

# Report of the Auditor General

November 2022



**Auditor  
General**  
OF ALBERTA



Chair  
Standing Committee on Legislative Offices

I am honoured to transmit my *Report of the Auditor General of Alberta—November 2022* to the Members of the Legislative Assembly of Alberta, under Section 19 of the *Auditor General Act*.



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

Edmonton, Alberta  
December 2022



# Report Contents

<b>Introduction by the Auditor General</b>	1
<b>Summary of Recommendations</b>	5
<b>2021-2022 Consolidated Financial Statements of the Province of Alberta</b>	9
<b>Ministry Audits and Recommendations</b>	23
Alberta Advanced Education	25
Alberta Agriculture, Forestry and Rural Economic Development	31
Alberta Children's Services	35
Alberta Community and Social Services	37
Alberta Culture and Status of Women	41
Alberta Education	43
<i>Summary of 2021 Financial Audit Results of School Jurisdictions in Alberta</i>	45
Alberta Energy	59
Alberta Environment and Parks	63
Alberta Health	69
Alberta Indigenous Relations	79
Alberta Infrastructure	81
Alberta Jobs, Economy and Innovation	85
<i>Small and Medium Enterprise Relaunch Grant Program Performance Audit</i>	87
Alberta Justice and Solicitor General	103
Alberta Labour and Immigration	107
<i>Emergency Isolation Support Program—Post-payment Eligibility Verification Processes and Program Reporting</i>	108
Alberta Municipal Affairs	111
<i>Municipal Operating Support Transfer and Municipal Stimulus Program COVID-19 Response Programs Performance Audit</i>	113
Alberta Seniors and Housing	129
Alberta Transportation	131
Alberta Treasury Board and Finance	133
<i>COVID-19 Capital Stimulus Initiative Performance Audit</i>	135
<i>Government of Alberta Capital Planning Assessment of Implementation</i>	151
Service Alberta	159
Executive Council	163
Offices of the Legislative Assembly	165



# Introduction by the Auditor General

I am pleased to present my *Report of the Auditor General—November 2022*. The information you will find in this report includes highlights of our audit of the *2021-2022 Consolidated Financial Statements of the Province of Alberta*, the results of our COVID-19 audit work that is ready to share with Albertans, our *Summary of the 2021 Financial Audit Results of School Jurisdictions in Alberta*, and a summary of the recommendations we have made to government since November 2021.

## ***2021-2022 Consolidated Financial Statements of the Province of Alberta***

We are pleased to share with Albertans that we issued an unqualified (clean) audit opinion on the Province's Consolidated Financial Statements for the year ended March 31, 2022. This means Albertans can be confident we concluded, based on obtaining sufficient appropriate audit evidence, that the financial statements of the province are free of material misstatements and are presented fairly in accordance with Public Sector Accounting Standards.

Our audit of the *2021-2022 Consolidated Financial 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:

- Alberta Petroleum Marketing Commission's purchase of a 50 per cent interest in the North West Redwater Partnership, and the related processing agreements
- Environmental liabilities related to contaminated sites, highway maintenance yards, sand and gravel pits, and the Swan Hills treatment plant
- The electricity rebate to Albertan's utility rate payers
- COVID-19 response costs and programs

Our findings and conclusions on the above risks are outlined in the Key Audit Matters section of the report (see page 14). We found adequate financial reporting and internal control processes over these key risks and did not find any significant misstatements requiring adjustments.

# Our COVID-19 Performance Audit Work

The COVID-19 pandemic created risks to the government which required the government to respond with very time-sensitive and often temporary one-time programs to assist Albertans. It is because of this unique environment that we examined some of those one-time programs in greater detail.

The delivery of any government program is challenging and requires careful design, delivery, monitoring and reporting on results achieved. This task becomes even more difficult during a crisis. We acknowledge the extraordinary efforts of public servants in executing these COVID-19 programs.

Our findings speak to the importance of reporting on program results regardless of circumstances and serve as learnings for government in the design of future benefit programs, particularly during a crisis.

Our Office took a three-step approach to look at the provincial government's COVID-19 response:

1. From a financial perspective, we audited COVID-19 program transactions during 2020-2021 and 2021-2022 as part of the audit of the Province's Consolidated Financial Statements.
2. From a corporate accountability perspective, we looked to the 2020-2021 ministry annual reports to see how well the government reported on the results of its COVID-19 programs during the first complete fiscal year that the pandemic was in progress in Alberta. This work was released earlier this year in our *Fiscal 2021 Annual Reporting of COVID-19 Initiatives* report.
3. From a program effectiveness perspective, we conducted separate performance audits at the departments who delivered the largest COVID-19 response programs during 2020-2021 and 2021-2022. For each program, we audited the effectiveness of the department's processes to design, deliver, monitor, and report. The results of the work completed are included within the respective ministry summaries in this report and include the following programs:
  - Small and Medium Enterprise Relaunch Grant Program (\$670 million) (Alberta Jobs, Economy and Innovation)—see page 87
  - Municipal Operating Support Transfer (\$606 million) and Municipal Stimulus Program (\$500 million) COVID-19 Response Programs (Alberta Municipal Affairs)—see page 113
  - COVID-19 Capital Stimulus Initiative (\$2 billion) (Alberta Treasury Board and Finance)—see page 135

## Summary of our findings and conclusions

Albertans can be confident that COVID-19 funding was provided quickly in this unprecedented time of need. Overall, our audit findings demonstrate that these departments had processes to design, deliver and monitor these COVID-19 programs. Having said this, we did note areas for improvement relating to post-payment eligibility verification and reporting on results to Albertans.



## Post-payment eligibility verification

We found in our audit of the Small and Medium Enterprise Relaunch Grant program, Alberta Jobs, Economy and Innovation cannot conclude the majority of program recipients were eligible for the program. We report our findings on page 87.

Similarly, we noted in our March 2022 report *Delivery of the COVID-19 Emergency Isolation Support Program (EIS)*, Alberta Labour and Immigration was unable to conclude on EIS benefit recipient eligibility. We stated in our March 2022 report we would examine the results of the department's completed post-payment eligibility verification process and any program results analysis reporting in the 2021-22 Labour and Immigration annual report. We report our findings on page 108.

## Reporting on results

Our work resulted in findings regarding the lack of reporting on the results achieved by these COVID-19 programs in ministry annual reports—see pages 87, 113 and 135.

## Future COVID-19 Audit Work

Our Office is completing additional performance audit work relating to COVID-19 which we will release in the coming months.

## ***Summary of the 2021 Financial Audit Results of School Jurisdictions in Alberta***

Our *Summary of 2021 Financial Audit Results of School Jurisdictions in Alberta* report (see page 45) 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 Auditor General Act. The purpose of our summary of the financial information and recommendations made to school jurisdictions is to identify trends across the sector.

This report also includes commentary on the \$262.8 million COVID-19 Safe Return to Class Program Spending (see page 51). The department verified through financial reporting and monitoring processes that school jurisdictions spent 70 per cent of the program funding on eligible expenditures such as: salary and benefits for teachers and staff to support at home/online learning; enhanced learning; substitute teacher coverage; and health and safety training. Cleaning supplies, disinfection and additional custodial services made up a further 21 per cent of eligible expenditures (see page 52).

## Summary of Recommendations

We start our report with a Summary of Recommendations (see page 5) showing which recommendations are new, implemented, still outstanding, and ready for assessment, by ministry, including their respective reporting entities. There are 110 outstanding recommendations. I am pleased to highlight that 22 of our previous recommendations have been implemented. We have made 16 new recommendations since the release of our November 2021 report.

Implementation of recommendations 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 the status and eventually assess the implementation of recommendations we make to those we audit. Our monitoring of outstanding recommendations helps to ensure they are acted on. It also assists the Standing Committee on Public Accounts in delivering on its mandate to review the reports of my Office and the public accounts of the province.

## Acknowledgments

Despite the unprecedented challenges of COVID-19, my Office continued to deliver on our mandate to improve performance and promote accountability within government. The high quality of our audit work is a direct reflection of the continued cooperation of those in oversight and management roles in the organizations we audit. Thank you for your willingness to work with my Office on matters of public interest.

I also want to recognize the ongoing efforts and commitment of the members of the Public Accounts Committee for assisting government in having our work and recommendations acted upon.

To my staff, I am privileged to work alongside each of you. My sincerest appreciation for your outstanding efforts and commitment to provide assurance to the people of Alberta that public money is properly accounted for and provides value.

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

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

# Summary of Recommendations

The following table is a summary of our recommendations by ministry, including their respective reporting entities, and their status. The new, implemented and repeated columns include recommendations reported in this report as well those reported separately since the release of our November 2021 report. On October 21, 2022, the government announced a new ministry structure that resulted in changes to ministry names and responsibilities that are not reflected in the ministry list below. These changes will be reflected in subsequent reports.

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 currently 110 recommendations, which includes 94 outstanding recommendations and 16 new recommendations. Since our 2021 November report, we assessed 22 recommendations as implemented.

Ministry	Total	New	Implemented <sup>1</sup>	Repeated	Outstanding Recommendations			
					Ready for Assessment	Not Ready for Assessment	> 3 Years	< 3 Years
Alberta Advanced Education	16	1	1	0	8	8	4	12
Alberta Agriculture, Forestry and Rural Economic Development	1	0	1	0	0	1	0	1
Alberta Children's Services	4	0	0	0	2	2	4	0
Alberta Community and Social Services	7	3	0	0	0	7	2	5
Alberta Culture and Status of Women	0	0	0	0	0	0	0	0
Alberta Education <sup>2</sup>	3	0	0	0	0	3	3	0
Alberta Energy	6	1	4	0	4	2	4	2
Alberta Environment and Parks	17	3	0	0	5	12	9	8
Alberta Health	20	1	5	0	15	5	16	4
Alberta Indigenous Relations	1	1	0	0	0	1	0	1
Alberta Infrastructure	6	4	0	0	2	4	0	6
Alberta Jobs, Economy and Innovation	4	1	2	0	0	4	0	4
Alberta Justice and Solicitor General	5	0	4	1	3	2	2	3
Alberta Labour and Immigration	1	1	1	0	0	1	0	1
Alberta Municipal Affairs	3	0	0	0	0	3	1	2
Alberta Seniors and Housing	0	0	0	0	0	0	0	0
Alberta Transportation	2	0	0	0	0	2	0	2
Alberta Treasury Board and Finance	10	0	4	0	8	2	6	4
Service Alberta	4	0	0	0	0	4	3	1
Executive Council	0	0	0	0	0	0	0	0
Offices of the Legislative Assembly	0	0	0	0	0	0	0	0
<b>Total</b>	<b>110</b>	<b>16</b>	<b>22</b>	<b>1</b>	<b>47</b>	<b>63</b>	<b>54</b>	<b>56</b>

<sup>1</sup> Recommendations reported as implemented or changed circumstance.

<sup>2</sup> The number for Education includes two recommendations made to the Northland School Division.



# 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.





# 2021-2022 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 purchase of a 50 per cent partnership interest in the Northwest Redwater Partnership and the related processing agreements, environmental liabilities, the electricity rebates and COVID-19 and related recovery plan programs.

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 2021–2022 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 the province. It includes the financial results of departments; regulated funds; agencies, boards and commissions; the legislative assembly and offices of the legislature; 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 2021–2022, and its financial position at March 31, 2022.

The Office of the Controller is responsible for preparing the 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, 2022. They show how much revenue the government recognized, and the sources and degree of uncertainty in estimating some of those revenues. 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 2021-2022* includes a *Budget 2021 Key Results* section that supplements the financial statements. The government also publishes the *2022 Final Results—Year-end Report*<sup>3</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.

---

<sup>3</sup> <https://open.alberta.ca/dataset/9c81a5a7-cdf1-49ad-a923-d1ecb42944e4/resource/bdda9ccd-6900-41e2-a70b-2b35a5c99590/download/2021-22-final-results-year-end-report.pdf>

# Audit Opinion on 2021-2022 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 public sector accounting standards (PSAS).

On June 16, 2022, we issued an unqualified (clean) audit opinion on the Province's Consolidated Financial Statements for the year ended March 31, 2022. A clean audit opinion means that we concluded, based on obtaining sufficient 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 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 *2021–2022 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:

- Alberta Petroleum Marketing Commission's purchase of a 50 per cent interest in the North West Redwater Partnership, and the related processing agreements
- Environmental liabilities related to contaminated sites, highway maintenance yards, sand and gravel pits, and the Swan Hills treatment plant
- The electricity rebate to Alberta's utility rate payers
- COVID-19 response costs and programs

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.

## Investment in the North West Redwater Partnership

### Overview of Risk

The Alberta Petroleum Marketing Commission (APMC) purchased from North West Upgrading (NWU) LP, a 50 per cent limited partnership interest in the NWRP on June 30, 2021. Several transactions and events occurred as part of this acquisition, including amending certain terms of, and extending the processing agreements by 10 years to 2058. While APMC has a 50 per cent interest in NWRP, APMC remains responsible to supply 75 per cent of bitumen, pay 75 per cent of the monthly cost of service toll and share 75 per cent of the revenue from the sale of refined products.

Accounting for the transactions related to the acquisition required significant judgements. This included determining:

- the nature of the arrangement with NWRP
- the fair value of the assets and liabilities assumed as part of the acquisition
- what payments and future payments are considered part of the purchase consideration
- any goodwill
- whether to continue to assess if the processing agreements are an onerous contract and if so, ensuring the financial model is updated to reflect all the amendments in the new processing agreements

Under International Financial Reporting Standards, APMC prepares a financial model to measure whether the net present value (NPV) of the unavoidable future costs of its obligations under the processing and partnership agreements with NWRP exceed the NPV of the future economic benefits expected to be received (that is, the contract is onerous).

## What We Examined

With the assistance of experts, we reviewed the agreements and management's position paper, and assessed the:

- appropriateness of the classification of the arrangement as a joint venture
- substance of the various transactions that were completed as part of the purchase of the partnership interest and verified that APMC appropriately accounted for these transactions
- fair values of the assets and liabilities assumed at June 30, 2021
- completeness and reasonableness of amounts included as part of the purchase consideration, including any resulting goodwill

At year-end, we:

- reviewed the audit work of the NWRP auditor and performed the necessary procedures in order to rely on their audit opinion of the NWRP's December 31, 2021 financial statements, the specified procedures related to transactions between December 31st and March 31st and inventory counts at March 31, 2022
- verified the NWRP balances that were recorded in APMC's books at March 31, 2022
- audited management's valuation of its investment in NWRP at March 31, 2022, including assessment of any impairment to property, plant and equipment and goodwill

We audited management's financial model and the key assumptions used to estimate the net present value of the processing agreements by:

- verifying the financial model appropriately reflected the terms and conditions of the amended processing agreements
- verifying and assessing the support and reasonability of the assumptions
- testing the sensitivity of assumptions on the model
- verifying the mathematical accuracy of the model
- reviewing management's overall process, including board oversight, to review, approve and appropriately support the rationale for the financial model, assumptions and any changes to the model and assumptions

## What We Found

We were satisfied that APMC appropriately:

- classified the arrangement as a joint venture and recorded its 50 per cent interest in NWRP
- valued the assets and liabilities assumed, the goodwill and the purchase consideration
- accounted for the optimization transaction, and estimated the onerous contract provision
- disclosed the purchase of the partnership interest, the related transactions and events, the contractual obligations related to the processing agreements and the onerous contract provision

## Context

Schedule 8 to the Province's Consolidated Financial Statements discloses information about APMC's investment in NWRP, the contractual obligations and onerous contract provision related to the processing agreements. APMC's Consolidated Financial Statements<sup>4</sup> includes more comprehensive disclosures about the significant judgements, accounting policies, the purchase of the partnership interest and the onerous contract provision.

### Province's previous relationship with NWRP

CNR (Redwater) Limited (a wholly owned subsidiary of Canadian Natural Resources Limited (CNRL)) and North West Upgrading LP (NWU), formed NWRP in 2011. NWRP attained the financing to construct the Sturgeon refinery, and continues to own and operate it. The Sturgeon refinery can process 50,000 barrels per day of bitumen from Alberta's oilsands into higher value refined products.

Under the original 30-year processing agreements signed in 2014, APMC provides 75 per cent of the bitumen, receives 75 per cent of the proceeds from refined product sales, and pays 75 per cent of the monthly cost of service toll. This toll includes the unconditional obligation for APMC to pay 75 per cent of NWRP debt and debt servicing costs.

### Optimization transaction

On June 30, 2021, APMC purchased NWU's 50 per cent partnership interest in NWRP to improve the economic benefits Albertans will receive from the Sturgeon refinery and to participate in NWRP's oversight and governance of the refinery operations.

Several key transactions occurred as part of this acquisition:

- The processing agreements were amended to extend the term by 10 years to 2058 and eliminated the return of equity and return on equity components from the cost of service tolls.
- Prior to the closing of the optimization transaction, NWRP restructured its obligations by attaining lower cost debt, repaying higher cost subordinated debt owing to APMC and CNRL, extending overall debt repayment terms, eliminating the equity tolls component, and distributing \$840 million to CNRL and NWU LP. NWRP will pay a royalty to NWU LP over 40 years for technology to capture CO<sub>2</sub>.

APMC continues to be required to provide 75 per cent of the bitumen, and pay 75 per cent of the monthly cost of service toll, and be eligible to receive 75 of the refined product sales revenues. APMC also continues to be unconditionally obligated to repay 75 per cent of NWRP's debt through the monthly debt tolls over 40 years. At March 31, 2022, NWRP's debt was \$11.2 billion.

Note 6 of the APMC Consolidated Financial Statement for the year ended March 31, 2022 provides the details of the optimization transaction, including the summarized balance sheet of NWRP and net investment carrying amount. APMC concluded the arrangement is a joint venture and would account for its investment using the equity method.

<sup>4</sup> <https://open.alberta.ca/dataset/cbd7147b-d304-4e3e-af28-78970c71232c/resource/fd81b900-5a31-4124-937f-0c7bcb23cebb/download/energy-annual-report-2021-2022.pdf>

## Onerous contract assessment

APMC determined that the contract was onerous by \$350 million at March 31, 2022, recognizing a reversal of \$2.1 billion for the provision in the income statement for the year ended March 31, 2022. This improvement to the onerous contract provision mainly relates to the restructuring of NWRP's debt, removing the equity tolls from the processing agreements, changes to the West Texas Intermediate (WTI) - Western Canadian Select (WCS) differential, USD/CAD foreign exchange rates and additional cashflows that APMC will receive related to greenhouse gas credits as a partner of NWRP.

