Report of the Auditor General

December 2023

Auditor General
OF ALBERTA

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Shane Getson, MLA
Chair
Standing Committee on Legislative Offices

I am honoured to transmit my *Report of the Auditor General—December 2023* 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 2023

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Please note: On June 8, 2023, the government announced a new ministry structure. The Report Contents reflects only those ministries where we have matters to report.

Report Highlights

The information in this report includes a summary of the recommendations the Auditor General of Alberta has made to government since November 2022, the audit of the *2022-2023 Consolidated Financial Statements of the Province of Alberta*, *a Summary of the 2022 Financial Audit Results of School Jurisdictions in Alberta*, and three performance audits and six assessment of implementation reports.

Summary of Recommendations

The report begins with a Summary of Recommendations (see page 10) showing which recommendations are new, implemented, still outstanding and ready for assessment by ministry, including their respective reporting entities. There are 113 total recommendations.

The value of the work of the office of the Auditor General is not fully realized until its 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 work to review the reports of our office and the public accounts of the province.

2022-2023 Consolidated Financial Statements of the Province of Alberta

The Auditor General of Alberta issued a clean (unqualified) audit opinion on the Province's Consolidated Financial Statements for the year ended March 31, 2023 (see page 13). This means Albertans can be confident that the financial statements of the province are free of material misstatements and are presented fairly in accordance with public sector accounting standards.

The audit focused on the following three key risks—or those matters that, in the Auditor General's professional judgement, were of most significance—during the audit.

Environmental liabilities

At March 31, 2023, the Province's Consolidated Financial Statements included $117 million for environmental liabilities. This represents future funding required to comply with environmental legislation. During the year, the province reclassified $215 million for the reclamation costs for the Swan Hills treatment plant and sand and gravel pits from environmental liabilities to Asset Retirement Obligations.

We identified accounting for environmental liabilities as a key audit matter since:

- there are a significant number of sites where responsibility for who will do the work and/or costs of required work to protect people and the environment have not been established
- our *Processes to Provide Information about Government's Environmental Liabilities, Report of the Auditor General—June 2021*,[1] describes weaknesses related to the processes to provide information about environmental liabilities
- it requires significant interpretation of environmental law and standards to determine who is responsible to do the work when private operators will not do the work or no longer exist
- it requires significant expertise to assess the nature and extent of contamination and the work required to remediate and reclaim sites, and then to estimate the costs to do that work

We conclude that management's estimates of environmental liabilities in the Province's Consolidated Financial Statements are reasonable, and the disclosures comply with public sector accounting standards. We have identified areas where processes to provide information on environmental liabilities and financial statement disclosures can be improved. We believe that management can further improve the disclosures to provide more comprehensive information about current and potential future environmental liabilities.

Adoption of the new Public Sector Accounting Standard for Asset Retirement Obligations

The province adopted a new accounting standard for Asset Retirement Obligations that prescribes how the province should account for liabilities arising from legal obligations to retire tangible capital assets. At March 31, 2023, the province recorded $2.3 billion in asset retirement obligations (Schedule 12 of the Province's Consolidated Financial Statements). The majority relates to removing asbestos in the province's buildings.

We identified this as a key audit matter since adopting this new standard and estimating these liabilities are complex and requires significant judgements, assumptions, and inputs. It includes identifying legal requirements to retire tangible capital assets, determining the nature and extent of the asset retirement activities required, estimating the costs to complete the work, and determining when that work will be completed.

We conclude that management's estimates of asset retirement obligations in the Province's Consolidated Financial Statements are reasonable, and the disclosures comply with public sector accounting standards. In general, we found most entities had effective processes and controls to adopt the new accounting standards. However, we initially found weaknesses in some entities' processes to implement and follow the new asset retirement obligations standard.

[1] https://www.oag.ab.ca/reports/oag-governments-environmental-liabilities-fs-June-2021/.

Adoption of the new Public Sector Accounting Standards for financial instruments and foreign currency translation

Effective April 1, 2022, the province adopted the new public sector accounting standards for financial instruments and foreign currency translation. The new standards included significant changes to the measurement and disclosures for financial instruments in the Province's Consolidated Financial Statements. The significant measurement impacts to the recording of financial instruments included increasing the opening net assets of the province by $2.8 billion, mostly due to the difference in the book value and fair values of portfolio investments, and separately recording $1.1 billion in derivative financial assets and $1.9 billion in derivative financial liabilities on the statement of financial position.

We identified the adoption of the new standards as a key audit matter since there are significant changes to the way financial instruments are measured and disclosed in the Province's Consolidated Financial Statements. This requires significant judgements and assumptions to determine the fair values of private equities, inflation sensitive and alternative investments.

We found that the province appropriately accounted for and disclosed financial instruments in the consolidated financial statements. We concluded that the valuations of derivative financial instruments, portfolio investments and foreign currency translation and the financial instrument disclosures were reasonable.

Summary of the 2022 Financial Audit Results of School Jurisdictions in Alberta

This report (see page 55) 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 the summary of the financial information and recommendations made to school jurisdictions is to identify trends across the sector.

Performance Audit and Assessment of Implementation Work

In this report, we note that government has implemented 13 of our previous recommendations. We issue seven new recommendations and note one changed circumstance.

This work is summarized on the following pages.

NEW Recommendations

Advanced Education

Page 31

NEW Recommendation:
Improve the financial consolidation process

We recommend that the Department of Advanced Education improve its financial consolidation process.

Consequences of not taking action: Without a strong and sustainable financial reporting process over the ministry consolidation, management and those charged with governance will not have reliable financial information to base their decisions on and to show accountability to Albertans.

Agriculture and Irrigation

Agriculture Financial Services Corporation

Page 41

Compliance with AgriInsurance policies and procedures
NEW Recommendation:
Improve process to ensure compliance with AgriInsurance policies and procedures

We recommend that Agriculture Financial Services Corporation improve its process to ensure policies and procedures set out in AgriInsurance manuals, guidelines, and authorities are adhered to.

Consequences of not taking action: Non-compliance with policies, procedures, and authorities could result in invalid, incomplete, and inaccurate insurance payments or legislative non-compliance. Not completing required procedures may expose AFSC to challenges during future processing of claims and potential disputes with clients.

Environment and Protected Areas

Page 79

NEW Recommendation:
Ensure that underpayments to the TIER Fund are collected when errors are found

We recommend that the Department of Environment and Protected Areas implement a process to collect underpayments to the TIER Fund identified through its review of industry submitted information used to calculate emission obligations.

Consequences of not taking action: The department may not collect amounts owing to the Technology Innovations and Emissions Reduction (TIER) Fund which could negatively impact emissions reduction and climate adaptation efforts. This would also impede the regulatory system's design to ensure fairness, transparency, and equity across facilities. It could also misrepresent Alberta's greenhouse gas emissions and compliance results.

Environment and Protected Areas

Page 81

NEW Recommendation:
Improve financial information preparation and reporting processes

We recommend that the Department of Environment and Protected Areas improve its financial information preparation and reporting processes by enhancing its quality control and review activities.

Consequences of not taking action: Without effective and sustainable financial reporting processes, management may not have reliable financial information to base their decisions on and the risk of inaccurate and late financial information being supplied to users is substantially increased. Additionally, there are inefficiencies and waste that result from ineffective financial reporting processes.

Transportation and Economic Corridors

Page 194

Procurement Processes
NEW Recommendation:
Improve controls for posting periods

We recommend that the Department of Transportation and Economic Corridors improve its controls to ensure solicitation posting periods comply with trade agreement requirements.

Consequences of not taking action: The department may not be posting solicitations with a reasonable amount of time for proponents to prepare and submit bids, based on trade agreement requirements. If these requirements are not being met, the department could face financial or other penalties or reputational damage from resulting actions. If proponents do not have adequate time to prepare their submission, they may not submit a proposal resulting in less competition or they may price this risk into their bid.

Page 197

Procurement Processes
NEW Recommendation:
Improve documentation controls

We recommend that the Department of Transportation and Economic Corridors ensure it has adequate controls to document support for its shortlisting and award decisions, including key procurement information.

Consequences of not taking action: Without proper documentation or records, the department may not be able to demonstrate its procurement practices and award decisions are fair. If challenged, the department could face legal, financial or reputational damage if it cannot produce adequate support for its shortlisting or contract award decisions.

Page 198

Procurement Processes
NEW Recommendation:
Improve access controls for procurement information systems

We recommend that the Department of Transportation and Economic Corridors improve its access controls for its procurement information systems.

Consequences of not taking action: Without adequate access controls, there is a risk that confidential information, including bid prices and evaluation information, could be accessed and shared inappropriately with proponents. The inappropriate sharing of confidential information could result in an unfair advantage, undermining the credibility and integrity of the procurement process.

IMPLEMENTED Recommendations

Energy and Minerals

Page 75

Site Rehabilitation Program
IMPLEMENTED Recommendation:
Formalize risk management process

Original: Site Rehabilitation Program, Report of the Auditor General—March 2022, page 11.

Health

Page 93

Physician Services
IMPLEMENTED Recommendation:
Enhance processes to check for receipt of services for which physicians billed

Original: Report of the Auditor General—October 2015, no. 13, page 102.

Page 94

Grant Management Processes
IMPLEMENTED Recommendation:
Improve grant management processes

Original: Report of the Auditor General—March 2022, page 4.

Justice

Page 143

Processes to Manage Bail Hearings and Case Management of Adult Criminal Prosecutions
IMPLEMENTED Recommendation:
Resume its bail results analysis and evaluate and report on the effectiveness of implemented solutions

Original: Report of the Auditor General—June 2021, page 14.

Page 143

Processes to Manage Bail Hearings and Case Management of Adult Criminal Prosecutions
IMPLEMENTED Recommendation:
Continue cause analysis of cases stayed due to *Jordan* applications

Original: Report of the Auditor General—June 2021, page 18.

Page 143

Processes to Manage Bail Hearings and Case Management of Adult Criminal Prosecutions
IMPLEMENTED Recommendation:
Comply with Triage Practice Protocol tracking and reporting requirements

Original: Report of the Auditor General—June 2021, page 20.

Seniors, Community and Social Services

Page 159

Systems to Manage the Assured Income for the Severely Handicapped (AISH) Program
IMPLEMENTED Recommendation:
Set service standards and improve eligibility procedures and guidelines

Original: Report of the Auditor General— October 2016, no. 6, page 38.
Repeated: Report of the Auditor General—June 2021, page 43.

Technology and Innovation

Page 169

Systems to Manage a Comprehensive Inventory of IT Applications
IMPLEMENTED Recommendation:
Establish a comprehensive inventory system for information technology applications

Original: Report of the Auditor General—May 2017, page 51

Page 169

IT Disaster Recovery Program
IMPLEMENTED Recommendation:
Improve recovery of critical information technology applications

Original: Report of the Auditor General—October 2014, no. 5, page 45.
Repeated: Report of the Auditor General—November 2019, page 9.

Alberta Enterprise Corporation

Page 175

Processes to Report on Value Generation (Alberta Enterprise Corporation)
IMPLEMENTED Recommendation:
Improve processes to measure, monitor, and report value generated by investment and ecosystem activities

Original: Report of the Auditor General—November 2021, page 162.

Treasury Board and Finance

Public Service Commission

Page 215

Public Agency Board Member Recruitment and Selection
IMPLEMENTED Recommendation:
Improve guidance for the usage of succession plans and reappointments

Original: Report of the Auditor General—August 2019, page 13.

Page 215

Public Agency Board Member Recruitment and Selection
IMPLEMENTED Recommendation:
Strengthen the recruitment, screening, and selection processes

Original: Report of the Auditor General—August 2019, page 17.

Executive Council

Invest Alberta Corporation

Page 219

Improve Financial Reporting Processes
IMPLEMENTED Recommendation:
Improve processes to analyze and conclude on financial reporting of significant transactions

Original: Report of the Auditor General—November 2021, page 112.

CHANGED Circumstance

Treasury Board and Finance

Public Service Commission

Page 215

Public Agency Board Member Recruitment and Selection
CHANGED CIRCUMSTANCE Recommendation:
Improve guidance on use of professional recruitment

Original: Report of the Auditor General—August 2019, page 14.

Summary of Recommendations

In our financial statement and performance audit work, we issue recommendations to improve the economy, efficiency, and effectiveness of programs and processes of those we audit. The value of our work is not fully realized until our recommendations are acted on.

This is why we track the status and assess the implementation of our recommendations 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 work to review the reports of our office and the public accounts of the province.

Each ministry chapter in this report lists the recommendations we have made over the years which have not yet been implemented.

What's new in this report

This report includes seven new recommendations and our update of past work, including 13 implemented recommendations and one with a changed circumstance.

The following table summarizes the total new and implemented recommendations first reported in this *Report of the Auditor General—December 2023* as well as the status of all outstanding recommendations, by ministry, including their respective reporting entities, as of October 31, 2023.

The status of Ready for Assessment/Not Ready for Assessment is based on management's current 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

We use older than three years (>3) as a performance measure for when we expect management to implement our recommendations. We update the three-year status at the beginning of each new fiscal year (April 1).

				Status of Recommendations*				Closed Recommendations	
Ministry	New	Outstanding	Total	Ready for Assessment	Not Ready for Assessment	> 3 Years	< 3 Years	Implemented	Changed Circumstance
Advanced Education	1	15	16	4	12	8	8	0	0
Affordability and Utilities	0	0	0	0	0	0	0	0	0
Agriculture and Irrigation	1	1	2	0	2	0	2	0	0
Arts, Culture and Status of Women	0	0	0	0	0	0	0	0	0
Children and Family Services	0	4	4	4	0	4	0	0	0
Education	0	3	3	3	0	3	0	0	0
Energy and Minerals	0	10	10	0	10	0	10	1	0
Environment and Protected Areas	2	17	19	4	15	11	8	0	0
Forestry and Parks	0	0	0	0	0	0	0	0	0
Health	0	25	25	11	14	12	13	2	0
Immigration and Multiculturalism	0	0	0	0	0	0	0	0	0
Indigenous Relations	0	1	1	0	1	0	1	0	0
Infrastructure	0	4	4	0	4	0	4	0	0
Jobs, Economy and Trade	0	3	3	0	3	0	3	0	0
Justice	0	0	0	0	0	0	0	3	0
Mental Health and Addiction	0	0	0	0	0	0	0	0	0
Municipal Affairs	0	1	1	1	0	1	0	0	0
Public Safety and Emergency Services	0	3	3	0	3	1	2	0	0
Seniors, Community and Social Services	0	7	7	3	4	4	3	1	0
Service Alberta and Red Tape Reduction	0	0	0	0	0	0	0	0	0
Technology and Innovation	0	3	3	2	1	1	2	3	0
Tourism and Sport	0	0	0	0	0	0	0	0	0
Transportation and Economic Corridors	3	2	5	0	5	0	5	0	0
Treasury Board and Finance	0	7	7	5	2	7	0	2	1
Executive Council	0	0	0	0	0	0	0	1	0
Office of the Legislative Assembly and Offices of the Legislature	0	0	0	0	0	0	0	0	0
Total	7	106	113	37	76	52	61	13	1

*Includes new recommendations.

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 Management 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 behaviour.

2022-2023 Consolidated Financial Statements of the Province of Alberta

Report of the Auditor General

December 2023

Auditor General
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 accounting for environmental liabilities, and the implementation of the new public sector accounting standards related to asset retirement obligations, financial instruments, and foreign currency.

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 misstatement and are fairly presented in accordance with PSAS.

We issued a clean (unqualified) audit opinion for the Province's Consolidated Financial Statements. Based on our work, we have concluded the 2022–2023 financial statements are fairly presented in accordance with PSAS.

Background

The Province's Consolidated Financial Statements account for the financial affairs and resources of the province. It includes the financial results of departments; regulated funds; agencies, boards, and commissions such as schools, universities, colleges, and health entities such as Alberta Health Services; the Legislative Assembly, and offices of the legislature; 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 2022–2023, and its financial position at March 31, 2023.

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 consolidated financial statements. The significant estimates include, for example, income taxes and asset retirement obligations.

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 position and the financial results for the year ended March 31, 2023. They show how much revenue the government recognized, and the sources and degree of uncertainty in estimating some of those revenues such as income taxes. The financial statements also provide accountability information to show how money was spent compared to approved budgets and in which areas, such as healthcare and education. The financial statements further provide information about the province's financial assets, liabilities, capital assets, and which departments exceeded its budget appropriation.

The *Government of Alberta Annual Report 2022–2023* includes a Budget 2022 Key Results section that supplements the financial statements. The government also publishes the *2022–2023 Final Results—Year-end Report*[2] with the annual report. These reports provide additional explanations for significant variances from budgets and prior years' financial results.

In addition, ministry annual reports[3] include more detailed financial results 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.

[2] https://open.alberta.ca/dataset/7714457c-7527-443a-a7db-dd8c1c8ead86/resource/e700b94a-bf65-49d1-bdac-af4915338c2c/download/tbf-goa-2022-2023-final-results-year-end-report.pdf.

[3] https://www.alberta.ca/government-and-ministry-annual-reports.aspx.

Audit Opinion on 2022-2023 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 misstatement and are presented fairly in accordance with PSAS.

On June 16, 2023, we issued a clean (unqualified) audit opinion on the Province's Consolidated Financial Statements for the year ended March 31, 2023. A clean audit opinion means that we concluded, based on obtaining sufficient and appropriate audit evidence, that the financial statements are free of material misstatement and are presented fairly in accordance with PSAS.

This year, requirements came into effect to report *Key Audit Matters* (KAMs) in the auditor's report that we decided to apply in our audit of the Province's Consolidated Financial Statements. KAMs are those matters that, in the auditor's professional judgment, were of most significance in the audit of the current period's financial statements. This includes areas of significant risks, or that require significant management or auditor's judgment. The purpose of communicating KAMs is to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed. It also provides intended users a basis to further engage with management and those charged with governance about certain matters relating to the entity, the audited financial statements, or the audit that was performed.

We communicated KAMs in our auditor's report on the Province's Consolidated Financial Statements for the year ending March 31, 2023. We identified the adoption of the new PSAS standards on asset retirement obligations and financial instruments, and the accounting for environmental liabilities as KAMs. We discuss these in more detail below.

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

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

Our audit included consideration of internal control 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.

