alberta—November 2019*, page 55

We recommend the Alberta Energy Regulator implement processes to ensure senior management agreements, including compensation, distance work arrangements, and succession plans, are transparent, equitable, properly supported, approved and discussed with the AER Board.

## Context

In 2019, we identified the following weaknesses in the AER's senior management compensation systems:

- cash bonuses awarded to two senior executives breached compensation legislation
- distance travel arrangement lacked proper approvals
- succession plans lacked support for how they benefitted AER

## Our current findings

AER has implemented our recommendation to strengthen its senior management compensation arrangements. AER has designed processes to close control gaps, update its policies and seek the appropriate approvals from the board. For example, AER updated its personnel policies and deployed controls to comply with the *Reform of Agencies, Boards and Commissions Compensation Act* and related regulations.

We evaluated the work performed by AER Internal Audit on the controls in the compensation systems. We performed additional procedures and found that controls are designed, implemented and operate effectively for compensation arrangements.

**IMPLEMENTED** Recommendation:  
Strengthen expense claim policy and improve controls over expense claims

**Original:** *Report of the Auditor General of Alberta—November 2019*, page 59

We recommend that the Alberta Energy Regulator improve controls over expense claim processes to ensure expenses are valid, supported and appropriately approved.

## Context

In 2019, we examined the expense claim processes and found the following control deficiencies:

- inappropriate staff authorities for review and approval of expense claims
- weak expense claim processes allowed opportunities for inappropriate expenses being claimed
- expense claim policies are unclear and need to be strengthened

## Our current findings

AER implemented our recommendation to strengthen expense claim processes to ensure expenses are valid, supported and appropriately approved. In February 2019, AER Internal Audit completed an assessment on the operating effectiveness of the new processes and controls put into place in response to audit findings. These controls include enhanced processes for approvals and monthly expense reviews. AER also completed employee training on new expense claims processes. An internal audit follow up, completed in November 2020, found control improvements have been implemented. For our current audit, we relied on internal audit's work, and completed additional testing of the operating effectiveness of the expense claim process. We found no exceptions.

### Systems to Regulate Pipeline Safety and Reliability in Alberta

#### **IMPLEMENTED** Recommendation:

Use risk management activities to make informed decisions

### Systems to Regulate Pipeline Safety and Reliability in Alberta

#### **IMPLEMENTED** Recommendation:

Formalize training program for core pipeline staff

### Systems to Regulate Pipeline Safety and Reliability in Alberta

#### **IMPLEMENTED** Recommendation:

Identify performance measures and targets

### Systems to Regulate Pipeline Safety and Reliability in Alberta

#### **IMPLEMENTED** Recommendation:

Review pipeline incident factors

### Systems to Regulate Pipeline Safety and Reliability in Alberta

#### **IMPLEMENTED** Recommendation:

Assess current pipeline information needs

### Systems to Regulate Pipeline Safety and Reliability in Alberta

#### **IMPLEMENTED** Recommendation:

Implement risk-based compliance processes

Details on the above recommendations can be found in the *Systems to Regulate Pipeline Safety and Reliability in Alberta Assessment of Implementation Report* on page 201.

# IMPLEMENTED Recommendation

## Canadian Energy Centre Ltd.

**IMPLEMENTED** Recommendation:  
Design and implement effective contract management controls

**Original:** *Report of the Auditor General of Alberta—November 2020*, page 89

We recommend that the Canadian Energy Centre Ltd. improve contract management processes by:

- designing and implementing controls to ensure that contracts are valid, supported and appropriately approved
- improving documentation to demonstrate contracting decisions, including sole sourcing approaches, are justified and providing value for money

### Context

In our 2020 financial statement audit, we identified the following in the CEC's contract management processes:

- the nature of contract expenses were consistent with CEC's mandate
- the CEC lacked adequately documented contracting policies
- some expenses were incurred without appropriate approval
- appropriate documentation for contracts—most of which were sole-sourced—was not maintained

### Our current findings

CEC has implemented our recommendation to design and implement effective contract management controls. CEC has designed processes to fix control gaps including improving documentation for contracting decisions. For example, management updated the CEC's Expenditure and Procurement Policy, Delegation of Authority Framework, and related guidance documents. They also sought approval from the board.

As well, CEC management put into practice enhanced controls to demonstrate that contracting decisions, including sole sourcing approaches, are justified and providing value for money.

We tested the processes for vendor contracts issued by CEC and found that controls are designed, implemented and operate effectively for contract management. We evidenced design improvements that included an updated contract template. The template more completely captures key information such as the rationale for sole sourcing, conflicts of interest assessments and proper approvals.

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>ALBERTA ENERGY REGULATOR</b>            PROCESSES TO PROVIDE INFORMATION ABOUT GOVERNMENT'S ENVIRONMENTAL LIABILITIES:</p> <p><b>Complete case-by-case assessments of sites</b></p> <p>We recommend that the Department of Environment and Parks and the Alberta Energy Regulator (AER) complete a case-by-case assessment to determine who is responsible to clean up each site.</p> <p>Where it is concluded that either the Department of Environment and Parks or AER is responsible or accepts responsibility, we recommend that Environment and Parks and AER:</p> <ul style="list-style-type: none"> <li>• determine what work, if any, needs to be done</li> <li>• rank each site to help prioritize cleanup work</li> <li>• estimate the costs to manage or clean up sites</li> <li>• account for environmental liabilities, when appropriate to do so</li> </ul>	<p>June 2021, p. 14</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>ALBERTA ENERGY REGULATOR</b>            AN EXAMINATION OF ICORE:</p> <p><b>AER Board oversight was ineffective</b></p> <p>We recommend that the AER Board improve its oversight by:</p> <ul style="list-style-type: none"> <li>• Ensuring the effectiveness of processes to evaluate corporate culture and senior executive performance</li> <li>• Obtaining formal and periodic assertions from management that activities comply with legislation and AER policies, including policies related to conflict of interest</li> <li>• Ensuring officers in key risk management, compliance and internal control roles are well-positioned and supported to provide complete information about AER activities</li> <li>• Reviewing and approving CEO travel and expenses</li> <li>• Ensuring the primary channel of communication to the responsible Ministers is through the Board</li> <li>• Establishing processes to engage with executive staff, and other staff within the organization, to gain comfort that all significant matters have been brought to the attention of the Board</li> </ul>	<p>October 2019, p. 39</p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA ENERGY REGULATOR</b>            AN EXAMINATION OF ICORE:</p> <p><b>Financial, information management, and human resources controls were ineffective</b></p> <p>We recommend that AER perform sufficient due diligence to assess the risk of further waste of public resources not already identified.</p>	<p>October 2019, p. 44</p>	<p><b>Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>ALBERTA ENERGY REGULATOR</b> AN EXAMINATION OF ICORE:</p> <p><b>Controls to track and monitor expenses were poorly implemented</b></p> <p>We recommend AER evaluate whether any additional funds expended on ICORE activities are recoverable.</p>	<p>October 2019, p. 51</p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA ENERGY REGULATOR</b> AN EXAMINATION OF ICORE:</p> <p><b>AER’s internal whistleblowing process—distinct from the processes involving the Public Interest Commissioner (PIC)—was not viewed as safe and effective</b></p> <p>We recommend AER staff are made aware of, and are sufficiently trained on, AER’s whistleblowing process, consistent with Section 6 of Alberta’s <i>Public Interest Disclosure (Whistleblower Protection) Act</i>.</p>	<p>October 2019, p. 54</p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b> APMC’S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Develop processes for risk management and staff capacity, and ensure board oversight</b></p> <p>We recommend that:</p> <ul style="list-style-type: none"> <li>• The Alberta Marketing Commission develop and document effective processes for managing risk and for ensuring the commission has sufficient expertise to manage its business arrangements</li> <li>• The board of directors exercise oversight by ensuring the Alberta Petroleum Marketing Commission has these processes in place</li> </ul>	<p><b>February 2018, Performance Auditing, p. 74</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b> APMC’S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Improve reporting to Albertans</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission prepare a business plan and an annual report that are made publicly available to Albertans. The APMC must be able to demonstrate it has given appropriate consideration to the nature and extent of information it will share with Albertans.</p>	<p><b>February 2018, Performance Auditing, p. 79</b></p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b>                      APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Establish performance measures and targets</b></p> <p>We recommend that Alberta Petroleum Marketing Commission develop performance measures, set targets and compare results against planned performance.</p>	<p><b>February 2018, Performance Auditing, p. 79</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b>                      APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY:</p> <p><b>Complete a lessons learned analysis</b></p> <p>We recommend that the Alberta Petroleum Marketing Commission complete an analysis of the lessons learned from its significant agreements, at a point in time when the commission deems it useful to do so.</p>	<p><b>February 2018, Performance Auditing, p. 79</b></p>	<p><b>Ready for Assessment</b></p>



# Alberta Environment and Parks

In this report, there is one new recommendation to the department to improve its process to ensure proper recording of tangible capital assets that require write-down or disposal—see page 88.

The department has 13 outstanding recommendations, eight of which have been outstanding for more than three years. Two recommendations are ready for assessment.

The department has implemented two recommendations:

- establish an appropriate process to demonstrate compliance for all grants issued under the *Emission Management and Climate Resilience Act*—see page 89
- improve asset management monitoring and recording processes for dam and water management structures—see page 90

We issued an unqualified independent auditor’s report on the 2020–2021 financial statements for the Natural Resources Conservation Board, the Land Stewardship Fund, the Technology Innovation and Emissions Reduction Fund and Energy Efficiency Alberta. There are no new or outstanding recommendations to these entities in this report.

Bill 22, *Red Tape Reduction Implementation Act*, 2020, dissolved Energy Efficiency Alberta effective September 30, 2020. All property, assets, rights, obligations, liabilities, powers, duties and functions were transferred to the department. We report findings and key learnings identified as part of our financial statement audit work for consideration by departments and agencies responsible for overseeing the dissolution of government entities in the future—see page 86.

## Status of Recommendations

as of November 2021

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- 1** New Recommendation
- 2** Implemented Recommendations
- 13** Outstanding Recommendations
  - **2** Ready for Assessment
  - **11** Not Ready for Assessment
- 8** Outstanding Recommendations Older than Three Years

# Reported Findings

## Energy Efficiency Alberta

### Context

Energy Efficiency Alberta (EEA) was a provincial corporation established in 2016 to deliver energy efficiency programs. In June 2020, Bill 22 was passed by the Legislative Assembly resulting in the dissolution of EEA, effective September 30, 2020. As a result, the EEA board and management were responsible for a number of close out activities, including winding down programs, transferring information to the Department of Environment and Parks (department), and exiting employees. The dissolution resulted in 24 employees either, having their employment terminated, or being transferred to an affiliated organization.

EEA, with the support of the department, completed a final set of financial statements for the six-month period ended September 30, 2020. Total termination payments for the period ended September 30, 2020 were \$897,000. The amounts recorded in the financial statements, including termination pay, are in our opinion fairly presented and disclosed; as a result, we were able to issue a clean audit opinion on the financial statements. However, during the course of our financial statement audit work, we identified key process weaknesses, primarily related to termination pay.

Because EEA no longer exists, we are not making a recommendation based on our findings; however, we believe that these findings represent important learnings for departments and agencies that may be responsible for overseeing an orderly dissolution in the future.

Terminations of employment are situational and complex, requiring organizations to consider numerous factors prior to deciding the best approach to manage risks. This is particularly true when an organization is dissolved. Given the risks involved, decisions should be well supported and documented.

### Our findings

#### Key findings

- Evidence supporting Energy Efficiency Alberta management decisions regarding termination pay were not sufficiently documented.
- Corporate records related to Energy Efficiency Alberta termination pay were not readily accessible due to poor records management.

#### **Lack of well-documented evidence to support key EEA management decisions related to termination pay**

During our audit we noted that EEA made termination payments in excess of what would have been paid had EEA followed its employment contracts. We found limited documented support for why EEA paid more than was contemplated in the contracts. Internal correspondence suggests amounts were determined using an “abundance of caution” approach and unspecified concerns regarding unenforceability of employment contracts.

We learned that some former employees had previously challenged the validity of the employment contracts upon termination. Because EEA did not update the employment contracts after these challenges, the concerns around the contracts remained at the time of EEA's dissolution.

During the dissolution process, EEA requested that its external legal counsel review the existing employment contracts and relevant legislation to provide recommendations for termination pay. EEA did not have any documented evidence of the results of the review of employment contracts; however, we were able to confirm with the EEA's former legal counsel this information was shared verbally.

## **A lack of record management to retain and transfer key documentation to support termination pay**

Information to audit termination pay was difficult to obtain. We received the available termination documents two days prior to the dissolution date, which limited the initial opportunity to discuss these matters with the board and management. Further, the termination documents did not include critical information, like documentary evidence of the key decisions, approvals, and approach taken. Through our examination, we found that EEA did not have or retain some key records related to termination pay. For example:

- We had to communicate on multiple occasions with the former CEO, board chair and legal counsel post-dissolution to understand what documented information might exist to support the termination amount decision, approvals, and approach as there were significant gaps in the information when we began our audit work.
- Some emails with important information that were sent from external legal counsel to the EEA could not be located in the EEA records and we had to request that external legal counsel provide us the information.
- Key information supporting termination pay needed for us to conclude on the financial statement amount was not fully received until May 2021 – eight months after year-end. This information was largely received from external legal counsel and was not contained with the EEA records transferred and held with the department.

Contextually, it is important to note that external legal counsel is not vested with decision-making authority, therefore not responsible nor accountable for EEA decisions. Thus, we expected to see documentation that evidenced key EEA management decisions and details supporting those decisions.

## Key learnings

The dissolution of an organization results in a number of risks to be managed. One of which is that the responsibility for an orderly dissolution largely rests with the board, management, and staff who are losing their positions in the organization. As such, it is important that sufficient oversight exists, at not just the dissolved organization level, but also at the associated department to ensure significant risks are properly managed.

Through our audit work of the EEA financial statements, a few key learnings emerged:

- Those overseeing an organization's dissolution need to ensure all key decisions are well documented. This is important as it articulates the decision maker(s) rationale, supporting analysis, and consideration of key factors like compliance with policies, regulations, and laws and value-for-money.
- Records need to be carefully managed at dissolution to ensure key supporting information is retained. Ideally, the associated department becomes involved as necessary to confirm and ensure all key information is retained.

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## NEW Recommendation

### Department

#### Process for Capital Asset Write-downs and Disposals

##### NEW Recommendation:

Improve process to ensure proper recording of tangible capital assets that require write-down or disposal

We recommend that the Department of Environment and Parks improve its process for ensuring timely identification of tangible capital assets requiring a write-down or to be considered disposed.

### Context

The department manages tangible capital assets, including assets such as water management and park structures, with a net book value, as of March 31, 2021, of \$1.7 billion. The department is responsible for ensuring that tangible capital assets recorded in its financial records exist and are appropriately valued. To comply with the Tangible Capital Assets Corporate Accounting Policy of the Government of Alberta the department needs an effective process to identify assets that require write-downs and disposals due to loss, destruction, or abandonment.

### Our findings

#### Key findings

- The department's process to identify asset write-downs and disposals can be improved.

Our examination of capital asset processes at the department found that the finance area depends on the various program areas to communicate assets that require write-down or disposal. However, there are no established requirements or timelines to direct program areas on how and when they have to complete their asset review and communicate this information to the finance area. This increases the risk that write-downs or disposals are not properly identified and recorded. For example, we identified five assets with a total cost of \$483 thousand that were recorded as disposed of in 2020—2021, but the supporting documents for the disposal indicated that these assets did not exist for several years:

- Four buildings which were previously demolished, were not removed from the listing.
- Construction costs incurred in 2015 were included as work-in-progress, however were not allocated to any specific completed asset and therefore had to be written off.

For the department to ensure an accurate and complete listing of assets, it is imperative to have a robust process for tracking their capital assets.

We also found that there is no documented process for periodic physical verification of assets (i.e. asset count). Management asserted that program areas aim to complete physical asset verification annually, however, a consistent process is lacking and there are no documented requirements to complete this procedure. For example, we found that support did not exist for completed counts, and based on our enquiries, while some areas asserted they completed them, some said they did not.

## Consequences of not taking action

Without an effective process to identify and record write-downs and disposals of tangible capital assets the department risks inaccurate financial reporting in the consolidated financial statements of the Government of Alberta.

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## IMPLEMENTED Recommendations

### Department

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

**IMPLEMENTED** Recommendation:

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

**Original:** *Report of the Auditor General of Alberta—November 2020*, page 100

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*.

### Context

The Technology Innovation and Emissions Reduction Fund is held and administered by the Minister of Environment and Parks, with responsibilities for the 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 Fund after January 1, 2021, to the government's General Revenue Fund (GRF). It also specifies the 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 Fund after January 1, 2021, may be transferred by the minister to the GRF for other purpose, effectively permitting the Fund to be used for general revenue purposes for the government.

In 2020, we recommended that Department of Environment and Parks establish an appropriate process to demonstrate compliance for all grants issued under the *Emission Management and Climate Resilience Act*.

## Our current findings

The department has implemented our recommendation to establish an appropriate process to demonstrate compliance for all grants issued under the *Emission Management and Climate Resilience Act*.

Management has implemented a tracking system to track and record compliance payments available for transfer to GRF under the *Emission Management and Climate Resilience Act*. We have verified that the transfer amount to GRF recorded in the 2021 Fund financial statements is correctly calculated based on the policy objectives. The transfer amount is currently recorded in accounts payable. The department has indicated that the transfer will be pending until money is paid into the Fund after January 1, 2021, which, will occur on June 30, 2021 when compliance reports and payments are due.

Overall we found the new process is well designed to address our recommendation because the process ensures that only money paid after January 1, 2021 can be transferred to GRF, which complies with the *Emission Management and Climate Resilience Act*.

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### Improve Capital Asset Monitoring and Recording Processes

**IMPLEMENTED** Recommendation:

Improve asset management monitoring and recording processes for dam and water management structures

**Original:** *Report of the Auditor General of Alberta—October 2016*, no. 17, page 104

We recommend that the Department of Environment and Parks improve its processes for monitoring and recording dam and water management structure assets by:

- 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

## Context

In 2016 we identified that the department's process to reliably assess the value of its dam and water management structure assets were insufficient. In particular, the department was not able to:

- compare and align the two systems used for tracking these assets—the Environment Infrastructure Management System and the asset management accounting system
- provide definitive evidence that assets are counted once and only once, and that assets are being amortized based on their appropriate life cycles
- show evidence of a robust asset impairment testing policy

## Our current findings

The department has implemented our recommendation to improve asset management monitoring and recording processes for dam and water management structures by completing the following three steps:

### 1. **Reconciling the Environment Infrastructure Management System (EIMS) with the asset management accounting system (AM)**

Management completed the reconciliation and identified assets that were recorded in AM, but are not controlled by the department and had to be removed. Management also identified assets under control of the department in EIMS that were not recorded in AM. Records were corrected to align both systems.

### 2. **Completing a comprehensive analysis of assets to verify existence, completeness and valuation**

After the reconciliation of the assets, each asset was reviewed to ensure appropriate amortization. Additionally, historical assets were componentized where applicable to ensure appropriate tracking of costs and amortization in the future. We also observed that management componentized any new assets entered in service by the department in 2020 and 2021.

### 3. **Applying criteria to decide when to write down an asset, and documenting the assessment of such decisions**

Management concluded that a separate impairment policy for dams and water management structure was not necessary as the Government of Alberta's tangible capital assets corporate accounting policy was applicable and appropriate.

Overall we found the department has implemented the recommendation to improve its processes for monitoring and recording dam and water management structures.

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b> PROCESS FOR CAPITAL ASSET WRITE-DOWNS AND DISPOSALS:</p> <p><b>Improve process to ensure proper recording of tangible capital assets that require write-down or disposal</b></p> <p>We recommend that the Department of Environment and Parks improve its process for ensuring timely identification of tangible capital assets requiring a write-down or to be considered disposed.</p>	<p>November 2021, p. 88</p>	<p><b>NEW</b></p>
<p><b>DEPARTMENT</b> PROCESSES TO PROVIDE INFORMATION ABOUT GOVERNMENT'S ENVIRONMENTAL LIABILITIES:</p> <p><b>Develop guidance to determine who is responsible for cleanup work</b></p> <p>We recommend that the Department of Environment and Parks develop clear guidance to determine who is responsible to do the required work, and pay for it, when private operators across various industries no longer exist, or are unable to perform the required work.</p> <p>Where it is determined that the government will do the work, we recommend that the Department of Environment and Parks:</p> <ul style="list-style-type: none"> <li>clarify what environmental standards apply</li> <li>provide guidance on which department or agency is responsible to do the work and pay for it across the various industries</li> <li>provide guidance on how the assessment, management and clean-up work of sites will be funded</li> </ul>	<p>June 2021, p. 14</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> PROCESSES TO PROVIDE INFORMATION ABOUT GOVERNMENT'S ENVIRONMENTAL LIABILITIES:</p> <p><b>Complete case-by-case assessments of sites</b></p> <p>We recommend that the Department of Environment and Parks and the Alberta Energy Regulator (AER) complete a case-by-case assessment to determine who is responsible to clean up each site.</p> <p>Where it is concluded that either the Department of Environment and Parks or AER is responsible, or accepts responsibility, we recommend that Environment and Parks and AER:</p> <ul style="list-style-type: none"> <li>determine what work, if any, needs to be done</li> <li>rank each site to help prioritize cleanup work</li> <li>estimate the costs to manage or clean up sites</li> <li>account for environmental liabilities, when appropriate to do so</li> </ul>	<p>June 2021, p. 14</p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> WETLAND REPLACEMENT:</p> <p><b>Improve controls over wetland replacement</b></p> <p>We again recommend that the Department of Environment and Parks have clear, enforceable agreements and effective monitoring to ensure wetland replacement parties meet their responsibilities.</p>	<p>Repeated June 2021, Assessment of Implementation, p. 59</p> <p>&gt; <b>Repeated October 2015, no. 6, p. 45</b></p> <p>&gt; <b>Originally reported April 2010, no. 6, p. 71</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> SYSTEMS TO ENSURE SUFFICIENT FINANCIAL SECURITY FOR LAND DISTURBANCES FROM MINING:</p> <p><b>Improve program design</b></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"> <li>analyze and conclude on whether changes to the asset calculation are necessary due to overestimation of asset values in the methodology</li> <li>demonstrate that it has appropriately analyzed and concluded on the potential impacts of inappropriately extended mine life in the calculation</li> </ul>	<p>Unsatisfactory Progress June 2021, Progress Report, p. 29</p> <p>&gt; <b>Originally reported July 2015, no. 2, p. 29</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> MANAGEMENT OF SAND AND GRAVEL PITS:</p> <p><b>Reclamation monitoring and enforcement</b></p> <p>We again recommend that the Department of Environment and Parks improve the effectiveness and efficiency of reclamation monitoring and enforce reclamation requirements.</p>	<p>Repeated November 2019, Followup Audit, p. 13</p> <p>&gt; <b>Repeated July 2014, no. 4, p. 51</b></p> <p>&gt; <b>Originally reported October 2008, no. 40, p. 360</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> MANAGEMENT OF SAND AND GRAVEL PITS:</p> <p><b>Collect sufficient security</b></p> <p>We recommend that the Department of Environment and Parks collect sufficient security to compel operators to reclaim the land and to cover reclamation costs if operators fail to do so.</p>	<p>November 2019, Followup Audit, p. 16</p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> MANAGEMENT OF SAND AND GRAVEL PITS: <b>Collect outstanding royalties</b></p> <p>We recommend that the Department of Environment and Parks collect outstanding royalties for sand and gravel on oil sands sites.</p>	<p>November 2019, Followup Audit, p. 17</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> SYSTEMS TO MANAGE AND REPORT ON THE OIL SANDS MONITORING PROGRAM: <b>Improve annual reporting process</b></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>	<p>November 2018 Performance Auditing, p. 7</p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> SYSTEMS TO MANAGE GRAZING LEASES: <b>Clarify objectives, benefits and relevant performance measures</b></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><b>July 2015, no. 1, p. 20</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> FLOOD MITIGATION SYSTEMS: <b>Update flood hazard maps and mapping guidelines</b></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"> <li>• mapping flood areas that are not currently mapped but are at risk of flooding communities</li> <li>• updating and maintaining its flood hazard maps</li> <li>• updating its flood hazard mapping guidelines</li> </ul>	<p><b>March 2015, no. 10, p. 76</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> FLOOD MITIGATION SYSTEMS: <b>Assess risk to support mitigation policies and spending</b></p> <p>We recommend that the Department of Environment and Parks conduct risk assessments to support flood mitigation decisions.</p>	<p><b>March 2015, no. 11, p. 78</b></p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> FLOOD MITIGATION SYSTEMS:</p> <p><b>Designate flood hazard areas and complete floodway development regulation</b></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"> <li>• Department of Environment and Parks identify flood hazard areas for designation by the minister</li> <li>• Department of Municipal Affairs: <ul style="list-style-type: none"> <li>› establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas</li> <li>› put in place processes to enforce the regulatory requirements</li> </ul> </li> </ul>	<p><b>March 2015, no. 12, p. 80</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> FLOOD MITIGATION SYSTEMS:</p> <p><b>Assess effects of flood mitigation actions</b></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><b>March 2015, no. 13, p. 82</b></p>	<p><b>Ready for Assessment</b></p>



# Alberta Health

In this report, there are no new recommendations. The department has 13 outstanding recommendations, 12 of which have been outstanding for more than three years. Eleven recommendations are ready for assessment.