The assumptions underlying the financial model, used to measure the onerous contract, are inherently complex and subject to significant variability and future uncertainty. These assumptions include forecasted crude oil prices, heavy and light differentials, ultra low sulphur diesel premium to WTI, foreign exchange rates, capital and operating costs, interest rates, and discount rates, as well as the operating performance of the refinery compared to its capacity.

Notes 3(l), 4(e) and 23 of the APMC consolidated financial statements for the year ended March 31, 2022 provide further details on the onerous contract provision, including the underlying assumptions and related sensitivity analysis of the financial model.

## Environmental Liabilities

### Overview of Risk

At March 31, 2022, the Province's Consolidated Financial Statements included \$332 million (2020 - \$284 million) for environmental liabilities. This includes:

- \$185 million related to the future remediation and reclamation costs for the Swan Hills treatment plant
- \$85 million related to Alberta Transportation's highway maintenance yards and sand and gravel pits
- \$62 million related to contaminated sites across various entities

This represents future funding required to comply with environmental legislation. Accounting for environmental liabilities is complex and requires significant judgements about what work is required under environmental legislation to protect people and the environment and who is responsible to do that work.

Under environmental legislation, the province is responsible to clean up contamination on sites that it owns and operates. The government has also accepted responsibility to clean up contamination on some orphan sites created by industrial activity over the last century before and after current environmental laws and standards existed. There are also sites across various industries (such as coal mines and wood treatment) 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.

## What We Examined

Where the province recorded environmental liabilities in the Province's Consolidated Financial Statements, we audited those liabilities by reviewing engineering reports and assessing and verifying if management's estimates and assumptions are reasonable.

We also audited a sample of sites across various entities where management concluded that the accounting criteria for recording a liability are not met at this time and that note disclosure is appropriate.

We also evaluated whether the disclosures sufficiently describe the environmental liabilities the province recorded and those situations where the province did not record a liability.

## What We Found

We conclude that management's estimates of environmental liabilities in the Province's Consolidated Financial Statements are reasonable and comply with public sector accounting standards.

## Context

Public Sector Accounting Standards<sup>5</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 where the government accepted responsibility to manage, remediate and reclaim the site. This provides decision makers with information about the future funding required to comply with environmental legislation.

Accounting for environmental liabilities is complex and requires significant judgements and reliance on specialists. The most complex areas are determining:

- what work is required under environmental legislation based on the nature and extent of contamination and threats this pose to people and the environment
- who is responsible to complete the work especially when private operators no longer exist to complete the work

Environmental legislation and standards set out the requirements to remediate and reclaim sites in order to protect people and the environment. 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 when appropriate. As a result, 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 as specialists complete the environmental assessment. PSAS recognize this, and thus requires disclosure of the reasons why the province did not record a liability and that it may need to record a liability in the future.

PSAS also requires the province to disclose details in the financial statements about when the responsible party is unknown. This tells readers of the province's financial statements 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

<sup>5</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.



- a description that the province may record additional environmental liabilities as it completes or update assessments and determines which party is responsible to do the work

Although the disclosures comply with PSAS, we believe that management can further improve the disclosures to provide more comprehensive information about current and potential future environmental liabilities. This includes providing additional information about the total number of sites, the number of sites for which it has recorded and not recorded a liability, the number of sites where the responsible party are still unknown, and the undiscounted value of recorded liabilities. These additional disclosures will provide better information to readers about the risks that the province is exposed to.

## Electricity Rebate

### Overview of Risk

On March 7, 2022, the province announced that it would provide a rebate of \$50 per month to help Alberta's utility rate payers with electricity costs. The *Utility Commodity Rebate Act* and the *Utility Commodity Rebate Regulation* came into force on April 29, 2022 to enable the province to pay these electricity rebates. This required judgements to determine in which period the expense should be recorded and to estimate the liability. Management estimated the program to cost \$296 million using information collected from utility companies about eligible recipients.

### What We Examined

We audited management's recognition of the liability and costs, and the methodology, assumptions and data used to estimate the liability.

### What We Found

We concluded that management's rationale to record a liability at March 31, 2022 is acceptable under PSAS. We also concluded that the estimate of the liability is reasonable.

### Context

On March 7, 2022, the province announced that due to the increasing costs of electricity during January 2022 to March 2022, it would provide a rebate of \$50 per month to help Alberta's utility rate payers with electricity costs. The *Utility Commodity Rebate Act* came into force on April 29, 2022, to enable the province to pay these rebates. The *Utility Rebate Regulation* also came into force on that day and sets out the details of electricity rebate program. The electricity rebate will be paid to ratepayers starting July 2022.

Management concluded that a liability should be recorded at March 31, 2022, since the rebate relates to the higher costs of electricity from January 2022 to March 2022 and the legislation was approved before June 16, 2022 (the date the financial statements were approved). The province estimated that the electricity rebate program would cost \$296 million, based on information obtained from utility providers.

# COVID-19 Response Costs and Programs

## Overview of Risk

The Alberta government continued to implement various programs and publicly announced supports and financial relief to individuals, businesses and organizations. In addition, the federal government also announced various programs and continued to provide funding to the province. Some of the funding had stipulations on its use, affecting when revenue is recognized.

## What We Examined

We:

- performed a range of control and substantive audit procedures related to COVID-19 spending to verify that transactions and events were appropriately accounted
- verified that transactions and events were recorded in the correct period
- examined whether disclosures such as measurement uncertainty and subsequent events appropriately describes the impacts of COVID-19 and related programs
- evaluated management's accounting assessment whether the federal government set stipulations on the use of the funding, and verifying that management appropriately deferred revenue when stipulations were not met or recognize revenue when stipulations were met

## What We Found

We found that entities appropriately accounted for COVID-19 related programs and reflected these in their financial statements. We conclude that COVID-19 related expenses, inventory balances, revenue and deferred revenues were reasonable. We also conclude the disclosures about the number of vaccines that the federal government provided to the province and the vaccines on hand at year-end is reasonable.

## Context

The federal government continued to provide funding to the province for various programs related to COVID-19. 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 revenues until it met the stipulations, at which time the province would recognize the revenues. For example, the federal government provided \$1 billion in 2020-2021 for the site rehabilitation program to remediate and reclaim inactive wells. At March 31, 2021, the province had spent \$128 million, while the province recorded the remaining \$872 million as deferred revenue since the province has not yet met the stipulations at March 31, 2021. During 2022, the province spent an additional \$300 million and thus recognized the \$300 million of deferred revenue into revenue in 2022. The remaining \$572 million in deferred revenues will be recorded as revenue in future years when the government incurs additional eligible expenses under the program.

In addition, 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. Management disclosed in note 1 of the financial statements the number of vaccine doses the federal government provided during the year and the number of doses in inventory at March 31, 2022.

The province also 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 the some of the significant programs that we audited.

Program	Expenses Recognized in 2021-2022
Site Rehabilitation program	\$300 million
Relief for Shortfalls for Transit Operators (RESTOR)	\$159 million
Alberta Jobs Now	\$158 million
Small and Medium Enterprise Relaunch Grant	\$122 million





## Ministry Audits and Recommendations



# Alberta Advanced Education

## Status of Recommendations

as of November 2022

- 1** New Recommendation
- 1** Implemented Recommendation
- 16** Outstanding Recommendations
  - **8** Ready for Assessment
  - **8** Not Ready for Assessment
- 4** Outstanding Recommendations Older than Three Years

## Post-secondary Institutions Report Card<sup>6</sup>

We will report separately on the results of our 2021-22 audits of 20 public post-secondary institutions and will update our annual Report Card on post-secondary institutions' financial reporting processes and controls when those audits are complete.

In our Report on Post-secondary Institutions (February 2022), we issued one new recommendation to a post-secondary institution. One outstanding recommendation was implemented.

<sup>6</sup> See also Report on the *Post-secondary Institutions 2021—February 2022*.

# Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b></p> <p>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, Financial Statement Auditing, p. 40</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b></p> <p>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>Repeated October 2017, Performance Auditing, p. 37</p> <p>&gt; Originally reported July 2013, no. 6, p. 48</p>	<p><b>Not Ready for Assessment</b></p>
<p><b>DEPARTMENT</b></p> <p>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>Repeated October 2017, Performance Auditing, p. 40</p> <p>&gt; Originally reported July 2013, no. 7, p. 51</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>

Recommendation	When	Status
<p><b>ALBERTA UNIVERSITY OF THE ARTS</b> REPORT ON POST-SECONDARY INSTITUTIONS:</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>	December 2019, p. 7	<b>Not Ready for Assessment</b>
<p><b>KEYANO COLLEGE</b> REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p><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>	December 2019, p. 7	<b>Ready for Assessment</b>
<p><b>LAKELAND COLLEGE</b> REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p><b>Improve user access controls</b></p> <p>We recommend that Lakeland College improve its process to promptly remove terminated employees' access to its network and Enterprise Resource Planning (ERP) system.</p>	February 2022, p.7	<b>NEW</b>
<p><b>LAKELAND COLLEGE</b> REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p><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>	December 2019, p. 7	<b>Ready for Assessment</b>
<p><b>MEDICINE HAT COLLEGE</b> REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p><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>	March 2021, p. 7	<b>Ready for Assessment</b>
<p><b>MEDICINE HAT COLLEGE</b> REPORT ON POST-SECONDARY INSTITUTIONS:</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>

Recommendation	When	Status
<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>Ready for Assessment</b>
<p><b>NORTHWESTERN POLYTECHNIC</b> REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p><b>Internal control over information technology environment</b></p> <p>We recommend that Northwestern Polytechnic consistently enforce its IT policies which set out internal controls to protect its IT systems, applications and data.</p>	December 2019, p. 9	<b>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> REPORT ON POST-SECONDARY INSTITUTIONS:</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> REPORT ON POST-SECONDARY INSTITUTIONS:</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>Ready for Assessment</b>



# Alberta Agriculture, Forestry and Rural Economic Development

We issued an unqualified independent auditor's report on the 2021–2022 financial statements for the Agriculture Financial Services Corporation (AFSC).

## Status of Recommendations

as of November 2022

- 0 New Recommendations
- 1 Implemented Recommendation
- 1 Outstanding Recommendation
  - 0 Ready for Assessment
  - 1 Not Ready for Assessment
- 0 Outstanding Recommendations Older Than Three Year

The department has implemented one outstanding recommendation to improve processes for estimating timber revenues at fiscal year-end—see below.

## IMPLEMENTED Recommendation

### Department

#### Timber Revenues Estimation Process

##### IMPLEMENTED Recommendation:

Improve processes for estimating timber revenues at fiscal year-end

**Original:** *Report of the Auditor General of Alberta—November 2021*, page 48

We recommend that the Department of Agriculture, Forestry and Rural Economic Development improve its processes for estimating timber dues at year-end to ensure accurate timber royalties and fees revenue.

## Context

In 2021, the department used the historical average of timber dues to estimate expected royalties and fees not yet reported by the disposition holders. This method did not reflect significant changes in underlying variables, such as current market pricing. Additionally, the department did not complete reasonability checks as part of their process. This resulted in an understatement of timber royalties and fees by approximately \$93 million.

## Our current findings

The department has implemented our recommendation to improve its process for estimating unreported timber royalties and fees at fiscal year-end by implementing a new quarterly process. It involves the following key steps. The department:

- 1) switched from using the simple average revenues reported to using more refined data from the Forest Revenue Scaling and Tenure System to determine the weighted average dues rate by product and average production volumes of each product. Weighted average dues rates enabled the department to reflect variability of product rates more accurately.
  - 2) improved collaboration between the Financial Services Division and Forestry Division teams and regular review of initial estimate calculations. This enables evaluation of the reasonability of the accrual and allows for adjustments based on the knowledge of current trends not reflected in historical data.
  - 3) implemented procedures to review results, assess reasonability and review the process. This involves, review of the accrued amount recorded in comparison to period end subsequent production reports and regular evaluations of the effectiveness of the process.
-

## Outstanding Recommendations as of November 2022

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>Not Ready for Assessment</b></p>





# Alberta Children's Services

## Status of Recommendations

as of November 2022

---

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

## Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> USER ACCESS CONTROL:</p> <p><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>	Not Ready for Assessment
<p><b>DEPARTMENT</b> SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:</p> <p><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>	July 2016, no. 1, p. 13	Not Ready for Assessment
<p><b>DEPARTMENT</b> SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:</p> <p><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>	July 2016, no. 2, p. 17	Ready for Assessment
<p><b>DEPARTMENT</b> SYSTEMS TO DELIVER CHILD AND FAMILY SERVICES TO INDIGENOUS CHILDREN IN ALBERTA:</p> <p><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>	July 2016, no. 3, p. 24	Ready for Assessment

# Alberta Community and Social Services

## Status of Recommendations

as of November 2022

---

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

In our report on *Family Support for Children with Disabilities* (May 2022), we issued three new recommendations to the department.

## Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> FAMILY SUPPORT FOR CHILDREN WITH DISABILITIES:</p> <p><b>Review and update guides to increase consistency</b></p> <p>We recommend the Department of Community and Social Services review and update its guides to promote clarity and increase consistency when staff use judgment to assess needs and complete support planning.</p>	May 2022, p. 6	<b>NEW</b>
<p><b>DEPARTMENT</b> FAMILY SUPPORT FOR CHILDREN WITH DISABILITIES:</p> <p><b>Further develop training processes to ensure staff have the necessary skills and knowledge</b></p> <p>We recommend the Department of Community and Social Services further develop the program training and oversight processes to ensure staff obtain the necessary skills and knowledge to complete the assessment of needs and support planning consistently.</p>	May 2022, p. 8	<b>NEW</b>
<p><b>DEPARTMENT</b> FAMILY SUPPORT FOR CHILDREN WITH DISABILITIES:</p> <p><b>Increase consistency through effective oversight of caseworkers</b></p> <p>We recommend the Department of Community and Social Services improve caseworker oversight processes to increase the consistency of the assessment of needs and support planning process.</p>	May 2022, p. 10	<b>NEW</b>
<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>› Originally reported October 2016, no. 6, p. 3</p>	<b>Not Ready for Assessment</b>

Recommendation	When	Status
<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

We issued an unqualified independent auditor's report on the 2021–2022 financial statements for the Alberta Foundation for the Arts.

## Status of Recommendations

as of November 2022

---

- 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

We issued an unqualified independent auditor's report on the 2021-2022 financial statements for Alberta School Foundation Fund.

## Status of Recommendations

as of November 2022

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

## 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 2021 financial statements and recommendations from their auditors—see page 45.





**Alberta Education**  
**Summary of 2021**  
**Financial Audit Results**  
**of School Jurisdictions**  
**in Alberta**



# Contents

About this Report .....	48
Summary of Findings .....	49
Financial Statement Audit Opinions .....	49
2021 Financial Information Highlights .....	49
Recommendations by External Auditors .....	53
Summary of Recommendations .....	54



## Related Reports:

- [Education: Summary of school jurisdictions financial results](#)—November 2021
- [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>7</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>8</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>9</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 2021, with comparative information for the two fiscal years prior.

<sup>7</sup> Throughout the document we refer to the “board” or “regional authority” as a school jurisdiction.

<sup>8</sup> *Education Act* Section 138.

<sup>9</sup> The composition of school jurisdictions is unchanged for 2019, 2020 and 2021.

# Summary of Findings

## Financial Statement Audit Opinions

One school jurisdiction received a qualified<sup>10</sup> auditor's opinion on their fiscal 2021 financial statements (2020—two jurisdictions, 2019—one 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. In 2020, another jurisdiction received a qualified auditor's opinion because the auditor was unable to verify the cost of donated land to the jurisdiction.

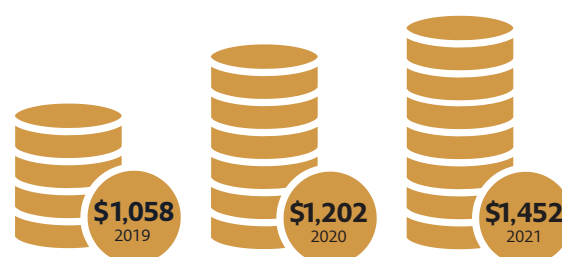
## Selected 2021 Financial Information Highlights<sup>11</sup>

### Cash, cash equivalents, and portfolio investments

The combined total cash, cash equivalents, and portfolio investments in school jurisdictions increased to \$1.452 billion (2020—\$1.202 billion; 2019—\$1.058 billion). The increase was from school jurisdictions receiving additional operating grant funding during the COVID-19 pandemic to deal with operating costs. Many schools jurisdictions had lower costs than originally expected due to less in-person instruction.

## 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 \$8.8 billion (2020—\$8.5 billion; 2019—\$8.3 billion).<sup>12</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, 2021, school jurisdictions funded approximately \$742 million, or eight per cent, of these assets from unrestricted operating surpluses (2020—\$730 million; 2019—\$746 million).

School jurisdictions have also set aside capital reserves of \$249 million for future capital expenses (2020—\$222 million; 2019—\$196 million) that government does not fund to cover the full costs. The \$27 million increase is attributed to 45 school jurisdictions transferring annual operating surplus to capital reserves. \$13 million was similarly transferred by 40 school jurisdictions in 2020. By doing this, these school jurisdictions have re-purposed funding originally intended for student services and programs to the purchase and maintenance of capital assets.

<sup>10</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>11</sup> Detailed financial information can be found in the 2021-22 Annual Report of Alberta Education. School jurisdictions' financial information summary, pp. 121-161.

<sup>12</sup> 2021-22 Annual Report of Alberta Education, page 94—Buildings and construction in progress remained the largest component of tangible capital assets' net book value. As of March 31, 2022, net book value of buildings and construction in progress totaled \$8.5 billion (Annual Report of Alberta Education, page 94), or 95 per cent, of the total tangible capital assets net book value.