This year, agencies, boards and commissions, and departments who follow public sector accounting standards adopted the new accounting standard for asset retirement obligations (AROs). The Office of the Controller developed a new accounting policy for AROs and a guide for financial instruments. Departments also implemented the new financial instrument standards and were impacted by the government reorganization announced on October 24, 2022. The reorganization created some new ministries, dissolved some existing ministries, and transferred responsibilities for many government programs to new or existing ministries.

Management of each entity is responsible to implement systems to adopt new accounting standards and comply with the province's accounting policies. In general, we found most entities had effective processes and controls to adopt the new accounting standards. However, we initially identified weaknesses in some entities' processes to implement and comply with the new ARO standard. This included weaknesses to assess relevant legislation, identify assets with asset retirement obligations, estimate the costs to complete the work, and determine when to start amortizing the ARO asset. Management of the entities resolved the issues identified, and adjusted the ARO liabilities, ARO assets, amortization, and opening net assets in order for us to issue an opinion on the Province's Consolidated Financial Statements.

Several departments did not meet Treasury Board and Finance's timelines to prepare information required for the Province's Consolidated Financial Statements. Some departments also had significant staff turnover. The government reorganization required changes to the 1GX enterprise resource planning system to enable the Office of the Controller to prepare the Province's Consolidated Financial Statements based on the new government structure and responsibilities. While there were some automated tools used to transfer capital assets and related balances, most of the work required significant manual efforts from departments' finance staff. This together with the staff turnover in some departments created delays in preparing financial information needed to prepare the Province's Consolidated Financial Statements.

Included in the ministry chapters in this report are the recommendations that we made to individual entities in areas for improvement in their financial reporting processes.

Key Audit Matters

Our audit of the *2022–2023 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:

- environmental liabilities
- adoption of the public sector accounting standard for asset retirement obligations
- adoption of the public sector accounting standards for financial instruments and foreign currency translation

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.

Environmental Liabilities

Overview of risk

At March 31, 2023, the Province's Consolidated Financial Statements included $117 million for environmental liabilities (Schedule 12 of the Province's Consolidated Financial Statements). This represents future funding required to comply with environmental legislation. During the year, the province reclassified $215 million for the reclamation costs for the Swan Hills treatment plant and sand and gravel pits from environmental liabilities to Asset Retirement Obligations.

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 is also a significant number of 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.

We identified accounting for environmental liabilities as a key audit matter since:

- there are a significant number of sites where responsibility for who will do the work and/or costs of required work to protect people and the environment have not been established
- our *Processes to Provide Information about Government's Environmental Liabilities, Report of the Auditor General—June 2021*,[4] describes weaknesses related to the processes to provide information about environmental liabilities
- it requires significant interpretation of environmental law and standards to determine who is responsible to do the work when private operators will not do the work or no longer exist
- it requires significant expertise to assess the nature and extent of contamination and the work required to remediate and reclaim sites, and then to estimate the costs to do that work

[4] https://www.oag.ab.ca/reports/oag-governments-environmental-liabilities-fs-June-2021/.

What we examined

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

We also audited a sample of sites across various entities where management did not record a liability and reviewed management's assumptions and explanations.

We also assessed the appropriateness of the disclosures in the consolidated financial statements against the standards for disclosures required by PSAS.

What we found

We conclude that management's estimates of environmental liabilities in the Province's Consolidated Financial Statements are reasonable, and the disclosures comply with public sector accounting standards. We have identified areas where processes to provide information on environmental liabilities and financial statement disclosures can be improved. These areas are discussed further below.

Context

Public Sector Accounting Standards[5] 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 (e.g., highway maintenance yards), sites where a statutory environmental inspector determines additional reclamation work is necessary after certain legislative warranty periods expire from the date a reclamation certificate was issued, and other 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 to protect people and the environment.

Accounting for environmental liabilities is complex and requires significant judgements and reliance on experts and the province's environmental regulatory systems. Our *Processes to Provide Information about Government's Environmental Liabilities, Report of the Auditor General—June 2021*,[6] describes weaknesses related to the processes to provide information about environmental liabilities. We found:

- within Environment and Protected Areas and the Alberta Energy Regulator (AER) there is a lack of clarity about who is responsible for certain sites, and in cases where the province has accepted responsibility or is responsible, who will do the work for certain sites
- there is a lack of clarity around funding sources available to AER to manage, and where needed, clean up (remediate and reclaim) sites for which they are responsible in the oil and gas and coal industries
- Environment and Protected Areas and AER need to improve processes to prioritize sites and maintain up-to-date cost estimates to manage and clean up sites
- Transportation and Economic Corridors needs to improve its processes to account for environmental liabilities related to its sand and gravel pits and highway maintenance yards
- Transportation and Economic Corridors must improve its processes to comply with environmental legislation at its highway maintenance yards

[5] PS 3200—Liabilities, PS 3260—Liability for contaminated sites, and PS 3300—Contingent liabilities.

[6] https://www.oag.ab.ca/reports/oag-governments-environmental-liabilities-fs-June-2021/.

Improvements to these processes are necessary to ensure government decision-makers, Members of the Legislative Assembly and Albertans are supplied with important and current information about the government's environmental liabilities. As a result in 2021, we recommended that:

- Environment and Protected Areas develop guidance to determine who is responsible for cleanup work
- Environment and Protected Areas and AER complete case-by-case assessments of sites to determine who is responsible and what work is required
- Transportation and Economic Corridors improve its processes to assess, estimate, and account for its environmental liabilities
- Transportation and Economic Corridors improve its processes to ensure compliance with environmental legislation

The respective entities are in the process of making improvements, but further work remains to fully implement the recommendations. Given the importance of these recommendations, we plan to assess the implementation of these recommendations in the upcoming year.

Based on the polluter pay principle, private operators and the industry-funded Orphan Well Association (OWA) are responsible to clean up sites they are responsible for. However, there are a significant number of sites where responsibility for who will do the work and/or costs of required work to protect people and the environment are unknown. It requires interpretation of environmental law and standards to determine who is responsible to do the work when private operators will not do the work or no longer exist. For example, the OWA is not responsible to clean up "legacy" sites left behind by oil and gas activity that took place before current environmental laws and standards existed.

As we reported on page 21 of our *Liability Management of (non-oil sands) Oil and Gas Infrastructure, Report of the Auditor General—March 2023*,[7] the Alberta Energy Regulator (AER) was awaiting policy direction from the provincial government regarding administration and funding for legacy sites. There are also legacy sites from other industries like coal mines, wood treatment sites and sand and gravel pits where operators no longer exist and where no backstop exist, like the OWA to clean up orphan and legacy sites. Environment and Protected Areas and the AER (as regulators of environmental legislation) are responsible to monitor these sites and to identify a responsible party to complete the required work. In some cases, they may not be able to identify a responsible party.

Accounting for environmental liabilities requires the work of specialists like engineers, to determine the type and extent of contamination, the work required to remediate and reclaim sites, and the estimated costs to do that work. It also requires an assessment of who is responsible to do that work. As a result, a liability estimate to remediate and reclaim sites may not be determinable if key information is lacking. Over time, as more information (like an environmental assessment) is obtained through effective environmental management systems, it is more likely a reasonable estimate can be made. PSAS recognizes all the information needed may not be immediately available; as a result, there is a requirement to disclose the reasons why the province did not record a liability and that it may need to record a liability in the future.

[7] https://www.oag.ab.ca/reports/oag-liability-management-of-non-oil-sands-oil-and-gas-infrastructure.

PSAS requires the province, when it has not recorded a liability, to disclose if the responsible party is unknown or a reasonable cost estimate cannot be made. This informs readers of the province's financial statements there is a risk that the use of public money may be necessary to cover the costs to clean up and restore certain sites in the future. Note 8(e) of the Province's Consolidated Financial Statements discloses information where the province did not record a liability and the reasons why.

As we indicated last year,[8] 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 not recorded a liability, the number of sites where the responsible party are still unknown, and the undiscounted value of recorded liabilities. This will provide better information to readers about the risks that the province is exposed to.

Adoption of the New Public Sector Accounting Standard for Asset Retirement Obligations

Overview of risk

The province adopted a new accounting standard for Asset Retirement Obligations that prescribes how the province should account for liabilities arising from legal obligations to retire tangible capital assets. At March 31, 2023, the province recorded $2.3 billion in asset retirement obligations (Schedule 12 of the Province's Consolidated Financial Statements). The majority relates to removing asbestos in the province's buildings.

We identified this as a key audit matter since adopting this new standard and estimating these liabilities are complex and requires significant judgements, assumptions, and inputs. It includes identifying legal requirements to retire tangible capital assets, determining the nature and extent of the asset retirement activities required, estimating the costs to complete the work, and determining when that work will be completed.

What we examined

We:

- tested management's processes to identify the nature and extent of what work the province must do to retire its tangible capital assets
- evaluated management's methodology, data, and assumptions to estimate the costs to complete the work. This included evaluating management's assessment and conclusions on the use of present value techniques
- verified the reasonableness and accuracy of management's estimated costs to retire its tangible capital assets by comparing its data and assumptions to engineering reports and other supporting documents
- verified that management implemented the standard in accordance with the standard's transitional provisions

[8] *Report of the Auditor General—November 2022*, page 19.

What we found

We conclude that management's estimates of asset retirement obligations in the Province's Consolidated Financial Statements are reasonable, and the disclosures comply with public sector accounting standards.

Context

The province adopted the new PS 3280—Asset Retirement Obligations (ARO) on a modified retroactive approach, with restatement of the 2022 comparative results. The new standard requires the province to account for liabilities arising from legal obligations to retire a tangible capital asset. At March 31, 2023, ARO liabilities are estimated to be $2.3 billion, with the majority related to removing asbestos from government buildings. It also includes $215 million that were previously recorded under environmental liabilities such as the estimated reclamation costs for the Swan Hills treatment plant and sand and gravel pits.

Key changes under the new standard include the following:

- a liability is recognized for assets with a legal obligation to incur retirement costs. Legal obligations can arise from legislation, contracts, and promissory estoppel.
- asset retirement costs are included in the carrying amount of the related asset when they are in productive use and amortized to expense over the assets' useful life, and expensed when not in productive use
- an accretion expense is recorded for any change in the liability from the passage of time when present value techniques are used
- adjustment to the opening balance of the accumulated surplus / deficit in the year the standard is adopted

The adoption of the new standard required entities consolidated in the Province's Consolidated Financial Statements to:

- identify legal requirements to retire tangible capital assets. This involves federal and provincial legislation, regulations as well as contracts such as lease contracts
- determine the nature and extent of the asset retirement activities required. This required use of specialists such as engineers to determine the nature and extent of asset retirement activities. For example, entities had to determine if there are hazardous materials such as asbestos and lead in buildings, the type of hazardous materials and the extent of it. Based on this, entities had to then estimate the costs to complete the required work and determine when that work will be completed. As a result, there are significant judgments and estimates on the nature and extent of hazardous materials and the estimated costs to remove those materials.

We found most entities had effective processes and controls to adopt the new accounting standards. However, we initially found weaknesses in some entities' processes to implement and follow the new asset retirement obligations standard. This included weaknesses to comprehensively assess relevant legislation, identify assets with asset retirement obligations, estimate the costs to complete the work, and determine when to start amortizing the ARO asset. Management of the entities resolved the issues that we found, and adjusted the ARO liabilities, ARO assets, amortization, and opening net assets in order for us to issue an opinion on the Province's Consolidated Financial Statements.

While a significant focus for entities was the adoption of the new standards, we encourage entities to also ensure that they maintain effective processes to comply with ongoing requirements in the standards, such as updating and maintaining information about the nature and extent of ARO requirements, the work required, and updating cost estimates.

Adoption of the New Public Sector Accounting Standards for Financial Instruments and Foreign Currency Translation

Overview of risk

Effective April 1, 2022, the province adopted the new public sector accounting standards for financial instruments and foreign currency translation. The new standards included significant changes to the measurement and disclosures for financial instruments in the Province's Consolidated Financial Statements. The significant measurement impacts to the recording of financial instruments included increasing the opening net assets of the province by $2.8 billion, mostly due to the difference in the book value and fair values of portfolio investments, and separately recording $1.1 billion in derivative financial assets and $1.9 billion in derivative financial liabilities on the statement of financial position. Key definitions related to financial instruments are included in the glossary within the Government of Alberta Annual Report 2022–2023.

We identified the adoption of the new standards as a key audit matter since there are significant changes to the way financial instruments are measured and disclosed in the Province's Consolidated Financial Statements. This requires significant judgements and assumptions to determine the fair values of private equities, inflation sensitive and alternative investments.

What we examined

We:

- examined the opening and closing balances for the statement of remeasurement gains and losses and the calculation of unrealized gains and losses on translation of foreign debt, valuation of derivatives and portfolio investments
- evaluated management's processes for valuing and disclosing derivatives on the statement of financial position
- verified the existence and valuation of derivatives by examining derivative contracts, inputs used in valuation calculations and counterparty balances
- reviewed the appropriateness and accuracy of quantitative and qualitative disclosures of the nature and extent of risks associated with debt, loans, derivatives and portfolio investments
- verified that management appropriately implemented the standard's transitional provisions

What we found

We found that the province appropriately accounted for and disclosed financial instruments in the consolidated financial statements. We concluded that the valuation of derivative financial instruments, portfolio investments and foreign currency translation and the financial instrument disclosures were reasonable.

Context

Effective April 1, 2022, the province adopted a new set of accounting standards to account for financial instruments and foreign currency translation. The new standards included significant changes to the measurement and disclosures for financial instruments in the Province's Consolidated Financial Statements.

Key differences in the province's financial statements prior to and after adoption of the new financial instruments' standards are as follows:

	Prior to the Adoption of the New Financial Instruments Standards	After Adoption of the New Financial Instruments Accounting Standards
Portfolio investments	• recorded at amortized cost, with book value of $33.4 billion • fair value of $36.3 billion was only disclosed in Schedule 6 of the financial statements	• recorded at fair value when managed on a fair value basis • unrealized gains and losses recorded in the consolidated statement of remeasurement gains and losses • investments recorded at $36.3 billion
Debt	• recorded at amortized cost • foreign debt translated at the exchange rate established by hedging derivative financial instruments	• recorded at amortized cost • foreign debt translated at year-end exchange rates • unrealized foreign exchange translation gains and losses recorded in the consolidated statement of remeasurement gains and losses
Derivative financial instruments	• recorded and accrued only as payments were due • derivatives used to hedge foreign currency risk recorded together with debt as one financial instrument based on the foreign exchange rate established by the derivative financial instrument	• recorded at fair value • derivative financial instrument assets and liabilities recorded separately on the consolidated statement of financial position
Net assets	• net assets on the consolidated statement of financial position included accumulated operating surpluses (deficits) but did not include remeasurement gains and losses	• net assets on the consolidated statement of financial position split between accumulated surpluses (deficits) and accumulated remeasurement gains and losses • new statement of remeasurement gains and losses shows the change in accumulated remeasurement gains and losses for the year
Fair value hierarchy disclosures	• no disclosure	• financial instruments recorded at fair value categorized into three levels that are based on the level of subjectivity involved in estimating the fair values
Financial risk management disclosures	• limited requirements for disclosure	• extensive requirements for disclosing qualitative and quantitative information about the nature, extent and management of financial risks related to each financial instrument

Summary of Ministry Audit Work

Introduction

The following pages summarize the work of our office, by ministry, since our last public reporting in March 2023. This also includes our work at agencies, boards, and commissions such as schools, universities, colleges, and health entities such as Alberta Health Services; the Legislative Assembly, and offices of the legislature; and government business enterprises such as ATB Financial and the Alberta Petroleum Marketing Commission. We issued unqualified (clean) audit opinions on these regulated funds, agencies, boards, and commissions.

The following ministries have no outstanding matters to report and are not included in the following pages:

- Affordability and Utilities
- Arts, Culture and Status of Women
- Forestry and Parks
- Immigration and Multiculturalism
- Mental Health and Addiction
- Office of the Legislative Assembly and Officers of the Legislature
- Service Alberta and Red Tape Reduction
- Tourism and Sport

Advanced Education

In this report, there is one new recommendation to the department to improve its financial consolidation process—see below.

NEW Recommendation

Department

NEW Recommendation:
Improve the financial consolidation process

We recommend that the Department of Advanced Education improve its financial consolidation process.

Context

The Ministry of Advanced Education is a significant part of the Province of Alberta's Consolidated Financial Statements. The ministry includes the Department of Advanced Education and 21 public post-secondary institutions. The consolidation involves department management using complex spreadsheets, manual procedures, and assumptions to consistently compile the financial information from these entities.

The ministry's annual consolidation process should generate a clear, accurate, complete, and consistent view of financial performance for better-informed decisions, risk management, and continuous improvement. This process includes:

- evaluating the impact of new accounting standards, preferably in the year before they become effective
- identifying what information is required from each entity and how to consistently compile it
- identifying any new or unusual transactions during the fiscal year
- reviewing and updating existing consolidation process for changes and continuous improvements
- providing appropriate training to all staff responsible for the ministry consolidation to ensure consistent implementation of the consolidation process
- providing oversight to ensure financial information is consolidated and reported accurately and completely

Effective April 1, 2022, the ministry implemented two new accounting standards. In October 2022, the government reorganized its ministries, resulting in changes to ministry programs. These events had a significant impact on the ministry's consolidation process.

Our findings

Key findings

- Significant adjustments were required to draft ministry financial information because consolidation procedures were incomplete and inconsistently applied.
- Staff turnover resulted in a lack of understanding of changes in operations and how to account for them.

Significant adjustments were required to the ministry's draft 2022–2023 consolidated financial information to ensure they were accurate and complete under public sector accounting standards and Province of Alberta accounting policies.

The process to implement new accounting standards was incomplete. Guidance to post-secondary institutions to account for new accounting standards was ad hoc, inconsistent with Government of Alberta's policy and provided late in the fiscal year. Institutions provided information to the department using various methods, making consolidating the information more complex and increasing the risk of error. This required rework and adjustments at both the ministry and institutional level.

There was limited oversight by senior management to ensure consolidated information was complete and accurate. Variance analysis of consolidated balances, particularly the opening and ending net asset balances, was not completed promptly.