We issued unqualified independent auditor's reports on the 2020–2021 financial statements for Alberta Health Services (AHS), Carewest, Capital Care Group Inc., Alberta Precision Laboratories, and the Health Quality Council of Alberta. AHS has 11 outstanding recommendations, nine of which have been outstanding for more than three years. Eight recommendations are ready for assessment.

## Status of Recommendations

as of November 2021

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- 0** New Recommendations
- 0** Implemented Recommendations
- 24** Outstanding Recommendations
  - **19** Ready for Assessment
  - **5** Not Ready for Assessment
- 21** Outstanding Recommendations Older than Three Years

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b> USE OF PUBLICLY FUNDED CT AND MRI SERVICES:</p> <p><b>Implement and measure the effectiveness of standard operational policy and work-flow for electronic order entry</b></p> <p>We recommend Alberta Health work with Alberta Health Services and stakeholders to implement, and measure the effectiveness of, standard operational policy and work-flow for electronic order entry that will assist primary care and non-AHS clinicians when ordering CT and MRI exams.</p>	<p>April 2021, p. 25</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> PRIMARY CARE NETWORKS:</p> <p><b>Evaluate PCN effectiveness</b></p> <p>We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with the PCNs and PCN physicians to:</p> <ul style="list-style-type: none"> <li>• agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets</li> <li>• develop a formal action plan for public reporting of PCN program performance</li> </ul>	<p>October 2017, Performance Auditing, p. 79</p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> PRIMARY CARE NETWORKS:</p> <p><b>Informing Albertans about PCN services</b></p> <p>We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with PCNs and PCN physicians to:</p> <ul style="list-style-type: none"> <li>• require PCN physicians to complete the established patient attachment process, and set appropriate timelines for completing this process</li> <li>• agree on the best approaches for engaging Albertans as active participants in their own care, and explaining the PCN services available to help them achieve their health goals</li> </ul>	<p>October 2017, Performance Auditing, p. 84</p>	<p><b>Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> HEALTHCARE PROCESSES:</p> <p><b>Establish a proactive check to ensure that individuals with an Alberta healthcare number continue to meet residency requirements</b></p> <p>We recommend that the Department of Health improve its processes by establishing a proactive check to ensure that individuals who have been issued an Alberta healthcare number continue to meet the residency requirements specified in the <i>Alberta Health Care Insurance Act</i> and Regulation.</p>	<p><b>October 2015, no. 12, p. 101</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> HEALTHCARE PROCESSES:</p> <p><b>Enhance processes to check for receipt of services for which physicians billed</b></p> <p>We recommend that the Department of Health enhance the processes it uses to check whether:</p> <ul style="list-style-type: none"> <li>patients received the medical services for which physicians billed the department</li> <li>payments are being made in accordance with the provisions of the <i>Alberta Health Care Insurance Act</i></li> </ul>	<p><b>October 2015, no. 13, p. 102</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:</p> <p><b>Use action plan and progress reporting to implement strategy</b></p> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> <li>use an action plan to implement the strategy for mental health and addictions</li> <li>monitor and regularly report on implementation progress</li> </ul>	<p><b>July 2015, no. 6, p. 63</b></p>	<p><b>Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> SENIORS CARE IN LONG-TERM CARE FACILITIES:</p> <p><b>Oversight at the provincial level</b></p> <p>We recommend that the Department of Health:</p> <ul style="list-style-type: none"> <li>clearly define and separate its role and responsibilities from those of AHS in monitoring and managing long-term care service delivery</li> <li>improve public reporting on what results the provincial long-term care system is expected to achieve and whether it is achieving them</li> <li>finish the review of the continuing care health service standards</li> <li>implement a mechanism for timely analysis and action on the accommodation cost data</li> </ul>	<p><b>October 2014, no. 13, p. 91</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> CHRONIC DISEASE MANAGEMENT:</p> <p><b>Improve delivery of chronic disease management services</b></p> <p>We recommend that the Department of Health improve the delivery of chronic disease management services in the province by:</p> <ul style="list-style-type: none"> <li>defining the care services it expects physicians, Primary Care Networks and Alberta Health Services to provide to individuals with chronic disease</li> <li>requesting family physicians to deliver comprehensive team-based care to their patients with chronic disease, through a Primary Care Network or appropriate alternative</li> <li>establishing processes to assess the volumes, costs and, most importantly, the results of chronic disease management services delivered by the healthcare providers it funds</li> <li>facilitating secure sharing of patients’ healthcare information among authorized providers</li> <li>strengthening its support for advancing chronic disease management services, particularly among family physicians where the need for better systems and information is most critical</li> </ul>	<p><b>September 2014, no. 1, p. 11</b></p>	<p><b>Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> CHRONIC DISEASE MANAGEMENT:</p> <p><b>Improve support of patient-physician relationships</b></p> <p>We recommend that the Department of Health improve its support of patient-physician relationships by:</p> <ul style="list-style-type: none"> <li>requesting all family physicians establish a process to identify their patient panels and which of those patients have chronic disease, and providing them with healthcare data to help them do so</li> <li>determining what it considers to be an effective care team size and composition, and working with family physicians, Primary Care Networks and other providers to help build teams to this level</li> </ul>	<p>September 2014, no. 2, p. 18</p>	<p>Ready for Assessment</p>
<p><b>DEPARTMENT</b> CHRONIC DISEASE MANAGEMENT:</p> <p><b>Improve physician care plan initiative</b></p> <p>We recommend that the Department of Health improve its physician care plan initiative by:</p> <ul style="list-style-type: none"> <li>defining its expectations for what care plans should contain and how they should be managed by physicians and care teams</li> <li>setting targets for care plan coverage and evaluating the effectiveness of care plans on an ongoing basis</li> <li>strengthening care plan administration by ensuring that claims identify qualifying diagnoses, and that care plan billings by individual physicians are reasonable</li> </ul>	<p>September 2014, no. 5, p. 26</p>	<p>Ready for Assessment</p>
<p><b>DEPARTMENT</b> CHRONIC DISEASE MANAGEMENT:</p> <p><b>Improve delivery of pharmacist care plan initiative</b></p> <p>We recommend that the Department of Health improve the delivery of its pharmacist care plan initiative by:</p> <ul style="list-style-type: none"> <li>establishing a formal process to ensure pharmacists integrate their care plan advice with the care being provided by a patient's family physician and care team</li> <li>strengthening claims administration and oversight, including requiring pharmacists to submit diagnostic information showing patients qualify for a care plan, and making care plans subject to audit verification by Alberta Blue Cross</li> <li>setting expectations and targets for pharmacists' involvement in care plans and evaluating the effectiveness of their involvement on an ongoing basis</li> </ul>	<p>September 2014, no. 7, p. 32</p>	<p>Ready for Assessment</p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> CHRONIC DISEASE MANAGEMENT:</p> <p><b>Strengthen electronic medical records systems</b></p> <p>We recommend that the Department of Health strengthen support to family physicians and care teams in implementing electronic medical record systems capable of:</p> <ul style="list-style-type: none"> <li>identifying patient-physician relationships and each patient’s main health conditions and risk factors</li> <li>tracking patient care plans and alerting physicians and care teams when medical services are due, and health goals or clinical targets are not met appropriately and securely sharing patient health information between authorized healthcare providers</li> <li>reporting key activity and outcome information for selected patient groups (e.g., diabetics) as the basis for continuous quality improvement</li> </ul>	<p>September 2014, no. 8, p. 37</p>	<p>Ready for Assessment</p>
<p><b>DEPARTMENT</b> CHRONIC DISEASE MANAGEMENT:</p> <p><b>Provide individuals access to their personal health information</b></p> <p>We recommend that the Department of Health provide individuals with chronic disease access to the following personal health information:</p> <ul style="list-style-type: none"> <li>their medical history, such as physician visits, medications and test results</li> <li>their care plan, showing recommended tests, diagnostic procedures and medications, including milestone dates and targets set out in the plan</li> </ul>	<p>September 2014, no. 9, p. 41</p>	<p>Ready for Assessment</p>
<p><b>ALBERTA HEALTH SERVICES</b> USE OF PUBLICLY FUNDED CT AND MRI SERVICES:</p> <p><b>Improve the outpatient CT and MRI intake and scheduling processes</b></p> <p>We recommend for outpatient CT and MRI exams, Alberta Health Services:</p> <ul style="list-style-type: none"> <li>standardize the intake and scheduling processes, including the use of clinical decision support tools</li> <li>implement a process to standardize protocoling and monitor adherence to prioritization and protocoling standards</li> <li>execute the Diagnostic Imaging, CT and MRI Implementation Plan to meet wait time targets</li> </ul>	<p>April 2021, p. 25</p>	<p>Not Ready for Assessment</p>

Recommendation	When	Status
<p><b>ALBERTA HEALTH SERVICES</b>            USE OF PUBLICLY FUNDED CT AND MRI SERVICES:  <b>Measure and report on performance to identify areas of improvement and promote best practices</b></p> <p>We recommend Alberta Health Services implement a process for regular measuring and reporting on performance for intake and scheduling of outpatient CT and MRI exams to identify areas of improvement and promote best practices.</p>	<p>April 2021, pg. 29</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>ALBERTA HEALTH SERVICES</b>            SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:  <b>Integrate mental health service delivery and eliminate gaps in service</b></p> <p>We recommend that Alberta Health Services for its own community and hospital mental health and addictions services:</p> <ul style="list-style-type: none"> <li>• work with physicians and other non-AHS providers to advance integrated care planning and use of interdisciplinary care teams where appropriate for clients with severe and persistent mental illness who need a comprehensive level of care</li> <li>• improve availability of mental health resources at hospital emergency departments</li> <li>• improve its system to monitor and ensure community mental health clinics comply with AHS expectations for treatment planning and case management</li> <li>• improve its process to identify and evaluate good operational practices used by local mental health and addictions staff, and deploy the best ones across the province</li> </ul>	<p><b>July 2015, no. 7, p. 67</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA HEALTH SERVICES</b>            SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:  <b>Improve information management in mental health and addictions</b></p> <p>We recommend that Alberta Health Services make the best use of its current mental health and addictions information systems by:</p> <ul style="list-style-type: none"> <li>• providing authorized healthcare workers within all AHS sites access to AHS mental health and addictions clinical information systems</li> <li>• strengthening information management support for its mental health treatment outcomes measurement tools</li> </ul>	<p><b>July 2015, no. 8, p. 75</b></p>	<p><b>Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>ALBERTA HEALTH SERVICES</b> SYSTEMS TO MANAGE THE DELIVERY OF MENTAL HEALTH SERVICES:</p> <p><b>Complete assessment and develop wait-list for Albertans who need community housing supports</b></p> <p>We recommend that Alberta Health Services in supporting the work of the cross-ministry housing planning team established under the mandate of the Minister of Seniors:</p> <ul style="list-style-type: none"> <li>• complete its assessment and report on gaps between supply and demand for specialized community housing support services for mental health and addictions in the province</li> <li>• develop a wait-list management system to formally assess the housing support needs of AHS mental health hospital and community patients and coordinate their placement into specialized community spaces funded by AHS</li> </ul>	<p>July 2015, no. 9, p. 79</p>	<p>Ready for Assessment</p>
<p><b>ALBERTA HEALTH SERVICES</b> SENIORS CARE IN LONG-TERM CARE FACILITIES:</p> <p><b>Monitoring care at the resident level</b></p> <p>We recommend that Alberta Health Services improve the design of its current monitoring activities. AHS should:</p> <ul style="list-style-type: none"> <li>• develop a system to periodically verify that facilities provide residents with an adequate number and level of staff, every day of their operation</li> <li>• develop a system to periodically verify that facilities deliver the right care every day by implementing individual resident care plans and meeting basic needs of residents</li> </ul>	<p>October 2014, no. 11, p. 84</p>	<p>Not Ready for Assessment</p>
<p><b>ALBERTA HEALTH SERVICES</b> SENIORS CARE IN LONG-TERM CARE FACILITIES:</p> <p><b>Managing performance of long-term care facilities</b></p> <p>We recommend that Alberta Health Services improve its system to monitor and manage performance of long-term care facilities. AHS should:</p> <ul style="list-style-type: none"> <li>• clearly define which program area within AHS is responsible for managing performance of individual facilities</li> <li>• establish a formal mechanism to use all available compliance data to review periodically the overall performance of each facility, and initiate proactive compliance action with facilities based on the level of risk to health and safety of residents</li> <li>• establish a formal mechanism to escalate compliance action for higher risk facilities</li> </ul>	<p>October 2014, no. 12, p. 88</p>	<p>Ready for Assessment</p>

Recommendation	When	Status
<p><b>ALBERTA HEALTH SERVICES</b> CHRONIC DISEASE MANAGEMENT: <b>Improve support of patient-physician relationships</b></p> <p>We recommend that Alberta Health Services identify individuals with chronic disease who do not have a family physician and actively manage their care until they can be linked with a family physician.</p>	<p><b>September 2014, no. 3, p. 18</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA HEALTH SERVICES</b> CHRONIC DISEASE MANAGEMENT: <b>Improve AHS chronic disease management services</b></p> <p>We recommend that Alberta Health Services improve its chronic disease management services by:</p> <ul style="list-style-type: none"> <li>• assessing the total demand for chronic disease management services across Alberta</li> <li>• developing evidence to support decisions on how services provided by Alberta Health Services, family physicians, Primary Care Networks and Family Care Clinics should be integrated</li> <li>• setting provincial objectives and standards for its chronic disease management services</li> <li>• establishing systems to measure and report the effectiveness of its chronic disease management services</li> </ul>	<p><b>September 2014, no. 4, p. 22</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA HEALTH SERVICES</b> CHRONIC DISEASE MANAGEMENT: <b>Improve physician care plan initiative</b></p> <p>We recommend that Alberta Health Services coordinate its services to patients with chronic disease with the care plans developed by family physicians and care teams.</p>	<p><b>September 2014, no. 6, p. 26</b></p>	<p><b>Ready for Assessment</b></p>
<p><b>ALBERTA HEALTH SERVICES</b> AHS CONTROLS OVER EXPENSE CLAIMS, PURCHASING CARD TRANSACTIONS, AND OTHER TRAVEL EXPENSES: <b>Controls over expenses</b></p> <p>We recommend that Alberta Health Services tighten its controls over expense claims, purchasing card transactions and other travel expenses by:</p> <ul style="list-style-type: none"> <li>• improving the analysis and documentation that support the business reasons for—and the cost effectiveness of—these expenses</li> <li>• improving education and training of staff on their responsibilities for complying with policies</li> <li>• monitoring expenses and reporting results to the board</li> </ul>	<p><b>February 2013, no. 1, p. 24</b></p>	<p><b>Ready for Assessment</b></p>



# Alberta Indigenous Relations

In this report, there are no new or outstanding recommendations to the department.

We issued an unqualified independent auditor's report on the 2020–2021 financial statements for the Alberta Indigenous Opportunities Corporation. There are no new or outstanding recommendations to this entity in this report.

## Status of Recommendations

as of November 2021

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- 0** New Recommendations
- 0** Implemented Recommendations
- 0** Outstanding Recommendations
  - > 0** Ready for Assessment
  - > 0** Not Ready for Assessment
- 0** Outstanding Recommendations Older than Three Years



# Alberta Infrastructure

In this report, there are no new recommendations to the department. The department has two outstanding recommendations that are not ready for assessment.

## Status of Recommendations

as of November 2021

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- 0** New Recommendations
- 0** Implemented Recommendations
- 2** Outstanding Recommendations
  - > 0** Ready for Assessment
  - > 2** Not Ready for Assessment
- 0** Outstanding Recommendations Older than Three Years

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b>                      FORT MCMURRAY RESIDENTIAL FACILITY-BASED CARE CENTRE (WILLOW SQUARE) PROJECT MANAGEMENT:</p> <p><b>Improve certain project management processes for capital projects</b></p> <p>We recommend that the Department of Infrastructure:</p> <ul style="list-style-type: none"> <li>• develop standards for its project management plan</li> <li>• complete a project management plan in accordance with the standards and ensure the project management plan and project charter are approved early in the life of a project</li> <li>• ensure the project team follows the project management processes and controls identified in the project management plan and the project charter</li> </ul>	<p>February 2020,                      p. 13</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b>                      FORT MCMURRAY RESIDENTIAL FACILITY-BASED CARE CENTRE (WILLOW SQUARE) PROJECT MANAGEMENT:</p> <p><b>Improve performance measures for capital projects</b></p> <p>We recommend that the Department of Infrastructure develop better measures to assess the performance of its capital projects.</p>	<p>February 2020,                      p. 14</p>	<p><b>Not Ready for Assessment</b></p>

# Alberta Jobs, Economy and Innovation

In this report, there are no new or outstanding recommendations to the department.

We made one new recommendation to Alberta Enterprise Corporation in our *Alberta Enterprise Corporation: Processes to Report on Value Generation*—see page 147. We made one new recommendation to Alberta Innovates in our *Alberta Innovates: Processes to Report on Value Generation*—see page 165.

We issued unqualified independent auditor's reports on the 2020–2021 financial statements for Alberta Innovates, Alberta Enterprise Corporation, Travel Alberta and Invest Alberta Corporation. We made one new recommendation to Invest Alberta Corporation (see page 112). Travel Alberta has two outstanding recommendations that are ready for assessment.

## Status of Recommendations

as of November 2021

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- 3** New Recommendation
- 0** Implemented Recommendations
- 2** Outstanding Recommendations
  - **2** Ready for Assessment
  - **0** Not Ready for Assessment
- 0** Outstanding Recommendations Older than Three Years

## NEW Recommendation

### Invest Alberta Corporation

#### Improve Financial Reporting Processes

##### NEW Recommendation:

Improve processes to analyze and conclude on financial reporting of significant transactions

We recommend that Invest Alberta Corporation improve its financial reporting processes to analyze and conclude on the recording and disclosure of all significant transactions of the corporation in accordance with accounting standards.

### Context

Management is responsible for the preparation and fair presentation of the corporation's financial statements and accompanying notes in accordance with Canadian Public Sector Accounting Standards. Preparation of the financial statements requires processes to ensure that the financial reporting as a whole is free from material misstatement.

Effective financial reporting processes provide timely and reliable information to management and the board of directors, and support results analysis of their performance with accurate and reliable financial information. Identification and analysis of emerging financial reporting issues needs to occur throughout the period rather than only at the year-end to provide the best information to those making operating decisions.

### Our findings

#### Key findings

- The corporation's draft financial statements required material adjustments to the recognition, presentation, and disclosure of its revenues and expenses.

Processes to identify and analyze business transactions and their financial accounting implications in a timely manner need improvement. We found material differences to the recognition, presentation, and disclosure of revenues and expenses included in the corporation's draft financial statements. Management did not identify or fully complete its analysis and conclusions on the treatment of some transactions under Public Sector Accounting Standards prior to recording the transactions in the corporation's accounts. The treatment of some transactions in the corporation's draft financial statements also did not comply with Government of Alberta presentation and disclosure requirements.

Management adjusted its financial statements for all differences identified.

### Consequences of not taking action

Without effective financial reporting processes there is a higher risk of financial reporting errors.

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>INVEST ALBERTA CORPORATION</b> IMPROVE FINANCIAL REPORTING PROCESSES:</p> <p><b>Improve processes to analyze and conclude on financial reporting of significant transactions</b></p> <p>We recommend that Invest Alberta Corporation improve its financial reporting processes to analyze and conclude on the recording and disclosure of all significant transactions of the corporation in accordance with accounting standards.</p>	November 2021, p. 112	<b>NEW</b>
<p><b>ALBERTA ENTERPRISE CORPORATION</b> PROCESSES TO REPORT ON VALUE GENERATION:</p> <p><b>Improve processes to measure, monitor and report value generated by investment and ecosystem activities</b></p> <p>We recommend that Alberta Enterprise Corporation improve its performance reporting processes to measure, monitor and report value generation by:</p> <ul style="list-style-type: none"> <li>• setting targets for the measures identified in its business plan</li> <li>• monitoring and analyzing results compared to targets, comparative results and cost</li> <li>• reporting, internally and externally, their analysis of the value it generated cost effectively, including lessons learned</li> </ul>	November 2021, p. 162	<b>NEW</b>
<p><b>ALBERTA INNOVATES</b> PROCESSES TO REPORT ON VALUE GENERATION:</p> <p><b>Improve processes to measure, monitor and report value generated by research and innovation activities</b></p> <p>We recommend that Alberta Innovates improve its performance reporting processes by:</p> <ul style="list-style-type: none"> <li>• establishing targets for its corporate, program and project performance measures</li> <li>• analyzing its corporate, program, and project results to targets and to the costs to achieve the results</li> <li>• reporting, internally and externally, the value generation results from all research and innovation activities including the contribution to government desired outcomes</li> </ul>	November 2021, p. 180	<b>NEW</b>

Recommendation	When	Status
<p><b>TRAVEL ALBERTA</b>                      MANAGING THE RISKS OF CLOUD COMPUTING:  <b>Develop a risk management process for cloud computing</b></p> <p>We recommend that Travel Alberta develop an effective risk management process to manage the risks of using cloud computing.</p>	<p>December 2019,                      p. 7</p>	<p><b>Ready for Assessment</b></p>
<p><b>TRAVEL ALBERTA</b>                      MANAGING THE RISKS OF CLOUD COMPUTING:  <b>Develop contract management processes for contracts with cloud service providers</b></p> <p>We recommend that Travel Alberta develop effective contract management processes for contracts with its cloud service providers.</p>	<p>December 2019,                      p. 9</p>	<p><b>Ready for Assessment</b></p>

# Alberta Justice and Solicitor General

In this report, there are no new recommendations to the department. The department has nine outstanding recommendations. Six recommendations have been outstanding for more than three years and five are ready for assessment.