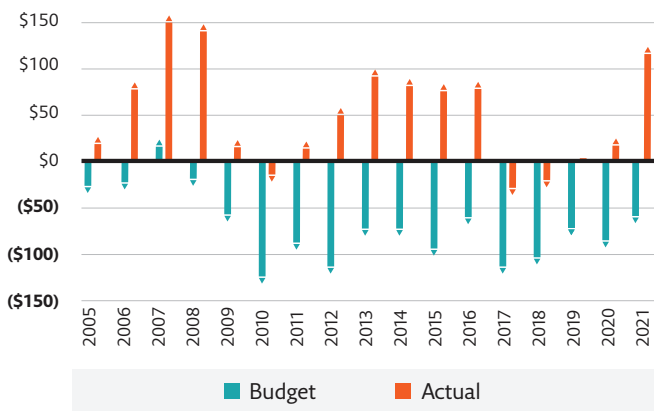
## Annual operating deficits

The number of school jurisdictions that incurred an operating deficit in 2021 was 22 (2020—39; 2019—37). Fifty-four school jurisdictions had budgeted to use their operating reserves to cover a planned current year deficit (2020—59; 2019—54). Instead, many school jurisdictions incurred a surplus due to lower than projected enrollment levels relative to operating grants provided, additional COVID-19 funding being provided, and cost reductions to staff, administration, transportation and external services during periods of on-line learning. School jurisdictions had a combined net annual operating surplus of \$120 million (2020—\$17 million surplus; 2019—\$2 million surplus) compared to the budgeted deficit of \$65 million (2020—\$85 million deficit; 2019—deficit of \$73 million).

As in prior years, we continue to observe a trend of significant variability between school jurisdictions' budgeted and actual operating results. Over the past 17 years, school jurisdictions incurred a total net operating surplus of \$0.9 billion compared to the total budgeted deficit of \$1.2 billion. This year the department introduced operating funding based on a school jurisdiction's three-year weighted moving average student enrollment. The department expects this method will improve school jurisdiction enrollment and revenue estimation processes and reduce the variability between school jurisdictions' budgeted and actual operating results. However, results may not be noticed in the short term due to additional funding provided to school jurisdictions to respond to costs from the COVID-19 pandemic.

## Total Net Operating Surplus (Deficit) by Year

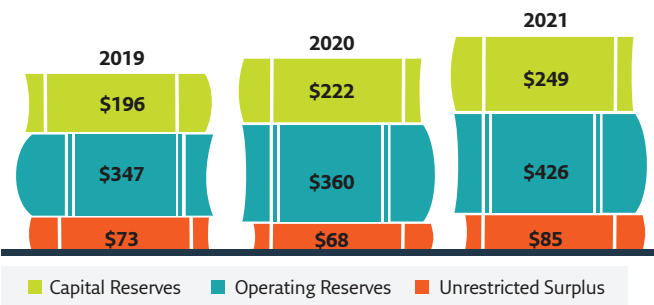
(in millions)



## Accumulated reserves and deficits from operations

The combined accumulated unrestricted operating surplus and operating reserves<sup>13</sup> increased to \$511 million (2020—\$428 million; 2019—\$420 million). This is a direct result of more school jurisdictions reporting an unbudgeted operating surplus for the year. Capital reserves<sup>14</sup> increased to \$249 million (2020—\$222 million; 2019—\$196 million) because some school jurisdictions transferred their unbudgeted operating savings into capital reserves.

## Total Unrestricted Surplus, Operating Reserves and Capital Reserves



<sup>13</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 2021 are \$47 million (2020—\$44 million; 2019—\$56 million).

<sup>14</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.



The introduction of the *Fiscal Measures and Taxation Act (FMTA)* in September 2020 changed how school jurisdictions' reserves are monitored by the department in 2021. Under the FMTA, Minister of Education approval is required by a school jurisdiction on their planned use of accumulated operating reserves to September 1, 2023. Previously, the department examined if a school jurisdiction's reserves were within one to five per cent of the jurisdiction's total operating expenses. In gathering information for the Minister in making a decision on a school jurisdiction's reserve use, the department continues to examine school jurisdictions' accumulated operating reserves as a percentage of the annual operating expenses as well as analyze changes in jurisdictions' revenues and expenses by program.

At the end of the *FMTA* on September 1, 2023, the department plans to introduce a maximum operating reserve limit. Any reserve amounts over the limit, based on the fiscal 2023 audited financial information, will be recovered by the department. It has not been established at this time what the limit will be.

In 2021, 46 school jurisdictions had accumulated operating reserves over five per cent of their annual operating expenditures (2020—39, 2019—39). This increase is consistent with the observation that more school jurisdictions are incurring annual surpluses, thus are unable to use their accumulated operating reserves. The department anticipates that by allowing the flexibility of the Minister's authority to approve spending of reserve funds to September 1, 2023, school jurisdictions will be able to plan their spend of reserves in a responsible manner.<sup>15</sup>

The department continues to require 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.

Four jurisdictions had an accumulated deficit from operations in 2021 (2020—two; 2019—four). Of the four jurisdictions in 2021, one also had a deficit in 2020.

The characteristics of a school jurisdiction may impact their likelihood of incurring a deficit. We observed that of the four jurisdictions in 2021, three were charter schools. No charter schools had an accumulated deficit in 2020. Charter schools may have a higher risk to incur deficits as they do not receive capital funding and therefore must balance the cost of operating

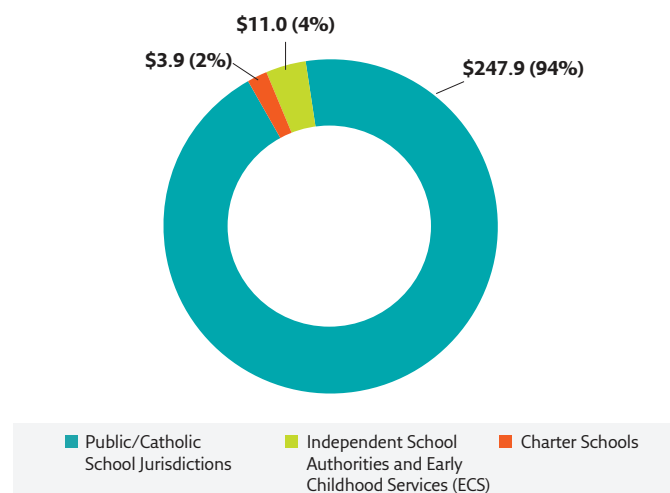
expenditures and facility maintenance. While school boards receive capital and maintenance funding, rural school boards are often challenged with lower enrollment rates (and thus lower funding) but rising operating costs for items including insurance and utilities. The department is monitoring the deficit elimination plans from the four school jurisdictions.

The department added additional information in the ministry 2021–2022 annual report on school jurisdictions' reserve balances related to legislative changes and the department's monitoring process. The department still does not report analyses of the reasonableness of school jurisdictions' financial information as we have highlighted in our annual summary report since 2014.

## COVID-19 Safe Return to Class Program Spending

In August 2020, the federal government announced the Safe Return to Class Fund (SRCF) program to help students and staff members return safely to in-person schooling during the pandemic. Total funds allocated to Alberta were \$262.8 million. The department distributed the funding to all Alberta school jurisdictions, including private schools and early childhood services operators, during the 2020–21 school year. The funding was allocated to each jurisdiction based on the number of students four to 18 years old plus a \$2 million base amount.

### Safe Return to Class Funding Allocation (\$262.8 million)



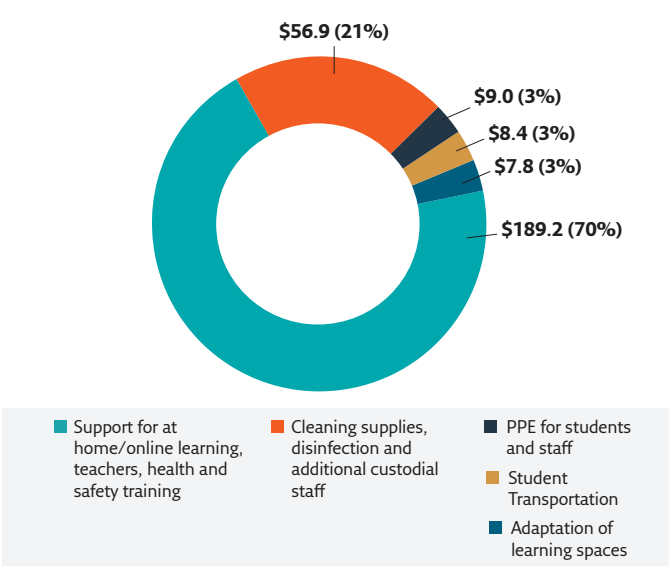
<sup>15</sup> Alberta Education 2020–21 Annual Report, Results analysis, page 18.

School jurisdictions were responsible to spend the funds on COVID-related expenditures best suited to their individual education priorities. These included areas such as:

- additional learning supports (includes staff and substitute costs)
- adaptation of learning spaces
- support for remote learning and teacher training (PD/equipment)
- supports for special needs students (staff and equipment)
- facility alterations (air systems)/utility costs<sup>16</sup>
- transportation (cleaning and routing)
- increased hand sanitation, hygiene, and testing
- additional cleaning supplies and disinfections of common surfaces and transportation environment
- procurement of personal protective equipment for students and staff
- health and safety training for staff

During the 2020-21 school year, school jurisdictions utilized all allocated federal funding. Jurisdictions reported back to the department that 70 per cent of the funding was spent on salary and benefits for teachers and staff to support for at home/online learning, enhanced learning, substitute teacher coverage, health and safety training. Cleaning supplies, disinfection, and additional custodial services made up another 21 per cent of the expenditures.

COVID-19 Expenditures



The department verified that school jurisdictions spent the funding on eligible expenditures by implementing financial reporting and monitoring processes in three phases:

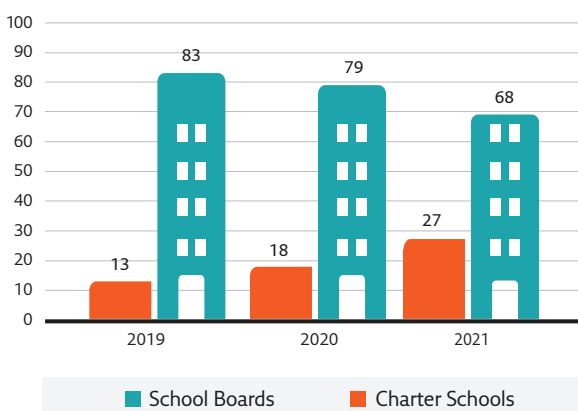
- 1) The federal government provided SRCF in two installments. To receive a second instalment, the department was required to report to the federal government how the funds from the first installment were used. The department collected and analyzed detailed information from all school jurisdictions on how the funds were spent. The department followed up with those jurisdictions that did not plan to spend the full allocation or had unreasonable or unidentified expenses or expense categories.
- 2) The department requested school jurisdictions report SRCF received and spent in a schedule to the jurisdictions' financial statements. Local jurisdiction external auditors examined the accuracy and completeness of the schedule as part of the school jurisdictions' financial statement audit. We observed no findings were reported by external auditors with respect to this schedule.
- 3) The department reconciled the SRCF provided to each jurisdiction to the amount reported in each jurisdiction's financial statements. The department completed this when preparing its ministry financial information for the 2021-2022 consolidated financial statements of the Province of Alberta.

Department management provided us documentation demonstrating the above processes. We did not note any deviations from the processes noted, nor the information obtained from external auditors in the normal course of compiling this report.

<sup>16</sup> Federal government provided additional support to Alberta Education for ventilation improvement projects in the amount of \$13 million in February of 2022. School jurisdictions will report this amount in their August 31, 2022, financial statements.

# Recommendations by External Auditors

## Total Number of Recommendations



Ninety-five recommendations were issued to school jurisdictions, a slight decrease to the number issued in the prior year (2020-96; 2019-96). While the total number of recommendations appears to have plateaued over the past three years, the number is half the 188 recommendations that were outstanding 10 years ago. While total recommendations have remained steady for the past three years, recommendations to charter schools continue a trend upward while recommendations at school boards continue to decline. Most of the recommendations issued to charter schools continue to relate to process weaknesses with accounting issues, payroll, development of policies and procedures and review of financial information. The department's monitoring process identified reasons for the upward trend being high turnover of key staff and a lack of adequate documentation and understanding of required processes and controls.

Eight of 16 process areas reported on by auditors had fewer recommendations made than in 2020. School jurisdictions demonstrated the most improvement in processes related to policies and procedures, payroll and personnel and staff management.

Six process areas have more recommendations than 2020. The most significant increases were in the areas of treatment of various accounting issues, timeliness of recording financial information and recording and monitoring of capital assets. Sixty-one per cent of all recommendations are on processes related to the treatment of accounting issues, review and approval of financial information, payroll, purchasing and policies and procedures.

Auditors repeated 31 recommendations among 12 jurisdictions, an increase from 2020. Just over 60 per cent of all repeated recommendations were in the areas of cash management, payroll, purchasing and policies and procedures.

The largest number of jurisdictions to receive a recommendation in any one area was 9 out of 74 school jurisdictions, a decrease from 13 in 2020 and 10 in 2019. As a result, auditors assessed at least 88 per cent of school jurisdictions have adequate controls in each of the specific process areas.

Auditors for 44 school jurisdictions (36 school boards and 8 charter schools) did not report any findings and recommendations to management (2020—44; 2019—38).

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, 2021, and August 31, 2020.

The findings are grouped into three categories:

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

# Summary of Recommendations



decrease in number of recommendations



increase in number of recommendations

## Financial reporting and oversight recommendations

### TREND

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

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

**2021 2020 2021 2020**



**Accounting issues**—improve accounting treatment in areas including capitalization of expenses, liability recognition, revenue recognition, and leases.

8(0) 3 13(0) 3

**Board information**—improve board receipt of timely financial information to maintain and strengthen overall stewardship.

1(1) 1 1(1) 1



**Review of financial information**—improve the review and approval of financial information such as bank reconciliations, journal entries, monthly financial statements, and variances between budget and actual expenditures.

8(2) 9 12(3) 14



**Timeliness of recording financial information**—improve accurate recording of accounting transactions for capital assets and capital grant expenditures, accruals and receivables, and prompt preparation of financial statements.

4(0) 2 5(0) 2



**Personnel and staff shortages**—improve succession plans or cross-training for key financial positions or review the allocation of staff resources in the accounting function.

0(0) 2 0(0) 3



**Budgeting**—improve preparation and review of budgeted revenues and expenditures using appropriate assumptions

1(0) 0 2(0) 0

## Internal control weaknesses recommendations

### TREND

		Number of jurisdictions (repeated from prior year)		Recommendations made (repeated from prior year)	
		2021	2020	2021	2020
	<b>Cash management</b> —improve cash management processes and controls.	6(4)	6	7(5)	8
	<b>Capital assets</b> —improve the recording and monitoring of capital assets.	6(1)	6	9(3)	6
	<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.	0(0)	2	0(0)	2
	<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.	4(3)	9	10(5)	13
	<b>Policies and procedures</b> —implement, update, or follow formal procedures and policies.	9(4)	13	11(5)	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.	6(2)	7	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.	1(1)	3	1(1)	3
	<b>School-generated funds</b> —improve the processes used to collect, record, spend, and report school-generated funds.	4(1)	3	4(1)	3

## 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)

**2021 2020 2021 2020**

3(2)

4

7(2)

6

1(1)

1

1(1)

2

## Outstanding Recommendations as of November 2022

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>	March 2015, no. 2, p. 23	Not Ready for Assessment
<p><b>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>	March 2015, no. 1, p. 23	Not Ready for Assessment
<p><b>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>	March 2015, no. 3, p. 30	Not Ready for Assessment





# Alberta Energy

We issued unqualified independent auditor's reports on the 2021–2022 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.

## Status of Recommendations

as of November 2022

---

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

In our report on *Site Rehabilitation Program* (March 2022), we issued one new recommendation to the department.

In our *An Examination of the International Centre of Regulatory Excellence Assessment of Implementation* (March 2022), we report that four recommendations to the Alberta Energy Regulator have been implemented.

## Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> SITE REHABILITATION PROGRAM: <b>Formalize risk management process</b></p> <p>We recommend that the Department of Energy formalize its process to identify, analyze and respond to key risks to the SRP.</p>	March 2022, p. 11	<b>NEW</b>
<p><b>ALBERTA ENERGY REGULATOR</b> PROCESSES TO PROVIDE INFORMATION ABOUT GOVERNMENT'S ENVIRONMENTAL LIABILITIES: <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>	June 2021, p. 14	<b>Not Ready for Assessment</b>
<p><b>ALBERTA PETROLEUM MARKETING COMMISSION</b> APMC'S MANAGEMENT OF AGREEMENT TO PROCESS BITUMEN AT THE STURGEON REFINERY: <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 Petroleum 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>	February 2018, Performance Auditing, p. 74	<b>Ready for Assessment</b>

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>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>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>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

We issued an unqualified independent auditor's report on the 2021–2022 financial statements for the Natural Resources Conservation Board, the Land Stewardship Fund, and the Technology Innovation and Emissions Reduction Fund.

## Status of Recommendations

as of November 2022

---

- 3** New Recommendations
- 0** Implemented Recommendations
- 17** Outstanding Recommendations
  - **5** Ready for Assessment
  - **12** Not Ready for Assessment
- 9** Outstanding Recommendations Older than Three Years

In our report on *Pesticide Management* (March 2022), we issued three new recommendations to the department.

## Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> PESTICIDE MANAGEMENT:</p> <p><b>Assess risks and employ compliance monitoring to mitigate them</b></p> <p>We recommend that the Department of Environment and Parks regularly assess risks from non-compliance with pesticide laws and employ compliance monitoring processes to mitigate the identified risks.</p>	March 2022, p. 10	<b>NEW</b>
<p><b>DEPARTMENT</b> PESTICIDE MANAGEMENT:</p> <p><b>Ensure public information is current and accurate</b></p> <p>We recommend that the Department of Environment and Parks ensure that public information on pesticide products and conditions for their use is current and accurate.</p>	March 2022, p. 12	<b>NEW</b>
<p><b>DEPARTMENT</b> PESTICIDE MANAGEMENT:</p> <p><b>Develop performance metrics and evaluate the pesticide program</b></p> <p>We recommend that the Department of Environment and Parks establish performance metrics and regularly evaluate the effectiveness of the pesticide program.</p>	March 2022, p. 13	<b>NEW</b>
<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>	November 2021, p. 88	<b>Not Ready for Assessment</b>

Recommendation	When	Status
<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>	June 2021, p. 14	<b>Not Ready for Assessment</b>
<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>	June 2021, p. 14	<b>Not Ready for Assessment</b>

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>› Repeated October 2015, no. 6, p. 45</p> <p>› Originally reported April 2010, no. 6, p. 71</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>› Originally reported July 2015, no. 2, p. 29</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>› Repeated July 2014, no. 4, p. 51</p> <p>› Originally reported October 2008, no. 40, p. 360</p>	<p><b>Not Ready for Assessment</b></p>



Recommendation	When	Status
<p><b>DEPARTMENT</b> MANAGEMENT OF SAND AND GRAVEL PITS: <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>	November 2019, Followup Audit, p. 16	<b>Not Ready for Assessment</b>
<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>	November 2019, Followup Audit, p. 17	<b>Not Ready for Assessment</b>
<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>	November 2018 Performance Audit Reports, p. 7	<b>Ready for Assessment</b>
<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>	July 2015, no. 1, p. 20	<b>Not Ready for Assessment</b>
<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>	March 2015, no. 10, p. 76	<b>Ready for Assessment</b>

Recommendation	When	Status
<p><b>DEPARTMENT</b> FLOOD MITIGATION SYSTEMS:</p> <p><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>Ready for Assessment</b></p>
<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>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

We issued unqualified independent auditor's reports on the 2021-2022 financial statements for Alberta Health Services (AHS), Carewest, Capital Care Group Inc., Alberta Precision Laboratories, and the Health Quality Council of Alberta.