The department was challenged by significant staffing turnover, some very late in the fiscal year. For a properly designed consolidation process to be performed well, all staff require adequate training and understanding of the operations and accounting process. Not all staff received training for this year.

Consequences of not taking action

Without a strong and sustainable financial reporting process over the ministry consolidation, management and those charged with governance will not have reliable financial information to base their decisions on and to show accountability to Albertans.

Post-secondary Institutions Report Card

We will report separately on the results of our 2022–2023 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.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
1	15	16	4	12	8	8	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations	
	Department	PSIs
• **Report of the Auditor General—December 2023** › Improve the financial consolidation process—see page 34	1	
• **Report on Post-secondary Institutions—March 2023** › Bow Valley College: Improve consistent application of financial statements preparation processes—see page 34 › Lakeland College: Develop, formalize, and document risk management processes related to cloud computing services—see page 35 › Lakeland College: Monitor cloud service provider controls and ensure end-user controls are effective—see page 35 › Northwestern Polytechnic: Improve consistent application of procurement and contracting processes—see page 35 › Northwestern Polytechnic: Improve internal controls over information technology environment (originally December 2019; repeated March 2023)—see page 36	0	5
• **Report on Post-secondary Institutions—February 2022** › Lakeland College: Improve user access controls—see page 36	0	1
• **Report of the Auditor General—November 2021** › Allowance for Uncollectible Student Loans: Improve process to estimate the allowance for uncollectible student loans—see page 36	1	0
• **Report on Post-secondary Institutions—March 2021** › Olds College: Improve financial reporting processes—see page 37	0	1
• **Report on Post-secondary Institutions—December 2019** › Alberta University of the Arts: Implement processes for testing and monitoring the effectiveness of internal controls—see page 37 › Medicine Hat College: Implement processes for testing and monitoring the effectiveness of internal controls—see page 37 › Olds College: Implement processes for testing and monitoring the effectiveness of internal controls—see page 38	0	3

Report Title	Number of Recommendations	
	Department	PSIs
• **Collaborative Initiatives Among Post-secondary Institutions—October 2017** › Develop strategic plan and accountability framework (originally July 2013; repeated October 2017)—see page 38 › Develop processes and guidance to plan, implement and govern collaborative projects (originally July 2013; repeated October 2017)—see page 39	2	0
• **For-profit and Cost Recovery Ventures at Post-secondary Institutions—October 2015** › Document and communicate expectations and guidelines—see page 39 › Improve department's oversight of institution's risk assessment of ventures—see page 40	2	0
Total	6	10

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT **Improve the financial consolidation process** We recommend that the Department of Advanced Education improve its financial consolidation process. **Consequences of not taking action:** Without a strong and sustainable financial reporting process over the ministry consolidation, management and those charged with governance will not have reliable financial information to base their decisions on and to show accountability to Albertans.	December 2023, p. 31	New
BOW VALLEY COLLEGE Report on Post-secondary Institutions: **Improve consistent application of financial statements preparation processes** We recommend that Bow Valley College consistently apply its processes to produce accurate year-end financial statements. **Consequences of not taking action:** Without consistent application of sustainable financial preparation processes, there is a higher risk of financial reporting differences from accounting standards.	March 2023, p. 7	Ready for Assessment

Recommendation	When	Status
LAKELAND COLLEGE Report on Post-secondary Institutions: **Develop, formalize, and document risk management processes related to cloud computing services** We recommend that Lakeland College develop, formalize, and document its risk management processes related to cloud computing services. **Consequences of not taking action:** The college exposes itself to the risk of data loss, privacy breach and business interruption if risks related to cloud computing services are not managed effectively.	March 2023, p. 7	**Not Ready for Assessment**
LAKELAND COLLEGE Report on Post-secondary Institutions: **Monitor cloud service provider controls and ensure end-user controls are effective** We recommend that Lakeland College regularly monitor the effectiveness of the controls of its cloud service providers and its own end-user controls. **Consequences of not taking action:** Corporate data will not be appropriately managed and protected without regular monitoring of cloud service providers and end-user controls.	March 2023, p. 8	**Not Ready for Assessment**
NORTHWESTERN POLYTECHNIC Report on Post-secondary Institutions: **Improve consistent application of procurement and contracting processes** We recommend that Northwestern Polytechnic (NWP) consistently apply its procurement and contracting policy and processes. **Consequences of not taking action:** Without consistently following its procurement policy, NWP will not be able to demonstrate that its procurement practices are fair and equitable and do not lead to inappropriate, biased, and uncompetitive procurement practices.	March 2023, p. 9	**Not Ready for Assessment**

Recommendation	When	Status
NORTHWESTERN POLYTECHNIC Report on Post-secondary Institutions: **Improve internal controls over information technology environment** We again recommend that Northwestern Polytechnic consistently enforce its IT policies, which set out internal controls to protect its IT systems, applications and data. **Consequences of not taking action:** NWP may not be able to deliver essential services and programs promptly in a disaster. In addition, NWP may not be able to effectively safeguard its IT systems, application and data against unauthorized access and disclosure of its sensitive data.	Repeated March 2023, p. 10 › Originally reported December 2019, p. 9	**Not Ready for Assessment**
LAKELAND COLLEGE Report on Post-secondary Institutions: **Improve user access controls** We recommend that Lakeland College improve its process to promptly remove terminated employees' access to its network and Enterprise Resource Planning system. **Consequences of not taking action:** Without effective user access controls, the college is at risk of unauthorized access to its confidential data, which could lead to data corruption, inappropriate modification, or disclosure.	February 2022, p. 7	**Ready for Assessment**
DEPARTMENT Allowance for Uncollectible Student Loans: **Improve process to estimate the allowance for uncollectible student loans** We recommend that the Department of Advanced Education improve its process to estimate the allowance for uncollectible student loans. **Consequences of not taking action:** Without an effective process to determine the student loan allowance, the department cannot reasonably estimate the government's true costs of providing student loans and inform future adjustments to its student loan policies.	November 2021, p. 40	**Not Ready for Assessment**

Recommendation	When	Status
OLDS COLLEGE Report on Post-secondary Institutions: **Improve financial reporting processes** We recommend that Olds College improve its financial reporting processes to: • provide sufficient update training to staff of public sector accounting standards • ensure proper management oversight of the preparation of consolidated financial statements **Consequences of not taking action:** Without effective financial reporting processes, there is a higher risk of financial reporting errors.	March 2021, p. 10	**Not Ready for Assessment**
ALBERTA UNIVERSITY OF THE ARTS Report on Post-secondary Institutions: **Implement processes for testing and monitoring the effectiveness of internal controls** We recommend that Alberta University of the Arts test and monitor the effectiveness of its internal controls to ensure key risks are mitigated. **Consequences of not taking action:** Without effective internal controls, institutions increase exposure to financial errors, financial loss, and reputational damage. The Board of Governors may not get the information from management it requires to exercise proper oversight.	December 2019, p. 7	**Not Ready for Assessment**
MEDICINE HAT COLLEGE Report on Post-secondary Institutions: **Implement processes for testing and monitoring the effectiveness of internal controls** We recommend that Medicine Hat College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated. **Consequences of not taking action:** Without effective internal controls, institutions increase exposure to financial errors, financial loss, and reputational damage. The Board of Governors may not get the information from management it requires to exercise proper oversight.	December 2019, p. 7	**Not Ready for Assessment**

Recommendation	When	Status
OLDS COLLEGE Report on Post-secondary Institutions: **Implement processes for testing and monitoring the effectiveness of internal controls** We recommend that Olds College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated. **Consequences of not taking action:** Without effective internal controls, institutions increase exposure to financial errors, financial loss, and reputational damage. The Board of Governors may not get the information from management it requires to exercise proper oversight.	December 2019, p. 7	**Not Ready for Assessment**
DEPARTMENT Collaborative Initiatives Among Post-secondary Institutions: **Develop strategic plan and accountability framework** We again recommend that the Department of Advanced Education, working with institutions: • 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 • develop relevant performance measures and targets to assess if the outcomes are being achieved • publicly report results and the costs associated with collaborative initiatives • review and clarify the accountability structure for governing collaborative initiatives **Consequences of not taking action:** Without a strategic plan and accountability framework, there is a high risk that the department will not achieve its collaborative initiative goals cost effectively—or at all.	Repeated October 2017, Performance Auditing, p. 37 › Originally reported July 2013, no. 6, p. 48	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Collaborative Initiatives Among Post-secondary Institutions: **Develop processes and guidance to plan, implement and govern collaborative projects** 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. **Consequences of not taking action:** Ineffective project management systems increase the risk that the department and institutions will not complete collaborative initiatives on time, on scope, within budget and with desired results.	Repeated October 2017, Performance Auditing, p. 40 › Originally reported July 2013, no. 7, p. 51	**Not Ready for Assessment**
DEPARTMENT For-profit and Cost Recovery Ventures at Post-secondary Institutions: **Document and communicate expectations and guidelines** We recommend that the Department of Advanced Education: • document its expectations in terms of desired results and risk management for institutions participating in for-profit and cost recovery ventures • establish approved guidelines for cost recovery ventures, to support best practices and align with the department's expectations • update and approve for-profit venture guidelines to support best practices and align with the department's expectations • develop a process to communicate the department's expectations and guidelines to all institutions **Consequences of not taking action:** Without clearly defining and effectively communicating the department's expectations and guidelines on ventures, boards and management will expose their post-secondary institutions to risk that, if not managed properly, may result in financial loss, reputational damage, and legal exposure.	October 2015, no. 1, p. 25	Ready for Assessment

Recommendation	When	Status
DEPARTMENT For-profit and Cost Recovery Ventures at Post-secondary Institutions: **Improve department's oversight of institution's risk assessment of ventures** 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: • tailoring board training to examine these ventures • maintaining relevant documentation of the institution's risk assessment and venture approval requests • requiring the institution to comply with the department's expectations and guidelines • requiring the institution to report on venture results on an ongoing basis • providing effective feedback and ongoing guidance to the boards **Consequences of not taking action:** Without effective department oversight of whether a board is overseeing that its institution's management has appropriate policies and controls to mitigate risks on ventures, there is an increased likelihood of unjustifiable exposure and cost to Albertans.	October 2015, no. 2, p. 27	Ready for Assessment

Agriculture and Irrigation

There is one new recommendation to Agriculture Financial Services Corporation to improve process to ensure compliance with AgriInsurance policies and procedures—see below.

NEW Recommendation

Agriculture Financial Services Corporation

Compliance with AgriInsurance policies and procedures
NEW Recommendation:
Improve process to ensure compliance with AgriInsurance policies and procedures

We recommend that Agriculture Financial Services Corporation improve its process to ensure policies and procedures set out in AgriInsurance manuals, guidelines, and authorities are adhered to.

Context

Agriculture Financial Services Corporation (AFSC) provides crop insurance for annual and perennial crops. One of the main crop insurance products is AgriInsurance, a federal provincial-producer cost-shared program under the Canadian Agriculture Partnership.

AgriInsurance offers products to agriculture producers to manage financial risks due to circumstances beyond their control like drought, flooding, and unseasonal weather. Indemnity (insurance) claims may arise for many reasons and may vary by damage, location, or type of crop. The indemnity calculations are complex and unique to each claim. Key factors that influence the indemnity amount include type of crop, market price of crop, extent of damage, location, and historical production yields. These variables are evaluated through the adjusting process where AFSC relies on the expertise of qualified adjusters.

Adjusters are trained and provided guidance through manuals and guidelines. Policies and procedures outlined in manuals and guidelines are important tools used to communicate operational practices and key requirements to employees. They are designed to ensure consistency in the application of business practices, assessments, and fair treatment for clients. Policies and procedures also safeguard AFSC against legal and financial risk. Assessments are carried out across the province and processing is completed at the branch level as well as at the head office.

AFSC enters into more than 10,000 insurance contracts each year. For the year ended March 31, 2023, the AgriInsurance program accounted for $1.1 billion or 74 per cent of total revenues and $1.3 billion or 85 per cent of indemnity expenses.

Our findings

Key findings

AFSC did not consistently comply with policies and procedures communicated through manuals, guidelines, and authorities. We found instances of:

- no documented evidence to support completion of claim review procedures
- required filings for insurance policy changes that were not completed
- adjusters not complying with the minimum performance evaluation requirements
- incompatible duties within claim processing workflow

During our testing of processed AgriInsurance claims, we identified multiple instances of non-compliance with policies and procedures required by manuals, guidelines, and authorities.

Evidence of review

For claims over a certain dollar threshold, an additional review is required to ensure appropriate segregation of duties. We identified claims above that dollar threshold without the evidence that the additional review was completed.

Completion of insurance policy change forms

Revisions to insurance coverage require completion and filing of specific forms. The insurance policy change form confirms changes to insurance coverage. We noted claims with revisions to the insurance coverage that were missing the required forms.

Compliance with performance evaluation requirements

Manuals and guidelines set quality control procedures. For example, the minimum number of performance evaluations required for adjusters. The requirements vary depending on the classification and experience of the adjuster. We tested a sample of adjusters for compliance and noted that the majority did not meet the minimum number of completed performance evaluation requirements. These evaluations can inform AFSC of potential areas of manuals and guidelines that may require revisions or clarification and potential additional training needs to ensure accurate processing of claims.

Incompatible duties

To facilitate accurate and efficient processing of claims, AFSC delegates certain approval authority to staff within claims processing. The extent of authority is defined for each role through approved authority documents. Furthermore, individual authority is managed through role-based access functions of IT systems used in the claim processing. Individual authorities are assigned to ensure segregation of duties within the claim processing workflow. During the testing of processed claims, we identified instances where granted access resulted in incompatible duties. Specifically, certain staff have the opportunity to self-review and advance claims through the workflow and ultimately approve for payment. We identified a claim that was finalized and paid without appropriate segregation of duties.

During our testing, we did not find evidence of errors in payments to clients. All claims we examined were supported and reviewed and agreed to by the clients prior to final processing. However, non-compliance with policies, procedures, and authorities can increase the risk of inaccurate payments due to error or fraud.

Consequences of not taking action

Non-compliance with policies, procedures, and authorities could result in invalid, incomplete, and inaccurate insurance payments or legislative non-compliance. Not completing required procedures may expose AFSC to challenges during future processing of claims and potential disputes with clients.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
1	1	2	0	2	0	2	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations	
	Department	AFSC
• **Report of the Auditor General—December 2023** › Agriculture Financial Services Corporation: Improve process to ensure compliance with AgriInsurance policies and procedures—see below	0	1
• **Report of the Auditor General—November 2021** › Agriculture Financial Services Corporation: Cloud Computing Risk Management Process: Develop a process to manage the risks of using cloud computing—see page 45	0	1
Total	0	2

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
AGRICULTURE FINANCIAL SERVICES CORPORATION **Improve process to ensure compliance with AgriInsurance policies and procedures** We recommend that Agriculture Financial Services Corporation improve its process to ensure policies and procedures set out in AgriInsurance manuals, guidelines, and authorities are adhered to. **Consequences of not taking action:** Non-compliance with policies, procedures, and authorities could result in invalid, incomplete, and inaccurate insurance payments or legislative non-compliance. Not completing required procedures may expose AFSC to challenges during future processing of claims and potential disputes with clients.	December 2023, p. 41	New

Recommendation	When	Status
AGRICULTURE FINANCIAL SERVICES CORPORATION Cloud Computing Risk Management Process: **Develop a process to manage the risks of using cloud computing** We recommend the Agriculture Financial Services Corporation: • develop a process to ensure compliance with its cloud security policy • implement complementary user entity controls • provide regular reporting on cloud computing risks to the board **Consequences of not taking action:** Without effective risk management and oversight processes related to the use of cloud computing, AFSC exposes itself to data loss, privacy breach and business interruption that threaten the organization's ability to deliver effective and efficient services to Albertans.	November 2021, p. 49	**Not Ready for Assessment**

Children and Family Services

In this report, there are no new audit findings.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	4	4	4	0	4	0	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Report of the Auditor General—November 2020** › User Access Control: Improve access control processes (originally October 2014; repeated November 2020)—page 48	1
• **Systems to Deliver Child and Family Services to Indigenous Children in Alberta—July 2016** › Enhance early support services—see page 48 › Ensure a child-centred approach—see page 49 › Strengthen intercultural understanding—see page 49	3
Total	4

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT User Access Control: **Improve access control processes** We again recommend that the Department of Children and Family Services improve access control processes for all its information systems to ensure: • user access to application systems and data is properly authorized • user access is disabled promptly when employees leave their employment or role **Consequences of not taking action:** Unauthorized individuals may access the department's systems and applications and may change or manipulate critical personal, business and financial information. Unauthorized access to financial systems could impair the integrity of financial reporting and results.	Repeated November 2020, p. 51 › **Originally reported October 2014, no. 18, p. 151**	**Ready for Assessment**
DEPARTMENT Systems to Deliver Child and Family Services to Indigenous Children in Alberta: **Enhance early support services** We recommend that the Department of Children and Family Services: • enhance its processes so that they include the needs of Indigenous children and families in the design and delivery of its early support services • report to the public regularly on the effectiveness of early support services **Consequences of not taking action:** Early supports are valuable in keeping children safely with their families and communities and not in need of intervention services. Without this programming, this opportunity is lost. The consequences for indigenous children and families can be significant.	**July 2016, no. 1, p. 13**	**Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Systems to Deliver Child and Family Services to Indigenous Children in Alberta: **Ensure a child-centred approach** We recommend that the Department of Children and Family Services improve its systems to: • 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 • analyze the results of services to Indigenous children and report to the public regularly on its progress in achieving planned results **Consequences of not taking action:** The department is responsible for safeguarding and enhancing the well-being of all children in the province. If the department fails to develop systems to ensure Indigenous children receive the care they require, Indigenous children will continue to be disadvantaged.	July 2016, no. 2, p. 17	Ready for Assessment
DEPARTMENT Systems to Deliver Child and Family Services to Indigenous Children in Alberta: **Strengthen intercultural understanding** We recommend that the Department of Children and Family 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. **Consequences of not taking action:** Understanding Indigenous world views is a vital first step in developing respectful, productive relationships with Indigenous communities. Relationships and the decisions they support impact every individual in the organization and the children they serve, every day.	July 2016, no. 3, p. 24	Ready for Assessment

Education

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 2022 financial statements and recommendations from their auditors—see page 55.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	3	3	3	0	3	0	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations	
	Department	NSD
• **Systems to Improve Student Attendance in Northland School Division—March 2015** › Northland School Division: Develop a plan to improve student attendance—see page 52 › Department: Oversight by the department—see page 52 › Northland School Division: Monitor and enforce student attendance—see page 53	1	2
Total	1	2

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
NORTHLAND SCHOOL DIVISION Systems to Improve Student Attendance in Northland School Division: **Develop a plan to improve student attendance** 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: • measurable results and responsibilities • a prioritized list of student-centered strategies, initiatives, and programs • documentation of the costs and resources required to action the strategies, initiatives, and programs • a specific timeline for implementation • reporting on progress and accountability for improved attendance results **Consequences of not taking action:** Without a specific plan to improve attendance, the division is less likely to put resources into the most critical areas to implement programs and processes to optimize student success.	March 2015, no. 1, p. 23	Ready for Assessment
DEPARTMENT Systems to Improve Student Attendance in Northland School Division: **Oversight by the department** We recommend that the Department of Education exercise oversight of Northland School Division by ensuring: • the division develops and executes an operational plan to improve student attendance • the operational plan identifies the resources needed and how results will be measured, reported, and analyzed **Consequences of not taking action:** Without appropriate oversight by the department, the division's likelihood of success is reduced and the risk of failing another generation of the division's children increases.	March 2015, no. 2, p. 23	Ready for Assessment

Recommendation	When	Status
NORTHLAND SCHOOL DIVISION Systems to Improve Student Attendance in Northland School Division: **Monitor and enforce student attendance** We recommend that Northland School Division improve its guidance and procedures for schools to: • consistently record and monitor student attendance • benchmark acceptable attendance levels • manage and follow up on non-attendance **Consequences of not taking action:** Without systematic monitoring and reporting on attendance, the division will not consistently identify and support those students with chronic non-attendance.	March 2015, no. 3, p. 30	Ready for Assessment

Summary of 2022 Financial Audit Results of School Jurisdictions in Alberta

Education

Report of the Auditor General

December 2023

Auditor General
OF ALBERTA

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Related Reports:

- Education: Summary of school jurisdictions financial results—November 2022
- 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

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 properly accounted for 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*."[9] *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[10] 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 76 school jurisdictions in Alberta comprised of 15 charter schools and 61 school boards.[11] 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 2022, with comparative information for the two fiscal years prior.