We have repeated one recommendation and the department has implemented one recommendation in our *Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results Assessment of Implementation Report*—see page 209.

We issued unqualified independent auditor's reports on the 2020–2021 financial statements for the Victims of Crime and Public Safety Fund, the Human Rights Education and Multiculturalism Fund, and the Office of the Public Guardian and Trustee, Estates and Trusts. There are no new recommendations to these entities in this report.

## Status of Recommendations

as of November 2021

- 0** New Recommendations
- 1** Repeated Recommendation
- 1** Implemented Recommendation
- 9** Outstanding Recommendations
  - **5** Ready for Assessment
  - **4** Not Ready for Assessment
- 6** Outstanding Recommendations Older than Three Years

## REPEATED Recommendation

### Department

**Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results**  
**REPEATED** Recommendation:  
 Develop and publicly report on a business plan for the Victims of Crime and Public Safety Fund Program

**Original:** *Report of the Auditor General of Alberta—February 2016*. no. 5, page 46

We again recommend that the Department of Justice and Solicitor General:

- develop and approve a business plan with measurable desired results for the Victims of Crime and Public Safety Fund
- publicly report on the results of this business plan

Details on our assessment of implementation on the above recommendation can be found in the *Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results Assessment of Implementation Report* on page 209.

## IMPLEMENTED Recommendation

### Department

**Victims of Crime and Public Safety Fund: Systems to Manage Sustainability and Assess Results**  
**IMPLEMENTED** Recommendation:  
 Determine best use of Victims of Crime and Public Safety Fund accumulated surplus

Details on our assessment of implementation on the above recommendations can be found in the *Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results Assessment of Implementation Report* on page 209.

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b>                      VICTIMS OF CRIME AND PUBLIC SAFETY FUND: SYSTEMS TO MANAGE SUSTAINABILITY AND ASSESS RESULTS:</p> <p><b>Develop and publicly report on a business plan for the Victims of Crime and Public Safety Fund Program</b></p> <p>We again recommend that the Department of Justice and Solicitor General:</p> <ul style="list-style-type: none"> <li>• develop and approve a business plan with measurable desired results for the Victims of Crime and Public Safety Fund</li> <li>• publicly report on the results of this business plan</li> </ul>	<p>Repeated                      November 2021,                      p. 209</p> <p>&gt; Originally reported                      February 2016,                      no. 5, p. 46</p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> PROCESSES TO MANAGE BAIL HEARINGS AND CASE MANAGEMENT OF ADULT CRIMINAL PROSECUTIONS:</p> <p><b>The department resume its bail results analysis and evaluate and report on the effectiveness of implemented solutions</b></p> <p>We recommend that the Department of Justice and Solicitor General:</p> <ul style="list-style-type: none"> <li>• resume its detailed results analysis of the various steps in the bail hearing process</li> <li>• evaluate and report on the effectiveness of solutions it implements to improve identified problems in the bail hearing process</li> </ul>	June 2021, p. 14	<b>Not Ready for Assessment</b>
<p><b>DEPARTMENT</b> PROCESSES TO MANAGE BAIL HEARINGS AND CASE MANAGEMENT OF ADULT CRIMINAL PROSECUTIONS:</p> <p><b>Continue cause analysis of cases stayed due to <i>Jordan</i> applications</b></p> <p>We recommend that the Department of Justice and Solicitor General continue its cause analysis of cases, which have been judicially stayed or pre-emptively stayed by Alberta Crown Prosecution Service because of <i>Jordan</i> applications to identify contributing shortcomings in practices, or behaviour it can control and correct.</p>	June 2021, p. 18	<b>Not Ready for Assessment</b>
<p><b>DEPARTMENT</b> PROCESSES TO MANAGE BAIL HEARINGS AND CASE MANAGEMENT OF ADULT CRIMINAL PROSECUTIONS;</p> <p><b>Comply with Triage Practice Protocol tracking and reporting requirements</b></p> <p>We recommend that the Department of Justice and Solicitor General ensure the tracking and reporting requirements of the Triage Practice Protocol are followed by all Alberta Crown Prosecution Service offices.</p>	June 2021, p. 20	<b>Not Ready for Assessment</b>
<p><b>OFFICE OF THE PUBLIC GUARDIAN &amp; TRUSTEE</b> OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Supervisory review of client files</b></p> <p>We recommend that the Office of the Public Guardian and Trustee improve its file management processes to ensure all client files are subject to adequate supervisory review.</p>	<b>February 2013, no. 2, p. 42</b>	<b>Ready for Assessment</b>

Recommendation	When	Status
<p><b>OFFICE OF THE PUBLIC GUARDIAN &amp; TRUSTEE</b> OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Internal audit role</b></p> <p>We recommend that the Office of the Public Guardian and Trustee strengthen the role of its internal audit, ensuring it has adequate authority and independence to effectively perform its function.</p>	<p>February 2013, no. 3, p. 42</p>	<p>Ready for Assessment</p>
<p><b>OFFICE OF THE PUBLIC GUARDIAN &amp; TRUSTEE</b> OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Improve and follow policies</b></p> <p>We recommend that the Office of the Public Guardian and Trustee:</p> <ul style="list-style-type: none"> <li>• review and assess whether its policies are appropriate, and procedures are adequate to mitigate the risk that client assets could be misappropriated or otherwise mismanaged</li> <li>• improve its processes for ensuring compliance with policies and procedures</li> </ul>	<p>February 2013, no. 4, p. 45</p>	<p>Ready for Assessment</p>
<p><b>OFFICE OF THE PUBLIC GUARDIAN &amp; TRUSTEE</b> OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Segregation of duties</b></p> <p>We recommend that the Office of the Public Guardian and Trustee strengthen its processes for the approval and payment of client expenses or disbursements.</p>	<p>February 2013, no. 5, p. 47</p>	<p>Ready for Assessment</p>
<p><b>OFFICE OF THE PUBLIC GUARDIAN &amp; TRUSTEE</b> OFFICE OF THE PUBLIC TRUSTEE:</p> <p><b>Documentation</b></p> <p>We recommend that the Office of the Public Guardian and Trustee improve its processes for ensuring client files are appropriately documented, including adequate documentation of supervisory review and internal audit.</p>	<p>February 2013, no. 6, p. 48</p>	<p>Ready for Assessment</p>

# Alberta Labour and Immigration

In this report, there are no new recommendations to the department. The department has one outstanding recommendation that is ready for assessment.

We issued an unqualified auditor's report for the December 31, 2020, year-end financial statements for the Workers' Compensation Board—Alberta. The financial statements of the Workers' Compensation Board—Alberta are not consolidated into the Government of Alberta financial statements. There are no new or outstanding recommendations to this entity in this report.

## Status of Recommendations

as of November 2021

- 0 New Recommendations
- 0 Implemented Recommendations
- 1 Outstanding Recommendation
  - > 1 Ready for Assessment
  - > 0 Not Ready for Assessment
- 0 Outstanding Recommendations Older than Three Years

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<b>DEPARTMENT</b> SYSTEMS TO UPDATE ALBERTA'S WORKFORCE STRATEGIES: <b>Report on results of workforce strategies</b>  We recommend that the Department of Labour and Immigration regularly measure and report on the results of its current workforce strategies, including lessons learned.	November 2018, Performance Auditing, p. 8	<b>Ready for Assessment</b>



# Alberta Municipal Affairs

In this report, there are no new recommendations to the department. The department has three outstanding recommendations that are not ready for assessment. One recommendation has been outstanding for more than three years.

We issued unqualified independent auditor's reports on the December 31, 2020 financial statements for Improvements Districts' Trust (Improvement Districts 4, 9, 12, 13, 24, 25, and 349), Kananaskis Improvement District, and the Special Areas Trust Account. There are no new or outstanding recommendations to any of these entities in this report.

## Status of Recommendations

as of November 2021

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

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b> PROVINCIAL HAZARD ASSESSMENT FOR EMERGENCY MANAGEMENT:</p> <p><b>Implement a system to develop and maintain a provincial hazard assessment</b></p> <p>We recommend that the Department of Municipal Affairs implement a system to develop and maintain a provincial hazard assessment.</p>	<p>September 2020, p. 17</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> PROVINCIAL HAZARD ASSESSMENT FOR EMERGENCY MANAGEMENT:</p> <p><b>Improve monitoring and reporting of recommendations from post-incident disaster reviews</b></p> <p>We recommend that the Department of Municipal Affairs improve the monitoring and reporting of recommendations from post-incident disaster reviews.</p>	<p>September 2020, p. 18</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> FLOOD MITIGATION SYSTEMS:</p> <p><b>Designate flood hazard area and complete floodway development regulation</b></p> <p>To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that:</p> <ul style="list-style-type: none"> <li>• the Department of Environment and Parks identify flood hazard areas for designation by the minister</li> <li>• the Department of Municipal Affairs: <ul style="list-style-type: none"> <li>› establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas</li> <li>› put in place processes to enforce the regulatory requirements</li> </ul> </li> </ul>	<p><b>March 2015, no. 12, p. 80</b></p>	<p><b>Not Ready for Assessment</b></p>

# Alberta Seniors and Housing

In this report, there are no new or outstanding recommendations to the department. We issued an unqualified independent auditor's report on the 2020–2021 financial statements for the Alberta Social Housing Corporation. There are no new or outstanding recommendations to this entity in this report.

## Status of Recommendations

as of November 2021

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- 0** New Recommendations
- 0** Implemented Recommendations
- 0** Outstanding Recommendations
  - **0** Ready for Assessment
  - **0** Not Ready for Assessment
- 0** Outstanding Recommendations Older than Three Years



# Alberta Transportation

In this report, there are no new recommendations to the department. The department has two outstanding recommendations that are not ready for assessment.

We issued an unqualified independent auditor's report on the 2020–2021 financial statements for the Alberta Transportation Safety Board. There are no new or outstanding recommendations to this entity in this report.

## Status of Recommendations

as of November 2021

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- 0** New Recommendations
- 0** Implemented Recommendations
- 2** Outstanding Recommendations
  - **0** Ready for Assessment
  - **2** Not Ready for Assessment
- 0** Outstanding Recommendations Older than Three Years

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b>            PROCESSES TO PROVIDE INFORMATION ABOUT GOVERNMENT'S ENVIRONMENTAL LIABILITIES:</p> <p><b>Improve processes to assess, estimate and account for environmental liabilities</b></p> <p>We recommend that the Department of Transportation improve its processes to assess, estimate and account for environmental liabilities related to its sand and gravel pits and highway maintenance yards.</p>	<p>June 2021, p. 16</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b>            PROCESSES TO PROVIDE INFORMATION ABOUT GOVERNMENT'S ENVIRONMENTAL LIABILITIES:</p> <p><b>Improve processes to ensure compliance with environmental legislation</b></p> <p>We recommend that the Department of Transportation improve its processes to comply with environmental legislation at highway maintenance yards.</p>	<p>June 2021, p. 18</p>	<p><b>Not Ready for Assessment</b></p>

# Alberta Treasury Board and Finance

In this report, there are no new recommendations to the department. The department has 14 outstanding recommendations. Ten of these recommendations have been outstanding for more than three years and five are ready for assessment.

The department has implemented three outstanding recommendations:

- update and follow enterprise risk management system—see page 128
- implement a review and approval of accounting changes—see page 129
- improving capital planning standards and phased approach to capital planning and approval—from our *Government of Alberta Capital Planning Assessment of Implementation Report* on page 215

We issued unqualified independent auditor's reports on the 2020–2021 financial statements for the Alberta Gaming, Liquor and Cannabis Commission, ATB Financial and its subsidiaries, 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 2021

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<b>0</b>	New Recommendations
<b>3</b>	Implemented Recommendations
<b>14</b>	Outstanding Recommendations
<b>&gt; 5</b>	Ready for Assessment
<b>&gt; 9</b>	Not Ready for Assessment
<b>10</b>	Outstanding Recommendations Older than Three Years

# IMPLEMENTED Recommendations

## Department

### Enterprise Risk Management Systems

**IMPLEMENTED** Recommendation:

Update and follow enterprise risk management system

**Original:** *Report of the Auditor General of Alberta—October 2014*, no. 22, page 194

**Repeated:** *Report of the Auditor General of Alberta—October 2017*, Financial Statement Auditing, page 135

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.

## Context

In 2014, we found that the department had not followed an enterprise risk management process. ERM is a continuous and proactive process to understand, manage and communicate risks from an organization-wide perspective.

## Our current findings

The department implemented our recommendation. The department approved a new ERM Framework that is in line with the Government of Alberta ERM framework guidelines and standards. The Framework defines the roles and responsibilities for risk management, and the processes to identify, manage and monitor risks and mitigation strategies. The ERM processes are integrated with the business planning and annual reporting processes to identify risks to the achievement of the ministry's objectives and to the implementation of mitigating strategies. The department maintains a risks register, along with mitigating strategies, and periodically updates the register. The department's executive team regularly reviews the risks and mitigating strategies.

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**Review and Approval of Department Accounting Changes****IMPLEMENTED** Recommendation:

Implement a review and approval of department accounting changes

**Original:** *Report of the Auditor General of Alberta—November 2020*, page 138

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.

## Context

Last year, we found that Treasury Board and Finance did not have a formalized process to review and approve significant accounting changes initiated by departments prior to their inclusion in the province's quarterly and annual fiscal reporting.

## Our current findings

The department implemented the recommendation by:

- clarifying and adding additional responsibilities to the Office of the Controller to provide greater oversight of accounting and audit matters
- requiring departments to consult with the Office of the Controller on significant accounting changes that may impact the fiscal reporting.

We did not identify significant misstatements that needed adjustments this year to entities' financial statements.

**Government of Alberta Capital Planning****IMPLEMENTED** Recommendation:

Improve capital planning standards and phased approach to capital planning and approval

Details on the above recommendation can be found in the *Government of Alberta Capital Planning Assessment of Implementation Report* on page 215.

## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b></p> <p>REPORTING PERFORMANCE RESULTS TO ALBERTANS FOLLOWUP:  <b>Results Analysis Performance</b></p> <p>We again recommend that the Department of Treasury Board and Finance improve:</p> <ul style="list-style-type: none"> <li>• guidance and training for ministry management to identify, analyze and report on results in ministry annual reports</li> <li>• processes to monitor ministry compliance with results analysis reporting standards</li> </ul>	<p>Repeated August 2019, p. 12</p> <p>&gt; Originally reported July 2014, no. 1, p. 18</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b></p> <p>ALBERTA PUBLIC SERVICE COMMISSION: PUBLIC AGENCY BOARD MEMBER RECRUITMENT AND SELECTION:  <b>Improve the usage of succession plans and reappointments</b></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"> <li>• include the board succession plan in the recruitment package</li> <li>• evaluate incumbent candidates seeking reappointment before proceeding to open competition</li> </ul>	<p>August 2019, p. 13</p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b></p> <p>ALBERTA PUBLIC SERVICE COMMISSION: PUBLIC AGENCY BOARD MEMBER RECRUITMENT AND SELECTION:  <b>Improve guidance on use of professional recruitment</b></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><b>Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b></p> <p>ALBERTA PUBLIC SERVICE COMMISSION: PUBLIC AGENCY BOARD MEMBER RECRUITMENT AND SELECTION:</p> <p><b>Strengthen the recruitment, screening, and selection processes</b></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"> <li>including in the selection package the candidate competency assessment along with the agency board’s written recommendation of qualified candidates</li> <li>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</li> </ul>	<p>August 2019, p. 17</p>	<p><b>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b></p> <p>ALBERTA PUBLIC SERVICE COMMISSION: PUBLIC AGENCY BOARD MEMBER RECRUITMENT AND SELECTION:</p> <p><b>Improve information systems to monitor process outcomes</b></p> <p>We recommend that the Public Agency Secretariat:</p> <ul style="list-style-type: none"> <li>consolidate information systems used to track competitions and appointments</li> <li>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</li> </ul>	<p>August 2019, p. 19</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b></p> <p>GOVERNMENT OF ALBERTA CAPITAL PLANNING:</p> <p><b>Improve maintenance planning systems</b></p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request</li> <li>analyze the departments’ maintenance information and provide objective advice to government committees on maintenance funding</li> </ul>	<p><b>October 2017, Performance Auditing, p. 23</b></p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b> GOVERNMENT OF ALBERTA CAPITAL PLANNING: <b>Evaluate capital maintenance programs for buildings</b></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><b>October 2017, Performance Auditing, p. 26</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> ECONOMY AND EFFICIENCY OF CASH MANAGEMENT: <b>Evaluate cash management for efficiency and economy</b></p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> </ul>	<p><b>February 2016, no. 8, p. 77</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> ECONOMY AND EFFICIENCY OF CASH MANAGEMENT: <b>Develop policies to prevent early payment of grants and an accumulation of large cash balances</b></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><b>February 2016, no. 9, p. 79</b></p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> ECONOMY AND EFFICIENCY OF CASH MANAGEMENT: <b>Implement and use information technology to manage cash</b></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><b>February 2016, no. 10, p. 82</b></p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b></p> <p>ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><b>Use leading banking and related practices and evaluate cost benefits of bank accounts</b></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><b>DEPARTMENT</b></p> <p>ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><b>Improve policies for payments</b></p> <p>We recommend that the Department of Treasury Board and Finance:</p> <ul style="list-style-type: none"> <li>periodically analyze payment data to identify non-compliance with policies and seek opportunities for improvements</li> <li>ensure that cost recoveries between government entities consider costs and benefits, and a transaction threshold</li> </ul>	<p>February 2016, no. 12, p. 86</p>	<p>Not Ready for Assessment</p>
<p><b>DEPARTMENT</b></p> <p>DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS:</p> <p><b>Policies designed to achieve plan objectives</b></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"> <li>tolerances for the cost and funding components</li> <li>alignment between plan objectives and benefit, investment and funding policies</li> <li>predefined responses when tolerances are exceeded or objectives are not met</li> </ul>	<p>February 2014, no. 1, p. 24</p>	<p>Ready for Assessment</p>
<p><b>DEPARTMENT</b></p> <p>DEPARTMENT'S OVERSIGHT SYSTEMS FOR ALBERTA'S PUBLIC SECTOR PENSION PLANS:</p> <p><b>Risk management system</b></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 their responsibilities for those plans.</p>	<p>February 2014, no. 2, p. 26</p>	<p>Ready for Assessment</p>



# Service Alberta

In this report, there is one new recommendation to the department—see page 136.

The department has three outstanding recommendations that are not ready for assessment. All three have been outstanding for more than three years.

The department has implemented three recommendations in our *Contract Management Processes Assessment of Implementation Report*—see page 219.

## Status of Recommendations

as of November 2021

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

# NEW Recommendation

## Department

### Improve User Access Controls

#### NEW Recommendation:

Remove terminated users' access to the government network and IT applications promptly

We recommend that Service Alberta strengthen its user access controls to ensure access rights to government network and IT applications are removed when the access is no longer required.

## Context

User access controls are the foundation of information security of government. These controls ensure that only authorized users have access to government network and IT applications that government uses to conduct its day-to-day operations to provide services to Albertans. The controls typically include processes that ensure access to government network and IT applications is properly approved, regularly monitored, and removed when the access is no longer required or appropriate.

Service Alberta should ensure that employees have appropriate access to government network and IT applications, and update employees' access privileges when they cease their employment with government.

## Our findings

### Key findings

- Service Alberta does not remove terminated employees' access to government network and IT applications promptly.

We conducted an audit of IT access controls focusing on key access controls for government IT network and select IT applications that government relies on to produce reliable financial information in preparation of its consolidated financial statements.

Service Alberta has established a set of Information Security Management Directives (ISMDs) in order to implement foundational IT security controls in government departments. The ISMDs require that "the access rights of personnel to IT systems must be removed upon termination of employment and reviewed upon change of employment." Based on our audit testing we found that Service Alberta did not remove terminated employees' access to government network and IT applications. We found multiple non-compliances with the ISMDs and concluded that Service Alberta has not adequately implemented the IT security access controls.

We found that Service Alberta did not remove its employees' network accounts on a timely basis after termination of employment with government. We completed an analysis of the government employees' access and identified multiple instances where employees were terminated but their IT network accounts were not removed. We found that government did not timely remove network access of 11 out of 13 samples that we tested. Although the accounts were eventually removed by the automated account disable process, the access for those users was active for at least 90 days after they ended their employment with the government when the access was no longer required.

Our access testing also identified three instances where the accounts belonging to terminated employees were used to login to the government's network after their termination dates. We asked management to validate the security breach and upon further investigation by Service Alberta, it was confirmed that the accounts were used by the ex-employees to retrieve employment documents. Although Service Alberta confirmed the ex-employees logged in for administrative purposes, because their accounts were not disabled, they could have been used to gain unauthorized access to the government's network and data.

We also tested the access controls over departmental IT applications that are managed by Service Alberta. We found non-compliances related to removing access rights upon change of employment in 13 out of 36 IT applications that we examined. Service Alberta does not have an effective process in place to obtain timely information from other government's departments of changes to employment status so that Service Alberta has timely information to update the active directory access rights.

## Consequences of not taking action

By not removing access rights of terminated employees from government network and IT applications, it creates non-compliance with government's ISMDs, and increases the risk of unauthorized access to government's data and Albertans' personal information.

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## IMPLEMENTED Recommendations

### Department

#### Contract Management Processes

**IMPLEMENTED** Recommendation:

Improve performance measurement processes

#### Contract Management Processes

**IMPLEMENTED** Recommendation:

Improve compliance processes

#### Contract Management Processes

**IMPLEMENTED** Recommendation:

Incorporate lessons learned

Details on the above recommendations can be found in the *Contract Management Processes Assessment of Implementation Report* on page 219.