## Status of Recommendations

as of November 2022

- 1** New Recommendation
- 5** Implemented Recommendations
- 20** Outstanding Recommendations
  - **15** Ready for Assessment
  - **5** Not Ready for Assessment
- 16** Outstanding Recommendations Older than Three Years

We examined the expense claims of the former principal advisor to the then-Health Minister—see below.

In our *Grant Management Processes* (March 2022) report, we issued one new recommendation to the department.

In our *Systems to Manage the Delivery of Addiction and Mental-Health Services Assessment of Implementation* (March 2022), we report that the department has implemented one recommendation and that Alberta Health Services has implemented three recommendations.

In our *AHS Controls Over Expense Claims, Purchasing Card Transactions and Other Travel Expenses Assessment of Implementation* (May 2022), we report that Alberta Health Services has implemented one recommendation.

## Findings

### Department

#### Results of examining expense claims of the former principal advisor to the Minister of Health

After receiving external inquiries regarding expenses incurred by the former principal advisor to the then-Health Minister, we carried out additional procedures as part of our financial statement audit to examine these expenses.

We found that the former principal advisor's expenses were valid travel expenses, but they were not initially disclosed in accordance with the *Public Disclosure of Travel Expenses Policy*.

## Context

Public servants may incur expenses for travel, meals and hospitality on government business. These expenses can be reimbursed if they are eligible under government policies.<sup>17</sup>

When the former principal advisor left the government in late 2020, he submitted a reimbursement claim for \$28,510.23 of expenses incurred throughout the 2020 and 2021 fiscal years. The expenses were accrued as at March 31, 2021 and paid in June 2021.

We obtained supporting information for the expenses from the department and examined the expenses to assess if they were eligible for reimbursement. We also examined whether these expenses were properly disclosed in the Travel Expense Disclosure Table<sup>18</sup> and in the Health Minister's Office Expense Reports<sup>19</sup> to ensure compliance with the *Public Disclosure of Travel Expenses Policy*. Government policy allows individuals to claim expenses up to two years prior.

## Our findings

### Key findings

- Expenses submitted and reimbursed were valid travel expenses.
- While total expenses were recorded and reported, individual expense amounts were not initially disclosed in accordance with the *Public Disclosure of Travel Expenses Policy*.

### Expenses reimbursed were valid travel expenses

Our testing of the former principal advisor's expenses found that they were valid travel expenses under the *Travel, Meals and Hospitality Policy*. We did not find any unusual or extraordinary expenses.

### Total expenses were properly disclosed, but individual expenses were not

The total amount reimbursed to the former principal advisor was included in the Minister's Office expenses disclosure for meals, accommodation, and travel for March 2021. As at the date of our examination in January 2022, none of the expenses were published individually for the former principal advisor contrary to the *Public Disclosure of Travel Expenses Policy*. Rather, these expenses were recorded in the Government of Alberta's Blue Book website, which contain payments for supplies and services but not employee travel expenses. So, the department did not initially comply with the policy.

### Management actions after we finished our work

After we shared our findings with department staff, they updated the public disclosure of expenses website for the former principal advisor to become compliant with the policy.

<sup>17</sup> Travel, Meal and Hospitality Expenses Policy, Public Disclosures of Travel Expenses Policy.

<sup>18</sup> <https://www.alberta.ca/travel-and-expense-disclosure-table.aspx>

<sup>19</sup> <https://open.alberta.ca/dataset/7ea3c0f6-c868-4068-8ea6-14adfb3d8b5f/resource/12c40255-39db-466f-a4b7-9db4256b0324/download/health-minister-office-expenses-2012-05-to-2021-03.pdf>

## Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> GRANT MANAGEMENT PROCESSES:</p> <p><b>Improve grant monitoring processes</b></p> <p>We recommend that the Department of Health improve its grant monitoring processes by:</p> <ul style="list-style-type: none"> <li>improving its grant policy and procedures to ensure monitoring and evaluation requirements are followed and documented</li> <li>establishing timelines for completing the grant evaluation checklist</li> <li>assessing whether third-party assurance should be required on large-dollar-value or high-risk grants</li> </ul>	March 2022, p. 9	<b>NEW</b>
<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>	April 2021, p. 25	<b>Not Ready for Assessment</b>
<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>	October 2017, Performance Auditing, p. 79	<b>Ready for Assessment</b>

Recommendation	When	Status
<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><b>October 2017, Performance Auditing, p. 84</b></p>	<p><b>Ready for Assessment</b></p>
<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>

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><b>September 2014, no. 2, p. 18</b></p>	<p><b>Ready for Assessment</b></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><b>September 2014, no. 5, p. 26</b></p>	<p><b>Ready for Assessment</b></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><b>September 2014, no. 7, p. 32</b></p>	<p><b>Ready for Assessment</b></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:</p> <p><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>	April 2021, p. 29	<b>Not Ready for Assessment</b>
<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>	October 2014, no. 11, p. 84	<b>Ready for Assessment</b>
<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>	October 2014, no. 12, p. 88	<b>Ready for Assessment</b>
<p><b>ALBERTA HEALTH SERVICES</b> CHRONIC DISEASE MANAGEMENT:</p> <p><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>	September 2014, no. 3, p. 18	<b>Ready for Assessment</b>

Recommendation	When	Status
<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>



# Alberta Indigenous Relations

We issued an unqualified independent auditor's report on the 2021–2022 financial statements for the Alberta Indigenous Opportunities Corporation.

## Status of Recommendations

as of November 2022

---

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

In our report on *Indigenous Economic Development* (May 2022), we issued one new recommendation to the department.

# Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b></p> <p>INDIGENOUS ECONOMIC PARTICIPATION:</p> <p><b>Improve performance reporting process</b></p> <p>We recommend that the Department of Indigenous Relations improve its performance reporting process for its programs to achieve increased Indigenous economic participation by:</p> <ul style="list-style-type: none"> <li>• implementing performance measures and targets for all programs</li> <li>• analyzing program performance, including the reporting it receives from funding recipients, to compare to user needs, planned results and program costs</li> <li>• reporting its analysis of program results and achievement of the ministry desired outcome, including lessons learned</li> </ul>	May 2022, p. 14	<b>NEW</b>

# Alberta Infrastructure

## Status of Recommendations

as of November 2022

---

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

In our report on *Procurement Processes* (June 2022), we issued four new recommendations to the department.

## Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> Procurement Processes:</p> <p><b>Improve controls for ensuring compliance with trade agreements</b></p> <p>We recommend the Department of Infrastructure improve its controls to ensure solicitation documents and posting periods comply with trade agreements.</p>	June 2022, p. 11	<b>NEW</b>
<p><b>DEPARTMENT</b> Procurement Processes:</p> <p><b>Improve controls for receiving submissions</b></p> <p>We recommend the Department of Infrastructure ensure its controls for verifying that it receives electronic submissions on or before the procurement close are operating appropriately.</p>	June 2022, p. 13	<b>NEW</b>
<p><b>DEPARTMENT</b> Procurement Processes:</p> <p><b>Improve access controls for procurement information systems</b></p> <p>We recommend the Department of Infrastructure improve its access controls for its procurement information systems.</p>	June 2022, p. 14	<b>NEW</b>
<p><b>DEPARTMENT</b> Procurement Processes:</p> <p><b>Improve submission evaluation controls</b></p> <p>We recommend the Department of Infrastructure improve its controls for:</p> <ul style="list-style-type: none"> <li>• verifying compliance with request for proposal requirements</li> <li>• identifying potential conflicts of interest</li> <li>• ensuring evaluation comments are adequately documented</li> </ul>	June 2022, p. 17	<b>NEW</b>



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>	February 2020, p. 13	<b>Ready for Assessment</b>
<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>	February 2020, p. 14	<b>Ready for Assessment</b>



# Alberta Jobs, Economy and Innovation

We issued unqualified independent auditor's reports on the 2021-2022 financial statements for Alberta Innovates, Alberta Enterprise Corporation, Travel Alberta and Invest Alberta Corporation.

## Status of Recommendations

as of November 2022

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

There is one new recommendation to the department in our audit of the *Small and Medium Enterprise Relaunch Grant Program*—see page 87.

In our *Travel Alberta—Managing the Risks of Cloud Computing Assessment of Implementation* (May 2022), we report that two recommendations have been implemented.





## **Alberta Jobs, Economy and Innovation**

### **Small and Medium Enterprise Relaunch Grant Program**



# Contents

Report Highlights .....	90
About This Audit .....	91
Objective and Scope .....	91
Criteria .....	91
What We Examined .....	92
Conclusion .....	92
Why This Conclusion Matters to Albertans .....	92
Detailed Findings and Recommendations .....	93
Program Design .....	93
Program Delivery .....	95
Program Monitoring .....	96
Program Reporting .....	99
Audit Responsibilities and Quality Assurance Statement .....	100



## Related Reports

- *Municipal Operating Support Transfer and Municipal Stimulus Program—November 2022*
- *COVID-19 Capital Stimulus Initiative—November 2022*
- *Delivery of COVID-19 Emergency Isolation Support Program—March 2022*

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

## SMERG

Announced in June 2020, the Small and Medium Enterprise Relaunch Grant program provides financial assistance to eligible Alberta organizations that faced restrictions or closures from public health orders and lost revenue due to the COVID-19 pandemic. p. 91

As of March 31, 2022, Alberta Jobs, Economy and Innovation spent about **\$670 million on the program**. p. 91



The department had effective systems to design and deliver the SMERG program.

p. 92

Improvements should be made to the monitoring and reporting systems.

p. 92



### We recommend

**the department complete processes to verify the eligibility of approved applicants.** The department cannot currently conclude the majority of program recipients were eligible for the program.

p. 92



# About This Audit

The COVID-19 pandemic caused wide-spread disruption to the provincial and local economies, and for all Albertans. In response, the government quickly developed and delivered various programs to provide financial assistance to those affected. It did this during an unprecedented global health emergency which placed significant limitations and pressures on government financial and human resources.

In June 2020, the Alberta government announced the Small and Medium Enterprise Relaunch Grant (SMERG) program.<sup>20</sup> SMERG provided financial assistance to Alberta organizations (businesses, cooperatives, and non-profit entities) that faced restrictions or closures from public health orders and lost revenue due to the COVID-19 pandemic. The first phase of the program rolled out on June 29, 2020, with two more phases that increased program eligibility in December 2020 and April 2021.

Eligible organizations could use the SMERG funding as they saw fit to help offset the impact of new public health measures or their relaunch costs. For instance, organizations incurred costs in minimizing virus transmission, which could include building physical barriers or buying personal protective equipment and disinfecting supplies.

The Department of Jobs, Economy and Innovation's budget for SMERG was \$575 million for 2020-2021 and \$168 million for 2021-22. As of March 31, 2022, the department spent about \$670 million to help more than 48,000 organizations that collectively employed over 345,000 people.<sup>21</sup>

Eligible organizations received an average of \$18,000 (out of a \$30,000 maximum) from SMERG. The amount was based on their reduced revenue because they had to close or curtail their operations due to the pandemic.<sup>21</sup>

Our findings are important to understand how processes can be improved. These findings serve as learnings for government in the design of future benefit programs. Where process improvement has been identified and can still positively impact the achievement of the program's objective, a recommendation was made.

## Objective and Scope

The objective of our audit was to conclude whether the Department of Jobs, Economy and Innovation had effective systems to design, deliver, monitor and report on the Small and Medium Enterprise Relaunch Grant (SMERG) program for the period of March 1, 2020 to March 31, 2022.

We did not examine management's comprehensive program evaluation, which was not completed at the time of our audit.

## Criteria

The department should have effective systems to:

- design the program to align with the government's strategic objectives and goals
- deliver the program
- monitor the delivery of the program and identify opportunities for improvements
- collect relevant, timely and accurate information to evaluate and report on the financial and non-financial performance of the program

We established our audit criteria based on:

- Government of Alberta (GoA) grants best practices, 2003
- GoA Accountability Framework
- ISO 31000 – Enterprise Risk Management
- Financial Management Manual
- Corporate Accounting Policy – Government Transfers

<sup>20</sup> A business qualifies as small or medium if it has less than 500 employees (full time, part time and contract).

<sup>21</sup> *Annual Report—Jobs, Economy and Innovation—2021-2022*, page 19.

Department management acknowledged the suitability of the audit criteria on April 1, 2022.

## What We Examined

We examined the department's systems to design, deliver, monitor and report on the SMERG program. We:

- examined public documentation and data
- examined policies, procedures, guidelines, training and other relevant documentation
- performed walkthroughs of various key controls
- met with key stakeholders to understand the program and related systems
- performed analytics on data from the grant system and from management
- examined how compliance with program eligibility criteria was monitored and reported, and how identified improvements were implemented

We completed our audit on September 21, 2022.

## Conclusion

Based on our audit criteria, we conclude the department had effective systems to design and deliver the SMERG program. Improvements should be made to monitoring and reporting systems.

We recommend the department complete processes to verify the eligibility of approved applicants. The department designed the program to obtain supporting documentation from applicants to verify their eligibility after receiving benefit payments rather than at the time of application. This approach was reasonable given the desire to get funding to applicants quickly. We found the department has requested support from 1,055 of 101,762 approved applications. The department cannot currently conclude that the majority of recipients were eligible for the program.

We are not making a new recommendation to the department on the reporting as there are outstanding recommendations we have previously reported on the need to improve performance reporting to Albertans in ministry annual reports.



## Why This Conclusion Matters to Albertans

The Small and Medium Enterprise Relaunch Grant was developed to help Alberta organizations that faced restrictions or closures from public health orders and lost revenue due to the COVID-19 pandemic. The government allocated about \$740 million to the program. Albertans deserve to know the government used these funds effectively to promptly support eligible organizations.

# Detailed Findings and Recommendations

## Program Design

### Context

A robust program design process is foundational to the success of a program. This process begins with a needs assessment to:

- understand the current environment and intended recipients
- identify the problem, gap or need
- gather relevant data, and
- determine actions and how to proceed

The program design also requires an approval process for the initial design and later changes.

### Criteria

The department should have effective systems to design the program to align with the government's strategic objectives and goals. It should:

- analyze relevant data and risks to inform the design of the program
- document clear goals, objectives, and requirements
- identify and develop the processes, internal controls, resources, and information systems needed to effectively deliver, monitor and report on the program
- develop relevant internal and external performance measures to evaluate the effectiveness of the program
- obtain required approvals to implement and deliver the program

## Our findings

### Key findings

The department:

- analyzed industry and jurisdictional data to guide program design
- developed guidelines to document the program objective and requirements
- identified key activities and risks to develop processes and controls
- established only one performance measure which did not evaluate the overall effectiveness of the program
- obtained proper approvals for the program

### The department analyzed industry and jurisdictional data to guide program design

To understand the needs of small and medium organizations impacted by the pandemic and to identify current and potential income support gaps, the department:

- reviewed existing and potential provincial and federal programs
- reviewed information from the Canadian Federation of Independent Business and Alberta Chamber of Commerce
- performed jurisdictional scans of similar programs
- performed data analytics on industry statistics

The department used this information in designing the program.

## **The department developed guidelines to document the program objective and requirements**

Department planning documents showed the program used an approach similar to a Saskatchewan program. The department set an initial SMERG benefit payment based on 15 per cent of a business's monthly revenue up to \$5,000. Later phases of the program modified these thresholds as new industry statistics became available.

We examined the June 2020 program guidelines and found the program objective and requirements were clearly documented.

## **The department identified key activities and risks to develop processes and controls**

Based on our examination of the department's documentation, program inputs, outputs, key activities, and outcomes were identified and detailed processes were developed for key activities.

The department created a risk register to identify, evaluate, and manage major risks for the planning, design, implementation and delivery phases of the program. Risks were scored based on impact and probability and risk treatment strategies were developed. Treatment strategies included:

- having experienced staff design, implement and deliver the program
- auto-approving payments for low-risk applications
- implementing system controls to flag applications for manual review
- requiring applicants to attest they met all eligibility criteria
- developing a post-payment review plan
- developing thorough staff training and orientation supported with manuals
- having two separate people perform the manual review
- developing a decision review process for appeals
- developing an application portal for applicants to view the status of their application
- creating a dedicated email address for applicants

Our examination of these strategies confirmed they were implemented except for staff training. Management did not provide staff training and orientation before the program started. Staff delivering the program also helped design it, so they had detailed knowledge of its processes. The department eventually evolved the detailed processes and program guidelines into comprehensive policy and procedure manuals.

## **The department established only one performance measure which did not evaluate the overall effectiveness of the program**

The department established one performance measure: applications would be processed and payments issued within 10 business days<sup>22</sup> following submission (if applicants provided complete and accurate information). However, performance measures were not established for all program desired outcomes. Program outcomes included:

Eligible Alberta businesses, non-profit organizations and cooperatives:

- that requested support are provided with financial assistance (immediate outcome)
- that requested aid are supported and able to reopen (intermediate outcome)
- are recovered (ultimate outcome)

## **The department obtained approvals for the program**

The department provided various documents indicating the Treasury Board Committee approved the budget on June 4, 2020 and the Priorities Implementation Cabinet Committee approved program parameters on June 8, 2020.

To get payments to applicants quickly, the SMERG program required a deviation from the standard grant process of verifying applicant information prior to providing funding. The department received approval to deviate from standard process from the Contracts and Grants Review Committee (CGRC) on July 16, 2020. Based on our review of the CGRC submission, the department indicated audit processes were being finalized to ensure program monitoring is in place for both compliance and outcomes.

<sup>22</sup> For the third phase of the SMERG program the processing time was changed to 14 business days.