[9] Throughout the document we refer to the "board" or "regional authority" as a school jurisdiction. Private schools are not classified as a school jurisdiction as they are not controlled by government, and thus not consolidated into the financial results of the Ministry of Education.

[10] *Education Act*, Section 138.

[11] The composition for 2021 and 2020 was 74 school jurisdictions comprising of 61 school boards and 13 chartered schools.

Summary of Findings

Financial Statement Audit Opinions

One school jurisdiction received a qualified[12] auditor's opinion on their fiscal 2022 financial statements (2021—one jurisdiction, 2020—two jurisdictions).

Consistent with 2021, 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.

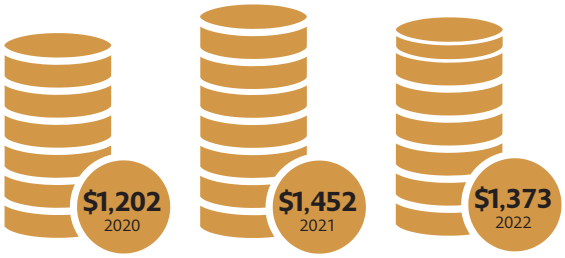
Selected 2022 Financial Information Highlights[13]

Cash, cash equivalents, and portfolio investments

The combined total cash, cash equivalents, and portfolio investments in school jurisdictions decreased to $1.373 billion (2021—$1.452 billion; 2020—$1.202 billion). The department determined the decrease from 2021 was from school jurisdictions increasing operational spending due to increased enrollment.

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 $9.1 billion (2021—$8.8 billion; 2020—$8.5 billion).[14] School jurisdictions funded the acquisition of these assets through a combination of the jurisdictions' accumulated surpluses, restricted grant funding, and debt.

As at August 31, 2022, school jurisdictions funded approximately $766 million, or eight per cent, of capital assets from unrestricted operating surpluses (2021—$742 million; 2020—$730 million).

Cash flows from capital transactions, which are purchases of capital assets less any proceeds from disposing of capital assets no longer needed, decreased to $384 million (2021—$481 million; 2020—$458 million). In 2021, the government provided school jurisdictions additional capital funds to stimulate job growth and support Alberta's economy while addressing the school jurisdictions' highest priority capital projects. This additional funding was not continued in 2022.

[12] 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.

[13] Detailed financial information can be found in the 2022–2023 Annual Report of Alberta Education. School jurisdictions' financial information summary, pp. 119-162.

[14] Buildings and construction in progress comprise 95 per cent of the total tangible capital assets net book value.

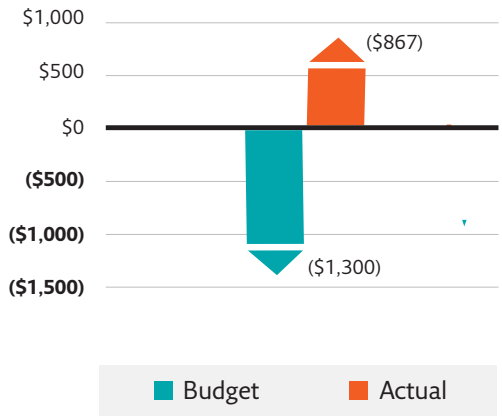
Annual operating deficits

The number of school jurisdictions that incurred operating deficits in 2022 was 29 (2021—22; 2020—39), a slight increase from last year as a result of the increase spending due to an increase in school activities. School jurisdictions had a combined net annual operating deficit of $4 million (2021—$120 million surplus; 2020—$17 million surplus) compared to the budgeted deficit of $132 million (2021—$65 million deficit; 2020—$85 million deficit).

We continue to observe a significant variability between school jurisdictions' budgeted and actual operating results. Over the past 18 years, school jurisdictions have accumulated total net surpluses of $2.2 billion over what they budgeted. In none of those individual years did school jurisdictions in total incur a net deficit greater than what was budgeted. To reduce this gap, starting in 2021, the department based operating grants 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.

Total Net Operating Surplus (Deficit) 2005-2022

(in millions)



Accumulated reserves and deficits from operations

The combined accumulated unrestricted operating surplus and operating reserves[15] decreased to $460 million (2021—$511 million; 2020—$428 million). Capital reserves[16] increased to $274 million (2021—$249 million; 2020—$222 million). The department told us the net increase of $25 million in capital reserves is due to school jurisdictions' plans to increase capital spending over the next few years due to enrollment and capacity constraints. These future capital projects will not be funded from regular capital funding. School jurisdictions also experienced less expenditures as intended this year due to supply chain shortages and project delays. Capital reserves are mainly created by re-purposing funding originally intended for student services and programs to the purchase and maintenance of capital assets.

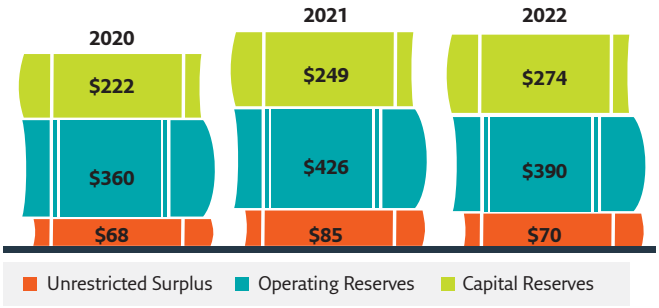
In 2022, 41 school jurisdictions transferred funds from accumulated surplus from operations to capital reserves (2021—45 jurisdictions contributed to a $27 million increase; 2020—40 jurisdictions contributed to a $13 million increase).

[15] 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 2022 are $52 million (2021—$47 million; 2020—$44 million).

[16] 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.

Total Unrestricted Surplus, Operating Reserves and Capital Reserves

(in millions)



Starting with the 2021–2022 school year, the minister approves all reserve transfers proposed by school jurisdictions.[17] 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.

A maximum operating reserve limit will be applied starting in the 2023–2024 school year. The maximum reserve amount will be determined by multiplying a maximum reserve percentage by a jurisdiction's total operating expenses from the previous audited financial statements. The maximum percentage is based on the number of students in the school jurisdiction and ranges from 3.15 per cent to 4.95 per cent for 2023 (higher percentage if lower number of students). Any jurisdiction with 6,000 students or more will apply the 3.15 per cent. No maximum will be below $100,000 regardless of the percentage calculated.

In addition to a maximum reserve limit, school jurisdictions will be required to maintain a minimum reserve balance of one per cent of total operating expenses.

The introduction of reserve limits is intended to encourage school jurisdictions to spend operating funding provided for student programming in the year given.

If these maximum limits were applied to reserves at the end of 2022, seven of the ten jurisdictions with the highest operating reserves (representing half of the total operating reserves for all jurisdictions) would be starting the 2022-2023 school year with reserves over the maximum by $74 million.

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.

Five jurisdictions had an accumulated deficit from operations in 2022 (2021—four; 2020—two). Of the five jurisdictions in 2022, four also had a deficit in 2021.

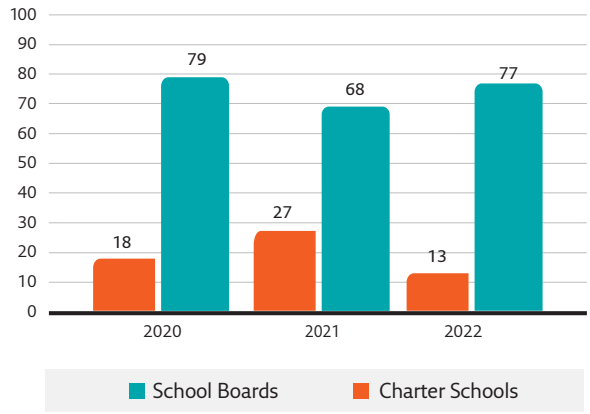
The characteristics of a school jurisdiction may impact their likelihood of incurring a deficit. We observed that of the five jurisdictions in 2022, four were charter schools. Three charter schools had an accumulated deficit in 2021. Charter schools may have a higher risk to incur deficits as they do 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 five school jurisdictions.

The department disclosed information in the ministry 2022-2023 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.

[17] As required under Section 143.1(1) of the *Education Act*. Effective September 1, 2023, this section was repealed. The minister will continue to approve proposed school jurisdiction reserve use annually as part of the department's Funding Manual for School Authorities.

Recommendations by External Auditors

Total Number of Recommendations



Ninety recommendations were issued to school jurisdictions, a slight decrease to the number issued in the prior year (2021—95; 2020—96). While total recommendations have remained steady for the past three years, the 13 outstanding recommendations in 2022 to charter schools were significantly lower to the 27 in 2021 (2020—18). Charter schools implemented recommendations in 2022 related to accounting issues, budgeting, payroll, and purchases. In 2021, the department's monitoring process identified reasons for the spike in recommendations to charter schools was high turnover of key staff and a lack of adequate documentation and understanding of required processes and controls. In 2022, chartered schools resolved these problems.

Eight of 15 process areas reported on by auditors had fewer recommendations made than in 2021. School jurisdictions demonstrated the most improvement in processes related to policies and procedures, purchases, and computer security.

Six process areas have more recommendations in 2022 than 2021. The most significant increases were in the areas of the segregation of duties and recording and monitoring of capital assets. Fifty-two per cent of all recommendations are on processes related to the treatment of accounting issues, review and approval of financial information, cash management and tangible capital assets.

Auditors repeated 25 recommendations among 12 jurisdictions, an increase from 2021. Seventy-two per cent of all repeated recommendations were in the areas of treatment of various accounting issues, review of financial information, cash management, capital assets and purchasing.

The largest number of jurisdictions to receive a recommendation in any one area was eight out of 76 school jurisdictions, a decrease from nine in 2021 and 13 in 2020. As a result, auditors assessed at least 89 per cent of school jurisdictions have adequate controls in each of the specific process areas.

Auditors for 44 school jurisdictions (33 school boards and 11 charter schools) did not report any findings and recommendations to management (2021 and 2020—44).

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, 2022, and August 31, 2021.

The findings are grouped into three categories:

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

Summary of Recommendations

fewer recommendations

more recommendations

Financial reporting and oversight recommendations

TREND		Number of jurisdictions (repeated from prior year)		Recommendations made (repeated from prior year)	
		2022	2021	2022	2021
	Accounting issues—improve accounting treatment in areas including capitalization of expenses, liability recognition, revenue recognition, and leases.	7(2)	8(0)	12(3)	13(0)
	Board information—improve board receipt of timely financial information to maintain and strengthen overall stewardship.	1(0)	1(1)	1(0)	1(1)
	Budgeting—improve preparation and review of budgeted revenue and expenditures using appropriate assumptions.	0(0)	1(0)	0(0)	2(0)
	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.	7(3)	8(2)	11(3)	12(3)
	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.	2(0)	4(0)	2(0)	5(0)

Internal control weaknesses recommendations

TREND		Number of jurisdictions (repeated from prior year)		Recommendations made (repeated from prior year)	
		2022	2021	2022	2021
↑	**Cash management**—improve cash management processes and controls.	7(4)	6(4)	9(5)	7(5)
↑	**Capital assets**—improve the recording and monitoring of capital assets.	8(3)	6(1)	15(4)	9(3)
↑	**Goods and services tax**—improve their processes for charging the appropriate amount of GST and for recording accurately the amount of GST paid and recoverable.	3(0)	0(0)	3(0)	0(0)
↓	**Payroll**—improve controls over the administration of employee payroll information, processing of expense claims, application of vacation pay policies, and regular reviews of payroll expenses.	6(0)	4(3)	7(0)	10(5)
↓	**Policies and procedures**—implement, update, or follow formal procedures and policies.	4(1)	9(4)	5(1)	11(5)
↓	**Purchases**—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.	5(2)	6(2)	7(3)	12(4)
↑	**Segregation of duties**—improve segregation of duties over authorization and recording of transactions or custody of and accounting for certain assets.	7(1)	1(1)	7(1)	1(1)
↑	**School-generated funds**—improve the processes used to collect, record, spend, and report school-generated funds.	7(2)	4(1)	7(2)	4(1)

Information technology management recommendations

TREND		Number of jurisdictions (repeated from prior year)		Recommendations made (repeated from prior year)	
		2022	2021	2022	2021
	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.	2(2)	3(2)	2(2)	7(2)
	Change management—implement or enhance formal documented policies and procedures for managing and testing changes to system and network software or hardware.	1(1)	1(1)	2(1)	1(1)

Energy and Minerals

This report includes our *Site Rehabilitation Program Assessment of Implementation*—see page 73.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	10	10	0	10	0	10	1	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations	
	Department	AER
• **Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure—March 2023** Alberta Energy Regulator › Improve liability management risk management processes—see page 66 › Improve performance measurement and reporting—see page 66 › Improve processes to assess information from OWA—see page 67 › Monitor, enforce, and report on the Inventory Reduction Program—see page 67 › Determine how much security is necessary and how it will be collected—see page 68 › Improve licence transfer application processes—see page 68 › Improve compliance and assurance processes for suspended and abandoned wells—see page 69 › Improve reclamation certification controls—see page 69 › Improve oversight of remediation action plans—see page 70	0	9
• **Process to Provide Information About Government's Environmental Liabilities—June 2021** › Alberta Energy Regulator: Complete case-by-case assessments of sites—see page 71	0	1
Total	0	10

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Improve liability management risk management processes** We recommend that the Alberta Energy Regulator ensure that liability management risks and gaps are periodically identified, that risk responses are documented, and residual risk is determined. **Consequences of not taking action:** AER's risk management processes are an important part of the liability management system, as they can help identify gaps in the system and where risk mitigation is not working as intended. Further, the likelihood and impact of liability management risks can change over time, and the ability to proactively respond with the right actions requires an effective risk management system.	March 2023, p. 22	**Not Ready for Assessment**
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Improve performance measurement and reporting** We recommend that the Alberta Energy Regulator improve its accountability processes by: • developing relevant external performance measures, including targets, to ensure that Albertans can gauge whether AER's liability management programs are meeting objectives and whether progress is being made • periodically updating and publicly communicating an industry-wide active and inactive liability estimate using best available data, with accompanying explanation of the risks associated with that liability • reporting more complete, integrated and useful information on liability management to provide a more complete picture of risks and the actions taken to mitigate those risks **Consequences of not taking action:** 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. Without this information, AER will be unable to demonstrate whether industry's activities are making a positive impact at the desired pace. And without a reliable and adequately explained total liability estimate, Albertans lack information about the overall scope, risk, and potential financial exposure.	March 2023, p. 24	**Not Ready for Assessment**

Recommendation	When	Status
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Improve processes to assess information from OWA** We recommend that the Alberta Energy Regulator: • collect information that allows AER to assess whether the OWA is achieving intended objectives and to assess the long-term sustainability of the Orphan Fund • assess sustainability by completing modelling on how long it will take OWA to complete closure work on its current inventory of sites and anticipated funding levels **Consequences of not taking action:** If AER does not improve its processes to assess information from OWA, there is the risk that AER will not be able to sufficiently assess whether OWA is meeting its objectives. It also may limit AER's ability to sufficiently assess whether further actions are needed to mitigate the risks of untimely closure and financial burden being shifted to OWA and the public. AER holds responsibility for the Orphan Fund and has a critical role in ensuring that the Orphan Fund is sustainable to meet future needs and without sufficient and proactive analysis, the necessary closure work of orphan sites may not happen as intended.	March 2023, p. 27	**Not Ready for Assessment**
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Monitor, enforce, and report on the Inventory Reduction Program** We recommend that the Alberta Energy Regulator ensures compliance with the Inventory Reduction Program by monitoring, measuring, taking corrective action and reporting on industry and licensee closure progress under the Inventory Reduction Program. **Consequences of not taking action:** Without sufficient processes to monitor, measure, and ensure compliance with the Inventory Reduction Program, the intended outcomes of reducing the number of inactive sites and increasing the timeliness of closure of inactive sites may not be achieved. The success of this program is dependent on strong systems to monitor and measure its performance, take necessary enforcement actions to ensure spending is sustained, and report on whether it is achieving stated objectives.	March 2023, p. 28	**Not Ready for Assessment**