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## Outstanding Recommendations as of November 2021

Recommendation	When	Status
<p><b>DEPARTMENT</b></p> <p>IMPROVE USER ACCESS CONTROLS:</p> <p><b>Remove terminated users’ access to the government network and IT applications promptly</b></p> <p>We recommend that Service Alberta strengthen its user access controls to ensure access rights to government network and IT applications are removed when the access is no longer required.</p>	<p>November 2021, p. 136</p>	<p><b>NEW</b></p>
<p><b>DEPARTMENT</b></p> <p>IT DISASTER RECOVERY PROGRAM:</p> <p><b>Improve recovery of critical information technology applications</b></p> <p>We again recommend that the Department of Service Alberta:</p> <ul style="list-style-type: none"> <li>• identify the most critical IT applications throughout all government departments</li> <li>• identify the timelines, after a disaster, that critical IT applications must be recovered</li> <li>• ensure that there are tested plans and adequate resources to recover critical IT applications within those timelines</li> </ul>	<p>Repeated November 2019, p. 9</p> <p>&gt; Originally reported October 2014, no. 5, p. 45</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b></p> <p>SYSTEMS TO MANAGE A COMPREHENSIVE INVENTORY OF INFORMATION TECHNOLOGY APPLICATIONS:</p> <p><b>Establish a comprehensive inventory system for information technology applications used across government</b></p> <p>We recommend that the Department of Service Alberta complete its plans to implement a comprehensive inventory system of all IT applications used across government, with supporting processes to maintain the inventory. If required, Service Alberta should seek necessary authority to complete the project.</p>	<p>May 2017, no. 3, p. 51</p>	<p><b>Not Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b></p> <p>PROTECTING INFORMATION ASSETS:</p> <p><b>Assess risk and improve oversight</b></p> <p>We recommend that the Department of Service Alberta:</p> <ul style="list-style-type: none"> <li>• assess the risks to public information assets throughout the government</li> <li>• determine if the government has adequate IT security policies, standards and controls to mitigate risks</li> <li>• determine who is responsible and accountable to ensure that public information assets are adequately protected. Specifically: <ul style="list-style-type: none"> <li>› who is responsible for monitoring compliance with IT security requirements</li> <li>› who is responsible for ensuring or enforcing compliance with security requirements</li> <li>› what actions should be taken when non-compliance is identified</li> <li>› how is compliance to security requirements demonstrated</li> </ul> </li> </ul>	<p><b>October 2012, no. 11, p. 62</b></p>	<p><b>Not Ready for Assessment</b></p>



# Executive Council

In this report, there are no new or outstanding recommendations to the department.

## Status of Recommendations

as of November 2021

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- 0** New Recommendations
- 0** Implemented Recommendations
- 0** Outstanding Recommendations
  - > 0** Ready for Assessment
  - > 0** Not Ready for Assessment
- 0** Outstanding Recommendations Older than Three Years



# Offices of the Legislative Assembly

In this report, there are no new or outstanding recommendations to the Offices of the Legislative Assembly.

We issued unqualified independent auditor's reports on the 2020-2021 financial statements for seven of the eight Offices of the Legislative Assembly: Legislative Assembly Office, Office of the Ethics Commissioner, Office of the Information and Privacy Commissioner, Office of the Chief Electoral Officer, Office of the Ombudsman, Office of the Public Interest Commissioner, and Office of the Child and Youth Advocate.

An external, independent auditor engaged by and reporting to the Standing Committee on Legislative Offices issued an unqualified independent auditor's report on the 2020-2021 financial statements for the Office of the Auditor General of Alberta.

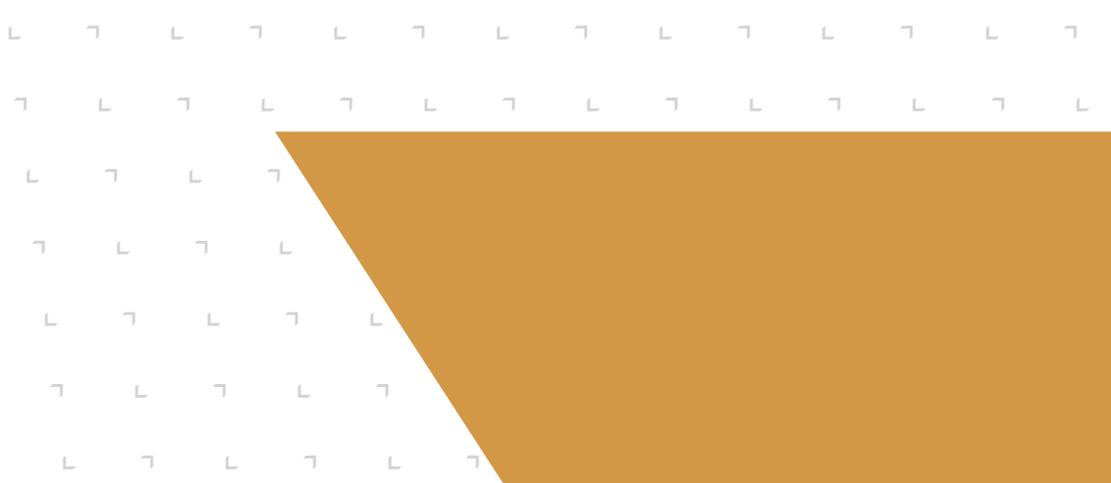
## Status of Recommendations

as of November 2021

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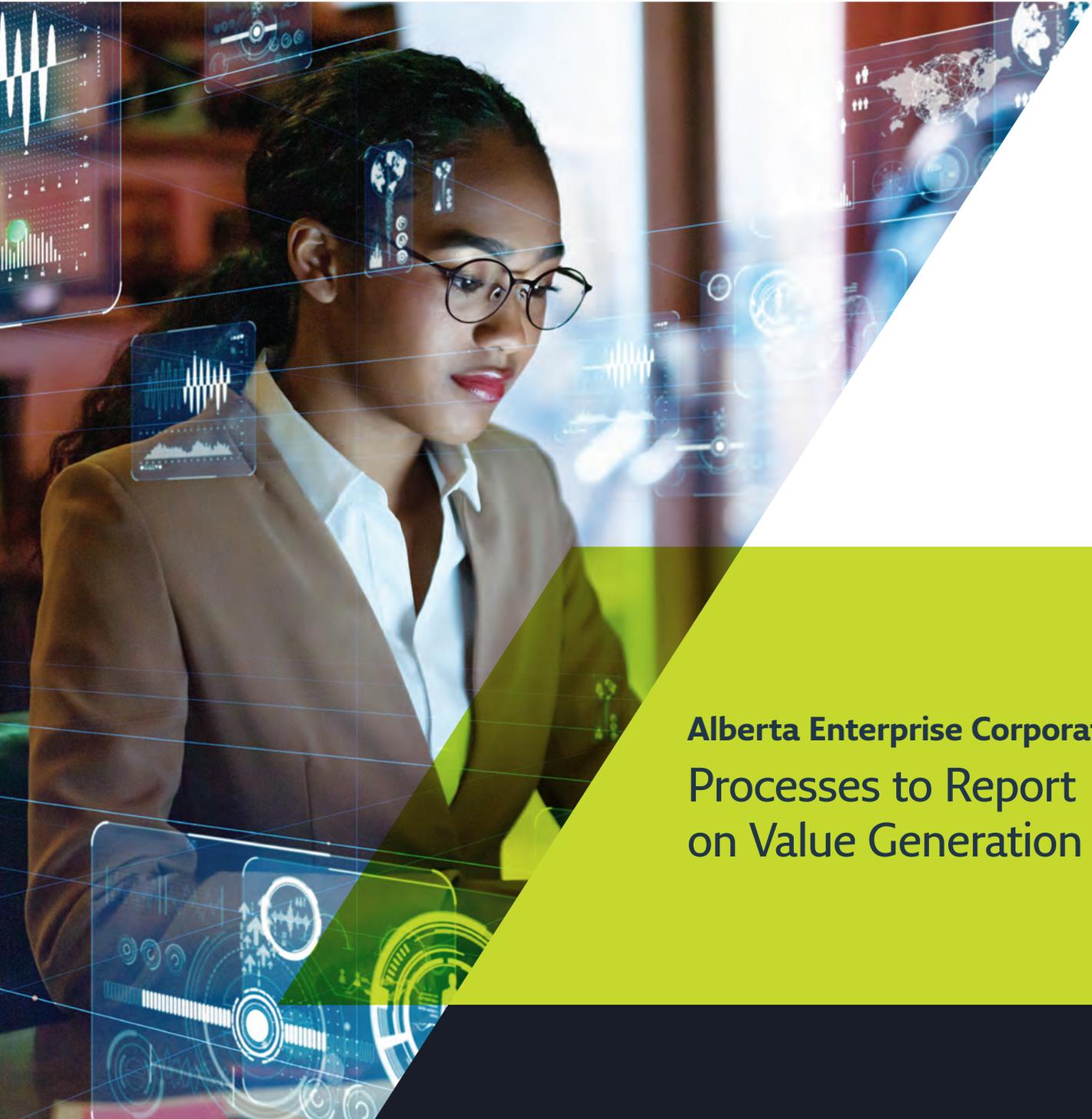
- 0** New Recommendations
- 0** Implemented Recommendations
- 0** Outstanding Recommendations
  - > 0** Ready for Assessment
  - > 0** Not Ready for Assessment
- 0** Outstanding Recommendations Older than Three Years





# 3 Performance Audits





# Alberta Enterprise Corporation Processes to Report on Value Generation



# Contents

Report Highlights .....	150
Summary .....	151
Background .....	152
About This Audit .....	154
Objective and Scope .....	154
Criteria .....	154
What We Examined .....	154
Conclusion .....	155
Why This Conclusion Matters to Albertans .....	155
Summary of Recommendations .....	155
Detailed Findings and Recommendations .....	156
Measuring Value .....	156
Monitoring and Analysis of Added Value .....	159
Reporting Value Generated .....	161
Audit Responsibilities and Quality Assurance Statement .....	163



## Related Reports

- *Alberta Innovates Processes to Report on Value Generation—November 2021*, page 165
- [Processes to Manage the Student Class Size Initiative Followup—February 2020 Report](#)
- [Processes to Manage the Student Class Size Initiative—February 2018 Report](#)
- [Reporting Performance Results to Albertans Followup—August 2019 Report](#)
- [Results Analysis Reporting—July 2014 Report](#)

Appointed under *Alberta's Auditor General Act*, the Auditor General is the legislated auditor of every provincial ministry, department, 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.

# Report Highlights

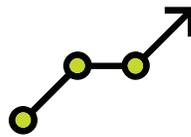


The mandate of the Alberta Enterprise Corporation (AEC) is to promote the development of knowledge-based industries and a venture capital industry in Alberta and to make venture capital available p. 151

Up to March 31, 2020,  
the government  
provided AEC

**\$175M**

million in funding for  
venture capital investments,  
and will provide AEC a  
further \$175 million for  
investment over the next  
three years p. 151



Given the significance of  
the total investment of  
taxpayer money invested  
with AEC, it is important **AEC  
demonstrate to Albertans  
both the value generated  
by its activities and  
investments and how it is  
achieving its mandate**

p. 154



## We found:

AEC has processes to measure, monitor and report whether its investment activities generate value in accordance with the *Alberta Enterprise Corporation Act*, but not all of these processes were effective and improvements can be made p. 157



## We recommend:

**AEC improve its performance reporting processes to measure, monitor and report value generation by:**

- setting targets for the measures identified in the business plan
- monitoring and analyzing results compared to targets, comparative results and cost
- reporting, internally and externally, their analysis of the value it generated cost effectively, including lessons learned

p. 162



With clearly linked desired outcomes, measures and targeted planned results, AEC can better demonstrate to Albertans the value it generates from its activities in relation to what it set out to achieve p. 155

Management started the process of improving internal reporting to the board and developing targets linked to measures for future business plans in fiscal 2019-2020. p. 158

# Summary

Established in 2008 under the *Alberta Enterprise Corporation Act*, the mandate of the Alberta Enterprise Corporation (AEC) is to promote the development of knowledge-based industries and a venture capital industry in Alberta and to make venture capital available to knowledge-based industries.

Venture capital is equity financing provided to companies that are in the early stages of their development. Obtaining financing can help fund operations, which over time improves the chance of success of these companies and contributes to strengthening and diversifying the provincial economy.

Up to March 31, 2020, the government provided AEC \$175 million in funding for venture capital investments, and will provide AEC a further \$175 million for investment over the next three years.

Given the significance of the total investment of taxpayer money invested with AEC, we examined AEC's processes on how it demonstrates to Albertans the value it has generated from its activities compared to what it set out to achieve under its legislated mandate.

We found AEC did have processes to measure, monitor and report whether its investment activities generate value in accordance with its mandate under the *Alberta Enterprise Corporation Act*, but not all these processes were effective, and improvements can be made.

While AEC reports to Albertans on activities and measures, it does not fully demonstrate to Albertans to what extent these activities generate value, how their results were achieved cost effectively, and lessons learned to help inform future venture capital investment.

AEC can improve its reporting of value generation by setting targets of what it expects to achieve and analyzing the results achieved to those planned results and to their cost. In doing so, it can better demonstrate the value its activities contribute to the provincial economy, and at the same time assist AEC management and the board of director's decision-making.

Management started the process of improving internal reporting to the board and developing targets linked to measures for future business plans in fiscal 2019–2020.

# Background

AEC operations focus on:<sup>29</sup>

1. investment in technology venture capital funds that finance early-stage, knowledge-based companies.
2. targeted initiatives to develop the venture capital ecosystem<sup>30</sup> and improve the networks connecting entrepreneurs, experienced management, and investors.

The *Alberta Enterprise Corporation Regulation* requires AEC to be a limited partner in its venture capital fund investments.<sup>31</sup> The general partner of a venture capital fund is responsible for making the investment decisions regarding which companies to invest in within that fund. AEC selects which funds it will invest in, but as a limited partner, it does not decide which companies the fund will invest in. This includes investments in companies inside and outside of Alberta.

To March 31, 2020, AEC has invested \$138 million into 19 limited partnership funds, and committed to invest an additional \$50 million in these funds.

In September 2020, the government signed a transfer agreement to provide AEC a further \$175 million over three years for investment. AEC also uses these funds for administrative costs, which were \$1.8 million for 2019–2020.

<sup>29</sup> *Alberta Enterprise Annual Report 2019-20*, page 15.

<sup>30</sup> AEC defines the Venture Capital Ecosystem as the connectivity within Alberta's VC community that allows technology entrepreneurs to access the capital, operational expertise and industry networks needed to grow.

<sup>31</sup> AEC invests in venture capital investment funds alongside other investors. These funds, each managed by a general partner, invests the capital received from their investors into early-stage developing companies.

# Performance measurement and assessment

Assessing performance and related desired outcomes is done through performance measures and associated targets, supported by a limited number of performance indicators.

## Performance Reporting Cycle

Performance reporting is reporting on financial and non-financial performance compared with plans and targets. Organizations demonstrate their accountability for results achieved through their use of public resources in the context of fair and agreed on expectations. To demonstrate value for money for Albertans, all those who use public resources must:

- set desired outcomes and select strategies to achieve the outcomes
- select relevant performance measures and targets to achieve the desired outcomes
- align program objectives, measures and targets to achieving desired outcomes
- monitor and analyze the current results against the targets and the cost of achieving the results
- identify lessons learned of why the results were achieved
- report, internally and externally, analyzed results including lessons learned



# About This Audit

Given the significance of the total investment of taxpayer money invested with AEC, it is important that AEC demonstrate both the value generated by its activities and investments to Albertans and how it is achieving its mandate.

We focused our audit on AEC's processes to define and measure value, select and monitor its investments, and subsequently report on the value generated from its investments.

## Objective and Scope

Our audit objective was to assess the effectiveness of AEC's processes to define its desired results and to measure, monitor and report whether its venture capital investment activities generate value in accordance with its mandate under the *Alberta Enterprise Corporation Act*.

Our audit examined the period of April 1, 2018 to March 31, 2020, the last two complete fiscal years of AEC prior to the start of our audit.

## Criteria

We used the following criteria to determine whether the audit objective was met.

AEC should have performance reporting processes to:

- define its measurable desired results and interim targets and an investment program to achieve them
- ensure desired results and investment program aligns with government priorities within its mandate
- monitor its investments' achievement of targets and objectives
- evaluate its results, incorporating lessons learned to improve its activities and value for money achievements
- report (internally and externally) the value for money generated directly by its investments

We developed our criteria for this audit based on:

- the entity's responsibilities and applicable legislation
- our office's Results Management and Analysis Reference Guide, July 2014
- the *Chartered Professional Accountants of Canada's Accounting Standards Board Framework for Reporting Performance Measures*, December 2018
- Alberta Treasury Board and Finance's *Measuring Performance: A Reference Guide*, December 2015

Management and the Audit Committee of AEC acknowledged the suitability of the audit criteria on December 3, 2020.

## What We Examined

To conduct our audit, we:

- examined documents, including board materials, to understand the organization's systems and processes for measuring, monitoring and reporting on its results
- interviewed staff and management to understand their roles, responsibilities and accountabilities, and to understand relevant business processes
- examined documentation and data related to investment decision-making, monitoring, and reporting for investment performance in relation to AEC's objectives
- examined processes and related documents related to the internal and external reporting of the value generated by AEC's activities
- examined feedback processes and documents used to evaluate ongoing activities results of investments, and performance reporting

We conducted our fieldwork from December 2020 to January 2021. We completed our audit on June 11, 2021.

## Conclusion

Based on our audit criteria, we conclude AEC did have processes to measure, monitor and report whether its investment activities generate value in accordance with the *Alberta Enterprise Corporation Act*, but not all of these processes were effective and improvements can be made.



## Why This Conclusion Matters to Albertans

With clearly linked desired outcomes, measures and targeted planned results, AEC can better demonstrate to Albertans the value it generates from its activities in relation to what it set out to achieve.

## Summary of Recommendations

### RECOMMENDATION:

Improve processes to measure, monitor and report value generated by investment and ecosystem activities

We recommend that Alberta Enterprise Corporation improve its performance reporting processes to measure, monitor and report value generation by:

- setting targets for the measures identified in its business plan
- monitoring and analyzing results compared to targets, comparative results and cost
- reporting, internally and externally, their analysis of the value it generated cost effectively, including lessons learned

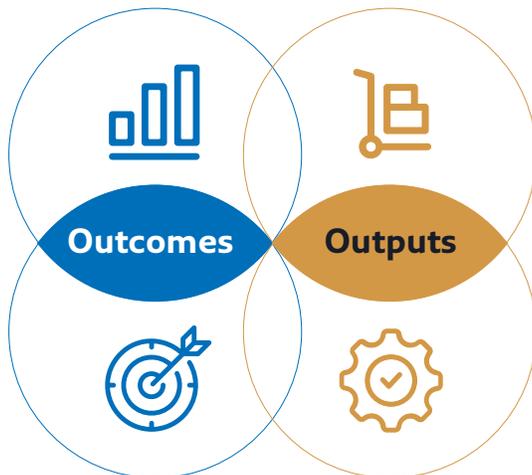
# Detailed Findings and Recommendations

## Measuring Value

### Context

As part of its funding agreement with the Department of Jobs, Economy and Innovation, AEC is required to identify measures and targets for its outcomes and activities.

Overall, organizations should have a business planning process identifying the short and long-term outcomes needed to achieve the organization’s mandate, along with activities and strategies to help it achieve these outcomes.



**Outcomes** are the results an organization tries to achieve based on its goals

**Outputs** are the goods and services an organization actually delivers to achieve outcomes and show “how much” or “how many”

Performance measures quantify what management examines to assess the achievement of its desired results. To be effective, measures need to be relevant, comparable and reliable. Targets for these measures specify what the organization wants to achieve and by when. Performance measures and targets should be time-bound and should specify an amount or level of performance. For instance, a measure of increasing jobs in Alberta companies may have a target of 1,500 jobs by the end of a fiscal year.

Measures and targets provide management with information for decision-making that may impact achievement of outcomes and assessment of performance. Any outcomes, strategies, activities, performance measures and targets need to align with the organization’s mandate, as collectively in the organization’s business plan they demonstrate how the organization plans to generate value from its operating activities.

In preparing the business plan, the organization should consider lessons learned from previous results achieved in relation to what they set out to achieve and where adjustments to activities and strategies are required.

### Criteria

AEC should have processes to:

- define its measurable desired results and interim targets and an investment program to achieve them
- ensure desired results and its investment program aligns with government priorities within its mandate

## Our findings

### Key findings

- AEC has defined, but not fully linked, its organizational desired results, activities, strategies and performance measures in its business plan.
- Targets were not set for most performance measures in AEC's business plan.
- Management started the process of developing targets linked to measures for future business plans in fiscal 2019–2020.
- AEC's investment program aligns with its mandate.

### **AEC has defined, but not fully linked, its organizational desired results, activities, strategies and performance measures in its business plan**

On an annual basis, management prepares a business plan, approved by the board of directors and the Minister of Jobs, Economy and Innovation (through the department), which is aligned to AEC's mandate. AEC does not make its business plan public. AEC does include elements of its unpublished business plan in its year-end public annual report.

AEC's mandate is to generate value for Albertans by promoting the development of knowledge-based industries and Alberta's venture capital industry. It also generates value by providing venture capital to knowledge-based industries.

We found AEC applied its business planning process for the preparation of its 2018–2019 and 2019–2020 business plans, and that both plans were approved by the board and minister. We also found documentation of management aligning its chosen desired outcomes to its mandate when preparing its annual business plan.

AEC identified two long-term desired outcomes in its 2019–2020 business plan:

1. a thriving and self-sustaining venture capital industry in Alberta
2. return to the province its initial investment capital plus an appropriate rate of return

As part of its business planning process, management identified eight intermediate goals to achieve its outcome of a thriving self-sustaining venture capital industry in Alberta. Half of these intermediate goals focused on investments, and the other half focused on ecosystem development. These goals were documented in the approved business plan, including:

- attracting external investment capital to Alberta
- improved access to capital for Alberta knowledge-based companies
- stimulated investment in knowledge-based industries to diversify and strengthen Alberta's economy
- addressing gaps in Alberta's Venture Capital investment ecosystem

We found examples of planned activities or strategies identified by management during the business planning process that were included in the business plan and linked to AEC's goals.

Management identified and included a number of performance measures to achieve its desired outcome for a thriving and self-sustaining venture capital industry. These include:

- ratio of AEC's invested capital to syndicate partners' capital invested in Alberta companies within its portfolio
- number of Alberta company employees in AEC's funds
- number of companies in Alberta in its portfolio that have received investment
- number of funds AEC has invested in with an active presence in Alberta

Management measures its outcome to return invested capital with an appropriate rate of return, by the total value of paid-in-capital (TVPI). TVPI is the total fair value of the venture capital funds AEC is invested in, plus the value of any cash distributions received to date, compared to the total cost of capital paid into the funds, including management fees.

Several AEC measures including TVPI, employment in invested companies and syndicate partners' capital invested were comparable to other similar public sector organizations investing in venture capital in other jurisdictions.

While management identified measures related to both of AEC's outcomes, we found these measures were not clearly linked to a strategy and related activities during the business planning process, and in the 2019–2020 business plan. We also found that management developed internal documentation of data sources and methodology for its measures. However, we did not see data sources and methodology reported to stakeholders in the business plan or annual report. This information is important as it makes it clear how the measures were developed and applied, and to support the integrity and reliability of the corporation's performance reporting.

### **Targets were not set for most performance measures in AEC's business plan**

We found management did not establish targets for most of the measures included in the business plan. If a target cannot be established, management should explain why it is unable to do so. As a result, it is unclear whether all strategies and outcomes are being measured with a planned result for management to later analyze results and assess performance.

Management did set two stand-alone targets in its business plan to invest AEC's remaining capital and to sponsor specific events during the year. However, only one of these targets was clearly linked to a specific goal or measure in the business plan.

In 2018, the minister set targets for two AEC measures related to the amount of AEC investment in Alberta entities. One of these targets, the cumulative value of venture capital invested in Alberta businesses by AEC's funds and other external (syndicate) investors was incorporated in the Ministry's 2018–2019 and 2019–2020 business plans. The other target was internally communicated to AEC in 2018. AEC management told us that department management developed the targets from information provided by AEC. We found AEC management and the board did report results for measures<sup>32</sup> related to these targets but did not include the department-developed targets in AEC's business plan, or fiscal 2018–2019 and 2019–2020 annual reports.