# Program Delivery

## Context

For a government program to be effective in achieving its objectives, the department needs processes to ensure intended recipients know about the program and how to apply. Processes include determining what data to collect and retain, monitoring the volume of applications received to ensure approved funding is available, and ending the program early if all approved funding has been distributed.

Organizations must have well-understood application assessment processes to ensure funding approvals are completed consistently and appropriately applied to program eligibility criteria. Results of the assessment process must be completed and communicated to the applicants on a timely basis. Applications assessed as ineligible need to include why the application was denied.

## Criteria

The department should have effective systems to deliver the program. It should:

- clearly communicate the program, eligibility criteria, conditions, and application requirements to potential applicants
- have processes to obtain applications and to evaluate and approve applications consistently against program rules to verify only eligible applicants are provided funding
- disbursed funds in a timely manner according to program requirements

# Our findings

## Key findings

The department:

- developed guidelines to communicate program details to potential applicants
- had an online system to obtain and evaluate applications consistently
- did not always meet their target to disburse funds within 10 business days

## The department developed guidelines to communicate program details to potential applicants

The department created and documented guidelines for the SMERG program. These guidelines clearly set out the terms and conditions of the program, including its objective, key dates and contacts, revenue calculations and assessments, eligibility requirements, how to apply and audit and compliance information. Guidelines were posted on the department's website.

The Government of Alberta also communicated SMERG information via news releases and on its website.

## The department had an online system to obtain and evaluate applications consistently

The department designed automated program application and review processes so funds could reach eligible applicants promptly.

Applicants submitted applications to the department via an online application system. Applicants had to attest their organization met all program eligibility requirements, including organization and revenue information. No supporting information had to be submitted at the time of application.

## Online application system assessments

The department programed several automated controls into the online application system to quickly assess the application. These include incomplete data fields or failure to meet the program criteria for minimum revenue reduction. In addition, all unregistered sole proprietor applications were not automatically processed due to the inability to verify business information through the Alberta corporate registry. If no applicant data issues were identified by the online application system, the application was automatically approved and submitted for payment. A member of the department's finance team reviewed payment information and approved payment.

## Manual review of applications

For applications where the system identified data issues or for applications from an unregistered sole proprietor, the application was manually reviewed. Manual reviews may have required applicants to clarify or provide more information to validate their application before program staff approved it. Approved applications were forwarded for payment.

If the manual review found an applicant was ineligible, the applicant was notified by email.

Program staff performed system implementation and user acceptance testing of the above processes. We examined documentation to verify this testing.

## The department did not always meet their target to disburse funds within 10 business days

Program guidelines indicated applications would be processed and payments issued within 10 business days<sup>23</sup> following submission of complete and accurate applications. We sampled several program status reports and found processing and payment information was not consistently tracked and not all system approved applications were processed and paid within 10 business days.

# Program Monitoring

## Context

Oversight of the approval process is critical to ensure consistency and accuracy. Quick identification of mistakes and discrepancies in the approval process must be corrected and the process promptly adjusted. The department needs consistent processes to receive and respond to complaints and appeals from applicants initially denied.

## Criteria

The department should have effective systems to monitor the delivery of the program and to identify opportunities for improvements. It should:

- provide a level of assurance that payments are valid and paid in accordance with program policy guidelines, procedures and eligibility requirements and identify any payments made in error and determine an appropriate course of action
- identify, evaluate and manage risks, including complaints, during the delivery of the program
- identify opportunities for continuous improvement of the program and systems to deliver the program or similar programs

## Our findings

### Key findings

The department:

- verified the eligibility of 1,055 of 101,762 approved applications. The department cannot currently conclude on program recipients' eligibility.
- identified new program risks and strategies during program delivery
- identified ways to improve and made program changes

<sup>23</sup> For the third phase of the SMERG program the processing time was changed to 14 business days.

## **The department verified the eligibility of 1,055 of 101,762 approved applications. The department cannot currently conclude on program recipients' eligibility.**

The department implemented two sets of controls—system controls and post-payment eligibility verification controls—to identify questionable or missing information in submitted applications, verify eligibility of applicants and confirm payments were valid.

### **System controls**

As noted in the program delivery section, automated system controls were designed to validate specific eligibility requirements on submitted applications and flag anomalies for manual review.

### **Post-payment eligibility verification**

In the design phase of the program, the department identified the deviation from traditional grant practices as a risk. Given the emergency nature of the program and the need to get funds out quickly, the department did not require applicants to provide supporting documentation of eligibility at the time of application. Rather, it would obtain support from a reasonable sample of benefit recipients to verify their eligibility after the issuance of payment.

In December 2021, the department developed a post-payment eligibility verification plan based on a value-for-effort model, which would segregate benefit recipients into a high or low risk category. By doing so, the department could focus a different eligibility verification testing strategy on applications classified as high risk and high dollar value from those low risk and low dollar value.

The department classified 5,462 applications as high risk with a total value of \$48 million (eight per cent of total program benefits paid). The remaining 96,300 applications were categorized as low risk (92 per cent or \$609 million of benefits paid).<sup>24</sup>

The department selected 1,055 high-risk applications for post-payment eligibility verification. At the time of our writing, the department concluded 52 per cent (546/1,055) of the applications selected for post-payment eligibility verification did not fully meet the eligibility criteria because recipients could not provide complete supporting documentation for their eligibility. The assessed ineligible recipients represent a benefit overpay of more than five million dollars.

The department sent letters to these applicants telling them they have 30 days to repay the funds or make other arrangements. Otherwise, the file would be sent to Alberta Crown Debt Collections. At the time of writing, the department has recovered \$562,000.

Management is considering next steps to assess these results.

We found the department has not requested eligibility supporting documentation for applications it categorized as low risk. As a result, the department has no evidence to conclude these applications have adequate documentation to support their program eligibility.

<sup>24</sup> At the time of our audit, approved applications with total benefit payments of approximately \$13 million had not been assessed for risk.



# Payment Eligibility Verifications Completed Based on Assessed Risk

Assessed Risk	Approved Applications	Benefit Payments		Payment Eligibility Verifications Completed	Payments Assessed as Ineligible	
Low risk	96,300	\$609,240,975	92%	0	unknown	
High Risk	5,462	\$48,362,598	8%	1,055	546	52%

Regardless of whether an application is judgmentally assessed as higher or lower risk, all benefit recipients are expected to have documentation to support their eligibility. By not testing both categories of applications, the department is assuming low-risk applications are eligible. One reasonable way to examine these applications would be for the department to apply a statistical sample to request documentation from applicants in the low-risk population. The results could then be extrapolated over the remaining population and analyzed to provide lessons learned for future programs and determine if further action is necessary.

As the lower-risk recipient population represents the majority of the applications received under the program, the department has not adequately completed post-payment eligibility verification processes as would be expected. Management should also complete its eligibility verification process on its high-risk category.

## The department identified new program risks and strategies during program delivery

If a new program risk arose program staff would assess the risk and if significant, the risk was added to the risk register, scored and a treatment strategy was developed. One example was the risk associated with expanding eligibility to include unregistered sole proprietors. To mitigate the risk of not being able to validate corporate information, these applications would require a manual review.

In addition, the department had a dedicated email for inquiries and complaints, and created a Decision Review Team for applicants to appeal decisions. We found 100 of 700 appeals were successful. Management has not done an analysis of why their original decisions were overturned.

## The department identified ways to improve and made program changes

Opportunities for program improvement were identified through tracking of program data, analyses of industry statistics and feedback from stakeholders. The department provided documents to support the following program improvements:

- adding phases to the program to align with new public health orders
- expanding eligibility criteria to include unregistered sole proprietors, and reduce revenue loss percentage
- creating batch approvals to get payments to applicants faster
- eliminating the need for a second reviewer in the third phase of the program based on lessons from the first and second phases

The department is still, at the time of writing this, examining lessons learned to determine which can be applied to future programs.

### RECOMMENDATION: Complete eligibility verification of approved applications

We recommend the Department of Jobs, Economy and Innovation complete processes to verify the eligibility of approved applications.

## Consequences of not taking action

Without completing analysis of both high and low risk applications, the department cannot provide reasonable assurance the majority of program applications were valid and the applicants were eligible. In addition, the department does not have a complete picture of lessons learned that should be considered in designing and delivering future government grant programs.



# Program Reporting

## Context

Evaluating results is fundamental to learning whether the program is working as intended. Reporting and analyzing differences and trends on an ongoing, timely basis enable the department to adjust the program. By understanding why the differences exist, the department has a better chance of achieving the desired results and applying lessons learned to future programs.

Accountability requires reporting results to stakeholders, typically in results analysis in ministry annual reports. Effective reporting of COVID-19 programs and initiatives lets Albertans understand:

- the strategies and initiatives to deal with the pandemic
- how much money was budgeted and spent
- what the government spent the money on and the results

## Criteria

The department should have effective systems to collect relevant, timely and accurate information to evaluate and report on the financial and non-financial performance of the program. The department should:

- compile relevant and accurate program results information
- analyze the results in a timely manner
- report analysis and results on effectiveness of the program to management
- report financial, non-financial and other information, as required, to key stakeholders

## Our findings

### Key findings

The department:

- compiled weekly status reports for management and executive team
- publicly reported program output information. No program effectiveness reporting has been completed to date.

## The department compiled weekly status reports for management and executive team

Program staff extracted statistical data from the grant system and prepared weekly status reports for department management and executive team. Reporting included information on: applications received and organization type, applications by top ten regions and industries, payment processing update and applicant uptake analysis. Management used the reporting to:

- ensure sufficient funds were available based on application uptake and budget
- determine the need for expanded eligibility
- inform resource planning and deal with fluctuations in applications requiring manual review

We did not see evidence of how this internal reporting data was used to assess the effectiveness of the program in offsetting costs incurred during COVID-19 restrictions or lost revenue from mandated COVID-19 closures. Only partial benefit recipient eligibility verification was completed and there was no interim reporting on whether the department achieved its objective of providing financial assistance to eligible enterprises.

## The department publicly reported program output information. No program effectiveness reporting has been completed to date.

Program information on program outputs such as the total funding provided under the program and number of recipients was delivered through news releases, ad-hoc reports and the ministry's annual reports. This information also included program updates and notification of program changes.

We found no interim reporting on program effectiveness in ministry annual reports. Effectiveness is dependent not only on getting money out the door quickly, but demonstrating to Albertans the program eligibility criteria were met by intended recipients of the money. The department is planning a comprehensive program evaluation to assess program effectiveness. It is unclear what program effectiveness measures will be used by the department to complete the program evaluation.

We are not making a new recommendation to the department on the reporting as there are outstanding recommendations we have previously reported on the need to improve performance reporting to Albertans in ministry annual reports.

# Audit Responsibilities and Quality Assurance Statement

The department is responsible for the SMERG program.

**Our responsibility is to express an independent conclusion on whether the department has effective systems to design, deliver, monitor and report on the SMERG program.**

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.

# Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> SMALL AND MEDIUM ENTERPRISE RELAUNCH GRANT (SMERG) PROGRAM:</p> <p><b>Complete eligibility verification of approved applications</b></p> <p>We recommend the Department of Jobs, Economy and Innovation complete processes to verify the eligibility of approved applications.</p>	November 2022, p. 98	<b>NEW</b>
<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>Not Ready for Assessment</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>Not Ready for Assessment</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>Not Ready for Assessment</b>



# Alberta Justice and Solicitor General

We issued unqualified independent auditor's reports on the 2021-2022 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.

## Status of Recommendations

as of November 2022

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

In our *Control Systems at the Office of the Public Guardian and Trustee Assessment of Implementation* (March 2022), we report that four recommendations have been implemented. One recommendation to the Office of the Public Guardian and Trustee was repeated.

## Outstanding Recommendations as of November 2022

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>
<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>	<p>June 2021, p. 14</p>	<p><b>Ready for Assessment</b></p>
<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>	<p>June 2021, p. 18</p>	<p><b>Ready for Assessment</b></p>

Recommendation	When	Status
<p><b>DEPARTMENT</b>  <b>PROCESSES TO MANAGE BAIL HEARINGS AND CASE MANAGEMENT OF ADULT CRIMINAL PROSECUTIONS:</b>  <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>Ready for Assessment</b>
<p><b>OFFICE OF THE PUBLIC GUARDIAN &amp; TRUSTEE</b>  <b>OFFICE OF THE PUBLIC TRUSTEE:</b>  <b>Improve and follow policies and procedures</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 mismanaged</li> <li>improve its processes for ensuring compliance with policies and procedures</li> </ul>	<p>Repeated March 2022, Assessment of Implementation, p. 33</p> <p>› <b>Originally reported February 2013, no. 4, p. 45</b></p>	<b>Not Ready for Assessment</b>





# Alberta Labour and Immigration

We issued an unqualified auditor's report for the December 31, 2021, 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.

## Status of Recommendations

as of November 2022

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

We report our findings from the *Emergency Isolation Support Program* post-payment eligibility verification processes and program reporting—see page 108.

There are no new recommendations to the department in our report on *Delivery of COVID-19 Emergency Isolation Support* (March 2022).

In our *Systems to Update Alberta's Workforce Strategies Assessment of Implementation* (March 2022), we report the department has implemented one recommendation.

In our report on *Indigenous Economic Development* (May 2022), we issued one new recommendation to the department.

# Findings

## Department

### Emergency Isolation Support Program—Post-payment eligibility verification processes and program reporting

## Background

In our March 2022 report *Delivery of the COVID-19 Emergency Isolation Support Program*, we assessed the effectiveness of the department's processes to make \$108 million in program benefit payments to eligible applicants. At the time of the report, the department was unable to conclude on EIS benefit recipient eligibility. We stated that we would examine the results of the department's completed post-payment verification process and any program results analysis reporting in the 2021-2022 Labour and Immigration annual report.

Labour and Immigration on page 14 of its 2021-2022 annual report stated the department "completed a review and assessment of the Emergency Isolation Support Program. The primary objective of supporting Albertans in financial need in a quick and efficient manner, while limiting the spread of COVID-19, was achieved. Based on the work, the department has concluded that it will not be conducting further post-payment verification activities, and will not be pursuing the recovery of ineligible payments to recipients."

## Our findings

### Key findings

The department:

- attempted to verify the eligibility of 150 of 93,887 EIS benefit recipients. Only 41 individuals responded, most with incomplete information. No second requests or additional testing was done.
- did not require recipients to maintain support for their eligibility beyond April 2022
- did not complete sufficient post-payment work to confirm benefit recipient eligibility

### Post-payment process to assess program benefit recipient eligibility

The department required a post-payment eligibility verification process for the EIS program as benefit payments were issued based on applicant's representations that they met all criteria to receive funding, rather than the applicant providing supporting documentation at the time of application. This significantly increased the program risk that funds may be distributed to individuals who could not support their eligibility.

Starting in July 2021, the department sampled 150 of 93,887 EIS benefit recipients to obtain eligibility documentation. Information such as payroll records was requested to demonstrate reduced income. Applicants were required under the program to maintain supporting evidence of their eligibility for a maximum two years (latest date would be early April 2022).

Of the department's 150 requests for additional information, only 41 individuals responded, most with incomplete information. Second requests for information were not made. As result of the sample completed, management is unable to conclude on the percentage of the sample that was eligible for the EIS payment or extrapolate these results over the remainder of the recipient population.

Between May 2020 and February 2022, government corporate internal audit services performed an audit to assess controls on benefit eligibility, payment processing and program delivery processes. Internal audit identified indicators of risk of payments to ineligible recipients. The department did not follow up on these risks.

As a result, the department did not complete sufficient post-payment work to confirm benefit recipient eligibility. We did not issue a recommendation as the department would be unable to implement as recipients are no longer required to support their program eligibility.

## Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b></p> <p>INDIGENOUS ECONOMIC PARTICIPATION:</p> <p><b>Improve performance reporting process</b></p> <p>We recommend that the Department of Labour and Immigration improve its performance reporting process for its First Nations Training to Employment and Aboriginal Training to Employment programs by:</p> <ul style="list-style-type: none"> <li>• updating program performance measures and targets</li> <li>• analyzing program performance including the reporting it receives from funding recipients, to compare to user needs, planned results and program costs</li> <li>• reporting its analysis of program results and achievement of the ministry desired outcome, including lessons learned</li> </ul>	May 2022, p. 18	<b>NEW</b>



# Alberta Municipal Affairs

We issued unqualified independent auditor's reports on the December 31, 2021 financial statements for Improvements Districts' Trust (Improvement Districts 4, 9, 12, 13, 24, and 25), Kananaskis Improvement District, and the Special Areas Trust Account. We also issued an unqualified independent auditor's report on the Improvement District 349 financial statements for the four months ended April 30, 2021.

## Status of Recommendations

as of November 2022

- 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

This report includes the results of our audit of *Municipal Operating Support Transfer and Municipal Stimulus Program COVID-19 Response Programs*—see page 113.





## **Alberta Municipal Affairs**

Municipal Operating  
Support Transfer and  
Municipal Stimulus  
Program COVID-19  
Response Programs

**Auditor  
General**  
OF ALBERTA

**Report of the Auditor General**  
November 2022





# Contents

Report Highlights .....	116
About This Audit .....	117
Objective and Scope .....	117
Criteria .....	118
What We Examined .....	118
Conclusion .....	119
Why This Conclusion Matters to Albertans .....	119
Detailed Findings .....	120
Design of Municipal Operating Support Transfer (MOST) and Municipal Stimulus Program (MSP) .....	120
Delivery of MOST and MSP .....	121
Monitoring delivery of MOST and MSP .....	123
Reporting on MOST and MSP .....	125
Audit Responsibilities and Quality Assurance Statement .....	126



## Related Reports:

- *Small and Medium Enterprise Relaunch Grant Program—November 2022*
- *COVID-19 Capital Stimulus Initiative—November 2022*
- *Delivery of COVID-19 Emergency Isolation Support Program—March 2022*

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



**Alberta Municipal Affairs** provided financial support to municipalities and local economies harmed by the COVID-19 pandemic through:

## ○ **Municipal Operating Support Transfer (MOST)**

**\$606M**

for unexpected costs such as personal protective equipment, cleaning and supports for vulnerable populations. It also mitigated the impact of lost revenues from facility closures and reduced transit revenue

## ○ **Municipal Stimulus Program (MSP)**

**\$500M**

for new capital infrastructure projects that could start immediately to create jobs and stimulate local economies ○

p. 117

➔ The government quickly developed these programs to stimulate the economy and provide financial assistance to those affected by the pandemic. The department had effective processes to design, deliver and monitor the MOST and MSP programs.