Recommendation	When	Status
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Determine how much security is necessary and how it will be collected** We recommend that the Alberta Energy Regulator determine how much security needs to be collected, when it will be collected, and how collection will get enforced with the transition away from the Licensee Liability Rating Program. **Consequences of not taking action:** The Licensee Liability Rating Program has been central to AER's liability management efforts. Timely correction of its shortcomings is critical for AER to ensure that future approaches to security collection actually meet the objectives of reducing the number of orphan sites transferred to OWA and minimizing the risk that the public will eventually have to pay to clean up sites.	March 2023, p. 32	**Not Ready for Assessment**
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Improve licence transfer application processes** We recommend that the Alberta Energy Regulator continue to improve its licence transfer processes by: • updating AER's delegation of authority to clearly articulate who can approve discretion requests, and under what circumstances • developing a system to track, monitor and report on the effectiveness of discretion requests, including transfer conditions and licensee commitments **Consequences of not taking action:** If the liability management strategies do not focus on the development of improved measures to evaluate the effectiveness of the licence transfer system, lessons learned from previous decisions of licence transfers will not benefit future decisions.	March 2023, p. 33	**Not Ready for Assessment**

Recommendation	When	Status
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Improve compliance and assurance processes for suspended and abandoned wells** We recommend that the Alberta Energy Regulator evaluate compliance assurance activities for suspended wells and routine abandonments and determine whether it is meeting AER's risk tolerance. **Consequences of not taking action:** If weaknesses in regulatory compliance activities are not resolved, there is an increased likelihood that inactive oil and gas infrastructure is not properly closed within a reasonable amount of time, which potentially increases the risk to the environment or to public health and safety.	March 2023, p. 38	**Not Ready for Assessment**
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Improve reclamation certification controls** We recommend that the Alberta Energy Regulator: • improve the controls resulting in invalid approvals for reclamation certificate approvals • retain documented evidence to support justifications and reviews as part of its manual reclamation certification process • determine the necessary level of assurance work on post-reclamation certification and consistently complete it **Consequences of not taking action:** If weaknesses in regulatory compliance activities are not resolved, there is an increased likelihood that inactive oil and gas infrastructure is not properly closed within a reasonable amount of time, which potentially increases the risk to the environment or to public health and safety.	March 2023, p. 38	**Not Ready for Assessment**

Recommendation	When	Status
ALBERTA ENERGY REGULATOR Liability Management of (Non-Oil Sands) Oil and Gas Infrastructure: **Improve oversight of remediation action plans** We recommend that the Alberta Energy Regulator ensure there is evidence of review of remedial action plans and demonstrate that timelines for remediation are being consistently monitored and followed up. **Consequences of not taking action:** If weaknesses in regulatory compliance activities are not resolved, there is an increased likelihood that inactive oil and gas infrastructure is not properly closed within a reasonable amount of time, which potentially increases the risk to the environment or to public health and safety.	March 2023, p. 38	**Not Ready for Assessment**

Recommendation	When	Status
ALBERTA ENERGY REGULATOR Process to Provide Information About Government's Environmental Liabilities: **Complete case-by-case assessments of sites** We recommend that the Department of Environment and Protected Areas and the Alberta Energy Regulator (AER) complete a case-by-case assessment to determine who is responsible to clean up each site. Where it is concluded that either the Department of Environment and Protected Areas or AER is responsible or accepts responsibility, we recommend that Environment and Protected Areas and AER: • determine what work, if any, needs to be done • rank each site to help prioritize cleanup work • estimate the costs to manage or clean up sites • account for environmental liabilities, when appropriate to do so **Consequences of not taking action:** Due to the lack of clarity about responsibility, funding sources and priorities, departments and agencies are not providing Treasury Board with relevant information about the portfolio of sites for which the government is responsible, has accepted responsibility, or where regulators have been unable to identify a responsible party. This information is essential to allow Treasury Board members to assess appropriately, and oversee the risks to government and to make informed decisions. As a result, funds may be allocated inefficiently or used on low-priority sites while higher priority sites are not cleaned up in a reasonable time. Without good information, the government may not accurately account for environmental liabilities, resulting in the province's financial statements not reflecting the total environmental liabilities of the province.	June 2021, p. 14	**Not Ready for Assessment**

Site Rehabilitation Program

Energy and Minerals

Report of the Auditor General

December 2023

Assessment of Implementation Report

Auditor General
OF ALBERTA

About our Assessment of Implementation Report

Management is responsible for implementing our recommendations. We examine implementation plans and perform procedures to determine whether management has implemented our recommendations 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 during our assessment.

Our assessments of implementation are conducted under the authority of the *Auditor General Act*. The Office of the Auditor General applies Canadian Standard on Quality Management 1. Accordingly, we have maintained 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 behaviour.

Outstanding Recommendations

Assessment of Implementation Report

Site Rehabilitation Program

Energy and Minerals

(March 2022)

Summary of Recommendations

IMPLEMENTED Recommendation:
Formalize risk management process

Introduction

In 2022, we audited whether the Department of Energy and Minerals (the department) had designed and implemented the Site Rehabilitation Program (SRP) to achieve the program's objectives of job creation and cleanup of inactive oil and gas wells and sites. Based on our audit, we found that the department had successfully designed and implemented the SRP. We identified one area that required improvement: the department lacked a sufficiently robust risk management process for the SRP, given its magnitude. As a result, we recommended that the department formalize the risk management process.

Our current assessment found that the department implemented a formal risk management process for the SRP and our testing confirmed its effectiveness. However, as of December 2022, an estimated $125 million remained unspent at the end of the SRP. The department is awaiting a response from the Government of Canada on transferring the unused funds to the Alberta Orphan Well Association and/or the Indian Resource Council.

Recommendation:
Formalize Risk Management Process
IMPLEMENTED

Context

About the SRP

The Government of Alberta received $1 billion from the Government of Canada on September 30, 2020. The funding was a component of Canada's COVID-19 Economic Response Plan, aimed at helping to generate employment opportunities within Alberta's energy services industry. Alberta was directed to develop a program with the goal of generating job opportunities for oilfield contractors, supporting the decommissioning of inactive oil and gas wells, and promoting environmental benefits. The responsibility of managing the SRP was assigned to the department. The department, in conjunction with the Government of Canada, designed the program.

The SRP stipulated that grants must be distributed by March 31, 2022, and that all work funded by the grants must be completed by December 31, 2022. Furthermore, any unused funds by March 31, 2023, must be returned to the Government of Canada.

Funding was distributed based on application submissions by oil field service contractors over eight distinct periods, each with a focus on different priorities for site closure activities. These priorities included wells situated on First Nations and Métis Settlement lands, sites where the Government of Alberta was providing landowner compensation, and locations inhabited by species at risk.

Our original audit

In our 2022 audit, we found that while the department had succeeded in designing and implementing the SRP to meet the program's goals, it lacked a thorough process for identifying, analyzing, and addressing significant risks to the program. Specifically, we found a lack of evidence that the department conducted sufficient risk analysis or documented decisions related to the full utilization of available funds. The department was unable to provide evidence of how it had evaluated risks such as contractors' actual costs being lower than the approved application amounts, contractors and licensees failing to fully utilize available funding, and contractors not proceeding with work in a timely manner. Failure to effectively manage these risks could potentially hinder the SRP from fully maximizing the allocated $1 billion.

We recommended that the department formalize its process to identify, analyze and respond to key risks to the SRP.

SRP status at April 2023

The SRP has concluded. According to the department's internal reports, over 35,000 applications were approved, resulting in funding of $864 million paid to over 560 service contractors based in Alberta. The funding led to the creation of close to 4,200 jobs. Additionally, the SRP facilitated the funding of closure activities for over 37,000 inactive wells.

Our current findings

The department has established a formalized risk management process for the SRP, which is detailed in the SRP Guide. The guide outlines the processes, roles, responsibilities, and reporting requirements related to risk management. To evaluate the likelihood and impact of identified risks, criteria for assessment has been defined.

To record and monitor identified risks, the department used a risk register, which included risk rankings and mitigation actions. Management regularly reviewed and updated the register and reported significant risks or changes to executive management.

One of the 29 risks that the department monitored was the risk of not maximizing the use of available federal funding, which our 2022 audit had identified as an area of concern. To mitigate this risk, the department implemented several actions, including monitoring and reallocating unused funds from previous periods, providing monthly status reports to applicants, tracking and informing licensees of their allocations, continuously assessing the SRP requirements that may limit allocations, and continuing to seek stakeholder input on potential barriers to the program.

In the spring of 2022, the department added seeking an extension from the federal government as a further mitigation action. The extension was granted and provided additional time to process already approved applications, and to complete the work and submit invoices towards the end of the program.[18]

Despite the risk mitigation actions taken, the department identified in December 2022 that an estimated $125 million may remain unspent and would have to be returned to the Government of Canada. This balance is due to several factors, including contractors' actual costs being lower than the approved application amounts, contractors not fully utilizing the available funding, and cancelled applications due to contractors not proceeding with the work in a timely manner. The first two factors are mainly the result of the SRP design, which was a shared decision by the two governments.[19]

We evaluated the mitigation actions designed to manage these three factors and found them to be appropriate and effective. However, due to the inherent nature of the program and the shared decision-making around its design, some level of unspent funding was always a possibility. Despite this, the department has worked diligently to maximize the use of available funding and reduce the risk of underutilization. Overall, the department's risk management approach has been effective in ensuring that the objectives of the SRP were met within the constraints of the program design.

The department had proposed transferring all unused funds to the Alberta Orphan Well Association and/or the Indian Resource Council to create and sustain jobs while advancing sites towards closure, which were the objectives of the SRP. However, the Government of Canada has not responded to the proposal at the conclusion of our assessment.

[18] The Government of Canada has extended the deadline for work completion until February 14, 2023.

[19] The SRP was designed to distribute funds over eight distinct periods, each with its targeted objectives and eligibility criteria. The determination and reallocation of any remaining funds could only occur after the conclusion of each period. Furthermore, the application deadline for the last three periods coincided with the program's end on March 31, 2022, which made reallocation of unused funds difficult.

Environment and Protected Areas

In this report, there are new recommendations to the department to:

- ensure that underpayments to the TIER Fund are collected when errors are found—see below.
- improve financial information preparation and reporting processes—see page 81.

NEW Recommendation

Department

NEW Recommendation:
Ensure that underpayments to the TIER Fund are collected when errors are found

We recommend that the Department of Environment and Protected Areas implement a process to collect underpayments to the TIER Fund identified through its review of industry submitted information used to calculate emission obligations.

Context

The *Technology Innovation and Emissions Reduction Regulation* (the *Regulation*) is key in the management of emissions in Alberta. It promotes a system which drives industrial facilities to find innovative ways to reduce emissions, invest in clean technology to stay competitive, and save money. The *Regulation* came into effect on January 1, 2020 and replaced former emission regulations. It sets levels of allowable greenhouse gas emissions from large industrial facilities in Alberta. Facilities[20] must comply with either a:

1. **high-performance benchmark** which is product specific and based on the average emissions intensity of the most emissions-efficient facilities of a particular sector over several years, or

2. **facility-specific benchmark (FSB)** which is based on a facility's past emission performance and includes reduction requirements.

Facilities that outperform their benchmark can generate emissions performance credits. Facilities that do not meet their benchmark must comply with the *Regulation* and satisfy emission obligations. Emission obligations can be settled by paying into the TIER Fund or, an allowable combination of paying into the TIER Fund and using emission performance credits; and/or using offsets from projects the Regulation does not cover.

[20] The *Regulation* excludes electricity and power generation facilities because they meet another standard.

The Technology Innovation and Emissions Reduction (TIER) Fund collects money from large emitters and uses a portion of the funds collected to encourage innovation from industrial facilities to reduce emissions, invest in clean technology, or for climate adaptation projects. The department is responsible to administer and manage the TIER Fund and enforce compliance with the *Regulation*. Much of the information the department needs to calculate the FSB is provided by facilities. The facilities are responsible for submitting the benchmark application form verified by a third party. The facilities must give the department complete and accurate information so that the department can review, calculate, and may assign an FSB to the facility. The facility can then use the assigned FSB to comply with the *Regulation*.

Our findings

Key findings

The department incorrectly concluded that they did not have the authority to collect past underpayments to the TIER Fund when errors are found in facility specific benchmarks.

Department management found through their review process that a facility had provided inaccurate information. That error caused previously assigned FSBs to be inaccurate. The department estimated the error to cause a $30 million underpayment to the TIER Fund. The department said it planned to get corrected compliance reports from the facility. However, it did not plan to collect the underpayment because they believed, at the time of the audit, they lacked authority to do so.

Recently, department management concluded that the *Regulation* did not allow it to apply corrected FSBs retroactively to previously submitted compliance reports. So, it could not collect the payments because of errors.

We found that the *Regulation* does cover inaccuracies. It allows the director to adjust errors “at any time”.

The department subsequently reversed its conclusion and agreed they have authority to collect underpayments, and plan to pursue outstanding amounts.

Consequences of not taking action

The department may not collect amounts owing to the Technology Innovations and Emissions Reduction (TIER) Fund which could negatively impact emissions reduction and climate adaptation efforts. This would also impede the regulatory system’s design to ensure fairness, transparency, and equity across facilities. It could also misrepresent Alberta’s greenhouse gas emissions and compliance results.

NEW Recommendation

Department

NEW Recommendation:
Improve financial information preparation and reporting processes

We recommend that the Department of Environment and Protected Areas improve its financial information preparation and reporting processes by enhancing its quality control and review activities.

Context

The department is responsible for preparing financial statements for the Technology Innovation and Emissions Reduction Fund and the Land Stewardship Fund (the financial statements). Additionally, it is responsible for preparing timely and accurate ministry financial information to be included in the Government of Alberta's Consolidated Financial Statements. The financial statements and the ministry financial information must be prepared in accordance with Canadian public sector accounting standards.

There are key processes that help ensure the financial information is prepared in a timely, complete, and reliable way. These processes include preparing financial information and supporting working papers that are accurate and consistent with accounting standards, as well as processes to review financial information to detect errors or other important matters.

Our findings

Key findings

- The quality and timeliness of financial information prepared by the department was not sufficient.
- The level of internal review of financial information was not sufficient to identify or detect a number of errors.
- Staffing challenges have contributed to the financial reporting process deficiencies.

Quality and timeliness of supporting information

Department staff had to complete significant amounts of rework and corrections for certain accounts. This resulted in delays in providing correct and appropriate ministry financial information for the Province's Consolidated Financial Statements. Processes to ensure that the accounting treatment was appropriate did not operate as intended for accounts like contractual obligations, grant expenses, and capital assets. Supporting information needed for some accounts was not readily available. This resulted in additional efforts by the department to obtain the information and for our office to properly conclude on the audit.

We also found instances where the quality of supporting information was negatively impacted by a lack of documentation of historical changes in accounting issues, operations, and decisions that inform the appropriate accounting treatment.

The department did not complete the required financial information on time. This challenge was compounded by the October 24, 2022, government reorganization which significantly impacted the ministry. The reorganization required a substantial amount of additional preparation time to properly reflect the changes in the financial information. While all the final deadlines were met, the efforts to achieve that outcome are unlikely to be sustainable in the future.

Review of prepared financial information

Senior level review of department prepared financial information by the financial service division is an important process to help detect errors or other issues. Based on our audit work, there was limited evidence that appropriate reviews were taking place. This contributed to errors and unreconciled items not being identified in a timely manner and multiple versions of incorrect working papers intended to support ministry financial information. The importance of reviewing financial information is even more crucial when the information is prepared in an operational division outside the finance area. We did not see evidence that the process was properly or consistently taking place.

Staffing challenges

The department has experienced increased employee turnover over the last number of years, at all levels—from junior staff to the executive. Also, we noted several unfilled positions in areas that support the preparation of financial information. We understand that this may have contributed to the financial process deficiencies noted above.