### **Management started the process of developing targets linked to measures for future business plans in fiscal 2019–2020**

Starting in fiscal 2019–2020, AEC took steps to improve its performance measurement process by developing a new set of measures, or key performance indicators (KPIs).<sup>33</sup> Management identified these KPIs by comparing their measures to similar organizations in other jurisdictions, and discussions with AEC's board. AEC's process under development at the time of our audit included documenting links between their KPIs, and the outcomes and KPI data source and methodology information.

AEC began presenting the KPIs and targets to the board in 2019–2020, but the KPIs, along with their targets, were not yet approved by the board, nor incorporated into AEC's 2020–2021 business plan. AEC did incorporate the KPIs along with targets in their 2021–2022 business plan.

<sup>32</sup> AEC reported one of these measures in its annual report, and one of the measures was reported internally to its board.

<sup>33</sup> AEC defines KPIs as a subset of their measures that provide specific insight regarding progress in achieving the strategic objectives of the organization.

## AEC's investment program aligns with its mandate

When identifying venture capital funds to invest in, AEC requires the funds to maintain an Alberta presence, to use commercially reasonable efforts to identify and make investments in early-stage companies actively operating in Alberta, and to host and participate in venture capital focused events in Alberta.

In our examination of AEC's process to select investments, we noted that management aligned its investment program to its mandate. We found management prepared due diligence<sup>34</sup> documentation, board materials and board minutes relating to the selection of investments.

The due diligence documentation and reporting to the board connected AEC's outcomes and strategies and the investment opportunity being evaluated. Considerations included:

- the types of opportunities that the fund intends to target
- the fund's approach regarding syndication with other investors
- how Alberta deal flow is relevant to the strategy of the fund
- the fund manager's track record of investing in Alberta to date
- how fund staff located in Alberta will contribute to the success of the fund
- how the fund will help Alberta's start-up ecosystem and support Alberta technology companies

Management also tracks a number of measures related to each of its investments. This information is provided at both a portfolio level and at an individual investment level.

Examples of measures include the number of Alberta investments, the dollars invested in the funds' Alberta investments, and fund distributions received by AEC.

We found evidence of management tracking this information and reporting it to the board quarterly.

## Monitoring and analysis of added value

### Context

Performance measurement includes a process to monitor and analyze results. An analysis and evaluation of results should include the factors that impacted the results.<sup>35</sup>

Evaluating results achieved, and why they were above or below targets, along with comparative results is fundamental to learning whether AEC's strategies and activities are working as intended. Understanding these differences and trends enables management to make adjustments to future activities and strategies. By understanding why the differences exist, management is better equipped to achieve the desired results.

### Criteria

AEC should have a process to:

- monitor its investments' achievement of targets and objectives
- evaluate its results, incorporating lessons learned to improve its activities and value for money achievements

## Our findings

### Key findings

- AEC monitored investment fund performance to objectives, but not targets.
- Monitoring did not include a documented analysis, including lessons learned, of results achieved compared to targets, comparative results or costs.

<sup>34</sup> Investment fund due diligence is a process undertaken by AEC to assess whether a prospective investment fund meets AEC's requirements prior to investing.

<sup>35</sup> *Government of Alberta Ministry Annual Report Standards 2019-20*, Page 19.

## **AEC monitored investment fund performance to objectives, but not targets**

AEC monitors its portfolio investments through:

- regular contact with fund managers of venture capital funds it invests in
- reviewing quarterly reporting from its funds

As part of each venture capital fund agreement, fund managers are required to provide information to AEC to facilitate monitoring investments against AEC's objectives.

This includes quarterly reporting. During its monitoring process, management reviews the fund manager reporting, calculates and compiles financial and non-financial measures consistent with the measures included in the AEC business plan, then reports their analysis to AEC's board.

We found evidence of management compiling information from fund managers to regularly monitor fund results to provide information to the board each quarter. Monitoring of fund results did not compare to a current year planned result. For example, management examined the number of people employed at Alberta companies included in portfolio funds, but there was no planned result to compare against.

## **Monitoring did not include a documented analysis, including lessons learned, of results achieved compared to targets, comparative results or costs**

As management did not establish targets for each investment, management's results analysis process focused on quantitative output results of the funds. Monitoring lacked a documented analysis of fund performance compared to what AEC expected to achieve at the time of decision to invest during its investment due diligence analysis and how these initial expectations may have changed over time. This type of information provides lessons learned to management for future operating and planning decisions, and whether results achieved were generating expected levels of value compared to the funds invested. Management told us it analyzes results achieved for measures compared to prior year comparative results, costs and fund expectations, but this analysis was not documented.

Management does use other investment performance information to inform their investment selection processes. For example, AEC performs deal flow studies every few years. AEC's deal flow studies provide information on Alberta's venture capital industry including the number of technology companies and what region and sector they are in, as well as the funding stage amongst other information. We found management uses these studies to help inform its investment decisions by selecting funds aligned with the study results.

AEC management told us that a discussion of strengths, weaknesses, opportunities and threats (SWOT) included in their business plan incorporated lessons learned from analyzing investment results. We saw evidence that management incorporated results achieved into their SWOT, but this did not include a documented analysis of results compared to targets, comparative results or costs.

We also found AEC management uses information gathered from its monitoring process to identify improvements in how it monitors its funds and in setting the contractual terms of future venture capital fund agreements.

# Reporting value generated

## Context

An important element of accountability is reporting results to stakeholders. Reporting results provides clear and comprehensive information to stakeholders about whether desired outcomes and planned results specified in the business plan were achieved, what value was generated for the money spent, lessons learned and what changes should be made to business plans in the future.

Management should report back on the measures and targets from its business plan to its board regularly. AEC should also report annually in AEC's public annual report as part of a discussion and analysis of its results. This should include a variance analysis discussion that includes reasons and factors that caused differences from targeted and historical results.

## Criteria

AEC should have processes to:

- measure and report (internally or externally) the value for money generated directly by its investment

## Our findings

### Key findings

- AEC's internal and external reporting did not include an analysis of actual results to planned results and the resulting lessons learned.
- Management started to develop enhanced reporting to the board in fiscal 2019–2020.

## AEC's internal and external reporting did not include an analysis of actual results to planned results and the resulting lessons learned

### Internal reporting

We found evidence that management executed its internal reporting process quarterly and provided the board with a quarterly information package that includes financial results, investment results, individual fund results, investment and ecosystem activities, investment portfolio measures and other relevant information, such as administrative costs and cost of investments.

The information package did not provide the board with prior quarter comparison information on AEC investment portfolio level measures with the exception of the AEC's TVPI measure. Management did, however, provide prior quarter comparison data for each fund's investments.

As expected, given our findings of management's monitoring process, we found quarterly information reported to the board included quantitative results, but lacked an analysis of portfolio performance compared to what AEC expected to achieve. AEC management told us detailed verbal discussions are held with the board about specific financial statement line items, budgeted costs versus actual costs and fund performance from prior quarters, but these discussions, as well as the lessons learned from the analysis, are not documented.

Given the long-term nature of the funds AEC invests in, documented analysis and resulting discussion is important at a management and board level. As members of the board and management change over time, this documented analysis provides a historical path of the analysis, lessons learned and decisions related to funds and potentially assist in making future decisions and assessing value generated.

### External reporting

As AEC does not make its business plan public, AEC's annual report is the only public document that communicates to Albertans how AEC measures its performance for the year.

It is important this report provide Albertans sufficient information to allow them to assess how well AEC is fulfilling its mandate. Albertans should know how lessons learned from the prior year impacted how AEC conducted its current year operations, including why or how factors within and outside AEC's control contributed to the results achieved, and how AEC plans to learn from the current result or trends.

AEC's funding agreement with the department requires AEC to report results achieved in relation to expected outcomes, strategies, measures and targets outlined in the business plan. The funding agreement also requires AEC to provide data sources and methodology information for its measures, as well as targets for measures.

AEC's 2019 and 2020 annual report includes descriptions of activities and initiatives linked to outcomes undertaken by AEC during the year. However, details of how the activities contributed to achieving desired outcomes and the lessons learned were limited, as AEC had no planned targets for reported measures, nor did it provide analysis relative to prior year comparative results.

AEC reports a number of performance measures in its annual report; however, the annual report did not include targets for the measures. A prominent measure is the total amount of funding provided to Alberta companies by AEC through its investments funds and other external (syndicate) investors. In fiscal 2020, the cumulative funding received by Alberta companies in which AEC also invests is \$563 million.<sup>36</sup> AEC reports that the ratio of this total investment compared to what AEC has funded is about 4:1. It is unclear from the annual report how this ratio has met, or not met, AEC's management, board and external stakeholder expectations.

While not reported publicly, management reports internally to the board each quarter on the amount of government funding provided to AEC that was invested in Alberta companies through venture capital funds in which AEC participates. Many venture capital funds in which AEC participates also invest in developing companies in other jurisdictions. As AEC is a limited partner in its funds, there is a risk the general partner may invest a disproportionately high amount into non-Alberta companies from what AEC contributed to the funds (\$138 million as at March 31, 2020). In 2018, the minister focused on this measure, and provided AEC management an expected target to achieve of 1:1.<sup>37</sup> Using the information reported above on the 4:1 ratio, one can roughly calculate the dollars invested into Alberta companies compared to the amount AEC has invested.

We did not observe a formal mechanism used by AEC to report back to the minister on this target. However, we also observed this type of measure was not included in the annual reporting of organizations similar to AEC in other jurisdictions.

## Management has started to develop enhanced reporting to the board in fiscal 2019–2020

During our audit, management was developing a process to provide enhanced results analysis and historical comparative data to the board on a regular basis. Starting in fiscal 2019–2020 management began presenting results to the board relative to the KPIs and targets it was developing for the board. As part of its June 2020 board package, management presented historical one- and five-year comparison information. The board is providing feedback to management on the processes under development, and what information would be effective for the board's oversight when finalizing those processes.

### RECOMMENDATION:

Improve processes to measure, monitor and report value generated by investment and ecosystem activities

We recommend that Alberta Enterprise Corporation improve its performance reporting processes to measure, monitor and report value generation by :

- setting targets for the measures identified in its business plan
- monitoring and analyzing results compared to targets, comparative results and cost
- reporting, internally and externally, their analysis of the value it generated cost effectively, including lessons learned

## Consequences of not taking action

Albertans should know what the venture capital investments made by AEC in Alberta companies are expected to achieve, why those expectations are reasonable, and what has been achieved relative to those expectations. With this information, AEC can better demonstrate whether its activities are generating value by achieving desired results under AEC's legislative mandate.

<sup>36</sup> AEC Annual Report, 2019–2020, page 4.

<sup>37</sup> In 2019, AEC management and the board were considering adopting this target within its KPIs currently under development.

# Audit Responsibilities and Quality Assurance Statement

Management of Alberta Enterprise Corporation (AEC) is responsible for the stewardship of its corporate assets and ensuring the entities within its group create value for Albertans.

**Our responsibility is to express an independent conclusion on whether AEC has effective processes to measure, monitor and report on whether its investment activities generate value in accordance with government priorities within the *Alberta Enterprise Corporation Act*.**

We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3001 issued by the Auditing and Assurance Standards Board (Canada). The Office of the Auditor General applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality and professional behaviour.



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**Alberta Innovates**  
**Processes to Report**  
**on Value Generation**

# Contents

Report Highlights .....	167
Summary .....	168
Background .....	169
About This Audit .....	172
Objective and Scope .....	172
Criteria .....	172
What We Examined .....	172
Conclusion .....	173
Why This Conclusion Matters to Albertans .....	173
Summary of Recommendations .....	173
Detailed Findings and Recommendations .....	174
Measuring Value .....	174
Monitoring and Analysis of Added Value .....	176
Reporting Value Generated .....	178
Audit Responsibilities and Quality Assurance Statement .....	180



## Related Reports

- [Alberta Enterprise Corporation Processes to Report on Value Generation—November 2021, page 147](#)
- [Processes to Manage the Student Class Size Initiative Followup—February 2020 Report](#)
- [Processes to Manage the Student Class Size Initiative—February 2018 Report](#)
- [Reporting Performance Results to Albertans Followup—August 2019 Report](#)
- [Results Analysis Reporting—July 2014 Report](#)

Appointed under *Alberta's Auditor General Act*, the Auditor General is the legislated auditor of every provincial ministry, department, 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.

# Report Highlights



The Government of Alberta considers research and innovation **key to giving the province a competitive edge and positioning Alberta for success in the global economy** p. 169

Since 2016, Alberta Innovates' total expenditures has been

**\$1.3B**

Given the significance of this investment, it should have effective processes to demonstrate the value its activities generate for Albertans p. 168



## We found:

Alberta Innovates did have processes to measure, monitor and report whether its research and innovation activities generate value in accordance with government priorities, but not all of these processes were effective and improvements can be made p. 168



Alberta Innovates is an Alberta government agency with the **mandate to support the achievement of the government's long-term research and innovation goals and generate value for Albertans** p. 168

By clearly linking and quantifying desired outcomes, measures and targeted planned results, Alberta Innovates can better demonstrate annually to Albertans what its programs and activities achieved in a cost-effective manner relative to desired outcomes p. 168



## We recommend:

**Alberta Innovates improve its reporting processes by:**

- establishing targets for its corporate, program and project performance measures
- analyzing its corporate program and project results to targets and to the costs to achieve the results
- reporting, internally and externally, the results of value generated from all its research and innovation activities including the contribution to government desired outcomes

p. 180



**Management started to make adjustments to its processes prior to us completing our audit** p. 168

# Summary

Governments across the globe are looking for ways to diversify their economy, create jobs and increase investment in their jurisdiction. To assist in accomplishing these goals, many governments are developing or expanding their research and innovation activities.

Research and innovation is a focus area of the Government of Alberta to achieving success in the global economy. Alberta Innovates is an Alberta government agency with the mandate to support the government's long-term research and innovation goals and generate value to Albertans.

Because Alberta Innovates plays an important role in provincial research and innovation, we examined the organization's processes to define and measure value, how that affects the selection and monitoring of its research and innovation projects, and its reporting of the value generated from the projects chosen.

We found Alberta Innovates did have processes to measure, monitor and report whether its research and innovation activities generate value in accordance with government priorities, but not all these processes were effective and improvements can be made.

Alberta Innovates reports to Albertans which of its activities positively impact government priorities. However, it is not demonstrating to Albertans to what extent these activities are cost-effectively generating value, nor the lessons learned for future research and innovation.

Measuring research and innovation value generation can be challenging as value generation goes beyond direct economic return compared to the amounts spent. Nevertheless, it is important to have effective performance reporting processes to assist management and demonstrate accountability to Albertans.

Alberta Innovates can improve its reporting of value generation by setting targets of what it is to achieve and analyzing the results achieved to those planned results and to their cost. Management started to make adjustments to its processes prior to us completing our audit.

Since 2016, Alberta Innovates' total expenditures are \$1.3 billion. Given the significance of this investment, Alberta Innovates should have effective processes to demonstrate the value its activities generate for Albertans.

By clearly linking and quantifying desired outcomes, measures and targeted planned results, Alberta Innovates can better demonstrate annually to Albertans what its programs and activities achieved in a cost-effective manner relative to desired outcomes.

# Background

## Research and Innovation in Alberta

The Government of Alberta considers research and innovation key to giving the province a competitive edge and positioning Alberta for success in the global economy.<sup>38</sup> The government wants a strong research and innovation system where post-secondary institutions, government agencies, and private industry collaborate. The desired outcomes of this system are progress in economic diversification, growth of existing industries, job creation, environmental stewardship, enabling cost-effective discovery, development and production of natural resources and enhancing the health and well-being of Albertans.<sup>39</sup>

To assist in achieving these outcomes, in 2016, *The Alberta Research and Innovation Act SA 2009, Ch. A-31.7* merged four existing government research and innovation entities into one Alberta Innovates corporation. The government consolidated the agencies to ensure alignment with government priorities and to improve outcomes from its spending.<sup>40</sup> The Act directs Alberta Innovates to provide for the strategic and effective use of funding, grow new and existing industries, and support the application of research to improve Albertans' quality of life.

The government, through the Department of Jobs, Economy and Innovation, sets priorities, provides direction and funds Alberta Innovates.

*The Alberta Research and Innovation Framework [2017]* (ARIF), developed by the government in collaboration with Alberta Innovates, describes Alberta's current research and innovation priorities, focus areas and long-term targets. ARIF desired outcomes focus on six sectors.<sup>41</sup> Each sector has three to four innovation targets to be achieved by 2030. The achievement of the ARIF outcomes requires contributions from a number of government departments and agencies, including Alberta Innovates.

<sup>38</sup> *Alberta Research and Innovation Framework [2017]*, page 1.

<sup>39</sup> *Alberta Research and Innovation Framework [2017]*, page 5.

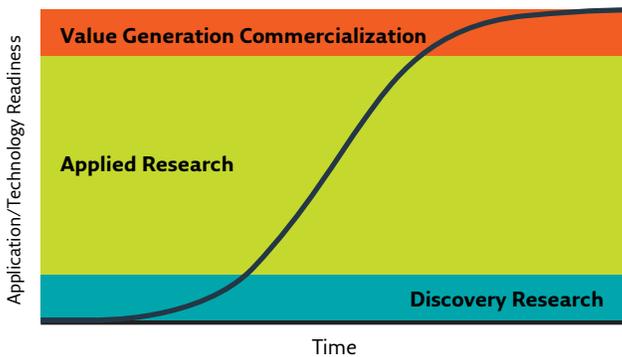
<sup>40</sup> *Alberta Innovates Annual Report 2016-17*, pages 3-4. As part of the consolidation initiative, C-FER Technologies (1999) Inc. was continued and InnoTech Alberta Inc. was incorporated with the transfer of assets and operations from previously existing entities. Both operate as wholly owned subsidiaries of Alberta Innovates.

<sup>41</sup> Emerging technologies, environment and climate adaptation, energy and greenhouse gas mitigation, fibre and bio-industrial, food and agriculture and health.

Alberta Innovates supports the complete research and innovation journey from discovery research through to commercialization (figure 1).<sup>42</sup>

## Research and Innovation Journey

Figure 1



The timeframe will vary depending on the nature of the research and innovation project or program. Short, medium and long-term perspectives should be assessed in tracking and evaluating progress, results and impact relative to the full costs invested in projects and pms.

## Alberta Innovates

Alberta Innovates has two distinct lines of business activity. Primarily, Alberta Innovates grants funding to third party research and innovation projects for discovery and applied research, commercialization support, and system capacity building. Examples of funding provided are graduate research scholarships at universities to build research capacity and funding to develop new treatments for disease to improve the health of Albertans.

Alberta Innovates also assists third parties by performing applied research and commercialization activities on a fee-for-service basis. The corporation's two wholly owned subsidiaries, C-FER Technologies (1999) Inc. (C-FER), and InnoTech Alberta Inc. (InnoTech), perform these activities.

## Funding

Alberta Innovates receives the majority of its funding from the department, with small amounts from other government entities. Alberta Innovates received between \$163 million to \$230 million annually from the Government of Alberta since fiscal 2017. In fiscal 2020, Alberta Innovates wholly owned subsidiaries earned \$48.2 million in revenue from fee-for-service research projects.

In fiscal 2020, Alberta Innovates carried out its activities through approximately 75 programs, supporting over 3,500 active projects. It distributed \$107 million as grants including \$61 million to other Alberta government entities, mainly to post-secondary institutions. \$114 million was spent on staffing, supplies and services for grant-funding and fee-for-service activities and administration.

Alberta Innovates' total expenditures since the 2016 consolidation are \$1.3 billion.

<sup>42</sup> Alberta Research and Innovation Framework (2017).

## Performance measurement and assessment

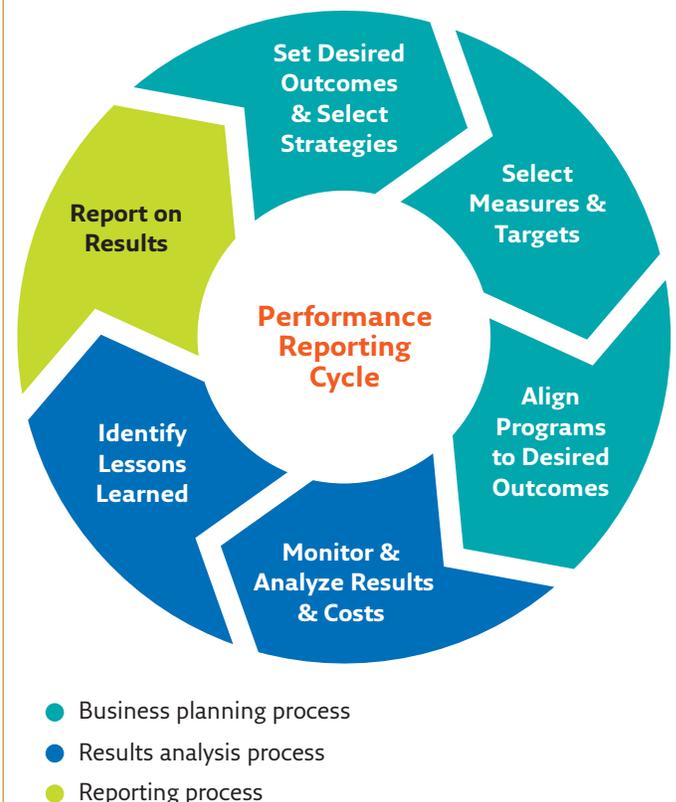
Assessing performance and related desired outcomes is done through performance measures and associated targets, supported by a limited number of performance indicators.

Performance measures quantify the results over which an organization has significant influence or control. Each measure should have quantified, time-bound targets to align with determining its progress towards reaching or achieving its goals. Without a target, a measure may have little meaning. Performance indicators are often used in areas an organization can only indirectly influence. They are useful to track trends in the organization's environment and identify future potential problem areas, risks and challenges. For instance, an organization could directly measure jobs created by its programs, but its programs may only indirectly influence the rate of provincial gross domestic product.

## Performance Reporting Cycle

Performance reporting is reporting on financial and non-financial performance compared with plans and targets. Organizations demonstrate their accountability for results achieved through their use of public resources in the context of fair and agreed on expectations. To demonstrate value for money for Albertans, all those who use public resources must:

- set desired outcomes and select strategies to achieve the outcomes
- select relevant performance measures and targets to achieve the desired outcomes
- align program objectives, measures and targets to achieving desired outcomes
- monitor and analyze the current results against the targets and the cost of achieving the results
- identify lessons learned of why the results were achieved
- report, internally and externally, analyzed results including lessons learned



# About This Audit

We conducted this audit because of the important role Alberta Innovates plays in provincial research and innovation.

We focused our audit on Alberta Innovates' processes to define and measure value, how that affects the selection and monitoring of its research and innovation projects, and its reporting of the value generated from the projects chosen.

## Objective and Scope

Our audit objective was to assess the effectiveness of Alberta Innovates processes to measure, monitor and report whether its research and innovation activities generate value in accordance with government priorities.

Our audit covered the period of April 1, 2018 to March 31, 2020, the last two complete fiscal years of Alberta Innovates prior to the start of our audit.

## Criteria

We used the following criteria to determine whether the audit objective was met.