Improvements could be made to the reporting process by including an analysis of results achieved by each program in the department's annual report.

p.119



When the government spends

**\$1.1B**

on support programs to help municipalities in a crisis, Albertans want to know the department had effective processes to design, deliver and monitor the programs. Albertans also want the department to report the results achieved by these programs.

p. 119

# About This Audit

The COVID-19 pandemic caused wide-spread disruption to the provincial and local economies, and to all Albertans. In response, the government quickly developed and delivered various programs to provide financial assistance to those affected. It did this during an unprecedented global health emergency which placed significant limitations and pressures on government financial and human resources.

In 2020, the Alberta government announced two short-term, non-renewing programs of over \$1 billion to provide financial support to all municipalities and local economies harmed by the COVID-19 pandemic. Both programs were delivered by the Department of Municipal Affairs (the department):

- Municipal Operating Support Transfer (MOST) program—this \$606 million program ran between April 1, 2020 and March 31, 2021<sup>25</sup> and was cost shared 50/50 by the federal and provincial governments. Of the 342 municipalities eligible for this funding, 338 participated. The publicly stated objectives of MOST were to provide money to municipalities to:
  - › help cover incremental operating costs such as money spent on personal protective equipment, supplemental cleaning or supports for vulnerable populations.
  - › mitigate the impact of reduced revenue and losses from reduced economic activity, municipal facility closures and lost transit revenue.

- Municipal Stimulus Program (MSP)—this \$500 million program covered construction of eligible projects in calendar years 2020 and 2021. Municipalities identified shovel-ready capital infrastructure projects that would not have proceeded without this money and were to start working on them immediately. The goal was to help local economies harmed by the pandemic to recover.<sup>26</sup> The department approved 505 projects totaling \$499 million submitted by 329 municipalities. The publicly stated objectives of MSP were to:
  - › sustain and create local jobs
  - › enhance provincial competitiveness and productivity
  - › position communities to participate in future economic growth
  - › reduce municipal red-tape to promote job-creating private sector investment

## Objective and Scope

Our audit objective was to conclude whether the department had effective systems to design, deliver, monitor and report on MOST and MSP. We audited the department's processes to develop and manage the execution of these programs that were in place from March 1, 2020 to May 31, 2022.

<sup>25</sup> See <https://www.alberta.ca/municipal-operating-support-transfer.aspx> for more information on MOST.

<sup>26</sup> See <https://www.alberta.ca/municipal-stimulus-program.aspx> for more information on MSP.

## Criteria

The department should have effective systems to:

- design the programs to align with the government's strategic objectives and goals
- deliver the programs
- monitor the delivery of the programs and identify ways to improve program delivery
- collect relevant, timely and accurate information to evaluate and report on the financial and non-financial performance of the programs

We developed the criteria for this audit based on:

- Government of Alberta (GOA) grants best practices, 2003
- GOA Grant Accountability Framework
- Office of the Controller, Corporate Accounting Policy – Government Transfers
- Financial Management Manual Chapter 10 – Expenditures and Disbursements
- ISO 31000 – Enterprise Risk Management

The department's senior management agreed these criteria were suitable on February 22, 2022.

## What We Examined

We:

- examined management's analysis and documentation supporting the design of the programs
- interviewed department staff
- tested key controls within the systems to design, deliver, monitor, and report on the MOST and MSP programs
- tested a sample of grant Agreements, project applications, payment batches, and Statements of Funding and Expenditures

We conducted our examination from February 22, 2022 to June 7, 2022 and completed our audit on September 6, 2022.

## Conclusion

Based on our audit criteria, we conclude the department has effective processes to design, deliver and monitor the MOST and MSP programs. Improvements can be made to the reporting process by including an analysis of results achieved by the program in the department's annual report.

We are not making a new recommendation to the department on the reporting as there are outstanding recommendations we have previously reported on the need to improve performance reporting to Albertans in ministry annual reports.



## Why This Conclusion Matters to Albertans

When the government spends \$1.1 billion on support programs to help municipalities in a crisis, Albertans want to know what these programs were intended to achieve, and that relief was only delivered to eligible recipients and in a timely manner. The Department of Municipal Affairs effectively used existing systems and processes to design, deliver and monitor the MOST and MSP programs.

However, Albertans also want the department to report the results achieved by these programs.

# Detailed Findings

## Design of MOST and MSP

### Context

A proper design process is fundamental to a program's success. Good design ensures that the department understands the current environment and intended recipients; identifies the problem gap or need; gathers relevant data and determines how to proceed. Good design includes an approval process for the original design and for any changes to it.

### Criteria

The department should have effective systems to design MOST and MSP to align with the government's strategic objectives and goals. It should:

- document clear goals, objectives and requirements (including intended recipients, scale and type of assistance, eligibility criteria, application processes and reporting)
- identify and develop the processes, internal controls, resources and information systems needed to effectively and efficiently deliver, monitor and report on the programs
- develop relevant performance metrics to evaluate the efficiency and effectiveness of the programs
- obtain required approvals to implement and deliver the programs

## Our findings

### Key findings

- The department documented clear goals, objectives and requirements for each program.
- The department used existing systems, processes, and staff to design, deliver and monitor MOST and MSP.
- The department designed relevant performance measures for both programs.
- The department received required approvals to implement and deliver both programs.

### The department documented clear program requirements

The department created and documented clear guidelines for both MOST and MSP. These guidelines set out the terms and conditions for each program, including program objectives, key dates and contacts, funding formulas and allocations, eligibility requirements, the payment process and financial reporting requirements. The MSP guideline also detailed what types of capital project activities and assets were eligible. These guidelines were publicly posted on the department's website and emailed to all municipalities.

### The department used existing systems, processes, and staff

The department did not need to design or develop any new processes or systems to deliver MOST or MSP. Instead, management deployed existing systems, processes, and staff it has used for years to run various grant programs to municipalities. Specifically, the department designed MSP based on its existing Municipal Sustainability Initiative (MSI) grant program that has been running since 2007, providing almost \$15 billion to municipalities to build and rehabilitate infrastructure.

In conducting this audit, we relied on work performed on the department's processing and payment system for municipal grant programs as part of our regular year-end financial statement audit work. It was working effectively. This includes the internal controls in place to receive, assess and approve grant applications, pay funds, and monitor grant recipient progress and reporting.

The department designed both programs to be administratively simple for municipalities. MSP was designed to be flexible about project types because municipalities had different needs and priorities.

For both programs, eligible recipients were active Alberta municipalities<sup>27</sup> already known to the department.

## The department designed relevant performance measures for both programs

The department designed relevant performance measures, with measurable indicators, for both MOST and MSP. Examples for MOST include the quantity of personal protective equipment and supplementary cleaning material procured, amount of financial support provided to vulnerable populations and replacement of reduced transit revenue. Examples for MSP include number of jobs created (direct and indirect), tangible assets created, and economic support measured by the impact on Gross Domestic Product (GDP). The department plans to use the measures primarily for internal purposes to conduct a post-program evaluation.

## The department received appropriate approvals

MOST—the program was approved through the signing of the *Safe Restart Agreement* between the Government of Alberta and the Federal Government.<sup>28</sup> In this *Agreement*, the Federal Government committed to provide over \$19 billion to the provinces and territories in part to help safely restart local economies which were affected by the pandemic. The basic parameters of the program (duration, scale, type of assistance, and allocation of funds among municipalities) were set out in this *Agreement* and informed the program design.

MSP—the department submitted a summary of its design for MSP to the Treasury Board and Finance department for approval in early April 2020. It received approval in August 2020.

# Delivery of MOST and MSP

## Context

For a government program to achieve its objectives effectively, it needs processes to ensure the program is delivered effectively and efficiently to those targeted by the program. The department used existing systems and processes to deliver MOST and MSP with some tailoring to meet the specific program objectives.

## Criteria

The department should have effective systems to deliver MOST and MSP by:

- clearly communicating the programs and their eligibility criteria, conditions and application requirements to potential applicants
- evaluating and approving applications consistently against program rules to verify that only eligible applicants receive what they are eligible for
- signing grant agreements that clearly set out roles, responsibilities, conditions of funding, reporting, and audit requirements
- paying funds promptly and cost-effectively based on program requirements and agreements

<sup>27</sup> For MOST this meant a municipality had to be active as of May 1, 2020 to be eligible; for MSP this was July 1, 2020. For the purposes of these programs a municipality was defined as any city, town, summer village, specialized municipality, municipal district, improvement district, special area, Métis settlement and the Townsite of Redwood Meadows Administration Society.

<sup>28</sup> For a copy of the agreement between Alberta and Canada see <https://www.canada.ca/en/intergovernmental-affairs/services/safe-restart-agreement/letters/alberta.html>

# Our findings

## Key findings

- The department clearly communicated details about MOST and MSP to municipalities through its website and email.
- Funding consistently complied with program rules; minister's approval was required and granted in extenuating circumstances.
- Municipalities signed grant agreements with clear conditions of each program.
- The department promptly and cost-effectively paid funds for both programs once it approved submissions.

## The department clearly communicated program details

The department posted documents on its website with all the details of both programs, including an overview page, links to detailed guidelines and a full listing of funding allocated by municipality.

The department also emailed the appropriate elected official of each eligible municipality announcing and explaining the programs and including website links. The emails included the required Memorandum of Agreement (Agreement) for both programs and project application forms (for MSP only).

Department grant advisors were available to answer questions from municipalities.

## Funding complied with program rules

In a sample of municipality submissions under both programs<sup>29</sup> all were properly evaluated and approved by department staff against program rules before funds were paid. This included municipalities that did not meet the initial submission requirements—either for Agreements or MSP project applications. The department still processed these on a case-by-case basis with approval from the minister.

Examples:

**MOST**—Department staff followed up with 45 municipalities which had not responded to the program by the initial October 30, 2020 deadline. This flexible approach was approved by the minister, recognizing many of these municipalities were small with limited staff already very busy handling the pandemic's many challenges. Otherwise, these municipalities would have lost their allocated funding.

The department told these municipalities that it would accept late submissions, with an explanation of the extenuating circumstances, up to December 31, 2020, and send these to the minister for consideration. All but four municipalities ultimately received approval for MOST funding.

**MSP**—the department followed this same flexible approach for the few municipalities that applied after the October 1, 2020 deadline.

## Agreements with municipalities set out program conditions

The Agreement for each program that municipalities had to sign clearly set out the roles, responsibilities, conditions of funding, plus reporting and audit requirements.

## The department promptly paid funds once it approved submissions

The timing of each program's funding to municipalities differed. For the one-year MOST, each municipality got one up-front payment for its full allocation as soon as the department received a signed Agreement.

For the two-year MSP, payment amounts were project-specific, based on the cash flow needs a municipality set out for 2020 and 2021 in each approved project application. Money needed in 2020 was paid only after the department received a signed Agreement; 2021 money was paid only after the department received and verified the municipality's first certified 2020 Statement of Funding and Expenditures and Red Tape Reduction report<sup>30</sup> which were due on dates set out in program guidelines.

<sup>29</sup> Our sample size was 40 municipalities for each of the programs; with 112 projects associated to the MSP samples.

<sup>30</sup> The Red Tape Reduction report requirement was tied to MSP's fourth program objective to reduce municipal red-tape to promote job-creating private sector investment.



# Monitoring delivery of MOST and MSP

## Context

Monitoring is key to delivering an effective initiative. It helps prevent unnecessary road bumps and supports decisions to adjust the course to achieve the desired program objectives. In situations where initiatives are implemented quickly, as was during the pandemic, it is even more essential to rely on monitoring processes to catch and prevent issues that would have otherwise been resolved with additional time and due diligence.

## Criteria

The department should have effective systems to monitor the delivery of MOST and MSP and to identify ways to improve program delivery. It should:

- monitor the use of the grant funds to verify that recipients use funds as intended. This may include receiving required reports, post-verification reviews or audits
- identify, evaluate, and manage risks, including complaints during program delivery
- identify ways to improve the program and systems to deliver it and similar programs

## Our findings

### Key findings

- The department used financial reporting to monitor use of funds, however many municipalities were late meeting reporting deadlines for both programs.
- The department identified, evaluated and managed program risks.
- The minister responded to municipality requests to extend the MSP spending deadline.
- The department is working on internal evaluations to identify future program delivery improvements.

### Financial reporting used to monitor spending

The main way the department monitored program spending was by requiring a Statement of Funding and Expenditures (statement) from each recipient. The officials signing for each municipality certified that the financial information in the statement was a true and correct representation of actual funding and expenditures and complied with the program guidelines and funding agreement. The department uses the same verification process for its other on-going municipal grant programs.

In addition, the underlying Agreements for both programs allow for audits by the department at its discretion, including site visits for MSP related capital projects. At the time of writing of this report, no audits or site visits had been planned or conducted by the department.

MOST—Statements were due by July 2, 2021. The department provided municipalities a statement template with standardized expense categories for both the General Operating<sup>31</sup> and Transit<sup>32</sup> funding components. Municipalities had to show the amount spent in each category.

<sup>31</sup> Expenditure categories for General Operating include: personal protective equipment, supplemental cleaning, replacement of reduced revenues, supports for vulnerable populations, public health communication and enforcement, supporting remote work, capital investments to reduce transmission risk, contributions to other entities, employee compensation, public transit expenditures (in excess of MOST Transit funding if available), and other eligible expenses or reduced revenues.

<sup>32</sup> Expenditure categories for Transit include: personal protective equipment, supplemental cleaning, replacement of reduced revenues, employee compensation, and other eligible expenses or reduced revenues.

Department management told us that approximately 75 per cent of the statements were received on time, which was not unexpected. The department's experience with similar municipal grant programs is that some municipalities dealing with staff turnover or with limited staff capacity struggle to meet reporting deadlines. Because of this, the department had processes in place to have grant advisors follow up with those municipalities which had not met the MOST reporting requirement. Thirty per cent of the municipalities in our sample did not submit their statements on time, however these had all been received, reviewed, and signed off by the department by January 2022.

The department received certified statements from all 338 municipalities which had received MOST funding by the end of January 2022. From this reporting, the department identified three municipalities that did not spend all their MOST allocation by March 31, 2021, totalling \$38,037. They refunded this money to the department.

MSP—the statement template for this program required a municipality to list each approved project by name and account for its completion status, total cost and MSP money spent for each of calendar 2020 and 2021. It also required the municipality to provide quantifiable results of any capital asset built or upgraded. For a road this would be the number of kilometers; for a new building or upgrades to an existing one, the number of square meters involved; for stormwater drainage improvements the number of metres of conduit. Program guidelines required any MSP funding not spent by December 31, 2021 to be refunded.

Our testing showed that only 73 per cent of municipalities sent in their 2020 statements and 55 per cent sent their Red Tape Reduction (RTR) reports by the required dates. This submission rate mirrored the department's experience from other grant programs. All required 2020 statements in our sample were eventually received after follow-up by department grant advisors.

Similarly, for calendar 2021 reporting, just over half of the municipalities in our sample (58 per cent) had submitted their statements when we finished our examination on June 7, 2022. Department grant advisors are following up with these municipalities and those which do not comply have to refund their 2021 money. Our testing found notes and comments by grant advisors of their results in following up with delinquent reporting municipalities.

As of July 11, 2022, all but 33 municipalities had submitted statements. Of those received and reviewed, three municipalities must refund unspent money totalling \$4,500.

## **The department managed program risks**

The department identified no significant new risks for MOST because of its similarity to other existing programs, its straightforward purpose and its delivery using an established processing system for grant programs.

The department identified two significant risks for MSP: municipalities spending the money on unapproved projects and the department's capacity to efficiently process a high number of project applications from many municipalities at once. To manage the first risk, the department implemented a process to monitor spending by reviewing the certified statements submitted by municipalities. To manage the second risk, management established additional controls within existing processes to support eligibility reviews, project approvals and payments if capacity became an issue (which it did not in the end).

## **The minister responded to requests to extend MSP**

Original program guidelines gave municipalities until December 31, 2021 to spend the MSP grant. Any unspent money was to be refunded, with no extensions granted. But in August 2021 the minister received a letter from the Alberta Urban Municipalities Association (AUMA) saying that some of its member municipalities were facing various challenges meeting the original spending deadline. One challenge was getting materials for projects due to supply chain problems caused by the pandemic. AUMA asked the minister to extend the 2021 spending deadline. The department had also received similar concerns from several other municipalities.

In September, the minister made a decision which the department communicated by email to all municipalities. It said that exemption requests for (a) additional time to complete approved projects, (b) project scope changes or (c) applying surplus MSP funding to a new eligible project would be considered on a case-by-case basis. Each request had to give specifics and be approved by the minister. If granted, municipalities must submit a third certified Statement by May 1, 2023 to account for funds spent in calendar 2022.

Of the 40 municipalities in our sample, 17 submitted detailed exemption requests covering 41 projects. These requests were all approved by the minister. A total of 113 of 329 participating municipalities were granted extension requests covering all three reasons noted in the previous paragraph; no requests were denied.

## Department working on internal evaluations to identify future program delivery improvements

The department is working on internal evaluations of both programs to provide management with lessons learned, identify best practices, and make suggestions to improve program development and delivery should a similar need to quickly offer support to municipalities occur in the future. See 'Reporting' below for more details.

These evaluations had not been completed by the end of our audit.

## Reporting on MOST and MSP

### Context

Evaluating results achieved and why they are above or below targets is fundamental to learning whether a COVID-19 response program worked. Reporting and analyzing these differences and trends promptly lets management adjust the program. By understanding why these differences exist, management can better achieve the desired results for the current program and apply lessons learned to any future programs.

Also, an important element of accountability is reporting results to external stakeholders, typically in the Results Analysis section of ministry annual reports. Effective results analysis reporting of COVID-19 programs allows Albertans to understand:

- the department's strategies and programs to deal with the pandemic
- how much money the department budgeted and spent
- what the money was spent on and the results achieved

## Criteria

The department should have effective systems to collect relevant, timely and accurate information to evaluate and report on the financial and non-financial performance of the MOST and MSP programs. It should:

- collect relevant, timely and accurate information to evaluate the efficiency and effectiveness of the program
- analyze the results promptly
- report on results of the program against stated objectives

## Our findings

### Key findings

- The department collected some information to evaluate the programs, but some relevant data is missing.
- The department is working on internal evaluations of both programs.
- The department did not include results analysis reporting for either program in its 2020-21 or 2021-22 Annual Reports.

### Information collected is missing some relevant data

The department collected some information for both MOST and MSP. This can be used to evaluate the effectiveness of the programs against stated public objectives and designed performance measures. This information came from various sources, such as the signed Agreements, approved project applications, and required municipality submissions such as the certified statements and Red Tape Reduction reports.

