

NEWS RELEASE

March 23, 2023

Auditor General recommendations assist with process and program improvements

Edmonton, Alberta, Canada... Auditor General Doug Wylie released his March 2023 report which highlights the importance of improving monitoring, evaluation, and reporting processes to ensure Albertans receive value from government programs, and are protected from environmental and financial risk.

Highlights of the report include the results of two new performance audits, a report on post-secondary institutions, and three assessment of implementation reports.

***Critical Worker Benefit Program Performance Audit* (Jobs, Economy and Northern Development, formerly Labour and Immigration) COVID-19 Performance Audit Work**

The Auditor General's report on the *Critical Worker Benefit Program* found that the Department of Labour and Immigration had processes to design, deliver, monitor, and report on the program, but improvements can be made to monitoring and reporting processes.

This program was one of several one-time programs the government implemented to assist Albertans, businesses, and other organizations during the COVID-19 pandemic. The program paid a \$1,200 one-time benefit to low-income, frontline workers in four essential sectors: healthcare, social services, education (the public sectors), and the private sector (for jobs in critical retail services, food manufacturing, truck transportation, warehousing, and storage). Workers did not receive the benefit directly. Employers applied for, received and distributed the benefit to approved workers.

"Our audit found that department processes to obtain supporting documentation from employers verifying payments to workers were not completed, said Auditor General Doug Wylie. "The department should ensure it has adequately executed all processes and controls to ensure workers approved under the program received their benefit."

The report recommends that the Department of Jobs, Economy and Northern Development (formerly Labour and Immigration), as program lead, coordinate and complete processes to verify approved critical workers received their benefit payment.

Total budgeted funding for the program, provided jointly by the governments of Canada and Alberta, was \$465 million, of which \$34 million was unspent at the end of the program.

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Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure Performance Audit **(Alberta Energy Regulator)**

In his report on the *Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure*, Auditor General Doug Wylie identified opportunities that will assist the Alberta Energy Regulator (AER) in its work going forward to ensure the timely cleanup of wells by industry at no cost to Albertans.

The report focuses on whether AER had an effective liability management system to mitigate the risks associated with the closure of oil and gas infrastructure. These include environmental, health, and financial risks.

“Albertans need an effective liability management system in place to hold industry accountable for meeting their environmental obligations to the province and to ensure that industry’s liability management risks are being properly managed,” said Auditor General Doug Wylie. “Inactive oil and gas infrastructure that isn’t properly closed can pose serious environmental, public health and economic risks to Albertans. Failure to ensure that operators and industry conduct and pay for the safe shut down of their infrastructure increases the risk that extensive closure costs could be shifted to the public.”

The audit examined six key areas of AER’s liability management system: risk management, performance measurement and public accountability, AER’s processes to assess information from the Orphan Well Association, timely closure of inactive sites, financial security and licence transfers, and regulatory compliance of closure activities. The Auditor General identified several key findings within each of these six areas examined.

One of the report’s key findings is that public reporting and external performance measurement on liability management are insufficient to assess whether results are being achieved and risks are being effectively managed.

“The absence of external performance measures dates back many years and has created a lack of public accountability for the performance of the liability management system,” said Wylie. “Without specific goals, targets, and performance measurement, it is very difficult for Albertans to hold industry, AER and government accountable for liability management. Whether or not liability management activities are successful is dependent on transparent disclosure of what AER expects industry to achieve and what has been achieved relative to those expectations.”

While AER has started to implement a new liability management framework, the audit findings identify that more work is needed to ensure these new programs and processes are working as intended and help AER demonstrate whether industry’s activities are making a positive impact at the desired pace.

For example, whether the system changes arising from the framework will lead to better liability management will depend on how well recent and future adjustments to the system deal with the need for enforceable closure timelines; a resolution to the unfunded legacy sites issue; and a more effective system for collecting security. AER’s own risk analysis has also identified additional gaps in the framework including the exclusion of pipeline liabilities.

The Auditor General made nine recommendations for AER to improve its processes for collecting sufficient security; ensuring compliance with closure requirements; ensuring timely closure activity; reducing industry’s growing liability for inactive sites; assessing information from the Orphan Well Association; and processing licence transfer applications. The report also recommends AER improve its performance measurement processes and public reporting, along with its Enterprise Risk Management program.

See backgrounder for a detailed list of key findings and recommendations.

Report on Post-secondary Institutions 2022

The Auditor General issued an unqualified or “clean” audit opinion on the 2022 financial statements of each of the 20 Alberta public post-secondary institutions his office audits. His *Report on Post-secondary Institutions 2022* compiles the status of recommendations after the 2022 financial statement audits of these post-secondary institutions. It also includes a report card on each institution’s financial reporting processes and internal controls with comparative assessment from their 2021 and 2020 audits.

“Strong financial reporting processes and internal controls result in timely information that users of the financial statements can rely on,” said Auditor General Doug Wylie. “Boards and management need accurate and timely financial information throughout the year, not just at year-end.”

The report issues two new recommendations to **Lakeland College** related to managing the risks of using cloud computing service providers. The report repeats a recommendation to **Northwestern Polytechnic** to improve its disaster recovery processes and physical controls over its data centres, and issues a new recommendation to improve the consistent application of its procurement and contracting processes. Lastly, a recommendation is made to **Bow Valley College** to improve the consistent application of its financial statement preparation processes.

The report also includes five implemented outstanding recommendations. **Portage College, Lakeland College** and **Keyano College** implemented processes to monitor and test the continued effectiveness of their internal controls and processes. **Medicine Hat College** improved its monitoring and consistent application of its purchasing policies and processes in the current year. **NorQuest College** improved its processes to consistently apply its cloud computing processes related to data security and monitoring of cloud service providers.

Assessment of Implementation Reports

“I am pleased to report that management has implemented six of our previous recommendations,” said Auditor General Doug Wylie. “We again repeat one recommendation to Alberta Environment and Protected Areas to improve its processes to report on its Oil Sands Monitoring Program so Albertans receive timely, accurate, clear, and accessible reporting.”

Alberta Environment and Protected Areas

Reporting on the Oil Sands Monitoring Program

The Auditor General completed his assessment of implementation work resulting from the November 2018 audit of *Systems to Manage and Report on the Oil Sands Monitoring Program Follow-up*, and is repeating his recommendation.

REPEATED Recommendation: Improve annual reporting processes

We again recommend that the Department of Environment and Protected Areas, working with Environment and Climate Change Canada, improve processes to ensure the annual report on the Oil Sands Monitoring Program is complete, accurate, and timely.

Alberta Infrastructure

Fort McMurray Residential Facility-Based Care Centre (Willow Square) Project Management

The Auditor General completed his assessment of implementation work resulting from the February 2020 audit of the department’s project management systems to manage the planning and design of the Fort McMurray Residential Facility-Based Care Centre (Willow Square) and found that the two recommendations have been implemented:

- Improve certain project management processes for capital projects
- Improve performance measures for capital projects

Alberta Petroleum Marketing Commission (APMC)

Systems to Manage Risks in Business Arrangements

The Auditor General completed his assessment of implementation work resulting from the February 2018 audit of APMC’s management of risks in business arrangements and found that they implemented the four recommendations:

- Implemented a robust enterprise risk management system
- Developed and publicly disclosed an annual report and business plan
- Developed performance measures and targets
- Developed a process and areas of key focus to analyze the lessons learned from business arrangements

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NOTE: All reports are available online at oag.ab.ca.

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