Consequences of not taking action

Without effective and sustainable financial reporting processes, management may not have reliable financial information to base their decisions on and the risk of inaccurate and late financial information being supplied to users is substantially increased. Additionally, there are inefficiencies and waste that result from ineffective financial reporting processes.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
2	17	19	4	15	11	8	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Report of the Auditor General—December 2023** › Ensure that underpayments to the TIER Fund are collected when errors are found—see page 84 › Improve financial information preparation and reporting processes—see page 84	2
• **Reporting on the Oil Sands Monitoring Program Assessment of Implementation—March 2023** › Improve annual report processes (originally November 2018; repeated March 2023)—see page 85	1
• **Pesticide Management—March 2022** › Assess risks and employ compliance monitoring to mitigate them—see page 85 › Ensure public information is current and accurate—see page 85 › Develop performance metrics and evaluate the pesticide program—see page 86	3
• **Report of the Auditor General—November 2021** › Process for Capital Asset Write-downs and Disposals: Improve process to ensure proper recording of tangible capital assets that require write-down or disposals—see page 86	1
• **Processes to Provide Information about Government's Environment Liabilities—June 2021** › Develop guidance to determine who is responsible for cleanup work—see page 87 › Complete case-by-case assessments of sites—see page 88	2
• **Systems to Ensure Sufficient Financial Security for Land Disturbances from Mining Progress Report—June 2021** › Improve program design (originally July 2015; unsatisfactory progress June 2021)—see page 89	1
• **Wetland Replacement Assessment of Implementation—June 2021** › Improve controls over wetland replacement (originally April 2010; repeated October 2015 and June 2021)—see page 89	1
• **Management of Sand and Gravel Pits Followup—November 2019** › Reclamation monitoring and enforcement (originally October 2008; repeated July 2014 and November 2019)—see page 90 › Collect sufficient security—see page 90 › Collect outstanding royalties—see page 90	3

Report Title	Number of Recommendations
• **Systems to Manage Grazing Leases—July 2015** › Clarify objectives, benefits and relevant performance measures)—see page 91	1
• **Flood Mitigation Systems—March 2015** › Update flood hazard maps and mapping guidelines—see page 91 › Assess risk to support mitigation policies and spending—see page 92 › Designate flood hazard areas and complete floodway development regulation—see page 92 › Assess effects of flood mitigation actions—see page 92	4
Total	19

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT **Ensure that underpayments to the TIER Fund are collected when errors are found** We recommend that the Department of Environment and Protected Areas implement a process to collect underpayments to the TIER Fund identified through its review of industry submitted information used to calculate emission obligations. **Consequences of not taking action:** The department may not collect amounts owing to the Technology Innovation and Emissions Reduction (TIER) Fund which could negatively impact emissions reduction and climate adaptation efforts. This would also impede the regulatory system's design to ensure fairness, transparency, and equity across facilities. It could also misrepresent Alberta's greenhouse gas emissions and compliance results.	December 2023, p. 79	**New**
DEPARTMENT **Improve financial information preparation and reporting processes** We recommend that the Department of Environment and Protected Areas improve its financial information preparation and reporting processes by enhancing its quality control and review activities. **Consequences of not taking action:** Without effective and sustainable financial reporting processes, the risk of inaccurate and late financial information being supplied to users is substantially increased. Additionally, there are inefficiencies and waste that result from ineffective financial reporting processes.	December 2023, p. 81	**New**

Recommendation	When	Status
DEPARTMENT Reporting on the Oil Sands Monitoring Program Assessment of Implementation: **Improve annual report 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. **Consequences of not taking action:** Without complete, timely, and accurate public reporting on the Oil Sands Monitoring Program activities and results, stakeholders may not have access to sufficient information to assess whether the government is meeting its commitment to ensure environmentally responsible development of the oil sands.	Repeated March 2023, p. 3 › Originally reported November 2018, p. 7	**Not Ready for Assessment**
DEPARTMENT Pesticide Management: **Assess risks and employ compliance monitoring to mitigate them** We recommend that the Department of Environment and Protected Areas regularly assess risks from non-compliance with pesticide laws and employ compliance monitoring processes to mitigate the identified risks. **Consequences of not taking action:** Without a risk-based approach, the department's compliance monitoring activities may not be sufficient to detect non-compliance, leading to increased risk to human health and the environment.	March 2022, p. 10	**Not Ready for Assessment**
DEPARTMENT Pesticide Management: **Ensure public information is current and accurate** We recommend that the Department of Environment and Protected Areas ensure that public information on pesticide products and conditions for their use is current and accurate. **Consequences of not taking action:** Outdated and inaccurate public information on pesticide products increases the risk of improper use and creates danger to human health and the environment. It may also cause the public to lose confidence in Alberta's regulatory system for pesticides.	March 2022, p. 12	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Pesticide Management: **Develop performance metrics and evaluate the pesticide program** We recommend that the Department of Environment and Protected Areas establish performance metrics and regularly evaluate the effectiveness of the pesticide program. **Consequences of not taking action:** Without regular program evaluation, the department does not know if the program meets its objectives of minimizing negative impacts on health and the environment from pesticide use.	March 2022, p. 13	**Not Ready for Assessment**
DEPARTMENT Process for Capital Asset Write-downs and Disposals: **Improve process to ensure proper recording of tangible capital assets that require write-down or disposals** We recommend that the Department of Environment and Protected Areas improve its process for ensuring timely identification of tangible capital assets requiring a write-down or to be considered disposed. **Consequences of not taking action:** Without an effective process to identify and record write-downs and disposals of tangible capital assets the department risks inaccurate financial reporting in the consolidated financial statements of the Government of Alberta.	November 2021, p. 88	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Processes to Provide Information about Government's Environment Liabilities: **Develop guidance to determine who is responsible for cleanup work** We recommend that the Department of Environment and Protected Areas 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. Where it is determined that the government will do the work, we recommend that the Department of Environment and Protected Areas: • clarify what environmental standards apply • provide guidance on which department or agency is responsible to do the work and pay for it across the various industries • provide guidance on how the assessment, management and cleanup work of sites will be funded **Consequences of not taking action:** Due to the lack of clarity about responsibility, funding sources and priorities, departments and agencies are not providing Treasury Board with relevant information about the portfolio of sites for which the government is responsible, has accepted responsibility, or where regulators have been unable to identify a responsible party. This information is essential to allow Treasury Board members to assess appropriately, and oversee the risks to government and to make informed decisions. As a result, funds may be allocated inefficiently or used on low-priority sites while higher priority sites are not cleaned up in a reasonable time. Without good information, the government may not accurately account for environmental liabilities, resulting in the province's financial statements not reflecting the total environmental liabilities of the province.	June 2021, p. 14	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Processes to Provide Information about Government's Environment Liabilities: **Complete case-by-case assessments of sites** We recommend that the Department of Environment and Protected Areas and the Alberta Energy Regulator (AER) complete a case-by-case assessment to determine who is responsible to clean up each site. Where it is concluded that either the Department of Environment and Protected Areas or AER is responsible, or accepts responsibility, we recommend that Environment and Protected Areas and AER: • determine what work, if any, needs to be done • rank each site to help prioritize cleanup work • estimate the costs to manage or clean up sites • account for environmental liabilities, when appropriate to do so **Consequences of not taking action:** Due to the lack of clarity about responsibility, funding sources and priorities, departments and agencies are not providing Treasury Board with relevant information about the portfolio of sites for which the government is responsible, has accepted responsibility, or where regulators have been unable to identify a responsible party. This information is essential to allow Treasury Board members to assess appropriately, and oversee the risks to government and to make informed decisions. As a result, funds may be allocated inefficiently or used on low-priority sites while higher priority sites are not cleaned up in a reasonable time. Without good information, the government may not accurately account for environmental liabilities resulting in the province's financial statements not reflecting the total environmental liabilities of the province.	June 2021, p. 14	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Systems to Ensure Sufficient Financial Security for Land Disturbances from Mining Progress Report: **Improve program design** We recommend that the Department of Environment and Protected Areas, as part of its regular review of the Mine Financial Security Program: • analyze and conclude on whether changes to the asset calculation are necessary due to overestimation of asset values in the methodology • demonstrate that it has appropriately analyzed and concluded on the potential impacts of inappropriately extended mine life in the calculation **Consequences of not taking action:** If there isn't an adequate program in place to ensure that financial security is provided by mine operators to fund the conservation and reclamation costs associated with their mine operations, mine sites may either not be reclaimed as intended or Albertans could be forced to pay the reclamation costs. If incentives are not in place to reclaim lands as soon as reclamation is possible, mine sites may remain disturbed for longer than necessary and Albertans face a larger risk that they will end up having to pay the eventual reclamation costs.	Unsatisfactory Progress June 2021, p. 29 › **Originally reported July 2015, no. 2, p. 29**	**Not Ready for Assessment**
DEPARTMENT Wetland Replacement Assessment of Implementation: **Improve controls over wetland replacement** We recommend that the Department of Environment and Protected Areas have clear, enforceable agreements and effective monitoring to ensure wetland replacement parties meet their responsibilities. **Consequences of not taking action:** Without clear agreements and effective monitoring of wetland replacement activities, spending, and success, the department does not know if replacement parties are meeting their responsibilities. As a result, Alberta's wetland policy goals may not be met.	Repeated June 2021, p. 59 › **Repeated October 2015, no. 6, p. 45** › **Originally reported April 2010, no. 6, p. 71**	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Management of Sand and Gravel Pits Followup: **Reclamation monitoring and enforcement** We again recommend that the Department of Environment and Protected Areas improve the effectiveness and efficiency of reclamation monitoring and enforce reclamation requirements. **Consequences of not taking action:** Un-reclaimed pits create environmental and safety risks. Albertans may have to pay reclamation costs.	Repeated November 2019, Followup Audit, p. 13 › Repeated July 2014, no. 4, p. 51 › Originally reported October 2008, no. 40, p. 360	**Not Ready for Assessment**
DEPARTMENT Management of Sand and Gravel Pits Followup: **Collect sufficient security** We recommend that the Department of Department of Environment and Protected Areas collect sufficient security to compel operators to reclaim the land and to cover reclamation costs if operators fail to do so. **Consequences of not taking action:** Albertans may have to pay reclamation costs.	November 2019, p. 16	**Not Ready for Assessment**
DEPARTMENT Management of Sand and Gravel Pits Followup: **Collect outstanding royalties** We recommend that the Department of Department of Environment and Protected Areas collect outstanding royalties for sand and gravel on oil sands sites. **Consequences of not taking action:** Albertans will not receive the royalties due for the province's sand and gravel.	November 2019, p. 17	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Systems to Manage Grazing Leases: **Clarify objectives, benefits and relevant performance measures** We recommend that the Department of Department of Environment and Protected Areas 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. **Consequences of not taking action:** Without clearly defined objectives and relevant performance measures for grazing leases on public land in Alberta, the department cannot ensure those objectives are being met, or that Albertans are receiving the benefits they should. Further, without relevant performance measures and effective systems to monitor and analyze them, the department cannot know what it must do to improve its processes to better manage grazing leases on behalf of Albertans.	July 2015, no. 1, p. 20	**Not Ready for Assessment**
DEPARTMENT Flood Mitigation Systems: **Update flood hazard maps and mapping guidelines** We recommend that the Department of Environment and Protected Areas improve its processes to identify flood hazards by: • mapping flood areas that are not currently mapped but are at risk of flooding communities • updating and maintaining its flood hazard maps • updating its flood hazard mapping guidelines **Consequences of not taking action:** The department cannot adequately protect people and communities from floods and their effects without current and complete information on flood hazards.	March 2015, no. 10, p. 76	Ready for Assessment

Recommendation	When	Status
DEPARTMENT Flood Mitigation Systems: **Assess risk to support mitigation policies and spending** We recommend that the Department of Environment and Protected Areas conduct risk assessments to support flood mitigation decisions. **Consequences of not taking action:** The department cannot effectively develop flood mitigation strategies without current flood hazard and risk assessment information.	March 2015, no. 11, p. 78	Ready for Assessment
DEPARTMENT Flood Mitigation Systems: **Designate flood hazard areas and complete floodway development regulation** To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that the: • Department of Environment and Protected Areas identify flood hazard areas for designation by the minister • Department of Municipal Affairs: › establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas › put in place processes to enforce the regulatory requirements **Consequences of not taking action:** Allowing development in floodways unnecessarily risks public safety and the public purse. Keeping people and infrastructure away from floodways is the most cost-effective approach to managing flood risk in areas where experts can predict water flows will be deepest, fastest, and most destructive.	March 2015, no. 12, p. 80	Ready for Assessment
DEPARTMENT Flood Mitigation Systems: **Assess effects of flood mitigation actions** We recommend that the Department of Environment and Protected Areas establish processes to assess what will be the cumulative effect of flood mitigation actions in communities when approving new projects and initiatives. **Consequences of not taking action:** If the department does not assess the cumulative effect of flood mitigation programs and initiatives prior to approving new ones, some communities may be over protected and others under protected from future floods.	March 2015, no. 13, p. 82	Ready for Assessment

Health

In this report, we highlight that the department has implemented two recommendations—see below.

IMPLEMENTED Recommendation

Department

Physician Services
IMPLEMENTED Recommendation:
Enhance processes to check for receipt of services for which physicians billed

Context

In 2015, we audited the department's processes to check for receipt of services for which physicians billed. We found that the department could improve its processes to obtain assurance from the remaining part of the population that it was not already testing. We made a recommendation to the department to enhance the processes it uses to check whether:

- patients received the medical services for which physicians billed the department
- payments are being made in accordance with the provisions of the *Alberta Health Care Insurance Act*

The Audit and Compliance Assurance Unit (ACAU) of the Compliance and Monitoring Branch (CMB) of the Department of Health conducts compliance reviews of health care practitioners who submit fee-for-service (FFS) claims under the Alberta Health Care Insurance Plan (AHCIP). The ACAU uses a risk-based approach to select practitioners for compliance reviews that classifies practitioners as high risk or non-high risk. The *Alberta Health Care Insurance Act* allows the department to reassess and recover incorrect payments to physicians.

In our original audit,[21] we found that while the department obtained assurance on the physician claim population that it believes is higher risk, it did not have a process to get assurance on the remaining non-high risk part of the population.

[21] *Report of the Auditor General—October 2015*, no. 13, p. 102.

Our current findings

The department has implemented our recommendation by improving its compliance program to include non-high-risk practitioners. It developed and conducted a pilot project to test a sample of 10 non-high-risk practitioners. This testing included:

- testing a sample of five detailed patient records for each physician over a six-month period to determine whether the FFS code claimed was correct and supported
- performing data analysis on all FFS claims made by the physician over a two-year period to identify any anomalies

Some physicians, who had multiple unsupported or erroneous claims, were subjected to further review. The project also identified a new risk factor that is also relevant to the high-risk population. So reviewing the non-high-risk population also led to an opportunity for the department to improve its high-risk testing program.

Department staff evaluated the project and concluded it was a viable method to obtain assurance on the non-high-risk practitioner population and intends to continue this project in future years.

IMPLEMENTED Recommendation

Department

Department of Health Grants
IMPLEMENTED Recommendation:
Improve grant management processes

Context

In 2022, we examined the Department of Health's grant processes that awarded grants to the AIDS Outreach Community Harm Reduction Education Support Society (ARCHES) to operate a supervised consumption site in the City of Lethbridge. We found that the Department of Health:

- did not maintain sufficient documentation to evidence that it adequately monitored grant reporting information received by ARCHES
- did not ensure financial information was certified by ARCHES
- has not fully assessed whether third-party assurance should be required in grant agreements

We made a recommendation[22] to the department to improve its grant processes by:

- improving its grant policy and procedures to ensure monitoring and evaluation requirements are followed and documented
- establishing timelines for completing the grant evaluation checklist
- assessing whether third-party assurance should be required on large-dollar-value or high-risk grants

The Department of Health enters into grant agreements with organizations to provide various healthcare-related services. When awarding grants, department staff must follow the department's grant policy and procedures.

[22] *Report of the Auditor General—March 2022*, page 4.

Grant agreements between the department and organizations outline the terms and conditions of the grants, including how the grant funding is to be spent by the recipient organizations. The department's grant policy states that once a grant is awarded, it should be monitored to ensure money is spent in accordance with the grant terms.

During our audit, we noted that improvements could be made by the department to ensure grant funds are spent in accordance with grant conditions and that grant objectives have been achieved.

Our current findings

The department has implemented our recommendation by making the following improvements to its grant procedures document:

- adding more guidance on the minimum documentation requirements to monitor and evaluate multi-year or complex grant agreements
- setting a 90-day deadline for staff to complete the grant evaluation checklist after all grant requirements have been met
- establishing criteria on when a grant recipient is required to obtain third-party assurance to ensure the recipient follows the terms and conditions of the grant funding

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	25	25	11	14	12	13	2	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations	
	Department	AHS
• **COVID-19 in Continuing Care Facilities—February 2023** › Department: Update and expand a pandemic plan common to entire continuing care sector—see page 98 › Department: Exercise and simulate updated plan regularly, with all parties—see page 98 › Department: Develop a continuing care staffing strategy to increase staffing system resilience—see page 99 › Alberta Health Services: Formalize centre of expertise capacity for outbreak management—see page 99 › Alberta Health Services: Formalize operational improvements in outbreak testing—see page 100 › Department: Evaluate all existing infrastructure and set a strategy for improving facility infrastructure—see page 101 › Alberta Health Services: Track resident illness and staff absences during communicable disease outbreaks in facilities—see page 101 › Alberta Health Services: Implement recommendations from Alberta Health Services internal reports—see page 102	4	4
• **Seniors Care in Long-term Care Assessment of Implementation—February 2023** › Alberta Health Services: System to mitigate risk to safe, quality resident care from insufficient staffing—see page 102 › Department: Improve public reporting on expected results and whether the provincial long-term care system is achieving them—see page 103	1	1
• **Use of Publicly Funded CT and MRI Services—April 2021** › Department: Implement and measure the effectiveness of standard operational policy and work-flow for electronic order entry—see page 104 › Alberta Health Services: Improve the outpatient CT and MRI intake and scheduling processes—see page 105 › Alberta Health Services: Measure and report on performance to identify areas of improvement and promote best practices—see page 105	1	2

Report Title	Number of Recommendations	
	Department	AHS
• **Primary Care Networks—October 2017** › Department: Evaluate PCN effectiveness—see page 106 › Department: Informing Albertans about PCN services—see page 106	2	0
• **Healthcare Processes—October 2015** › Department: Establish a proactive check to ensure that individuals with an Alberta healthcare number continue to meet residency requirements—see page 107	1	0
• **Chronic Disease Management—September 2014** › Department: Improve delivery of chronic disease management services—see page 107 › Department: Improve support of patient-physician relationships—see page 108 › Alberta Health Services: Improve support of patient-physician relationships—see page 108 › Alberta Health Services: Improve AHS chronic disease management services—see page 109 › Department: Improve physician care plan initiative—see page 109 › Alberta Health Services: Improve physician care plan initiative—see page 110 › Department: Improve delivery of pharmacist care plan initiative—see page 110 › Department: Strengthen electronic medical records systems—see page 111 › Department: Provide individuals access to their personal health information—see page 112	6	3
Total	15	10