However, we did note this information does not include data such as the number of jobs created or sustained from approved MSP projects, or the impact these projects had on supporting economic recovery from the pandemic. This type of information is important to fully evaluate the effectiveness of the program.

## Department working on internal evaluations

The department is evaluating both programs, but for internal analysis and reporting only.

MOST—although this program ended in March 2021, the department is still evaluating the processes used to deliver the program. It is focusing on assessing the efficiency and effectiveness of program processes against the performance measures it developed, such as time taken to make allocation payments after receiving signed Agreements. Management is looking for lessons learned and best practices to make improvements to existing similar programs and new program development in the future.

MSP—the department is planning a similar evaluation of the processes used for MSP when the program concludes, but also including a focus on understanding what the program achieved. Management is still finalizing plans to evaluate and report against the four program objectives (refer to ‘About This Audit’).

The department will complete the MSP evaluation in the spring of 2023 as the program ends in December 2022.

## External results analysis reporting not completed

The department has not completed interim or final results analysis reporting against stated program objectives for either MOST or MSP in either of its two most recent annual reports. Management provided high-level information about both programs in the results analysis sections of its 2020-21 and 2021-22 Annual Reports.<sup>33</sup> But there was no evaluation of whether either program achieved its objectives, such as number of jobs created or dollar impact on GDP, for the \$1.1 billion spent.

We are not making a new recommendation to the department on the reporting as there are outstanding recommendations we have previously reported on the need to improve performance reporting to Albertans in ministry annual reports.

## Audit Responsibilities and Quality Assurance Statement

Department of Alberta Municipal Affairs management is responsible for MOST and MSP.

**We are responsible to express an independent conclusion on whether the Alberta Municipal Affairs had effective systems to design, deliver, monitor, and report on MOST and MSP.**

We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3001 issued by the Auditing and Assurance Standards Board (Canada). We apply Canadian Standard on Quality Control 1 and, accordingly, maintain a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We comply 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.

<sup>33</sup> <https://open.alberta.ca/publications/1925-9247>

## Outstanding Recommendations as of November 2022

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>	September 2020, p. 17	<b>Not Ready for Assessment</b>
<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>	September 2020, p. 18	<b>Not Ready for Assessment</b>
<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>	March 2015, no. 12, p. 80	<b>Not Ready for Assessment</b>



# Alberta Seniors and Housing

We issued an unqualified independent auditor's report on the 2021-2022 financial statements for the Alberta Social Housing Corporation.

## Status of Recommendations

as of November 2022

---

- 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

## Status of Recommendations

as of November 2022

---

- 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 2022

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>	June 2021, p. 16	<b>Not Ready for Assessment</b>
<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>	June 2021, p. 18	<b>Not Ready for Assessment</b>

# Alberta Treasury Board and Finance

We issued unqualified independent auditor's reports on the 2021–2022 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.

## Status of Recommendations

as of November 2022

0	New Recommendations
2	Implemented Recommendations
2	Changed Circumstance
10	Outstanding Recommendations
> 8	Ready for Assessment
> 2	Not Ready for Assessment
6	Outstanding Recommendations Older than Three Years

This report includes our findings from:

- our audit of the department's *COVID-19 Capital Stimulus Initiative*—see page 135.
- our assessment of implementation of our 2017 audit of *Government of Alberta Capital Planning*—see page 151.

We also report that two February 2014 recommendations related to the department's responsibility for managing Alberta's public sector pension plans are no longer relevant—see page 134.

There are no new recommendations to the department in our reports on *Fiscal 2021 Annual Reporting of COVID-19 Initiatives* (June 2022) and *Travel, Meal and Hospitality Expenses of the Premier, Ministers, and Their Staff* (June 2022).

## CHANGED Circumstance:

### Department

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

##### CHANGED Circumstance:

Policies to achieve plan objectives

Risk management system

**Original:** *Report of the Auditor General of Alberta—February 2014*, no. 1, page 24

Policies to achieve plan objectives—We recommend that the Department of Treasury Board and Finance set standards for the public sector pension plan boards to establish funding and benefit policies with:

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

**Original:** *Report of the Auditor General of Alberta—February 2014*, no. 2, page 26

Risk management system—We recommend that the Department of Treasury Board and Finance establish an Alberta public sector pension plan risk management system to support the minister in fulfilling his responsibilities for those plans.

### Context

In February 2014, when we reported on our audit, we focused our work on Alberta's public sector plans for which the President of Treasury Board and Minister of Finance was the trustee and administrator. Our recommendations were made to the department to support the minister in fulfilling responsibilities as trustee and administrator.

Effective March 1, 2019, the governance structure for Local Authorities Pension Plan, Public Service Pension Plan, and Special Forces Pension Plan changed as a result of the *Joint Governance Public Sector Pension Plans Act*. This legislation transferred the trusteeship and administration of each of these plan funds from the minister to newly established pension corporations.

Given the significant change in responsibility for managing Alberta's public sector pension plans, we have concluded these recommendations are no longer relevant.



**Alberta Treasury Board  
and Finance**

**COVID-19 Capital  
Stimulus Initiative**

**Auditor  
General**  
OF ALBERTA

**Report of the Auditor General**  
November 2022



# Contents

Report Highlights .....	138
About This Audit .....	139
Total Funding and Current Status .....	140
Objective and Scope .....	141
Criteria .....	141
What We Examined .....	141
Conclusion .....	142
Why This Conclusion Matters to Albertans .....	142
Detailed Findings .....	143
Initiative Design .....	143
Initiative Delivery .....	144
Initiative Monitoring .....	145
Initiative Reporting .....	146
Audit Responsibilities and Quality Assurance Statement .....	148



## Related Reports:

- *Small and Medium Enterprise Relaunch Grant Program—November 2022*
- *Municipal Operating Support Transfer and Municipal Stimulus Program—November 2022*
- *Delivery of COVID-19 Emergency Isolation Support Program—March 2022*

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 **COVID-19 Capital Stimulus Initiative** invested in the province's infrastructure to offset the impacts of the pandemic.

Over \$2 billion in capital spending was allocated for projects that created jobs and economic growth through:



accelerating capital maintenance and renewal funding for shovel-ready projects



launching a series of strategic capital projects

p. 139



## Treasury Board and Finance

leveraged existing capital planning processes to administer the COVID-19 Capital Stimulus Initiative

p. 144



The government quickly implemented this initiative to respond to job losses experienced by Albertans during the pandemic.

p. 139

The accelerated nature of the process increased the risk that deficiencies exist in the systems to design, deliver, monitor and report this initiative.

p. 142

TBF had effective processes to design, deliver and monitor the initiative. Improvements could be made to the reporting process by including an analysis of whether the desired results of its COVID-19 Capital Stimulus Initiative were achieved in the department's annual reporting.

The department's reporting focused on project spending and construction status. However, there was no reporting on the number of jobs created by the initiative.

p. 142



When the government spends

# Over \$2B

on job creation stimulus, Albertans deserve to know that the processes used to make capital investment decisions are working as intended and result in capital projects that provide value and enhance the delivery of programs and services to Albertans.

p. 142



# About This Audit

In March 2020, Alberta's unemployment rate was 9.2 per cent. In May 2020, it peaked at 15.3 per cent.<sup>34</sup> The government responded to the unprecedented challenges. In March 2020, departments were requested to submit capital projects and identify opportunities to accelerate capital spending in areas that created jobs and economic growth. Departments and municipalities responded by submitting many projects.

The capital planning branch within the Department of Treasury Board and Finance (the department or TBF) coordinated the review of submissions. The department developed a prioritization matrix to rank projects for Treasury Board Committee review. Once projects were approved, departments such as Transportation, Infrastructure, and other organizations including school boards and post-secondary institutions managed the construction projects.

In June 2020, the government released the *Alberta Recovery Plan* (the Plan)—a long-term strategy to build, diversify and create jobs. One component of the Plan was the COVID-19 Capital Stimulus Initiative (the initiative) to:

- accelerate \$980 million in Capital Maintenance and Renewal<sup>35</sup> (CMR) funding for shovel-ready projects to create 5,000 jobs immediately
- launch a series of strategic capital projects (strategic projects) for at least \$600 million to create at least 2,500 jobs and improve long-term productivity

Because the government implemented the COVID-19 Capital Stimulus Initiative quickly, there is a higher risk that deficiencies exist in the systems to design, deliver, monitor and report this initiative. Our audit assessed whether TBF designed these systems to meet the stated objective, evaluated projects, made necessary amendments as circumstances changed and reported on the achievement of the objectives for this initiative.

<sup>34</sup> Statistics Canada, Labour force characteristics, Table 14-10-0287-01, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1410028701>

<sup>35</sup> Capital Maintenance and Renewal (CMR): Work that extends the useful life of an existing asset or addresses functional problems or deficiencies that impede program delivery.

# Total Funding and Current Status

As at March 31, 2022, there were 11 strategic projects with a projected cost of \$1,120 million and CMR funding projected to be \$927 million. Each table below compares funding amounts at inception against the forecasted

amounts as of March 31, 2022. Two strategic projects (Alberta Broadband and H.W. Pickup Junior High School) were added to the COVID-19 Capital Stimulus Initiative after inception and funding was adjusted through the capital planning process to reflect changes in project cost and delivery dates.

Strategic Projects (\$ millions)							
Date	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Inception	\$102	\$142	\$139	\$201	\$24	\$4	\$612 <sup>36</sup>
March 31, 2022	\$15*	\$129*	\$369	\$300	\$218	\$89	\$1,120 <sup>37</sup>

Capital Maintenance and Renewal (\$ millions)							
Date	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025	2025-2026	Total
Inception	\$734	\$209	\$20	-	-	-	\$963 <sup>36</sup>
March 31, 2022	\$495*	\$354*	\$70	\$8	-	-	\$927 <sup>37</sup>

\*Year-end actual results

The appendix lists funding for Strategic projects and CMR by department.

<sup>36</sup> As noted on page 139, Strategic Projects when announced in the Plan was \$600M and increased to \$612M at inception, CMR was announced at \$980M but approved at \$963M.

<sup>37</sup> Forecasted amounts in 2022-2023 and beyond are subject to change due to requests to re-profile project funding, changes will be reflected in future quarterly fiscal updates.

## Objective and Scope

The objective of our audit was to conclude whether the Department of Treasury Board and Finance had effective systems to design, deliver, monitor and report on the COVID-19 Capital Stimulus Initiative.

Our audit focused on the systems at the Department of Treasury Board and Finance to design, deliver, monitor and report on the initiative for the period of February 1, 2020 to March 31, 2022.

Our audit did not review the project management processes to deliver capital projects of other government departments. But we examined departments' reporting on their projects to TBF. Our audit also does not conclude on the budgeting or capital planning processes except for how they were used specifically for the COVID-19 Capital Stimulus Initiative.

## Criteria

To determine whether TBF has effective systems to design, deliver, monitor, and report on the COVID-19 Capital Stimulus Initiative, we used the following criteria:

TBF should have effective systems to:

- design the initiative to align with the government's strategic objectives and goals
- deliver the initiative
- monitor the delivery of the initiative and to identify opportunities for improvements
- collect relevant, timely and accurate information to evaluate and report on the initiative's financial and non-financial performance

We established our audit criteria based on:

- Government of Alberta (GoA) grants best practices, 2003
- GoA Accountability Framework
- ISO 31000 – Enterprise Risk Management
- Capital Planning Manual
- Financial Management Manual
- Fiscal and Process Requirements Directives
- Office of the Controller, Corporate Accounting Policy—Government Transfers

Management of TBF acknowledged the suitability of the audit criteria on April 9, 2022.

## What We Examined

We examined TBF systems to design, deliver, monitor, and report on the COVID-19 Capital Stimulus Initiative (initiative). To assess the systems, we:

- examined annual reports, plans, and news releases
- examined policies, procedures, guidelines, and other relevant documentation
- tested the evaluation and approval process of initiative projects
- examined documents and performed walkthroughs of the key controls
- held meetings with key stakeholders to understand the initiative and related systems
- examined how the initiative was monitored and reported and how identified improvements were implemented

We completed our audit on October 21, 2022.

## Conclusion

Based on our audit criteria, we conclude the Department of Treasury Board and Finance has effective processes to design, deliver and monitor the COVID-19 Capital Stimulus Initiative. Improvements can be made to the department's reporting process by including an analysis of whether the desired results of its COVID-19 Capital Stimulus Initiative were achieved in the department's annual reporting.

The department's reporting focused on project spending and construction status. However, there was no reporting on the number of jobs created by the initiative.

We are not making a new recommendation to the department on the reporting as there are outstanding recommendations we have previously reported on the need to improve performance reporting to Albertans in ministry annual reports.



## Why This Conclusion Matters to Albertans

The COVID-19 Capital Stimulus Initiative was developed to offset the economic impacts of the pandemic. The government allocated over \$2 billion to the Capital Stimulus Initiative to create jobs for Albertans. Albertans deserve to know that processes used to make capital investment decisions are working as intended and result in capital projects that provide value and enhance the delivery of programs and services to Albertans.

# Detailed Findings

## Initiative Design

### Context

A properly planned program design process is fundamental to the success of an initiative or program. This process begins with a needs assessment to understand the current environment and intended recipients, identify the problem, gap or need, gather relevant data and determine actions and how to proceed. The initiative design also includes a process to approve the initial design and any subsequent changes.

Within a short timeframe, the government invested in the province's infrastructure to offset the impacts of the pandemic. Two committees provided oversight and guided the development in the design phase of the COVID-19 Capital Stimulus Initiative: the Priorities and Implementation Cabinet Committee (PICC) and the Deputy Minister Capital Committee (DMCC).

### Criteria

TBF should have effective systems to design the COVID-19 Capital Stimulus Initiative that align with the government's strategic objectives and goals. TBF should:

- analyze relevant data and risks to inform the design of the initiative
- document clear goals, objectives, and requirements
- identify and develop the processes, internal controls, resources, and information systems needed to effectively deliver, monitor, and report on the initiative
- obtain required approvals to implement and deliver the initiative
- develop relevant internal and external performance measures to evaluate the initiative

## Our audit findings

### Key findings

- Committees considered relevant data and risk in designing the initiative.
- The objective of the initiative was clearly defined.
- The department used existing capital planning processes to plan and deliver the initiative.
- Treasury Board Committee developed guiding principles for the initiative and approved the capital projects.
- The department did not develop performance measures to assess whether the objective of the initiative was achieved.

### Committees considered relevant data and risk in designing the initiative

We found DMCC solicited advice on potential stimulus options and assessed risks in delivery, impacts on the capital plan, and fiscal capacity. The economics and revenue forecasting branch within TBF told us they provided economic and financial indicators and developed scenario analysis to inform PICC.

### The objective of the initiative was clear

The objective "to create jobs" was publicly announced in the June 2020 *Alberta Recovery Plan* and was reinforced through news releases as capital stimulus projects were approved and announced. Departments were asked to submit capital projects in areas that support jobs and economic growth.

TBF evaluated the proposed projects using a matrix based on principles including shovel readiness, necessary CMR that needed to occur in 2020 Capital Plan timeframe, and job creation.

## TBF used existing capital planning systems

To meet the timelines and objective of the COVID-19 Capital Stimulus Initiative, TBF:

- developed a prioritization matrix to score submissions using the principles provided by Treasury Board Committee, as described in section above
- developed a customized report on stimulus spending and forecasts

As the stimulus was capital in nature, the existing capital planning processes were used to deliver, monitor and report on the initiative.

## Treasury Board Committee developed guiding principles for the initiative and approved projects

Treasury Board Committee approved the prioritization matrix used to evaluate proposed project submissions. As the COVID-19 Capital Stimulus Initiative was created after 2020-2021 budget, funding was authorized through supplementary supply estimates approved by the Legislative Assembly. We confirmed, through testing, Treasury Board Committee notified all successful departments as to which projects were selected and the approved funding.

## TBF did not develop performance measures to assess the initiative

TBF did not develop performance measures to evaluate the COVID-19 Capital Stimulus Initiative. When the first round of CMR and strategic projects was approved in 2020, the economics and revenue forecasting branch estimated the total jobs<sup>38</sup> that would be created using an established economic modeling tool that estimated construction costs and jobs multipliers per million spent. The Plan estimated 7,500 jobs would be created through the initiative, as follows:

- \$980 million of CMR spending to create 5,000 jobs
- \$600 million of strategic projects spending to create 2,500 jobs

After the initiative started, projects were added, cost estimates changed, and some project timelines were extended out further. Our analysis of the first two years indicates that actual spending was 59 per cent of projected spending for strategic projects and 90 per cent for CMR projects due to delays in starting construction.

We did not observe a mechanism to measure results against the objective—job creation. There are a variety of options traditionally used to measure results of capital stimulus programs including using actual job creation data or re-performing estimates using the modeling tool.

TBF did not measure the actual number of jobs created—despite adding projects, delays in the start of projects, and the effects of significant economic factors such as supply chain delays, labour disruptions and inflation. It did not validate the job-creation estimates that the modeling tool produced with actual job creation data nor did they update and re-run the model in relation to the initiative.

We did note TBF does perform macroeconomic analysis such as actual and forecasted Gross Domestic Product (GDP), employment, and unemployment rates with percentage change each budget cycle to inform the development of the upcoming capital plan, this analysis was not isolated to the initiative.

## Initiative Delivery

### Context

For a government COVID-19 Capital Stimulus Initiative to be effective in achieving its stimulus objective, departments need to know which projects align with the initiative and how to submit proposals. Departments identified capital projects and submitted information to TBF. Treasury Board Committee developed a set of stimulus criteria including shovel readiness, necessary CMR, and job creation. TBF used the criteria to develop a matrix to evaluate proposed projects prior to Treasury Board Committee review and approval.

### Criteria

TBF should have effective systems to deliver the COVID-19 Capital Stimulus Initiative. TBF should:

- clearly communicate the initiative, any eligibility criteria, conditions, and application requirements to departments
- evaluate and approve applications consistently against initiative rules to verify that only eligible projects benefit and receive what they are eligible for
- enter into agreements, where appropriate, that clearly set out roles, responsibilities, conditions of funding, reporting and audit requirements

<sup>38</sup> A job is defined as one person-year of employment (2,080 hours).

## Our audit findings

### Key findings

- Departments were asked to submit projects that support jobs and economic growth.
- TBF consistently evaluated projects, but four approved projects bypassed the evaluation process.
- Capital-planning processes set roles, responsibilities, and reporting requirements.