Alberta Innovates should have performance reporting processes to:

- define its desired results, measures and specific programs to achieve them
- ensure its activities, programs and projects are aligned with government priorities
- monitor compliance of its projects with the gating and staging requirements of its programs, including coordination with other Alberta government funded research and innovation entities
- evaluate its results, incorporating lessons learned to improve its activities and value for money achievements
- measure and report (internally and externally) the value for money generated directly by its projects individually and overall

We developed our criteria for this audit based on:

- the entity's responsibilities and applicable legislation
- our office's Results Management and Analysis Reference Guide, July 2014
- the Chartered Professional Accountants of Canada's Accounting Standards Board Framework for Reporting Performance Measures, December 2018
- Alberta Treasury Board and Finance's Measuring Performance: A Reference Guide, December 2015

Management of Alberta Innovates acknowledged the suitability of the audit criteria on June 16, 2020.

## What We Examined

To conduct our audit, we:

- examined documents to understand the organization's standards, guidelines, systems and processes for measuring, monitoring and overseeing programs and projects
- interviewed staff and management to understand their roles, responsibilities and accountabilities, and to understand relevant business processes
- examined documentation and data related to gating, monitoring, risks, costs, and reporting from a sample of projects
- examined processes and related documents related to the internal and external reporting of the value generated by Alberta Innovates activities
- examined feedback mechanisms and documents used to evaluate ongoing activities and results of projects and programs, and performance reporting

We conducted our fieldwork from June to December 2020. We completed our audit on June 9, 2021.

## Conclusion

Based on our audit criteria, we conclude that Alberta Innovates did have processes to measure, monitor and report whether its research and innovation activities generate value in accordance with government priorities, but not all these processes were effective and improvements can be made.



## Why This Conclusion Matters to Albertans

By clearly linking and quantifying desired outcomes, measures and targeted planned results, Alberta Innovates can better demonstrate annually to Albertans what its programs and activities achieved in a cost effective manner relative to desired outcomes.

## Summary of Recommendations

### RECOMMENDATION:

Improve processes to measure, monitor and report value generated by research and innovation activities

We recommend that Alberta Innovates improve its performance reporting processes by:

- establishing targets for its corporate, program and project performance measures
- analyzing its corporate, program, and project results to targets and to the costs to achieve the results
- reporting, internally and externally, the value generation results from all research and innovation activities including the contribution to government desired outcomes

# Detailed Findings and Recommendations

## Measuring Value

### Context

Legislation<sup>43</sup> requires Alberta Innovates to prepare a minister-approved annual business plan containing the goals, desired outcomes and targets for the fiscal year. Alberta Innovates is required to demonstrate and communicate the tangible value of public investment in innovation to Albertans via success stories and performance measures<sup>44</sup>. The desired outcomes, measures and targets established for the organization directly influence the programs offered and the research and innovation projects funded or undertaken.

Alberta Innovates' annual strategic and business planning process is designed to develop:

- Alberta Innovates' desired outcomes which are aligned with the government's 2030 research and innovation goals under the Alberta Research and Innovation Framework (ARIF)
- programs to achieve those outcomes
- measures to assess how well programs and related projects are performing
- targets for what is to be achieved in the year for those measures

The Alberta Innovates board and the minister, through the department, approve the business plan annually.

Measuring value generation of research and innovation can be challenging as:

- government priorities change over time, resulting in changes to measures and targets
- many partners can be involved in a project making it difficult to attribute credit for value generated to one organization
- some projects fail to produce any results. However, the lessons learned provide value to the selection of future projects and inform future research

Nevertheless, it is important to have performance reporting processes to assist management and demonstrate accountability to Albertans.

### Criteria

Alberta Innovates should have processes to:

- define its desired results, measures and specific programs to achieve them
- ensure its activities, programs and projects are aligned with government priorities

### Our findings

#### Key findings

- Alberta Innovates identified desired results, measures and the programs to achieve them during its business planning process.
- Targets were not consistently set for what Alberta Innovates planned to achieve.
- Starting in fiscal 2021, management set targets for some corporate measures but not for programs or projects.

<sup>43</sup> Alberta Research and Innovation Regulation 203/209.

<sup>44</sup> Alberta Innovates Mandate and Roles Document, March 21, 2017.

## Alberta Innovates identified desired results, measures and the programs to achieve them during its business planning process

We found Alberta Innovates' management developed corporate goals and outcomes and aligned them to the government 2030 goals. Corporate goals included providing value to Albertans by contributing to a diversified economy, cultivating a world-class research and innovation system, and being recognized globally as a leading innovation engine. These goals were included in the 2019—2022 business plan with one of those goals being an overarching goal with four intended outcomes that directly tie to the ARIF. The Alberta Innovates' board and the minister reviewed and approved the business plan.

For each goal identified in the Alberta Innovates business plan, management identified performance measures relative to the desired outcomes. Measures chosen include: number of people (researchers, entrepreneurs, etc.) supported; number of patents produced; and dollars attracted to Alberta Innovates.<sup>45</sup> Management developed these measures applying the Alberta Innovates' Research and Innovation Program Framework<sup>46</sup> to demonstrate value-add from its programs and projects linked to its desired outcomes.

Management also considered measures used by similar organizations in other jurisdictions.

Management also uses measures for its programs and individual research and innovation projects. We selected a representative sample of active Alberta Innovates projects and found management had a measure or indicator for all approved projects that aligned with Alberta Innovates corporate desired outcomes.

Management did not apply its business planning process consistently to its subsidiaries. C-FER prepares a separate business plan whereas InnoTech was directly included in the preparation of Alberta Innovates' business plan. Management did include a summary of C-FER's business plan in the Alberta Innovates' business plan. Management did not link how either subsidiaries' measures would contribute to the government's ARIF outcomes.

<sup>45</sup> *Alberta Innovates 2019-22 Business Plan*, pages 22-27.

<sup>46</sup> Alberta Innovates, with the department, co-developed the Research and Innovation Impact Framework, which is complementary and aligned to the ARIF. The framework shows the research and innovation continuum of discover (discovery research), develop (applied research) and use (commercialization). Alberta Innovates supports the system through three enabling activities: Building Capacity and Platforms, Advancing Knowledge and Adopting Better Ways. The expectation is that these activities result in economic, environmental, health or social benefits for Albertans.

## Targets were not consistently set for what Alberta Innovates planned to achieve

Management did not identify targets for each measure set in the business planning process and included in the business plan. Targets demonstrate what value the corporation intends to achieve and contribute to the government's long-term ARIF goals. Measures such as net jobs created and revenue generation did not target the amount of new jobs or revenue during the year, or in what sectors, to contribute to the government's 2030 ARIF goals.

Management also did not consistently set targets for programs and projects. Our sampling found only one project with a target. Targets at a corporate level provide benchmarks of performance of individual programs and projects. For example, if Alberta Innovates set a corporate target to generate 5,000 new jobs in the year, this provides management criteria in selecting certain projects and programs and assessing performance.

If actual projects selected by Alberta Innovates realized 1,000 new jobs in a year, while positive, this would provide a clear lesson to the corporation that either:

- projects underperformed based on initial expectations
- management did not select the right projects to achieve the corporate target
- the job creation target needs to be adjusted

Management can analyze this information to adjust its business plan going forward.

While Alberta Innovates management did not set targets as part of developing its 2018-2019 and 2019-2020 business plans, we did observe that the department set targets for two Alberta Innovates measures it adopted into the Ministry's 2019-2020 business plan. Targets were set for: net small and medium-sized enterprise (SME) revenue growth for every one dollar of Alberta Innovates funding; and, the percentage of Alberta Innovates-funded post-revenue SMEs that export.

Alberta Innovates management told us that department management developed these targets, based on information and input provided by Alberta Innovates. However, Alberta Innovates board did not approve these targets nor were they included in Alberta Innovates 2019-2022 business plan, or fiscal 2018-2019 and 2019-2020 annual reports.

## Starting in fiscal 2021, management set targets for some corporate measures but not for programs or projects

We noted in the Alberta Innovates 2019-2022 business plan that management has acknowledged that targets do not exist for its corporate outcomes, but that these will be established in the future.<sup>47</sup> Subsequent to the fiscal periods our audit examined, management established targets for some of its corporate measures and included these in its 2020-2023 Business Plan released in December 2020. Targets for other corporate measures were still under development. Establishing targets at a program and project level were not completed. Management told us it was considering the development of program and project targets but did not specify a timeline for completion.

## Monitoring and analysis of added value

### Context

A process to monitor actual results to planned results and amounts spent helps management determine how programs and projects are contributing effectively to desired value generation outcomes.

Alberta Innovates' projects have different stages as they progress through execution. An effective monitoring process starts with an organization determining the stages of a project, and what each stage is expected to deliver. Periodic end of stage checkpoints or "gates" are used to determine if the project should proceed to the next stage or stop the project. Alberta Innovates uses such a process during project completion.

For grant funding projects, management reviews projects on milestone dates for compliance. If they identify instances of non-compliance with agreement requirements, the grant applicant would be required to submit justification for any changes or be subject to a go/no go decision. For fee-for-service projects, management reviews work in progress with clients at set intervals for any issues in project execution or budget issues.

Subsequent to project completion, organizations should have a process to analyze how it performed relative to its desired outcomes and identify lessons learned of what it consistently does well or where adjustments are required to maximize value generated. The learnings should be actionable and incorporated into future business planning. The analysis should be done at the corporate and program/project levels.

### Criteria

Alberta innovates should have processes to:

- monitor compliance of its projects with the gating and staging requirements of its programs, including coordination with other Alberta government funded research and innovation entities
- evaluate its results, incorporating lessons learned to improve its activities and value for money achievements

### Our findings

#### Key findings

- Management applies a subjective project staging and gating monitoring process focused on outputs rather than expected outcomes.
- Management does not analyze the costs of project results.
- Management assesses annual performance by compiling grant-funded project output results; fee-for-service projects are not assessed.
- Management assesses grant funding programs every three years; fee-for-service is not examined.

<sup>47</sup> Alberta Innovates 2019-22 Business Plan, page 21.

## Management applies a subjective project staging and gating monitoring process focused on outputs rather than expected outcomes

We selected a representative sample of active and completed projects during the audit period (both grant funded and fee-for-service) and examined documentation relating to gating and staging assessments.

We found Alberta Innovates:

- consistently applied a process to assess gating and staging focused on project outputs relative to performance measures
- properly approved changes in the project or changes to the program due to results as at milestone dates
- considered at the initial application stage if projects were receiving funding from other Alberta government research and innovation entities

However, management's gating and staging assessments are subjective if not compared to project targets. Quantification of the expected benefit when selecting a project would ensure a clear understanding of project expectations and the required contribution to achieving the corporation's desired results. Use of project outputs can provide a positive indicator of value generation, but not a firm benchmark to decide if a project should continue or not. Subjective gating and staging assessments risks continuing some projects which possibly should be discontinued.

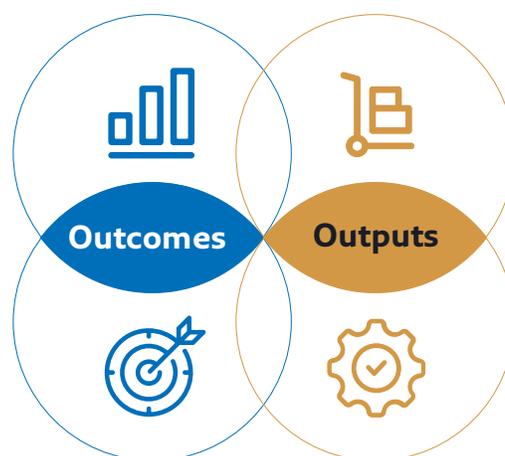
We examined what percentage of the project population within the scope of our audit stopped prior to completion. We found three per cent of projects were ended early either by Alberta Innovates or their client. Reasons for stopping grant funding projects include clients not meeting contractual or technical requirements, such as failure to submit a required report. Fee-for-service project reasons include projects not achieving periodic milestones and clients terminating contracts due to budgetary constraints. We found no detailed analysis by management of why projects were stopped. This information would assist management in future program offerings, target setting and project selection to maximize the potential value from all projects.

## Management does not analyze the costs of project results

We found no examination by management of the cost of results generated from projects during project gating or at the end of the project. Strong monitoring and results analysis processes would include an assessment of the value generated to the cost invested. This information could provide management information to stop a project if costs are anticipated to exceed benefits, improve processes related to project selection, evaluate the effectiveness of key programs, and the cost efficiency of reaching corporate and ARIF desired outcomes.

## Management assesses annual performance by compiling grant-funded project output results; fee-for-service projects are not assessed

To assess Alberta Innovates' annual performance, management combines the data of project output results of completed grant funded projects and compares to Alberta Innovates corporate and program goals and outcomes. Management gathers output project data from a Project Completion Report prepared at the end of each grant-funded project. The report summarizes outputs achieved versus objectives and measures, and provides technical background on learnings and project final financials. We found management completed this process in both fiscal 2019 and 2020.



**Outcomes**  
are the results an organization tries to achieve based on its goals

**Outputs**  
are the goods and services an organization actually delivers to achieve outcomes and show “how much” or “how many”

Management uses this combined project data to identify lessons learned to inform future business planning processes to review overall direction, future grant funding program modifications or new programs, goals and outcomes. For example, outputs can provide an indicator what types of programs and projects contribute more favourably to Alberta Innovates measures and should be maintained or expanded. Management does not perform an analysis of the value generated from these outputs.

Results for fee-for-service projects are not included in the annual corporate performance measure assessment. Management did not collect performance measurement data on fee-for-service projects, except for external revenue collected. Management told us it does not analyze fee-for-service projects since they are not part of the corporate performance measures. Lessons learned on fee-for-service projects are of a technical nature of the methodology, techniques, apparatus and equipment used. These learnings can inform the selection and scoping of future fee-for-service projects.

## Management assesses grant funding programs every three years; fee-for-service is not examined

Since 2017, Alberta Innovates conducts a review of its grant-funding programs to ensure the programs served the needs of the government. Unlike the annual assessment of project results, program assessments are on a three-year rolling basis. Program reviews compile the results of projects completed within a program to identify key findings or recommendations for management to consider. The review also examines if the program objectives align with Alberta Innovates and department goals. Using the recommendations, management and the board can make decisions to establish new grant funding programs, as well as adjust, wind-down or cancel programs. Fee-for-service projects are not included in this assessment.

We examined a sample of reviews including one review completed in 2019 of the Innovative Hydrocarbon Products Program. The review made recommendations including attracting more researchers, entrepreneurs and developers to the program based on prior projects, clarifying roles on projects, and improving consistency and quality of project data. The review did not look at the cost/benefit of the program or quantify how the program adds incrementally to Alberta Innovates or ARIF goals.

# Reporting value generated

## Context

Reporting results analysis creates a meaningful and complete picture to Albertans on whether desired outcomes were achieved, what value was gained for the money spent, and what changes should be made in the future to generate even greater value.

## Criteria

Alberta Innovates should have processes to:

- measure and report (internally and externally) the value for money generated directly by its projects individually and overall

## Our findings

### Key findings

- Internal and external reporting lack detail of the value generated.
- Methodologies and tools used to evaluate and report performance not publicly reported.

## Internal and external reporting lack detail of the value generated

Alberta Innovates internal and external reporting of value generation mirror the program and project results analysis process.

### Internal reporting

We examined quarterly information to the board with respect to information on performance measurement from project and program activities. Information included success stories of grant-funded and fee-for-service project outputs and their relation to performance measures identified in the Alberta Innovates business plan. As management gathers information through funding recipient surveys or grant applicant self-reported information of jobs created or incremental revenue generated, some measures are reported only annually to the board.

Quarterly board information includes overall corporate financial reporting results and variance explanations, but does not include analysis quantifying the value generated from program and project outputs. This information would provide the board information whether resources used were well placed and spent in a cost effective manner. This would also provide insights to how management incorporates any lessons learned into the development of future business plans.

## External reporting

Alberta Innovates public annual report also focuses on project success stories and where grant-funded projects output contributed to the achievement of government ARIF desired outcomes.

The annual report does not include an evaluation of comparative information, either versus the past performance of Alberta Innovates or similar organizations in other jurisdictions. It is unclear whether outputs achieved numbers reflect gains or net gains specific to the current year or were cumulative in some manner. For key measures, this would include continuity type schedules showing components of the net change, accompanied by comparative information from prior years. Such information would demonstrate performance accountability to Albertans.

Additional quantifiable results information would also help government assess its ARIF outcomes, priorities, measures, and targets and make adjustments if required. This would then inform departments and agencies like Alberta Innovates on how to adjust their related future desired outcomes and programs.

For example, the 2019-2020 annual report stated that \$59.7 million was provided to 962 technology-based SME projects, which created 2,389 net new jobs, and SME revenue growth was \$7.37 for every one dollar of Alberta Innovates funding. In each case, there was no qualitative explanation of how Alberta Innovates' involvement had a direct impact on these results and how the benefits compared to the cost invested.

Reporting of fee-for-service activities were on project success stories, external revenue generated, and number of clients served. We noted no reported measure of the value generated from fee-for-service operations, making it unclear to Albertans and other Alberta Innovates' stakeholders how fee-for-service operations contribute to the ARIF and Alberta Innovates mandated desired outcomes and targets. As subsidiary activities employ 90 per cent of Alberta Innovates' capital and 55 per cent of its salary expenditures in 2019-2020, these operations are significant to Alberta Innovates.

## Methodologies and tools used to evaluate and report performance not publicly reported

Alberta Innovates did not describe in its public report that its methodology for determining the impact and value generation of project results is from self-reporting by funding recipients. Alberta Innovates also did not report detailed results of these surveys. The results would demonstrate to Albertans what was learned and how that will influence future programs and projects, a key piece of information to assist future applicants to Alberta Innovates programs.

Alberta Innovates' public reports should explain the methodologies and tools used to evaluate and report on performance results, including impact and value creation. The methodologies section should also refer to the methods of collecting the performance data (such as post-completion reports and surveys), and follow-up analysis and evaluation processes.

We found that Alberta Innovates had methodology documents internally, but did not include summaries in its public documents.

**RECOMMENDATION:**

Improve processes to measure, monitor and report value generated by research and innovation activities

We recommend that Alberta Innovates improve its performance reporting processes to:

- establishing targets for its corporate, program and project performance measures
- analyzing its corporate, program, and project results to targets and to the costs to achieve the results
- reporting, internally and externally, the results of value generated from all research and innovation activities including the contribution to government desired outcomes

## Consequences of not taking action

Alberta Innovates may not be able to demonstrate whether its activities are maximizing its contribution to achieving the government's research and innovation goals and achieving the corporation's legislative mandate.

## Audit Responsibilities and Quality Assurance Statement

Management of Alberta Innovates is responsible for the stewardship of its corporate assets and ensuring the entities within its group create value for Albertans.

**Our responsibility is to express an independent conclusion on whether Alberta Innovates has processes to effectively measure, monitor and report on whether their research and innovation activities generate value in accordance with government priorities.**

We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3001 issued by the Auditing and Assurance Standards Board (Canada). The Office of the Auditor General applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality and professional behaviour.





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**Alberta Treasury Board  
and Finance**  
**Travel, Meal and  
Hospitality Expenses  
of the Premier, Ministers,  
and Their Staff**



# About This Audit

Public servants may incur expenses for travel, meals and hospitality related to government business, and can claim expense reimbursements and certain allowances. They have to follow government policies on these types of expenses,<sup>48</sup> as well as policies on procurement cards and credit cards.

We established an annual rotational audit of departments' systems for verifying that the expenses of the premier, ministers, associate ministers and their staff comply with policies and to support the Treasury Board Committee oversight process as described in our May 2017 report.<sup>49</sup> This is the fifth year of our audit.

## Objective and Scope

The audit objectives were to assess whether departments have effective processes to:

- verify that the travel, meal and hospitality expenses of the premier, ministers, associate ministers and staff comply with policies<sup>50</sup>
- support the Treasury Board Committee process to oversee these expenses of the premier, ministers and associate ministers

We follow a rotational approach, so that we audit each department once every three years. This year, we audited the systems at the following departments:

- Children's Services
- Community and Social Services
- Indigenous Relations
- Labour and Immigration
- Treasury Board and Finance

We audited the processes and expenses at these ministries for the period May 1, 2019 to November 28, 2020.

## Criteria

To determine whether departments have effective processes to verify that the travel, meal and hospitality expenses of ministers, associated ministers, and their staff comply with policy and support the Treasury Board Committee oversight processes, we used the following criteria:

- Departments should have processes to ensure expenses are incurred to support government business, are economical and are appropriately approved and disclosed. We developed the audit criteria based on departments' responsibilities and applicable expense policies as well as policies on procurement cards and credit cards.
- Management of Treasury Board & Finance acknowledged the suitability of the audit criteria on February 3, 2021.

<sup>48</sup> <http://www.finance.alberta.ca/business/planning-accountability/accountability/expenses-policies.html>.

<sup>49</sup> *Report of the Auditor General of Alberta—May 2017*, page 53.

<sup>50</sup> Travel, Meal and Hospitality Expenses Policy, Public Disclosure of Travel and Expenses Policy, Procurement Card Policy and Credit Card Policy.

## What We Examined

We examined a sample of travel, meal and hospitality expenses incurred between May 1, 2019 and November 28, 2020 at each department included in our scope. Our work included reviewing p-card reconciliations, expense claims and supporting documents, and interviewing staff. We did not examine remuneration, employment and termination benefits, or other office expenses, such as office supplies.

The detailed testing procedures we performed were consistent with the testing we executed in prior years. We conducted our field work in February and March 2021. We completed our audit on May 17, 2021.

## Conclusion

We conclude that all departments examined had effective processes for the period from May 1, 2019 to November 28, 2020 to:

- verify that the travel, meal and hospitality expenses of the premier, ministers, associate ministers and their staff comply with policies
- support the Treasury Board Committee process to oversee these expenses for the premier, ministers and associate ministers

The following table summarizes our conclusions on the departments' systems.

Department	Systems to verify that expenses are in compliance with directives and policies	Systems to publicly disclose expenses and to support the new Treasury Board Committee oversight process
Children's Services	●	●
Community and Social Services	●	●
Indigenous Relations	●	●
Labour and Immigration	●	●
Treasury Board and Finance	●	●

- ◆ Significant improvements needed to systems
- ▲ Improvements are needed to systems, but not to the same extent as red items.
- We have not identified any significant weaknesses in the systems



## Why This Conclusion Matters to Albertans

Albertans expect ministers and public servants to spend taxpayers' dollars responsibly and prudently when conducting government business. Effective processes are needed to ensure that people are complying with the expense policies. Albertans need the assurance that these systems are well-designed and working effectively.



## Audit Responsibilities and Quality Assurance Statement

Management of Treasury Board and Finance has certain administrative responsibility for government expense policies, so we report our overall audit results to that department. Management of each department is responsible for creating and sustaining systems to comply with policies.

**Our responsibility is to express an independent conclusion on the audit objectives stated above.**

We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3001 issued by the Auditing and Assurance Standards Board (Canada). The Office of the Auditor General applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality and professional behaviour.