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT COVID-19 in Continuing Care Facilities: **Update and expand a pandemic plan common to entire continuing care sector** We recommend that the Department of Health ensure the development of an up-to-date, comprehensive, continuing care-focused pandemic plan relevant to all key stakeholders—Department of Health, Alberta Health Services and facility operators. The Department of Health should ensure such a plan for facility-based continuing care: • sets measurable goals and targets, is aligned with other related plans, and is regularly communicated to operational management and front-line staff across the continuing care sector, including at the Department of Health and AHS • reflects learnings from the COVID-19 response • is disease-agnostic and is scalable • integrates compliance monitoring and other inspection activities • includes clearly defined escalation pathways, based on established measures or triggers, for outbreak management and resolution • clearly defines roles, responsibilities, accountabilities, and decision-making structures for all stakeholders **Consequences of not taking action:** Precious time and effort may be diverted to preparation and organization in the critical early stages of a pandemic response if appropriate planning is not in place.	February 2023, p. 20	**Not Ready for Assessment**
DEPARTMENT COVID-19 in Continuing Care Facilities: **Exercise and simulate updated plan regularly, with all parties** We recommend that the Department of Health lead periodic pandemic response exercises for Alberta's facility-based continuing care sector across all levels of the system, and involve operational and front-line staff. **Consequences of not taking action:** In an emergency situation the facility-based continuing care system must respond seamlessly across multiple organizations. Without periodic exercises including all parts of the system, this cross-organizational preparedness cannot be critically evaluated and continuously strengthened.	February 2023, p. 21	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT COVID-19 in Continuing Care Facilities: **Develop a continuing care staffing strategy to increase staffing system resilience** We recommend that the Department of Health work with Alberta Health Services and facility operators to develop and implement a staffing strategy for facility-based continuing care. This strategy should build on efforts already underway focused on staffing hours and staff mix from the response to the Facility-based Continuing Care review recommendations, and consider other factors that contributed to staff vulnerability during COVID-19 such as: • the costs and benefits of maintaining a largely single-site staffing model • appropriateness of primarily part-time and casual staffing model use in the care of vulnerable elderly residents • mandatory benefits—particularly paid sick leave • minimum staff training • staff quality of work and life • staff mental health, wellness, and post-traumatic support A staffing strategy should determine what the Department of Health wants to achieve in these areas and determine what it can accomplish with existing and potential future resources. **Consequences of not taking action:** Insufficient resources to care for residents during COVID-19 reinforced the importance of continuing care facility staff to safe resident care, outbreak response, and facility operations.	February 2023, p. 42	**Not Ready for Assessment**
ALBERTA HEALTH SERVICES COVID-19 in Continuing Care Facilities: **Formalize centre of expertise capacity for outbreak management** We recommend that Alberta Health Services formalize multi-disciplinary outbreak response and support systems tasked with providing centre of expertise services, monitoring and tracking, and post-outbreak debriefing and reporting for communicable disease outbreaks at continuing care facilities. **Consequences of not taking action:** Without established teams of specialists prepared to support outbreak response and debrief them, outbreak response can be hampered and valuable lessons in disease-specific and general outbreak management may be lost.	February 2023, p. 42	**Not Ready for Assessment**

Recommendation	When	Status
ALBERTA HEALTH SERVICES COVID-19 in Continuing Care Facilities: **Formalize operational improvements in outbreak testing** We recommend that Alberta Health Services work with Alberta Precision Labs to review, identify, and formalize process improvements and streamlining during COVID-19. Considerations should include other process improvements that could prevent human errors, facilitate linking samples to outbreaks, build redundancy and resiliency into the critical outbreak testing processes, and ensure timely delivery of results to continuing care facilities. **Consequences of not taking action:** Alberta Precision Labs, along with AHS zone and provincial management, worked tirelessly to find the best solution possible to every challenge they faced. If APL and AHS do not capture and formalize these process improvements, the invaluable testing system will not be able to optimally support continuing care facility outbreak management.	February 2023, p. 43	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT COVID-19 in Continuing Care Facilities: **Evaluate all existing infrastructure and set a strategy for improving facility infrastructure** We recommend that the Department of Health develop a priority list and strategy for improving existing buildings, where necessary. This priority list and strategy should be based on a comprehensive assessment of all continuing care facilities in the province to be completed by Alberta Health Services for: • whether the building meets the mandatory requirements of current facility design guidelines, and its capacity for upgrading to current minimums if necessary • the adequacy of their HVAC and filtration systems • the size of resident rooms and extent of shared accommodations • the capacity of the building to permit adequate isolation practices • the extent of building entrances and exits and their ability to be secured An infrastructure strategy should determine what the Department of Health wants to achieve and determine what it can accomplish with existing and potential future resources. **Consequences of not taking action:** Without a strategy for making informed, priority-based decisions to improve facility infrastructure where necessary, some of Alberta's continuing care facility infrastructure will continue to challenge the best responses to communicable disease outbreaks.	February 2023, p. 43	**Not Ready for Assessment**
ALBERTA HEALTH SERVICES COVID-19 in Continuing Care Facilities: **Track resident illness and staff absences during communicable disease outbreaks in facilities** We recommend that Alberta Health Services develop or adapt a surveillance system to track all resident cases and deaths, as well as information on staff absences, during any communicable disease or outbreak in facilities. **Consequences of not taking action:** Without regular, complete tracking of both resident and staff impacts from communicable disease outbreaks, AHS may miss these important indicators of resident care, staff well-being, and overall facility risk.	February 2023, p. 51	**Not Ready for Assessment**

Recommendation	When	Status
ALBERTA HEALTH SERVICES COVID-19 in Continuing Care Facilities: **Implement recommendations from Alberta Health Services internal reports** We recommend that Alberta Health Services accumulate, evaluate and action recommendations, lessons learned, and other required actions identified in its own internal summary reports on continuing care outbreaks. Any recommendations not adopted should be rationalized. We have organized and summarized these recommendations in Appendix E. **Consequences of not taking action:** Through considerable analysis and effort, AHS identified many important recommendations and suggestions for how it, Alberta Health, and facilities can make improvements. If not actioned, the system may not be better prepared for future pandemics, and other smaller communicable disease outbreaks such as seasonal influenza.	February 2023, p. 51	**Not Ready for Assessment**
ALBERTA HEALTH SERVICES Seniors Care in Long-term Care Assessment of Implementation: **System to mitigate risk to safe, quality resident care from insufficient staffing** We recommend that Alberta Health Services implement a system to mitigate the risk that a facility is not providing residents with the number and type of care staff needed to ensure safe, quality resident care. **Consequences of not taking action:** Long-term care facilities must ensure residents receive the care they need. AHS plays a critical role in mitigating the risk that facilities are not able to provide the staff necessary to do this.	February 2023, p. 8	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Seniors Care in Long-term Care Assessment of Implementation: **Improve public reporting on expected results and whether the provincial long-term care system is achieving them** We recommend that the Department of Health improve its public reporting by: • establishing what the provincial long-term care system is expected to achieve • identifying measures to evaluate performance • reporting what results the system is achieving annually, based on those measures • identifying what processes and activities are or will be done to continuously improve system results and meet expectations If limitations on the length, content, and format of existing avenues for this information, such as ministry business plans and annual reports, cannot facilitate this, the Department of Health should identify and use alternative means of communicating this information to Albertans. **Consequences of not taking action:** Albertans spend more than $2 billion a year on continuing care services and entrust the system with the care of our society's most vulnerable people—long-term care serves those with the greatest needs of all. Albertans can and should expect such a system to have clear goals, regular measurement and accountability for results, and continuous improvement at its core.	February 2023, p. 11	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Use of Publicly Funded CT and MRI Services: **Implement and measure the effectiveness of standard operational policy and work-flow for electronic order entry** 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. **Consequences of not taking action:** AHS Path to Care states one of its goals is to "support fair and equal access to health services for all Albertans no matter where they live in the province." The current system does not provide the desired access to diagnostic imaging services for Albertans. Without centralized and standardized processes that incorporate CDS tools for all of Alberta, it will be difficult for AHS to obtain optimization of CT and MRI service delivery. Wait times, which exceed targets, may lead to diminished health outcomes for patients. They may also create economic inefficiencies.	April 2021, p. 25	**Not Ready for Assessment**

Recommendation	When	Status
ALBERTA HEALTH SERVICES Use of Publicly Funded CT and MRI Services: **Improve the outpatient CT and MRI intake and scheduling processes** We recommend for outpatient CT and MRI exams, Alberta Health Services: • standardize the intake and scheduling processes, including the use of clinical decision support tools • implement a process to standardize protocoling and monitor adherence to prioritization and protocoling standards • execute the Diagnostic Imaging, CT and MRI Implementation Plan to meet wait time targets **Consequences of not taking action:** AHS Path to Care states one of its goals is to "support fair and equal access to health services for all Albertans no matter where they live in the province." The current system does not provide the desired access to diagnostic imaging services for Albertans. Without centralized and standardized processes that incorporate CDS tools for all of Alberta, it will be difficult for AHS to obtain optimization of CT and MRI service delivery. Wait times, which exceed targets, may lead to diminished health outcomes for patients. They may also create economic inefficiencies.	April 2021, p. 25	**Not Ready for Assessment**
ALBERTA HEALTH SERVICES Use of Publicly Funded CT and MRI Services: **Measure and report on performance to identify areas of improvement and promote best practices** 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. **Consequences of not taking action:** If AHS does not use performance information regularly for continuous improvement, it is missing out on a valuable tool that could assist in improving operational effectiveness and efficiency.	April 2021, p. 29	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Primary Care Networks: **Evaluate PCN effectiveness** We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with the PCNs and PCN physicians to: • agree on appropriate targets for each PCN program performance measure, and require PCNs to measure and report results in relation to the targets • develop a formal action plan for public reporting of PCN program performance **Consequences of not taking action:** Without adequate systems to measure performance, the department cannot evaluate the results of the PCN program to make informed decisions on what is working well in the program and what needs to improve. The department will also lack the information needed to report to Albertans on the results achieved for the significant public investment in this program.	October 2017, Performance Auditing, p. 79	Ready for Assessment
DEPARTMENT Primary Care Networks: **Informing Albertans about PCN services** We recommend that the Department of Health, through its leadership role in the PCN Governance Structure, work with PCNs and PCN physicians to: • require PCN physicians to complete the established patient attachment process, and set appropriate timelines for completing this process • 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 **Consequences of not taking action:** If patients are not engaged to understand who their family physician is, what services are available through their patient medical home and their PCN, and how they can access those services, there is significant risk that key benefits of the PCN program will not be fully realized. As one PCN told us, “patients themselves are the largest untapped resource in primary care".	October 2017, Performance Auditing, p. 84	Ready for Assessment

Recommendation	When	Status
DEPARTMENT Healthcare Processes: **Establish a proactive check to ensure that individuals with an Alberta healthcare number continue to meet residency requirements** 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 *Alberta Health Care Insurance Act* and *Regulation*. **Consequences of not taking action:** The department may pay for healthcare for people who do not meet Alberta residency requirements.	October 2015, no. 12, p. 101	**Not Ready for Assessment**
DEPARTMENT Chronic Disease Management: **Improve delivery of chronic disease management services** We recommend that the Department of Health improve the delivery of chronic disease management services in the province by: • defining the care services it expects physicians, Primary Care Networks and Alberta Health Services to provide to individuals with chronic disease • requesting family physicians to deliver comprehensive team-based care to their patients with chronic disease, through a Primary Care Network or appropriate alternative • establishing processes to assess the volumes, costs and, most importantly, the results of chronic disease management services delivered by the healthcare providers it funds • facilitating secure sharing of patients' healthcare information among authorized providers • strengthening its support for advancing chronic disease management services, particularly among family physicians where the need for better systems and information is most critical **Consequences of not taking action:** The concept of family physicians providing comprehensive, team-based care to panels of patients they are responsible for is relatively new in Alberta. As primary care evolves from episodic to ongoing care in a patient-centered medical home model, clear understanding and agreement on physicians' responsibilities is essential. Until CDM expectations are set, and systems are put in place to see they are met, the department's vision for effective primary health care for every Albertan will not be realized.	September 2014, no. 1, p. 11	Ready for Assessment

Recommendation	When	Status
DEPARTMENT Chronic Disease Management: **Improve support of patient-physician relationships** We recommend that the Department of Health improve its support of patient-physician relationships by: • 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 • 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 **Consequences of not taking action:** For individuals with chronic disease, an ongoing relationship with a family physician and care team is vital to effective management of their condition. Without adequate systems and supports to establish this relationship, patients may not receive the care they need, when and where they need it.	September 2014, no. 2, p. 18	Ready for Assessment
ALBERTA HEALTH SERVICES Chronic Disease Management: **Improve support of patient-physician relationships** 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. **Consequences of not taking action:** For individuals with chronic disease, an ongoing relationship with a family physician and care team is vital to effective management of their condition. Without adequate systems and supports to establish this relationship, patients may not receive the care they need, when and where they need it.	September 2014, no. 3, p. 18	Ready for Assessment

Recommendation	When	Status
ALBERTA HEALTH SERVICES Chronic Disease Management: **Improve AHS chronic disease management services** We recommend that Alberta Health Services improve its chronic disease management services by: • assessing the total demand for chronic disease management services across Alberta • 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 • setting provincial objectives and standards for its chronic disease management services • establishing systems to measure and report the effectiveness of its chronic disease management services **Consequences of not taking action:** AHS needs good information on the demand for CDM services province-wide to properly plan and coordinate its services with those provided by family physicians and Primary Care Networks. It must also have strong systems to measure the cost and results of its CDM services. Without these processes, CDM services may not be available to patients in the right place, at the right time and at reasonable cost.	September 2014, no. 4, p. 22	Ready for Assessment
DEPARTMENT Chronic Disease Management: **Improve physician care plan initiative** We recommend that the Department of Health improve its physician care plan initiative by: • defining its expectations for what care plans should contain and how they should be managed by physicians and care teams • setting targets for care plan coverage and evaluating the effectiveness of care plans on an ongoing basis • strengthening care plan administration by ensuring that claims identify qualifying diagnoses, and that care plan billings by individual physicians are reasonable **Consequences of not taking action:** Care plans for patients with chronic disease are essential in establishing the link between the services healthcare providers deliver and the key role patients themselves must play in managing their chronic disease. Without adequate processes to support physicians and patients in developing and managing care plans effectively, the department may continue to invest substantial resources in this initiative without realizing the expected benefits.	September 2014, no. 5, p. 26	Ready for Assessment

Recommendation	When	Status
ALBERTA HEALTH SERVICES Chronic Disease Management: **Improve physician care plan initiative** 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. **Consequences of not taking action:** Care plans for patients with chronic disease are essential in establishing the link between the services healthcare providers deliver and the key role patients themselves must play in managing their chronic disease. Without adequate processes to support physicians and patients in developing and managing care plans effectively, the department may continue to invest substantial resources in this initiative without realizing the expected benefits.	September 2014, no. 6, p. 26	Ready for Assessment
DEPARTMENT Chronic Disease Management: **Improve delivery of pharmacist care plan initiative** We recommend that the Department of Health improve the delivery of its pharmacist care plan initiative by: • 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 • 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 • setting expectations and targets for pharmacists' involvement in care plans and evaluating the effectiveness of their involvement on an ongoing basis **Consequences of not taking action:** Pharmacist care plans represent a substantial investment by the department and have potential to benefit individuals with chronic disease. However, without a formal process to integrate these plans with physician care plans, patients may receive confusing or conflicting advice and their health may suffer as a result. Without a system for assessing whether pharmacists' billings are appropriate, and care plans are achieving expected results, the department has no assurance it is receiving value for its investment.	September 2014, no. 7, p. 32	Ready for Assessment

Recommendation	When	Status
DEPARTMENT Chronic Disease Management: **Strengthen electronic medical records systems** We recommend that the Department of Health strengthen support to family physicians and care teams in implementing electronic medical record systems capable of: • identifying patient-physician relationships and each patient's main health conditions and risk factors • 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 • reporting key activity and outcome information for selected patient groups (e.g., diabetics) as the basis for continuous quality improvement **Consequences of not taking action:** A unified information system capable of sharing patient information securely and appropriately between healthcare providers is an essential feature of a high-performing healthcare system. Without renewed support and investment in electronic medical record systems, the department may fail to leverage the substantial investments that have been made to date. It will also jeopardize the foundation for sustained improvement in patient panel identification, care planning, and quality measurement going forward.	**September 2014, no. 8, p. 37**	**Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Chronic Disease Management: **Provide individuals access to their personal health information** We recommend that the Department of Health provide individuals with chronic disease access to the following personal health information: • their medical history, such as physician visits, medications and test results • their care plan, showing recommended tests, diagnostic procedures and medications, including milestone dates and targets set out in the plan **Consequences of not taking action:** For effective self-management, individuals with chronic disease need ready access to their personal health record and care plan. The technology to provide this information securely is readily available and widely used in high-performing healthcare systems. It is also available in many other areas of our daily lives, including personal banking, education and access to government programs. Until such access is provided, the ministry perpetuates a provider-driven CDM approach that fails to fully engage the most powerful asset of all—the patients themselves.	September 2014, no. 9, p. 41	Ready for Assessment

Indigenous Relations

In this report, there are no new audit findings.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	1	1	0	1	0	1	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Indigenous Economic Participation—May 2022**	1
› Improve performance reporting process—see page 114	
Total	1

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Indigenous Economic Participation: **Improve performance reporting process** We recommend that the Department of Indigenous Relations improve its performance reporting process for its programs to achieve increased Indigenous economic participation by: • implementing performance measures and targets for all programs • analyzing program performance, including the reporting it receives from funding recipients, to compare to user needs, planned results and program costs • reporting its analysis of program results and achievement of the ministry desired outcome, including lessons learned **Consequences of not taking action:** Without effective processes to monitor progress and report on results of its economic development and training programs, Indigenous Relations risks not achieving planned results and not demonstrating value for taxpayer money spent. Long-term planned results may succumb to short-term considerations. Information necessary to make decisions that support what is working well, and that identify the changes needed for what is not working well, will not be available.	May 2022, p. 14	**Not Ready for Assessment**

Infrastructure

In this report, there are no new audit findings.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	4	4	0	4	0	4	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Procurement Processes—June 2022** › Improve controls for ensuring compliance with trade agreements—see page 116 › Improve controls for receiving submissions—see page 116 › Improve access controls for procurement information systems—see page 117 › Improve submission evaluation controls—see page 117	4
Total	4