### Departments sent in over 500 potential projects for consideration

Departments were asked to submit capital projects that supported jobs and economic growth. Departments submitted over 500 potential projects, that were compiled by TBF. Potential projects were grouped into various government COVID-19 response projects and initiatives.

Departments used the existing capital planning manual and templates to develop submissions and TBF staff were available to answer any questions on the submission process.

### TBF consistently evaluated projects, but four approved projects bypassed the evaluation process

The Department of Treasury Board and Finance developed a prioritization matrix to evaluate and score the projects. We tested a sample of these projects and found that the department consistently evaluated projects against the stimulus criteria and briefed Treasury Board Committee before it approved the capital projects.

However, we did identify exceptions to this process. We found four<sup>39</sup> of 11 approved strategic projects went directly from departments to Treasury Board Committee without going through the evaluation process at TBF.

Treasury Board Committee approved these projects as part of the COVID-19 Capital Stimulus Initiative.

### Capital planning processes set roles, responsibilities, and reporting requirements

Because the COVID-19 Capital Stimulus Initiative involved only Government of Alberta entities, no agreements were required. TBF used the existing capital planning processes to define roles, responsibilities, and reporting requirements.

The capital planning manual, available to all departments, set out responsibilities for key groups in the capital-planning process. It outlined the approval process for funding, eligible uses, and procedures to adjust cash-flows. Additionally, it specifies reporting requirements outlined in the *Financial Administration Act* and the *Fiscal Planning and Transparency Act*.

## Initiative Monitoring Context

Monitoring is a key component to delivering an effective initiative. It is essential to prevent unnecessary road bumps, adjust the course, or stay on track to achieve the desired goals and objectives. When initiatives are implemented quickly, as in this case, it is even more essential to rely on monitoring processes to catch and prevent issues that would have been resolved with more time and due diligence.

TBF monitored stimulus funding provided to departments to ensure funds are being used as intended and to inform decision makers. Monitoring activities included reviewing project status and spending reports.

Managing risk is also an important factor of effective monitoring. Risk management processes are iterative and associated with all activities of the COVID-19 Capital Stimulus Initiative. Assessing and treating risks helps achieve objectives and produce informed decisions.

<sup>39</sup> The four projects that bypassed TBF's evaluation process are identified on page 149.



## Criteria

TBF should have effective systems to monitor the delivery of the COVID-19 Capital Stimulus Initiative and to identify opportunities for improvement. TBF should:

- monitor the use of the funds to verify that departments use funds as intended
- identify, evaluate, and manage risks, including complaints during the delivery of the initiative
- identify opportunities for continuous improvement of the initiative and the systems to deliver the initiative or similar programs

## Our audit findings

### Key findings

- TBF's monitoring was focused on financial information.
- Risks for the initiative were identified and managed.
- TBF identified and improved processes and systems supporting the initiative.

### TBF's monitoring was financially focused

The department monitored the COVID-19 Capital Stimulus Initiative through financial information received from departments. The department prepared:

- reports that tracked the actual expenditures to date and forecasted amounts for CMR and strategic projects
- quarterly fiscal update reports for Treasury Board Committee, this included analysis of departments' requests for changes to funding

We tested the monitoring process and controls and found they were effective to ensure the financial information in reports was accurate and complete.

### Risks for the initiative identified and managed

Departments reported risks quarterly through capital plan updates. The department provided information on risks on projects it assessed.

## TBF identified and improved processes and systems supporting the initiative

The department identified ways to improve the COVID-19 Capital Stimulus Initiative by evolving the evaluation methodology to a scoring matrix and the systems to deliver it. As part of its capital planning process, the department gathers feedback from departments and staff after each budget cycle. The department has updated the Capital Planning Manual, submission templates, and the process to review capital projects.

## Initiative Reporting

### Context

Evaluating results is fundamental to learning whether a program is working as intended. Reporting and analyzing differences and trends on an ongoing, timely basis enables management to adjust the COVID-19 Capital Stimulus Initiative. By understanding why differences exist, management has a better chance of achieving the desired results and applying lessons learned to future programs and initiatives.

Accountability requires reporting results typically in results analysis sections of department and government annual reports. Effective reporting of COVID-19 programs and initiatives lets Albertans understand:

- the strategies and initiatives to deal with the pandemic
- how much money was budgeted and spent
- what the government spent the money on and the results achieved

### Criteria

TBF should have effective systems to collect relevant, timely and accurate information to evaluate and report on the financial and non-financial performance of the COVID-19 Capital Stimulus Initiative. TBF should:

- collect relevant, timely and accurate information to evaluate the efficiency, effectiveness, and economy of the initiative
- report analysis and results on efficiency, effectiveness, and economy of initiative
- analyze the results in a timely manner



## Our audit findings

### Key findings

- TBF has effective processes to collect financial information, but not jobs and quarterly project status information.
- Annual reporting focused on project spending and construction status—not jobs.
- TBF staff analysis focused only on initiative spending.

### TBF has effective processes to collect financial information, but not jobs and quarterly project status information

The capital planning branch has effective processes to collect budgetary and financial information but not information on jobs created and quarterly reports detailing project progress. Departments submitted project information to the capital planning branch through existing capital planning processes. Reporting requirements and frequency are in the table below:

Report	Information Requirements	Report Frequency
Fiscal Update	<ul style="list-style-type: none"><li>• budgeted and forecast spending for individual projects</li><li>• variance analysis to justify request for changes in capital funding for the portfolio of department projects (if required)</li></ul>	Quarterly
Capital Plan	<ul style="list-style-type: none"><li>• construction phase</li><li>• expected and actual start date</li><li>• specified contract and actual completion date</li><li>• actual spending to date and remaining to be spent</li><li>• budget-to-spending variance explanation and remedial action</li></ul>	Quarterly
Project Status	<p>For select projects publicly reported in the Annual Infrastructure Report:</p> <ul style="list-style-type: none"><li>• project name</li><li>• total project costs</li><li>• expectation completion</li><li>• project description</li></ul> <p>Departments also submit a complete list of all capital projects with total approved funding over \$5M and phase of construction (planning, design, tendered, construction, and complete)</p>	Annually

Since 2020, departments have not consistently submitted quarterly Capital Plan reports due to staffing shortages, resulting in less information available to TBF to evaluate the initiative throughout the year. Our testing confirmed that the department did not obtain detailed information on the status of projects, such as the anticipated completion date, construction phase, or detailed variance analysis by project each quarter. Instead, it received this information at year-end.

Additionally, the department does not plan to evaluate the initiative after it has ended. So, no more data will be gathered to verify the estimate of jobs created by the economic modeling tool, to quantify the economic benefits of the initiative, or to assess the extent of capital investment per job created.

## Annual reporting focused on project spending and construction status—not jobs

There was no reporting against the objective of the initiative, job creation. We reviewed the 2021–2022 ministry annual reports for departments that received initiative funding (see Appendix) and noted that this information was lacking.

We are not making a new recommendation to the department on the reporting as there are outstanding recommendations we have previously reported on the need to improve performance reporting to Albertans in ministry annual reports.

We did note that information in the 2020–2021 and 2021–2022 Annual Infrastructure Reports<sup>40</sup> did provide a high-level summary for Albertans of the COVID-19 Capital Stimulus Initiative, including:

- consolidated amount spent at year-end for stimulus CMR and strategic projects
- highlights of select stimulus CMR and strategic projects
- status of strategic projects at year-end (completed/in-progress) graphically represented on a map of Alberta

Currently, TBF measures and publicly reports progress based on spending-to-date and project status. There is no reporting of jobs created. So neither the public nor legislators can assess the initiative's job creation results against its objective.

## TBF staff analysis focused only on initiative spending

The department's analysis focused on project spending as a proxy for jobs created. They did not analyze results in terms of job creation or project percentage of completion—despite adding projects, delays in the start of projects, and the effects of significant economic factors such as supply chain delays, labour disruptions and inflation.

The department analyzed financial information to support decision makers. On a quarterly basis they reviewed other departments' requests for changes to the portfolio of capital projects, including stimulus projects, and made recommendations to Treasury Board Committee on potential funding changes or more projects. Additionally, they assessed actual and forecast spending for individual projects plus accumulated totals for the initiative.

## Audit Responsibilities and Quality Assurance Statement

TBF is responsible for the COVID-19 Capital Stimulus Initiative. Departments are responsible for managing the construction of the capital projects.

**Our responsibility is to express an independent conclusion on whether TBF has effective systems to design, deliver, monitor, and report on the initiative.**

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.

<sup>40</sup> Detailed within 2020–2021 and 2021–2022 Government of Alberta Final Results Year-end Report.

# Appendix

## Approved Strategic Projects by Department

Project	Project Description	Cost Estimate at Approval (\$ millions)	Department
<b>1st Round of Strategic Projects Approved</b>			
Northern Lights Gas Co-op	Construction of about 100 kilometres of new transmission supply pipeline from the Wolverine Meter Station to the co-op distribution system in rural Mackenzie County near La Crete	\$16	Agriculture, Forestry and Rural Economic Development
Lethbridge Exhibition Expansion	Renewal and major expansion of Exhibition Park in Lethbridge adding more than 10 times the space for food production and capacity to host up to 7,000 attendees	\$28	
Recovery Communities <sup>41</sup>	Construction of new Recovery Communities, currently in development for Red Deer, Gunn, Lethbridge, and the Blood Tribe, with additional sites under consideration. Initially approved for \$25 million, later approved for an additional \$31 million after TBF reviewed the revised business case.	\$25	Health
Highway 3 Twinning	Twin 46 kilometres of this major economic corridor from Taber to East of Burdett	\$150	Transportation
Highway 2 Leduc Interchange	Expanding Highway 2 from Edmonton to Leduc, including Highway 19/625 Nisku interchange and 65th Avenue interchange, to eight lanes will help to resolve congestion	\$33	
Highway 201 Bow River Bridge Stoney Trail	Replacing the existing eastbound Stoney Trail bridge with a new, wider bridge over the Bow River, widening the westbound bridge, and building a new standalone pedestrian bridge	\$70	
Highway 11 twinning <sup>41</sup>	Twinning 66 kilometres on Highway 11, the David Thompson Highway, from west Red Deer to Rocky Mountain House	\$120	
Terwillegar Expansion <sup>41</sup>	Capital grant to the City of Edmonton to widen Terwillegar Drive to four lanes in each direction from Rabbit Hill Road to Anthony Henday Drive and across to Windermere Boulevard, and to build a new second overpass over Anthony Henday Drive	\$120	
Highway 40 widening	Widening a 36-kilometre stretch of Highway 40 between Wildhay River and Pinto Creek, and north and south of the Berland River	\$50	
<b>1st Round of strategic projects total</b>		<b>\$612</b>	
<b>Subsequently Approved Strategic Projects</b>			
H.W Pickup Junior High School <sup>41</sup>	Replace H.W. Pickup as the existing school has structural issues	\$36	Education
Alberta Broadband	Continue to implement the provincial Broadband Strategy, which sets out how GoA will achieve universal connectivity, providing high-speed internet to every Albertan household and business by the end of fiscal 2026-27	\$390	Service Alberta
<b>Subsequently Approved Strategic Projects total</b>		<b>\$426</b>	
<b>Net Total</b>		<b>\$1,038*</b>	

\*Since approval, strategic project costs have changed from initial estimates and two strategic projects added in fiscal 2021-2022, as such the Net Total amount will not agree to the cost estimates summarized on page 140.

<sup>41</sup> The capital project did not go through TBF's project evaluation process.

## Capital Maintenance and Renewal (CMR) Funding Envelopes by Department

Department	Cost Estimate at Approval (\$ millions)
Advanced Education	\$98
Education	\$250
Infrastructure	\$114
Seniors and Housing	\$26
Justice and Solicitor General	\$10
Transportation	\$465
<b>Total</b>	<b>\$963</b>

# Assessment of Implementation Report



**Alberta Treasury Board  
and Finance**

**Auditor  
General**  
OF ALBERTA

**Report of the Auditor General**  
November 2022

# Introduction

## About Our Assessment of Implementation Report

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.



# Assessment of Implementation Report

## Alberta Treasury Board and Finance

### *Government of Alberta Capital Planning*

(October 2017)

#### Summary of Recommendations

In August 2022, we completed our assessment of whether the Department of Treasury Board and Finance has implemented our recommendations to improve maintenance planning systems and evaluate capital maintenance programs for buildings. We found both recommendations have been implemented:

**IMPLEMENTED** Recommendation:  
Improve maintenance planning systems

**IMPLEMENTED** Recommendation:  
Evaluate capital maintenance programs for buildings

#### 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 the Department of Infrastructure. In 2019, responsibility for the Government of Alberta capital planning systems was transferred from the Department of Infrastructure to the Department of Treasury Board and Finance. We completed the assessment of implementation based on these updated responsibilities.

In our November 2021<sup>42</sup> report we assessed the recommendation related to capital planning standards and phased approach to capital planning and approval as implemented.

The scope of this assessment of implementation includes the two remaining recommendations related to:

- improving maintenance planning systems
- evaluating capital maintenance programs for buildings

We focused our assessment on determining if the enhanced maintenance planning systems were adequately designed and implemented and if the department evaluated its capital maintenance programs for buildings. Our assessment did not include COVID-19 capital stimulus funding.

In our assessment of implementation, completed on August 22, 2022, we found that the department implemented our recommendations to improve maintenance planning systems and evaluate capital maintenance programs for buildings.

The implemented recommendations included a review of a sample of capital maintenance and renewal (CMR) programs and the development and implementation of a standard centralized CMR program across the Government of Alberta. The centralized CMR program includes standard CMR prioritization criteria that provide the department with better information on maintenance needs, risks and results expected and help the department to make recommendations on CMR funding.

## **Recommendation: Improve maintenance planning systems**

### **IMPLEMENTED**

#### **Context**

In our original audit from 2017,<sup>43</sup> we found that adequate information was not obtained from departments on their maintenance needs and risks, or on the results they aimed to achieve with the maintenance funding requested.

#### **Our current findings**

The department implemented our recommendation to:

- obtain information from departments on their maintenance needs and risks, and on the results they aim to achieve with the maintenance funding they request
- analyze the departments' maintenance information and provide objective advice to government committees on maintenance funding

We found the department developed and implemented a centralized process for departments to submit capital maintenance and renewal (CMR) funding requests. The process included:

- a standard definition for determining maintenance needs that are eligible for CMR funding, CMR templates and guidelines

<sup>42</sup> *Report of the Auditor General of Alberta—November 2021, Assessment of Implementation Reports*, page 215.

<sup>43</sup> *Report of the Auditor General of Alberta—October 2017, Performance Auditing*, page 23.



- criteria for departments to use to prioritize their maintenance requests that provides the department with better information on maintenance needs, risks and results. The criteria focus on the plan for the asset, importance of the asset and functionality, condition of the asset, reason for the work and impact of failure.

The department reviewed CMR submissions from the various departments and followed up on missing information or information that was inconsistent with its understanding. The department analyzed the CMR submissions, including the prioritization results, and developed funding scenarios that considered the CMR needs, capacity to execute the work and CMR funding available, and provided a recommendation to the Deputy Minister Capital Committee.

The department received and monitored quarterly CMR reporting from departments. The quarterly reporting provided the department with information on CMR projects completed, cancelled or emergent projects that arose.

## Recommendation:

# Evaluate capital maintenance programs for buildings

## IMPLEMENTED

### Context

In our original audit from 2017,<sup>44</sup> we found that the Government of Alberta had not reviewed its four capital maintenance programs for buildings to assess whether they are working as effectively as possible.

### Our current findings

The department implemented our recommendation to work with affected departments to lead a review of the four capital maintenance programs for buildings and evaluate whether they are working well.

We found the department reviewed CMR programs to create a consistent and coordinated approach to prioritize and plan for CMR funding across the Government of Alberta. The review consisted of:

- a current state analysis of CMR programs for seven key departments, including CMR definitions, asset inventory data and processes to collect and prioritize CMR projects
- a review of CMR programs in similar jurisdictions
- an evaluation of proposed standardized prioritization criteria for CMR projects

The department used the results of the review to develop a standard CMR program across the Government of Alberta that departments use to submit CMR funding requests. The information is used to help the department prioritize CMR needs across the Government of Alberta.

The department continues to enhance its CMR program, including assessing how it can better use departments' information on asset condition and functionality to prioritize CMR needs and funding.

<sup>44</sup> *Report of the Auditor General of Alberta—October 2017*, Performance Auditing, page 26.

# Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> 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>Ready for Assessment</b></p>
<p><b>DEPARTMENT</b> 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> 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> 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>	August 2019, p. 17	<b>Ready for Assessment</b>
<p><b>DEPARTMENT</b> 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>	August 2019, p. 19	<b>Not Ready for Assessment</b>
<p><b>DEPARTMENT</b> ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><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>	February 2016, no. 8, p. 77	<b>Ready for Assessment</b>

Recommendation	When	Status
<p><b>DEPARTMENT</b> ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><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>	February 2016, no. 9, p. 79	Ready for Assessment
<p><b>DEPARTMENT</b> ECONOMY AND EFFICIENCY OF CASH MANAGEMENT:</p> <p><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>	February 2016, no. 10, p. 82	Ready for Assessment
<p><b>DEPARTMENT</b> 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>	February 2016, no. 11, p. 85	Ready for Assessment
<p><b>DEPARTMENT</b> 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>	February 2016, no. 12, p. 86	Not Ready for Assessment

# Service Alberta

## Status of Recommendations

as of November 2022

---

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

## Outstanding Recommendations as of November 2022

Recommendation	When	Status
<p><b>DEPARTMENT</b> 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>	November 2021, p. 136	<b>Not Ready for Assessment</b>
<p><b>DEPARTMENT</b> 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>	<b>Not Ready for Assessment</b>
<p><b>DEPARTMENT</b> 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>	May 2017, no. 3, p. 51	<b>Not Ready for Assessment</b>

Recommendation	When	Status
<p><b>DEPARTMENT</b>  <b>PROTECTING INFORMATION ASSETS:</b>  <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

## Status of Recommendations

as of November 2022

---

- 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

We issued unqualified independent auditor's reports on the 2021–2022 financial statements for seven 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 2021–2022 financial statements for the Office of the Auditor General of Alberta.

## Status of Recommendations

as of November 2022

- 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







**[oag.ab.ca](http://oag.ab.ca)**

**Contact us:**

[info@oag.ab.ca](mailto:info@oag.ab.ca)  
780.427.4222

ISSN 1999-4242 (print)  
ISSN 1927-9604 (online)