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# 4

## Assessment of Implementation Reports



# Contents

Introduction .....	193
<b>Alberta Agriculture and Forestry</b> .....	195
<i>Wildfire Management: Processes for Prevention and Review and Improvement</i>	
<b>Alberta Energy Regulator (AER)</b> .....	201
<i>Systems to Regulate Pipeline Safety and Reliability in Alberta</i>	
<b>Alberta Justice and Solicitor General</b> .....	209
<i>Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results</i>	
<b>Alberta Treasury Board and Finance</b> .....	215
<i>Government of Alberta Capital Planning</i>	
<b>Service Alberta</b> .....	219
<i>Contract Management Process</i>	



# Introduction

## About Our Assessments of Implementation Reports

Management is responsible for implementing our recommendations.

We examine management's implementation plans and perform procedures to determine whether management has implemented our recommendation(s) when management has asserted they have been implemented. We repeat our recommendations if we do not find evidence they have been implemented. We may also issue new recommendations for matters that come to our attention in the course of our assessment.

Our Assessment of Implementation Reports are conducted under the authority of the *Auditor General Act*. The Office of the Auditor General applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with applicable professional standards and applicable ethical, legal and regulatory requirements.

Our office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality, and professional behavior.



Outstanding Recommendations

# Assessment of Implementation Report

## Alberta Agriculture and Forestry

### *Wildfire Management: Processes for Prevention and Review and Improvement*

(November 2018)

#### Summary of Recommendations

In April 2021, we completed our assessment of implementation from our November 2018 audit of Alberta Agriculture and Forestry's *Wildfire Management: Processes for Prevention and Review and Improvement*. We found that both recommendations have been implemented:

**IMPLEMENTED** Recommendation:

Ensure processes are in place to evaluate and report on wildfire prevention programs

**IMPLEMENTED** Recommendation:

Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews

#### Introduction

In 2018, we audited whether:

- the prevention and review and improvement components of the department's wildfire management program were well designed and working effectively
- the department had processes to evaluate, implement and report on recommendations and opportunities for improvement from external public reviews

We found in 2018 that while the department had effective systems and processes for the planning and delivery of its wildfire prevention and review and improvement activities, it was not completing the necessary monitoring, analysis and reporting for certain programs and public reviews to allow the department to evaluate and determine if it was achieving desired results and progress.

We made two recommendations to the department.<sup>51</sup>

Ensure processes are in place to evaluate and report on wildfire prevention programs:

- a) publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk
- b) ensure there are processes in place to measure, monitor and report on the results and effectiveness of the various activities set out in the forest areas' annual wildfire prevention plans

Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews:

- a) comply with its established business rules for internal results reporting for the review and improvement program
- b) establish and monitor implementation timelines for recommendations and opportunities for improvement from independent external reviews and publicly report implementation progress against these

In our assessment of implementation, completed in April 2021, we found the department has implemented both recommendations. The department has publicly reported on the FireSmart program and has developed new processes to measure, monitor and report on the results of activities set out in the forest areas' annual wildfire prevention plans. The department is complying with its business rules for internal results reporting by producing the required reports and providing them to senior management. The department has also established timelines and publicly reported on its implementation progress for recommendations and opportunities for improvement from independent external reviews.

## Recommendation:

# Ensure processes are in place to evaluate and report on wildfire prevention programs

## IMPLEMENTED

### Context

In 2018, we found that the department did not publicly report details on any activities associated with its directly funded and Indigenous Services Canada FireSmart programs, such as a list of approved and completed projects by forest area, project-specific funding amounts, communities involved or how completed projects help reduce wildfire hazard and risk. This is information Albertans should be made aware of so they can better understand the full extent of the department's efforts and expenditures on wildfire preventative measures to reduce wildfire threat.

<sup>51</sup> *Report of the Auditor General of Alberta—November 2018, pages 45 - 65.*

Each forest area prepares an annual wildfire prevention plan that includes information on the forest area, statistical analysis of human caused fires for the previous five years, prevention priorities and the goals and strategies planned to address these issues for the upcoming fire season. As each forest area has its own specific variables (vegetation species composition, terrain, infrastructure, types of population centers, etc.), each independently decides which priorities to consider, what prevention strategies to undertake and how it will complete them. These plans strive to reduce the number of human-caused wildfires and mitigate the impact of wildfires through education, engineering and enforcement activities.

In 2018, we also found that the forest areas were not required to do any year-end results analysis or reporting on the various activities set out in their annual wildfire prevention plans. Without monitoring, analysis and reporting, the department and senior management cannot determine what results were achieved and if the goals and strategies set out in each prevention plan were effective at addressing the issues identified.

## Our current findings

### Publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk

The department has implemented our recommendation to publicly report on its FireSmart programs, including how this work helps reduce wildfire hazard and risk.<sup>52</sup>

We found that the department has publicly reported on its 2018-2019 and 2019-2020 Alberta FireSmart projects through the Alberta Wildfire website.<sup>53</sup> We reviewed both FireSmart project reports and found that they provide:

- a list of completed FireSmart projects for each of the forest areas and the Edmonton FireSmart unit
- funding amounts for each area and unit
- communities involved
- type of FireSmart initiative<sup>54</sup>
- a brief description of each FireSmart project

<sup>52</sup> *Report of the Auditor General of Alberta—November 2018*, page 55.

<sup>53</sup> <https://wildfire.alberta.ca/firesmart/default.aspx>

<sup>54</sup> Initiatives fall into one or more of the seven disciplines of FireSmart (Cross training, Development considerations, Education, Emergency preparedness, Interagency cooperation, Legislation and planning, Vegetation management).

## Ensure there are processes in place to measure, monitor and report on the results and effectiveness of the various activities set out in the forest areas' annual wildfire prevention plans

The department has implemented our recommendation to ensure there are processes in place to measure, monitor and report on the results and effectiveness of the various activities set out in the forest areas' annual wildfire prevention plans.<sup>55</sup>

We found that the department developed the following three processes:

- a forest area prevention plan template, developed in 2018, which sets out minimum requirements for Area Prevention Plans, including five-year statistical analysis, goals and strategies and an annual review section
- a Prevention Plan Forest Area tracking summary table, developed in 2019, to capture data and information recorded within the 10 forest areas' prevention plan reports
- an executive summary report, developed in 2019, to compile and report forest area annual plan findings and areas for improvement. These summary reports are discussed at Wildfire Prevention Group (WFPG) meetings and posted on the WFPG SharePoint site for staff access.

A review of documents provided by the department show these processes are being followed.

### Recommendation:

## **Comply with business rules for internal reviews results reporting and establish and monitor implementation timelines for recommendations from external reviews**

## **IMPLEMENTED**

### Context

The department's Wildfire Management Standard Operating Procedures (SOP) and business rules outline the policies and procedures for the internal review and improvement program. These set out what reports are to be prepared, what information is required in each report and who the reports are sent to for review and approval. The department reviews and updates the SOP and business rules annually.

In 2018, we found that the department was not complying with its business rules for internal results reporting for the review and improvement program, as a number of reports were not being completed or sent to senior management for review.

<sup>55</sup> *Report of the Auditor General of Alberta—November 2018*, page 55.

In our original audit, we found the department had commissioned three independent external reviews, from which it received a number of recommendations and opportunities for improvements (OFI):

## Review Recommendations

Review	Recommendations
The 2011 Flat Top Complex Wildfire Review (Flat Top Complex Wildfire Review Committee)	21 recommendations
Wildfire Management Program and the 2015 Fire Season Review (MNP)	4 recommendations 18 opportunities for improvement
2016 Horse River Wildfire Review (MNP)	10 recommendations 11 opportunities for improvement

In 2018, we also found that the department had no timelines or target completion dates for the remaining outstanding recommendations and OFI from the 2015 and 2016 reviews that it could use to measure and monitor expected implementation progress. We found the department had yet to publicly report on the implementation progress for recommendations from the 2015 fire season review.

## Our current findings

### Comply with its established business rules for internal results reporting for the review and improvement program

The department has implemented our recommendation to comply with its established business rules for internal results reporting for the review and improvement program.<sup>56</sup>

We found that the department has conducted annual internal reporting of results from the internal review and improvement program according to its business rules and standard operating procedures. We reviewed the 2019 provincial summary report and the annual review document for 2020 and confirmed that both reports have been completed and reviewed and approved by management according to the 2020 business rules.

<sup>56</sup> *Report of the Auditor General of Alberta—November 2018*, page 58.

## Establish and monitor implementation timelines for recommendations and opportunities for improvement from independent external reviews and publicly report implementation progress against these

The department has implemented our recommendation to establish and monitor implementation timelines for recommendations and opportunities for improvement from independent external reviews and publicly report implementation progress against these.<sup>57</sup>

We found the department has established implementation target completion dates for recommendations and OFI from these independent external reviews that are still in-progress. This includes its most recent external review, the Spring 2019 Wildfire Review, which was publicly reported in November 2020 and contains 15 recommendations and 13 OFI.<sup>58</sup>

We also confirmed that the department monitors and reports internally on the implementation progress of outstanding review recommendations and OFI through detailed status update reports for the 2015 and 2016 reviews, ongoing updates to the Spring 2019 review implementation plan, internal meetings, presentations and briefing notes.

As of December 2020, the department has publicly reported on the implementation progress of recommendations and OFI for each of these reviews on the Wildfire Alberta website.<sup>59</sup> The status for each recommendation and OFI is provided as well as highlights of activities completed for implementation.

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<sup>57</sup> *Report of the Auditor General of Alberta—November 2018*, page 58.

<sup>58</sup> <https://wildfire.alberta.ca/resources/reviews/2019-wildfire-review.aspx>

<sup>59</sup> <https://wildfire.alberta.ca/resources/reviews/default.aspx>

# Assessment of Implementation Report

## Alberta Energy Regulator (AER)

### *Systems to Regulate Pipeline Safety and Reliability in Alberta*

(March 2015)

#### Summary of Recommendations

In March 2021, we completed our assessment of implementation from our March 2015 audit of the Alberta Energy Regulator's *Systems to Regulate Pipeline Safety and Reliability in Alberta*. We found that the six recommendations have been implemented:

**IMPLEMENTED** Recommendation:  
Use risk management activities to make informed decisions

**IMPLEMENTED** Recommendation:  
Formalize training program for core pipeline staff

**IMPLEMENTED** Recommendation:  
Identify performance measures and targets

**IMPLEMENTED** Recommendation:  
Review pipeline incident factors

**IMPLEMENTED** Recommendation:  
Assess current pipeline information needs

**IMPLEMENTED** Recommendation:  
Implement risk-based compliance processes

## Introduction

In 2015, we audited the Alberta Energy Regulator's (AER) systems to determine whether they were adequate to regulate the operations of pipelines in Alberta. We made six recommendations to AER in areas essential for regulatory oversight and where it should improve processes.<sup>60</sup>

We focused our assessment of implementation work on assessing if the enhanced systems were designed adequately and implemented.

In our assessment of implementation, we found that AER implemented our six recommendations related to:

- risk management of pipeline regulatory activities
- staff training program for core pipeline staff
- measuring performance of pipeline operations
- response, investigation and reporting of pipeline critical incidents
- collecting information from pipeline operators
- monitoring of pipeline operations

## Recommendation: **Use risk management activities to make informed decisions** **IMPLEMENTED**

### Context

In 2015, we recommended that AER use its risk management activities to make informed decisions on allocating resources and determine the nature and extent of activities to oversee pipelines. We found:

- AER did not fully implement an enterprise-wide risk management system
- at an operational level, AER lacked a formal process to fully assess the risks and its related resource requirements for various pipeline operational activities
- the system for ranking risks does not guide allocation of resources

### Our current findings

AER has implemented our recommendation. It deployed an enterprise-wide risk management (ERM) system that includes ranking of identified risks and a process to decide how to allocate resources commensurate with risks.

For pipelines, AER also implemented processes to assess operational risks and use them to guide allocation of resources for pipeline activities.

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<sup>60</sup> *Report of the Auditor General of Alberta—March 2015, pages 39-61.*

## Enterprise-wide risk management

We found that the ERM program has been deployed across the whole organization and covers activities performed by all AER employees. Risks are identified and assessed for likelihood of occurrence and residual risk is determined (after taking into account mitigating controls) by the risk owners in conjunction with the ERM team. The ERM team ensures consistent assessments are performed organization-wide.

We noted risks classified as principal risks are approved by AER senior management. The principal risks and proposed mitigation actions to reduce risks to acceptable targeted tolerance levels are reported to the AER board.

## Pipeline operational activities

We found that the Operational Pipeline group performs analytics on historical incidents to identify trends, such as the primary causes of the incident, substance of incident, and material of pipe of incident.

We confirmed that the Operational Pipeline group uses the information from analytics to develop target inspections to complete by area, focusing on substance flow rates, length of pipe by material, etc. stemming from the identified trends.

## Recommendation: **Formalize training program for core pipeline staff**

### **IMPLEMENTED**

#### Context

In our original audit, we found that AER did not complete a skills gap analysis and did not have a formal training program for its core pipeline staff. Moreover, there was no coherent strategy to manage training needs of core pipeline staff.

In 2015, we recommended that AER complete a skills gap analysis and formalize a training program for its core pipeline staff.

#### Our current findings

AER has implemented our recommendation. It prepared a skills gap analysis to identify the training focus areas for all pipeline staff. AER developed training and courses around the training focus areas. We found evidence that management, responsible for overseeing pipelines, tracked and reviewed training for core pipeline staff.

AER managers overseeing pipelines are accountable to decide on required training programs for the staff they oversee. The managers also identify the core staff who require pipeline training and the specific training requirements. The training staff need to complete is being tracked. On an annual basis, AER designed processes to ensure all pipeline staff have completed, or have been assigned, all required training.

## Recommendation: **Identify performance measures and targets**

### **IMPLEMENTED**

#### Context

In 2015, we recommended that AER identify suitable performance measures and targets for pipeline operations, assess the results obtained against those measures and targets, and use what it learns to continue improving pipeline performance. Moreover, AER did not consider the severity and risk of incidents; all incidents were treated similarly.

Additionally, we noted there was weak correlation between individual goals and plans for working toward the organization's goal to reduce pipeline incidents.

#### Our current findings

AER has implemented our recommendation. It developed performance measures with targets, including identifying and reporting all high consequence incidents to the board.

#### Key performance indicators (KPIs)

There are three primary KPIs reported internally and externally and used by the pipeline operations:

- number of incidents
- per cent of satisfactory inspections
- hydrocarbon volume of releases

All of these KPIs have targets that are included in the reporting. The targets have been developed and established with a goal to continually drive improvement in pipeline performance. Several secondary KPIs are also used by Pipeline Operations.

The performance measure reported to the board on an annual basis is a two per cent reduction in high consequence pipeline incidents from the prior two years. Over the last five years, the annual number of high consequence incidents have been below the target threshold. High consequence pipeline incidents has been defined to enable identification and accurate reporting.

#### Individual goals

We found that AER key pipeline staff are required and instructed to base individual goals in alignment with the corporate goal of working towards reducing pipeline incidents.

# Recommendation: Review pipeline incident factors

## IMPLEMENTED

### Context

In our 2015 audit, we recommended that AER:

- expand its analysis of pipeline incident contributing factors beyond the primary causes
- promptly share lessons learned from its investigations with industry and operators

We found:

- greater benefit could have been extracted by examining the contributing factors for critical incidents
- lessons learned from an investigation are not consistently shared with operators and the industry
- the final investigation report review process was time consuming
- action items in post-incident assessments were not followed up

### Our current findings

AER has implemented our recommendation. It established processes for identifying contributing factors for critical incidents, sharing lessons learned from investigations, defining a target duration to complete an investigation, and ensuring action items are followed up.

#### Contributing incident factors

Investigations are conducted and include the review and identification of secondary and contributing factors for critical incidents, including the lack of due diligence factors.

#### Lessons learned

Completed investigation reports are posted to the AER external website.

The lessons learned are shared with industry through bulletins and industry information sessions. Bulletins are issued when AER has identified systemic issues and concerns that merit communication to industry.

#### Investigation timeliness

AER has focused on improving the overall duration of investigations, from incident date to closure. It set a target for completing investigations within 18 months.

AER implemented a real time internal reporting on status of active investigations against the 18 month target. The reporting enables prompt identification of investigations trending beyond the target.

#### Action items

Operator corrective action plans and evidence of completion is required to be provided to the inspector for review and approval prior to closure of the incident. The incident will not be closed until all action items have been accepted by the inspector.

## Recommendation: **Assess current pipeline information needs**

### **IMPLEMENTED**

#### Context

In 2015, we recommended that AER complete an assessment of its current pipeline information needs to support effective decision making and determine the type and extent of data it should collect from pipeline operators, through a proactive, risk-based submission process. We found:

- AER did not complete an assessment of the current and future pipeline information needs
- AER did not mitigate the risks of operator transfer of ownership
- an assessment of key information systems' ability to meet AER's regulatory needs was not completed

#### Our current findings

AER has implemented our recommendation.

##### Information needs

AER primarily uses OneStop<sup>61</sup> to obtain and store license data and Field Inspection System (FIS) for incident related information. A gap assessment, using CSA<sup>62</sup> guidance, was completed in 2015 on pipeline information needs for both licensing and incidents. AER has prioritized the data gaps identified through the assessment, and the significant gaps have been remediated in OneStop or FIS.

##### Operator transfer of ownership

All applications for transfer of ownership must be submitted through the Digital Data System (DDS), a web-based application administered and supported by AER. Within the application, the transferor is required to complete certain steps to initiate the transfer application. The transferor has 30 days to acknowledge and agree that they have been provided with all the records required for the transfer.

If both parties do not complete the required steps and submit the required acknowledgements, the license transfer will not be accepted or completed by AER.

##### Assessment of key information systems

Through the Integrated Decision Approach (IDA), or formerly known as New Activity Life-Cycle Approach (NALA), AER has assessed the pipeline systems' ability to meet regulatory requirements and needs. The pipeline phase of the project identified enhancements and has been concluded.

<sup>61</sup> OneStop is the system of record for application submissions, including pipeline licensing applications.

<sup>62</sup> Canadian Standards Association (CSA) protects the public and improves community safety by supporting public safety personnel, improving the transportation of dangerous goods, and enhancing community resilience to disasters and emergency events.

## Recommendation: **Implement risk-based compliance processes** **IMPLEMENTED**

### Context

In 2015, we recommended that AER implement a cost effective risk-based compliance process to evaluate the adequacy and effectiveness of pipeline operators' integrity management programs, and safety and loss management systems. We found:

- AER had no formal process to evaluate the effectiveness of operator safety and loss management systems and integrity management programs
- AER response to pipeline integrity requirements was pending

### Our current findings

AER has implemented our recommendation. AER carried out a program to assess operators' safety and loss management systems (SLMS) and ensure integrity management programs (IMP) meet regulatory requirements. AER concluded its assessment of the pipelines integrity requirements and formalized processes for its risk-based compliance programs.

#### Safety and Loss Management Systems (SLMS)

The SLMS program was piloted from 2016 until 2020. After the trial pilot project, AER senior management took the learnings from the SLMS pilot and applied them to existing operational inspections to increase the focus on building a robust IMP. Rather than maintain a stand-alone SLMS program, management chose to focus efforts on an integrity management program.

#### Integrity Management Programs (IMP)

The AER IMP's objective is to review and evaluate an operator's pipeline systems to ensure they are in accordance to regulatory requirements and the operator's internal operating and maintenance requirements and procedures. AER completed reviews of the program and decided that the pipeline operations inspections program should focus on the four key areas of IMP: preventative maintenance, hydro-technical and geotechnical, leak detection, and inactive pipelines.



Outstanding Recommendations

# Assessment of Implementation Report

## Alberta Justice and Solicitor General

### *Victims of Crime and Public Safety Fund—Systems to Manage Sustainability and Assess Results*

(February 2016)

#### Summary of Recommendations

In March 2021, we completed our assessment of implementation from our February 2016 audit of Alberta Justice and Solicitor General's *Victims of Crime Fund—Systems to Manage Sustainability and Assess Results*. We found that one of our two recommendations has been implemented. Please note that the Victims of Crime Fund will be referred to in this assessment by its current name of Victims of Crime and Public Safety Fund.<sup>63</sup>

#### **REPEATED** Recommendation:

Develop and publicly report on a business plan for the Victims of Crime and Public Safety Fund Program

#### **IMPLEMENTED** Recommendation:

Determine best use of Victims of Crime and Public Safety Fund accumulated surplus

## Introduction

In 2016, we audited whether the department had adequate systems to manage the Victims of Crime and Public Safety Fund (Fund), including:

- having an approved business plan for the use of the Fund
- developing achievable and measurable goals for the Fund so the department could publicly report key results to Albertans
- having a plan to appropriately and productively use the Fund's then growing accumulated surplus

<sup>63</sup> Section 9(1) of the *Victims of Crime and Public Safety Act*, which replaced the previous *Victims of Crime Act* on June 26, 2020, when Bill 16, *Victims of Crime (Strengthening Public Safety) Amendment Act*, 2020 received Royal Assent.

We found that while the department and its Victims Services program had adequate systems and processes to manage the day-to-day administration of the Fund, the department was not completing the necessary strategic planning, analysis and reporting to establish desired results and the resources necessary to achieve these results. The department also did not have a plan to appropriately and productively use the Fund's accumulated surplus.

We made two recommendations to the department:<sup>64</sup>

- develop and approve a business plan with measurable desired results for the Victims of Crime and Public Safety Fund and publicly report on the results of this business plan
- supported by sufficient analysis, determine an appropriate use of the Victims of Crime and Public Safety Fund accumulated surplus

In March 2021, we completed our assessment of implementation and found the department has implemented one of our two recommendations. The department developed and implemented a Victims of Crime Fund Surplus Policy effective October 1, 2018.

We again recommend the department develop and publicly report on a plan for the Victims of Crime and Public Safety Fund program. While the Victim Services program took steps to develop a public business plan for the Fund, with included outcomes and performance measures, it was not approved. The reason provided by the department is this business plan did not account for significant changes made to the legislation governing the Fund in June 2020<sup>65</sup> or an ongoing MLA-led review of the current Victims Services program, which may result in the creation of a new victim assistance program and service delivery model. As a result of no business plan being approved there has not been the intended reporting of results and whether the objectives of the Fund are being met.

## Recommendation:

# Develop and publicly report on a business plan for the Victims of Crime and Public Safety Fund Program

## REPEATED

We recommend that the Department of Justice and Solicitor General:

- develop and approve a business plan with measurable desired results for the Victims of Crime and Public Safety Fund
- publicly report on the results of this business plan

## Context

In our 2016 audit, we found the department did not have a current, approved strategy for the Fund. This strategy would set out achievable measurable goals or targets, including timelines and milestones, to determine if the Fund was meeting its mandate as set out in the then *Victims of Crime Act*. At that time, Victims Services program management had developed three internal plans to provide structure for its operations; however, none of these had been approved by the department. Also, none of these plans clearly identified what the current needs of victims of crime were or forecasted to be; they also did not contain financial information about the costs to meet these needs.

<sup>64</sup> *Report of the Auditor General of Alberta, February 2016*, pages 43–52.

<sup>65</sup> On June 26, 2020, the *Victims of Crime and Public Safety Act* replaced the *Victims of Crime Act* when Bill 16 *Victims of Crime (Strengthening Public Safety) Amendment Act*, 2020 received Royal Assent.

## Our current findings

We found:

- a draft business plan with performance measures was prepared in early 2019 but was not approved
- the reason provided by the department is this business plan did not account for significant changes to legislation governing the Fund or an ongoing government review of the victims of crime assistance program
- a change to legislation in June 2020 significantly changed the scope of what the Fund can be used for
- an ongoing government MLA-led review may change the scope of the program and how services to victims of crime are delivered
- the department currently does not externally report any type of specific measurable desired results for the Fund

### Draft business plan prepared but not approved

The Victims Services program did prepare a draft Victims of Crime Fund Business Plan for public reporting, with included outcomes and performance measures, in early 2019.

To develop this draft business plan, program management solicited input from various external service providers and stakeholders. This was to help them identify what did and did not work well with meeting the current and forecasted needs of victims of crime, identify gaps in services, and discuss possible solutions. A final report summarizing this work was completed in April 2017. Program management also engaged external expertise to help develop performance measures for this business plan. A final report about this engagement was completed in February 2018.

This business plan was submitted for review but was not approved. The reason provided by the department is the business plan did not account for significant changes to legislation governing the Fund (Bill 16)<sup>66</sup> or an ongoing MLA-led review of the victims of crime assistance program.

### Governing legislation changed to *Victims of Crime and Public Safety Act* by Bill 16

In June 2020 the legislation under which the Fund is governed was changed to the *Victims of Crime and Public Safety Act* by Bill 16, the *Victims of Crime (Strengthening Public Safety) Amendment Act, 2020*. Two significant changes from Bill 16 were:

- The scope of what the Fund could be used for (including the accumulated surplus) was expanded so that payments from it could be used for grants to promote public safety as well as programs that benefit victims of crime. Public safety initiatives that the government has identified that could be considered under this umbrella include Alberta Law Enforcement Response Teams (ALERT), the Rural Alberta Provincial Integrated Defence (RAPID) Response, drug treatment courts and the hiring of additional Crown prosecutors.<sup>67</sup>
- The bill replaced financial benefits for injury and witness-to-homicide with an interim program while a new victims assistance model is developed. The Victims Services program stopped accepting applications for financial benefits received after June 26, 2020.

<sup>66</sup> Bill 16 is also known as the *Victims of Crime (Strengthening Public Safety) Amendment Act, 2020*

<sup>67</sup> <https://www.alberta.ca/supporting-victims-of-crime-and-public-safety.aspx>

The impact of these changes can be seen in some of the department's 2021–22 estimated Fund expenditures when compared to the previous year's budgeted amounts:<sup>68</sup>

- A 50 per cent decrease in Financial Benefits (from \$10 million to \$5 million)
- A 21 per cent decrease in Assistance to Victims' Organizations (from \$24 million to \$19 million)
- A 49 per cent increase in Public Safety Initiatives (from \$25.5 million to \$38 million)

### MLA-led review of Victims of Crime program

Two government MLAs have conducted a review that may change the scope of the program and change how services to victims of crime are delivered.<sup>69</sup> Publicly available information shows these MLAs consulted with various stakeholders between September 14 and November 30, 2020, and the final report and recommendations were submitted to the Minister of Justice and Solicitor General in early 2021.

### No external performance-results reporting currently done on the Fund

What public reporting the department does around victim services can be found in its Annual Reports.<sup>70</sup> The 2019–2020 Annual Report includes information on the government review of the current victim service model, including service delivery, victim assistance funding and victim compensation.<sup>71</sup> However, the department currently does not externally report any type of specific measurable desired results for the Fund.

### Findings from 2016 audit still relevant

While the delay in approving the 2019 business plan may have been reasonable at the time, the findings, conclusions and recommendation we made in our original audit for the department to implement a business plan and performance measures for the Fund are still relevant today. Moving forward, when re-drafting a business plan and performance measures, the department will have to consider any legislative change to the Fund's use and any changes to the service delivery of the Victims of Crime program that may come from the government review.

## Consequences of not taking action

If the department does not set out goals with accompanying targets and measures for the Victims of Crime and Public Safety Fund, it cannot know whether the money being spent is achieving program objectives.

<sup>68</sup> 2021–22 Entity Financial Information; Justice and Solicitor General, Victims of Crime and Public Safety Fund Statement of Operations, page 83.

<sup>69</sup> <https://www.alberta.ca/victim-services-engagement.aspx>

<sup>70</sup> <https://open.alberta.ca/publications/2371-2252>,

<sup>71</sup> Alberta Justice and Solicitor General Annual Report 2019–2020, page 33.

## Recommendation:

# Determine best use of Victims of Crime and Public Safety Fund accumulated surplus

## IMPLEMENTED

### Context

The Fund is primarily financed by a surcharge collected from all provincial statute fines and selected federal statute convictions as identified in the *Act*. The surcharge on provincial offences increased from 15 to 20 per cent on April 1, 2020.

Over the last number of years, Fund revenues have been increasing at a faster rate than permitted expenses, resulting in a growing accumulated surplus. At March 31, 2016, this accumulated surplus was just under \$56 million; it was just over \$77 million at March 31, 2020. However, in 2020-21 during the COVID-19 pandemic, the department saw a significant reduction in surcharge revenues and was required to draw down the Fund to maintain daily operations. Consequently, as of March 31, 2021 the surplus was approximately \$63.7 million, a \$13.5 million decrease from the previous year.

We previously reported that the department had not determined or forecasted the financial needs of the Fund in order to complete an analysis of the best possible use of this accumulated surplus. This included not determining the size of reserve required to ensure the long-term sustainability of the Fund.

### Our current findings

The department has implemented our recommendation to determine an appropriate use of the Fund's accumulated surplus.

It created a Victims of Crime Fund Surplus Policy, effective October 1, 2018, which sets out that the Fund will maintain a reserve equivalent to that year's operating expense budget. The stated purpose of this operating reserve is to provide sustainable funding and uninterrupted operations for Victims of Crime programs should annual revenues collected be insufficient to cover expenses due to unforeseen circumstances. For 2018-19, the reserve was set at \$44.5 million and \$50.9 million for the following fiscal year. This policy also requires the department to evaluate the appropriateness of the amount of this reserve every two years and adjust it as required.

The department also prepared a forward looking financial analysis for the Fund to complement this policy. Management advised us this will need to be revised due to changes made to legislation in June 2020 that expanded the scope of what the Fund can be used for.

This policy also sets out a process for the Victims Services program to submit an expenditure plan to the department's Financial Services branch for review and feedback when the program recommends new or increased funding from the accumulated surplus for program areas it identifies. Any approved plan(s) will be incorporated into the next ministry quarterly forecast for consideration and approval by Treasury Board.



Outstanding Recommendations

# Assessment of Implementation Report

## Alberta Treasury Board and Finance

### *Government of Alberta Capital Planning*

(October 2017)

#### Summary of Recommendations

In August 2021, we completed our assessment of implementation of whether Alberta Treasury Board and Finance has implemented our recommendation to improve capital planning standards and phased approach to capital planning and approval. We found that our recommendation has been implemented:

**IMPLEMENTED** Recommendation:

Improve capital planning standards and phased approach to capital planning and approval

#### Introduction

In 2017, we audited the Government of Alberta's capital planning systems to:

- guide departments in identifying capital needs
- confirm that departments' capital needs aligned with long-term program needs and service delivery plans
- make capital investment recommendations to government committees

We made three recommendations to Alberta Infrastructure. In 2019, responsibility for the Government of Alberta capital planning systems was transferred from Alberta Infrastructure to Alberta Treasury Board and Finance. We completed the assessment of implementation based on these updated responsibilities.

The scope of our assessment of implementation includes one recommendation related to capital planning standards and phased approach to capital planning and approval. We will assess implementation of the remaining two recommendations related to maintenance funding and programs, once management completes their action plans and asserts the recommendations are implemented.

We focused our work on assessing if the enhanced capital planning standards and systems were designed adequately and implemented. Our assessment did not include capital planning standards and systems for capital maintenance and renewal, information technology, public-private partnerships or COVID-19 capital stimulus funding.

In our assessment of implementation, completed on August 31, 2021, we found Alberta Treasury Board and Finance implemented our recommendation to improve capital planning standards and phased approach to capital planning and approval.

The implemented recommendation includes an updated capital planning manual, clarification of the capital planning phases and deliverables, and an enhanced review process for capital planning submissions.

## Recommendation:

# Improve capital planning standards and phased approach to capital planning and approval

## IMPLEMENTED

### Context

In our original audit, we found:

- capital planning standards were not up to date or sufficient
- the capital planning and approval phases were not clear
- Alberta Infrastructure's<sup>72</sup> systems were inadequate to verify and report to government committees if departments had completed sufficient planning

### Our current findings

Alberta Treasury Board and Finance implemented our recommendation to update its capital planning standards, clarify capital planning phases and deliverables, and verify if departments have completed sufficient and appropriate planning.

We found that Alberta Treasury Board and Finance updated its Capital Planning Manual for the Government of Alberta capital planning process. The manual includes:

- updated roles and responsibilities
- requirements and guidance for capital planning submissions and review processes
- guidance for in-year capital requests

Alberta Treasury Board and Finance has also defined the capital planning phases. The Capital Planning Manual defines the deliverables for entering each phase and provides an overview of how projects move through the phases.

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<sup>72</sup> Alberta Infrastructure was responsible for the Government of Alberta capital planning systems in 2017 when we completed the original audit. Responsibility for the Government of Alberta's capital planning system was transferred to Alberta Treasury Board and Finance in 2019.

Alberta Treasury Board and Finance has implemented processes to verify that departments have completed sufficient and appropriate planning, based on the phases outlined in the Capital Planning Manual. These new processes include an internal tracking tool to ensure departments have completed the appropriate planning deliverables and a technical review process. Alberta Treasury Board and Finance also provides government committees with its capital planning review comments and recommendations, after discussing them with the Deputy Minister Capital Committee.



Outstanding Recommendations

# Assessment of Implementation Report

## Service Alberta

### *Contract Management Processes*

(November 2018)

#### Summary of Recommendations

In August 2021, we completed our assessment of implementation from our 2018 audit of Service Alberta's contract management processes. We assessed all three outstanding recommendations have been implemented.

**IMPLEMENTED** Recommendation:  
Improve performance measurement processes

**IMPLEMENTED** Recommendation:  
Improve compliance processes

**IMPLEMENTED** Recommendation:  
Incorporate lessons learned

#### Introduction

In 2018, we audited whether the department had effective contract management processes to achieve desired results.

We found that:

- the department did not have processes to monitor and report on the performance of the SuperNet. For some operational goals in the SuperNet<sup>73</sup> contracts, the department did not define related performance measures.

<sup>73</sup> The Alberta SuperNet is a telecommunications network of fibre optic cables, wireless towers and other equipment and facilities that provide a high-capacity broadband "highway" to over 400 urban and rural communities throughout Alberta. The SuperNet provides the infrastructure to connect over 3,400 hospitals, schools, libraries, and provincial, municipal and Indigenous government offices to high-speed internet. The SuperNet is not the internet. It only provides the infrastructure to allow Internet Service Providers (ISPs) to purchase network services and deliver the internet to end-users.

- parties to the contracts were not interpreting terms and conditions consistently, so they disagreed about whether contract terms and conditions were being complied with
- the department extended the SuperNet operating agreement by three years despite identified deficiencies and unmitigated risks

At the conclusion of our 2018 audit, we recommended the department develop processes to improve its:

- measuring, monitoring, and reporting of the performance of its large and complex contracts
- monitoring and enforcement of contract compliance to ensure that the desired results of the contract are achieved
- evaluation of contracts and implement risk mitigation strategies and lessons learned where required

We have focused our work on the department's new SuperNet contract, signed in 2018, to replace the previous SuperNet operating agreement that was the subject of our 2018 audit. Our findings below are specific to the new SuperNet contract.

## Recommendation: Improve performance measurement processes **IMPLEMENTED**

### Context

During our 2018 audit, we found the SuperNet contracts did not adequately define metrics for the performance of the SuperNet. The department did not have adequate processes to monitor or report on network performance or other operational goals.

### Our current findings

We examined the new SuperNet contract to assess whether performance metrics and reporting requirements are clearly defined. We also assessed the department's processes to monitor performance of network services to public sector customers.

We found the department:

- re-defined service level requirements in the new SuperNet contract, including clearly stated calculation and measurement methodologies and reporting requirements
- has processes to monitor performance of the network through review of monthly performance reporting from the operator and real-time access to the network, in part, to monitor incidents and outages

## Recommendation: **Improve compliance processes**

### **IMPLEMENTED**

#### Context

During our 2018 audit, we found terms and conditions of the SuperNet contracts were not being consistently interpreted or enforced. This included issues related to management of credits for service level defaults, management of a formal change order process, ensuring operator independence and receipt of financial and other reporting from the operator.

#### Our current findings

We examined the new SuperNet contract and identified various contractual requirements for the parties involved.

We found the department:

- re-defined the service level credit system in the contract and operator reporting requirements to allow the department to reconcile credits earned
- has processes to ensure other contract requirements and deliverables from the operator are received as required

## Recommendation: **Incorporate lessons learned**

### **IMPLEMENTED**

#### Context

During our 2018 audit, we found improvements needed to various aspects of the operating contract were not made when the contract was set to expire. Instead, the contract was extended for three years. The department did not have adequate processes to manage risks related to the SuperNet or track lessons learned and incorporate change where applicable.

#### Our current findings

We examined the new SuperNet contract and contract evaluation processes related to risk management and tracking lessons learned.

We found the department:

- sought external expertise and assessed various aspects of the previous SuperNet agreements, the results of which were incorporated into decision-making on the structure and components of the new SuperNet contract
- has processes to formally identify risks related to the SuperNet and regularly review mitigation strategies
- has processes to track lessons learned and mechanisms to request changes where needed based on current SuperNet operations





# 5 Glossary and Acknowledgments



# Glossary

## **Accountability for results**

The obligation to demonstrate results achieved through the use of public resources in the context of fair and agreed on expectations. To demonstrate value for money for Albertans, all those who use public resources must:

- set and communicate measurable results and responsibilities
- plan what needs to be done to achieve results
- do the work and monitor progress
- identify and evaluate results, and provide feedback for continued improvement
- publicly report on results

## **Accrual basis of accounting**

A way of recording financial transactions that puts revenues and expenses in the period when they are earned and incurred.

## **Adverse auditor's conclusion**

An auditor's written statement that the underlying subject matter being audited does not meet the applicable criteria, and that the effect of the deviations are material and pervasive.

## **Assessment of Implementation (AOI)**

Work we perform to determine whether management has implemented our recommendations arising from our audits. If we do not find evidence the recommendation has been implemented, we repeat our recommendation.

## **Assurance**

An auditor's written conclusion about something audited. Absolute assurance is impossible because of several factors, including the nature of judgment and testing, the inherent limitations of control and the fact that much of the evidence available to an auditor is only persuasive, not conclusive.

## **Audit**

An auditor's examination and verification of evidence to determine whether the subject matter meets applicable criteria, such as whether financial information is reliable, activities or outcomes are in compliance with laws, or that management has effective processes and controls to achieve results or manage risks. The Office carries out financial statement audits and performance audits.

## **Auditing and Assurance Standards Board (AASB)**

The board that sets audit and assurance standards in Canada.

## **Auditor**

A person who examines and evaluates a specified subject matter against appropriate criteria and provides a conclusion.

## **Auditor's conclusion**

An auditor's written communication on whether the subject matter audited meets, in all material respects, the criteria that apply to them.

## **Auditor's report**

An auditor's written communication on the results of an audit.

## **Business case**

An assessment of a project's financial, social and economic impacts. A business case is a proposal that analyzes the costs, benefits and risks associated with the proposed investment, including reasonable alternatives.

## **Capital asset**

A long-term asset.

## **Chartered Professional Accountants of Alberta (CPA Alberta)**

The professional organization for chartered professional accountants in Alberta. CPA Alberta sets rules of professional conduct that apply to our work.

## **Chartered Professional Accountants of Canada (CPA Canada)**

The national professional accounting organization established to support a unified Canadian accounting profession.

It replaced the Canadian Institute of Chartered Accountants (CICA), the Society of Management Accountants of Canada (CMA Canada) and Certified General Accountants of Canada (CGA Canada).

## **COBIT**

COBIT is a framework that provides good practices for managing IT processes to meet the needs of enterprise management. It bridges the gaps between business risks, technical matters, control needs and performance measurement requirements.

## **Committee of Sponsoring Organizations of the Treadway Commission (COSO)**

A joint initiative of five private sector organizations dedicated to the development of frameworks and guidance on risk management, internal control and fraud deterrence.

### **Criteria**

Reasonable and attainable standards of performance and control that auditors use to assess systems or information.

### **Cross-ministry**

A section of this report covering systems or problems that affect several ministries or the whole government.

### **Crown**

Government of Alberta.

### **Deferred maintenance**

Any maintenance work not performed when it should be. Maintenance work should be performed when necessary so that capital assets provide acceptable service over their expected lives.

### **Disclaimer of conclusion**

An auditor's written communication that they have not been able to obtain sufficient appropriate evidence to support a reliable conclusion on whether the subject matter meets the criteria.

### **Enterprise risk management (ERM)**

The systems and processes within an organization used to identify and manage risks so it can achieve its goals and objectives. An ERM creates linkages between significant business risks and possible outcomes so that management can make informed decisions. An ERM framework helps organizations identify risks and opportunities, assess them for likelihood and magnitude of impact, and determine and monitor the organization's responses and actions to mitigate risk. A risk-based approach to managing an enterprise includes internal controls and strategic planning.

### **Enterprise resource planning (ERP)**

ERP integrates and automates data and processes of an organization into one comprehensive system. ERP may incorporate just a few processes, such as accounting and payroll, or may contain additional functions, such as accounts payable, accounts receivable, purchasing, asset management, and/or other administrative processes. ERP achieves integration by running modules on standardized computer hardware with centralized databases used by all modules.

## **Exception**

Something that does not meet or is a deviation from criteria.

## **Expense**

The cost of acquiring or consuming an economic resource.

## **Financial statement audit**

Procedures an auditor carries out to evaluate and express a conclusion on the reliability of financial statements.

## **Generally Accepted Accounting Principles (GAAP)**

Established in Canada by the Public Sector Accounting Board and the Accounting Standards Board. GAAP are criteria for financial reporting.

## **Governance**

A process and structure that brings together capable people and relevant information to achieve cost effective results.

## **Government business enterprise**

A commercial-type enterprise controlled by government. A government business enterprise primarily sells goods or services to individuals or organizations outside government and is able to sustain its operations and meet its obligations from revenues received from sources outside government.

## **Internal audit**

A group of auditors within an organization that performs assurance activities to evaluate and improve an organization's governance, risk management and internal control processes. The group typically reports its findings directly to the deputy minister or governing board. Internal auditors need an unrestricted scope to examine business strategies; internal control systems; risk management practices; compliance with policies, procedures, and legislation; economical and efficient use of resources and effectiveness of operations.

## **Internal control**

A process designed and implemented to provide reasonable assurance that an organization will achieve its objectives. Management is responsible for an effective internal control system in an organization. The organization's governing body, in its oversight role, should challenge management to demonstrate that the control system operates as intended. A control system is effective when the governing body and management have reasonable assurance that:

- they understand the effectiveness and efficiency of operations
- internal and external reporting is reliable
- the organization is complying with laws, regulations and internal policies

## International Financial Reporting Standards (IFRS)

Global accounting standards, adopted by the Accounting Standards Board in Canada. They are required for government business enterprises.

## Management letter

A letter to management of an entity we audit, communicating:

1. the scope of our work
2. our findings
3. our recommendation(s) of what the entity should improve
4. the risks if the entity does not implement the recommendation

We also ask the entity to explain specifically how and when it will implement the recommendation(s).

## Material, materiality, significant

Something that makes a difference to decision-makers.

## Misstatement

A misrepresentation of financial information due to error, fraud or other irregularities.

## Outcomes

The results an organization tries to achieve based on its goals.

## Outputs

The goods and services an organization actually delivers to achieve outcomes. They show “how much” or “how many.”

## Oversight

The role of monitoring and evaluating whether an entity or its management have used resources efficiently, economically, and effectively to achieve desired results through:

- being vigilant,
- challenging management to demonstrate that processes/systems are working well,
- requiring accountability for results, and
- signalling preferred behaviour, all in the pursuit of desired results.

## Performance audit

To help improve the use of public resources, we audit and recommend improvements to systems designed to achieve value for money. Paragraphs (d) and (e) of Subsection 19(2) of the *Auditor General Act* require us to report every case in which we observe that:

- an accounting system or management control system, including those designed to ensure economy and efficiency, was not in existence, or was inadequate or not complied with, or
- appropriate and reasonable procedures to measure and report on the effectiveness of programs were not established or complied with.

To meet this requirement, we do performance audits. Performance audits are conducted in accordance with the assurance standards established by the Auditing and Assurance Standards Board (AASB). First, we develop criteria that a system or procedure should meet. We always discuss our proposed criteria with management and try to gain their agreement that the criteria are appropriate for the audit. Then we design and carry out procedures to gather audit evidence. Next, we compare our evidence to the criteria.

If the audit evidence indicates the entity meets all the criteria, we conclude the system or procedure is meeting its objective. But if the evidence indicates that not all criteria have been met, we have an audit finding that leads us to recommend what the ministry or organization must do to ensure that the system or procedure will meet all the criteria. For example, if we have five criteria and a system meets three of them, the two unmet criteria lead to the recommendation. A performance audit should not be confused with assessing systems with a view to relying on them in an audit of financial statements.

## Performance measure

Indicator of progress in achieving a desired result.

## Performance reporting

Reporting on financial and non-financial performance compared with plans and targets.

## Performance target

The expected result for a performance measure.

## Public Sector Accounting Standards (PSAS)

Standards applicable to the public sector in Canada. PSAS are set by the Public Sector Accounting Board (PSAB).

## **Qualified auditor's conclusion**

An auditor's written communication that some parts of a subject matter being audited do not meet the applicable criteria, while other parts do.

## **Recommendation**

A solution we—the Office of the Auditor General of Alberta—propose to improve the use of public resources or to improve performance reporting to Albertans.

## **Review**

Reviews are different from audits in that the scope of a review is less than that of an audit; consequently, the level of assurance is lower. A review consists primarily of inquiry, analytical procedures and discussion related to information supplied to the reviewer with the objective of assessing whether the information being reported on is plausible in relation to the criteria.

## **Risk**

Anything that impairs an organization's ability to achieve its goals.

## **Sample**

A sample is a portion of a population. We use sampling to select items from a population. We perform audit tests on the sample items to obtain evidence and form a conclusion about the population as a whole. We use either statistical or judgmental selection of sample items, and we base our sample size, sample selection and evaluation of sample results on our judgment of risk, the nature of the items in the population and the specific audit objectives for which sampling is being used.

## **Systems (accounting)**

A set of interrelated accounting processes for revenue, spending, preservation or use of assets and determination of liabilities.

## **Systems (management)**

A set of interrelated management processes designed to achieve goals economically and efficiently.

## **Unqualified auditor's conclusion**

An auditor's conclusion that the subject matter audited meets the criteria.

## **Value for money**

The concept underlying a performance audit is value for money. It is the “bottom line” for the public sector, analogous to profit in the private sector. The greater the value added by a government program, the more effective it is. The lower cost of or fewer resources used to create that value, the more economical or efficient the program is. “Value” in this context means the impact that the program is intended to achieve or promote on conditions such as public health, highway safety, crime, farm incomes, etc. To help improve the use of public resources, we audit and recommend improvements to systems designed to ensure value for money.

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