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Procurement Processes: **Improve controls for ensuring compliance with trade agreements** We recommend the Department of Infrastructure improve its controls to ensure solicitation documents and posting periods comply with trade agreements. **Consequences of not taking action:** If proponents are not provided with adequate time to prepare their submissions, including bid prices, it could result in withdrawals by proponents and decreased competition or proponents may price this risk into their bid. The inclusion of manufacturers in solicitation documents without allowing equivalents may result in unequal opportunities for companies to bid on public procurements, which may lead to less competition and increased contract costs. Proponents may sue Alberta Infrastructure for non-compliance with the trade agreements which could result in financial penalties or reputational damage.	June 2022, p. 11	**Not Ready for Assessment**
DEPARTMENT Procurement Processes: **Improve controls for receiving submissions** 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. **Consequences of not taking action:** Ineffective controls over the receiving of submissions increase the risk that Alberta Infrastructure may not accurately assess if it received proponent submissions on time, undermining the integrity and credibility of Alberta Infrastructure's procurement process. The absence of effective controls could result in unfair practices, which could lead to proponents pursuing legal action against Alberta Infrastructure.	June 2022, p. 13	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Procurement Processes: **Improve access controls for procurement information systems** We recommend the Department of Infrastructure improve its access controls for its procurement information systems. **Consequences of not taking action:** Without adequate access controls, there is a risk employees may access confidential information, including bid prices and evaluation information, and share that information inappropriately with proponents. The inappropriate sharing of confidential information could result in an unfair advantage, undermining the credibility and integrity of the procurement process.	June 2022, p. 14	**Not Ready for Assessment**
DEPARTMENT Procurement Processes: **Improve submission evaluation controls** We recommend the Department of Infrastructure improve its controls for: • verifying compliance with request for proposal requirements • identifying potential conflicts of interest • ensuring evaluation comments are adequately documented **Consequences of not taking action:** Alberta Infrastructure may not be able to demonstrate that its procurement practices are fair. Inconsistent practices can result in proponents being unfairly disqualified or potentially awarded contracts despite not meeting requirements. Even the perception of unfair practices could undermine the credibility of the procurement process and lead to legal action against Alberta Infrastructure, potentially resulting in financial and reputational consequences.	June 2022, p. 17	**Not Ready for Assessment**

Jobs, Economy and Trade

In this report, we include our *Alberta Jobs Now Performance Audit*—see page 123.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	3	3	0	3	0	3	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Critical Worker Program—March 2023** › Complete payment verification processes—see page 120	1
• **Small and Medium Enterprise Relaunch Grant Program—November 2022** › Complete eligibility verification of approved applications—see page 120	1
• **Indigenous Economic Participation—May 2022** › Improve performance reporting process—see page 121	1
Total	3

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Critical Worker Benefit Program: **Complete payment verification processes** We recommend that the Department of Jobs, Economy and Trade, as program lead, coordinate and complete processes to verify approved critical workers received their benefit payment. **Consequences of not taking action:** The design of the program resulted in a significant program risk as payments were not made directly to the benefit recipient, as normally is done. If the department does not complete payment verification processes, it will not be able to provide reasonable assurance that critical workers approved for the benefit, received it.	March 2023, p. 11	**Not Ready for Assessment**
DEPARTMENT Small and Medium Enterprise Relaunch Grant Program: **Complete eligibility verification of approved applications** We recommend the Department of Jobs, Economy and Trade 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.	November 2022, p. 98	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Indigenous Economic Participation: **Improve performance reporting process** We recommend that the Department of Jobs, Economy and Trade improve its performance reporting process for its First Nations Training to Employment and Aboriginal Training to Employment programs by: • updating program performance measures and targets • analyzing program performance including the reporting it receives from funding recipients, to compare to user needs, planned results and program costs • reporting its analysis of program results and achievement of the ministry desired outcome, including lessons learned **Consequences of not taking action:** Without robust processes to measure, monitor and report on program results, management and stakeholders may not have the information they need to assess whether the programs are achieving planned results and to make decisions that support what's working well and identify the changes needed for what's not working well.	May 2022, p. 18	**Not Ready for Assessment**

Alberta Jobs Now Program

Jobs, Economy and Trade

Report of the Auditor General

December 2023

Auditor General
OF ALBERTA

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Related Reports:

- Critical Worker Benefit Program (March 2023)
- Small and Medium Enterprise Relaunch Grant Program (November 2022)
- Municipal Operating Support Transfer and Municipal Stimulus Program COVID-19 Response Programs (November 2022)
- COVID-19 Capital Stimulus Initiative (November 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 properly accounted for and provides value.

Report Highlights

In 2020, the Government of Canada gave the provinces funding to help employers recover from the pandemic and assist those in underrepresented groups and employees in sectors hardest hit by the pandemic to quickly re-enter the workforce. In 2021, the Government of Alberta used available federal funding to create the Alberta Jobs Now Program, part of the Alberta Recovery Plan. p. 127

The program had three application intake periods (intakes), two in 2021 and one in 2022. We focused our audit on processes applied on the first intake. p. 127

The department has so far provided little information to Albertans on how effective the program has been and if program desired outcomes will be met. This lack of interim program reporting is similar to a lack of reporting by other government programs we recently reported on. p. 127

We conclude based on our findings, the department had effective processes overall to design, deliver and monitor the program. Improvements can be made to reporting processes. p. 127

Effective reporting helps the department assess program effectiveness and demonstrate to Albertans how they are adjusting the program to maximize worker training and job creation to strengthen and grow Alberta's workforce. p. 130

We are not making a new recommendation

to the department on reporting because our previous recommendation on improving performance reporting to Albertans in ministry annual reports is still outstanding. p. 130

Summary

The COVID-19 pandemic and its impact on the Alberta economy created significant challenges for Alberta workers and employers. Businesses had to reduce costs to survive, so many workers lost their jobs. Unemployment rates soared.[23] In 2020, the Government of Canada gave the provinces funding to help employers recover from the pandemic. In 2021, the Government of Alberta used available federal funding to create the Alberta Jobs Now Program, part of the Alberta Recovery Plan. The program objective was to create jobs for unemployed Albertans and to give new hires enhanced skills training so employers can re-open or expand their businesses as the economy recovers.

The program had three application intake periods (intakes), two in 2021 and one in 2022. We focused our audit on processes applied on the first intake.

We examined if the Department of Jobs, Economy and Trade:

- had effective processes to design, deliver, monitor, and report on the first intake of the program launched in May 2021
- applied lessons learned from the first intake to improve program delivery for the second intake late in 2021

We conclude based on our findings, the department had effective processes overall to design, deliver, and monitor the program. Improvements can be made to reporting processes.

The department has so far provided little information to Albertans on how effective the program has been and if program desired outcomes will be met. This lack of interim program reporting is similar to a lack of reporting by other government programs we recently reported on. We have not issued a new recommendation because we have an outstanding recommendation to improve performance reporting to Albertans in ministry annual reports.[24]

Effective reporting helps the department assess program effectiveness and demonstrate to Albertans how they are maximizing worker training and job creation to strengthen and grow Alberta's workforce.

[23] Unemployment rates rose to 15.5 per cent in May 2020 from 7.3 per cent in February 2020. https://economicdashboard.alberta.ca/dashboard/unemployment-rate/.

[24] *Report of the Auditor General—August 2019, Reporting Performance Results to Albertans Followup.*

About This Audit

Alberta Jobs Now Program

Historically the Government of Alberta has provided worker training and job creation programs to strengthen and grow Alberta's workforce. The Government of Canada partially funds many annual programs through a Workforce Development Agreement (WDA).[25] Alberta has discretion on which specific programs to use this funding.

In 2020, the Government of Canada paid an additional $185 million to Alberta to assist those in underrepresented groups and employees in sectors hardest hit by the pandemic to quickly re-enter the workforce. This $185 million had to be used by March 31, 2021, but Alberta could not implement a program by then. The two governments agreed to extend the deadline for 60 per cent of the funding to March 31, 2022. Alberta also committed provincial funding to increase the program budget to $262.5 million for fiscal 2021–2022.

On May 19, 2021, the Department of Jobs, Economy and Trade (at the time Labour and Immigration)[26] created the Alberta Jobs Now Program. The department indicated the program was needed because of "the unprecedented economic crisis due to the COVID-19 pandemic, global recession and world oil price collapse." The program objective is to create jobs for unemployed Albertans and to provide new hires with enhanced skills training so employers can re-open or expand their businesses as the economy recovers.

The first program application intake was May 20 to July 23, 2021. Approved employers would:

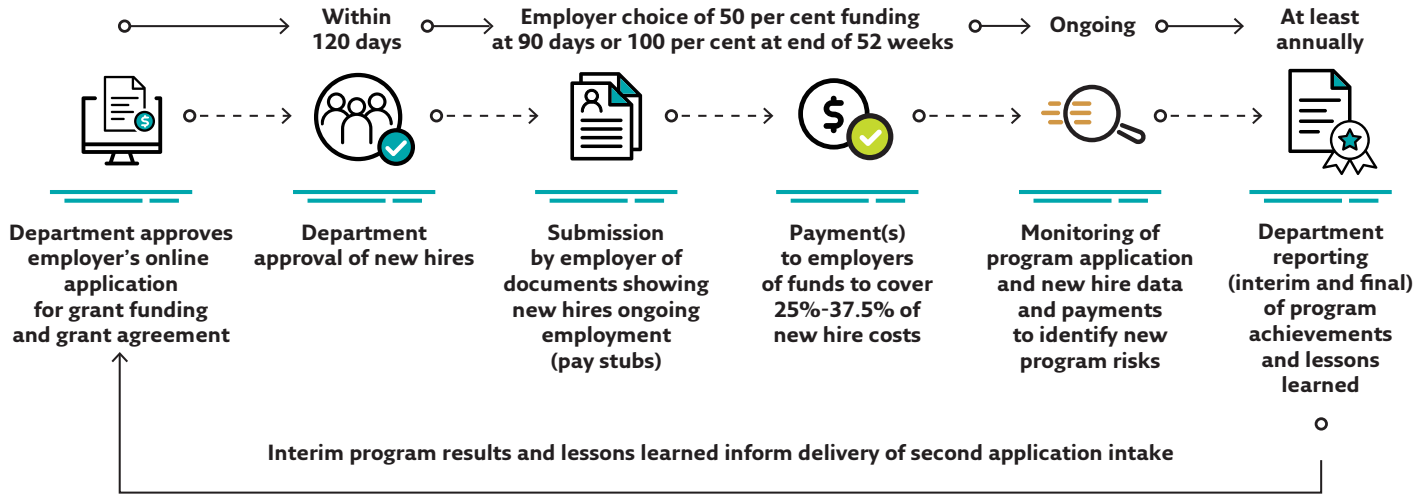
- hire a maximum of 20 new approved employees, all of whom were unemployed or part-time employees at another employer. New hires had to remain employed for at least 52 weeks to receive full funding.
- receive funding to offset 25 per cent of a new hire's total salary (to a maximum of $25,000) or 37.5 per cent of a disabled new hire's total salary (to a maximum of $37,500). Employers could receive funding either in two instalments or one lump sum at the end of the grant agreement.

A second application intake was done November 10 to December 17, 2021, utilizing lessons learned from the first intake.

[25] Canada-Alberta Workforce Development Agreement, signed in March of 2018, between Alberta and the federal government supports the development and delivery of programs and services that help Canadians upgrade their skills, gain work experience, and start their own businesses. Other programs to employers funded by the WDA include Canada-Alberta Job Grant, Aboriginal Training to Employment Program, and First Nations Training to Employment Program.

[26] As part of a government reorganization announced on June 9, 2023, the department's name was changed to Jobs, Economy and Trade.

First Application Intake Processes



As of March 31, 2022, the department committed $152.5 million to employers for approved hires from both intakes. Of this amount, $19 million was paid to employers for new hires completed, with the rest committed to approved new hires to come. The program had a third intake in 2022. Payments on approved applications are expected until all grant agreement terms are completed in fiscal 2024–2025.

Objective and Scope

Our audit objective was to conclude whether the department has effective systems to design, deliver, monitor, and report on the Alberta Jobs Now Program.

We audited the effectiveness of the program processes during the period November 1, 2020 to June 30, 2022 when the department designed, delivered, and began monitoring and interim reporting on its first application intake period. Any identified lessons learned from this intake should be applied to the program's second intake.

Criteria

We used the following criteria to assess the department's systems to design, deliver, monitor, and report on the program.

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 to identify opportunities for improvement
- collect relevant, timely, and accurate information to evaluate and report on the financial and non-financial performance of the program

We developed the criteria for this audit based on the department's responsibilities and applicable legislation, including:

- Government of Alberta (GoA) Grants Best Practices, 2003
- GoA Grant Accountability Framework
- International Standards Organization (ISO) 31000—Enterprise Risk Management
- GoA Financial Management Manual Chapter 10— Expenditures and Disbursements
- GoA Office of the Controller, Corporate Accounting Policy—Government Transfers

Department management acknowledged the suitability of the audit criteria on August 29, 2022.

What We Examined

To conduct our audit, we:

- examined management's analysis and documentation supporting the design, delivery, monitoring, and reporting of the program
- interviewed key staff and walked through the systems supporting the program
- examined policies, procedures, guidelines, and training documents
- tested a sample manually or used data analytics to test key controls
- conducted data analytics over timing from employer application to disbursement
- examined other documentation relevant to the audit

We conducted our fieldwork from October 2022 to May 2023. We completed our audit on June 8, 2023.

Conclusion

We conclude—based on our audit criteria and findings—that the Department of Jobs, Economy and Trade had effective processes to design, deliver, and monitor the first application intake of the program. The department can improve the reporting process.

We are not making a new recommendation to the department on reporting because we still have an outstanding recommendation on improving performance reporting to Albertans in ministry annual reports.[27]

Why This Conclusion Matters to Albertans

The objective of the program is to get Albertans back to work and help employers with hiring and training new employees. Effective reporting helps the department assess program effectiveness and demonstrate to Albertans how they are adjusting the program to maximize worker training and job creation to strengthen and grow Alberta's workforce.

[27] *Report of the Auditor General—August 2019, Reporting Performance Results to Albertans Followup.*

Detailed Findings

Program Design

Context

A strong design process is foundational to a program's success. This process should begin with a needs assessment to understand the current environment and intended recipients; identify the program gap or need; gather relevant data; and determine actions and how to proceed. The program design should also include an approval process for the original design and for later changes to the program.

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 metrics[28] to evaluate the effectiveness of the program
- obtain required approvals to implement and deliver the program

Our findings

Based on our detailed findings as follows, we assess the criteria on program design has been met.

The department used past grant program experience and various employment data sources to identify and mitigate relevant program risks

The department identified program risks by considering risks identified in other wage subsidy programs. Available federal and provincial data on unemployment and labour market conditions were also examined to identify program risks and suitable mitigating controls. Examples of program risks included:

- lack of clarity on goals, objectives, and measures
- inadequate understanding of low employment sectors, targeted special needs groups, and differing support levels required
- overlapping employer funding with other Alberta or Federal programs
- approval of ineligible applicants
- managing federal funding criteria, priorities, and approvals

Alignment of program risks to related controls, risk probability ratings, and the potential risk impacts were not always clearly documented. But overall program risk was mitigated by the department's applying its template for grant program processes and controls which would mitigate the majority of typical grant program risks.

[28] Performance metrics include measures, related targets, and indicators.

The department communicated the program objective, outcomes and criteria in program guidelines and program administrator guides

Detailed program applicant guidelines were prepared by staff and approved by a department executive director. The guidelines had essential program information including the objective of the program, the eligibility criteria, the application requirements, and the use of grant agreements. The guidelines also incorporated federal grant agreement requirements.

Program administrator and advisor procedural guides were prepared for program delivery staff. They had more extensive detail on program requirements and delivery procedures than was in the applicant guidelines.

The department based program processes and controls on prior similar grant programs

The department determined that due to the size, scope and eligibility criteria of the program, it could not incorporate the program objective and requirements into an existing department workforce development agreement program. It created a new employer wage subsidy program, using the experience and knowledge of staff and many of the application, approval, and payment processes applied in similar department grant programs.

Program staff decided to deliver the program via an online application process. This process used automated information technology system controls on application receipt and grant agreement management. Manual controls would be staff evaluating the eligibility of employers and their proposed new hires. The department defined, approved, and tested the system and manual controls prior to the program going live.

The department developed a performance measurement framework and evaluation plan but there was no evidence of a process to develop targets for the measures

The department developed a performance measurement framework documenting 15 measures/indicators for six specific outcomes aligned to the program objective. The framework also noted the data source/system and the frequency of measurement.

Measures included:

Outcome	Measure/Indicator
Reduced employer training and hiring costs	• $ allocated for hiring cost • $ disbursed for hiring cost • $ allocated for training cost • $ disbursed for training cost • # of employers funded
Unemployed and underemployed Albertans are supported to return to work quickly	• # of unemployed Albertans hired • # of underemployed Albertans hired
Albertans have the right skills to maintain employment	% of Albertans hired who are employed 12 months after grant benefit period

There was no evidence of a process used to set targets for each of the measures or analysis and conclusions why targets could not be set. While there was no documentation of target setting, a government news release on May 19, 2021 stated the program would create 22,000 jobs from planned grant spending of $370 million. There was no evidence of these specific targets in the performance framework or evaluation plan. We also found no evidence that measures were adjusted after the program was amended for the second intake.

The department received proper program approvals

On May 19, 2021, the program was created through Ministerial Order 2021-02 pursuant to the *Government Organization Act* and *Employment and Immigration Grant Regulation (AR 94/2009)*. The ministerial order established the objective of the program, eligibility criteria, and that program delivery would be subject to program guidelines. After the first intake, on November 9, 2021, the minister rescinded this original order and replaced it with Ministerial Order No. 2021-45 to amend the program. The most significant amendment was to eliminate the original program requirement that new hires be previously unemployed.

The department also obtained program budget approval through regular Legislative Assembly supply estimates.

Program Delivery

Context

The department needs processes to ensure those the program targeted know about it and how to apply. Processes should include monitoring the volume of applications received to ensure approved funding is promptly available. Well-understood application assessment processes ensure funding approvals are completed consistently based on program eligibility criteria. Results of the assessment process should be communicated to applicants promptly. Denied applications should explain the reason they were 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
- evaluate and approve applications consistently against program criteria to ensure that only eligible applicants receive funding
- enter into grant agreements, where appropriate, that clearly set out roles, responsibilities, conditions of funding, reporting and audit requirements
- disbursed funds in a timely manner according to program requirements and agreements

Our findings

Based on our detailed findings as follows, we assess the criteria on program delivery has been met.

Program information was clearly communicated to applicants

Program applicant guidelines were posted on the government's website along with later program updates.

When they announced the program, the Premier and then Minister of Labour and Immigration held a press conference and provided key program information to supplement the media releases. The department provided supplemental information to Albertans through news releases and social media postings.

Application and hiring approval processes were consistently followed

Applicants' online application for funding included the number of positions being applied for, position descriptions, and expected remuneration. Applicants also included business and banking information to support they were valid and eligible. A department grant manager approved applications. Our data analysis found most first intake applications were assessed within 14 days of submission. Staff kept track daily of the total approved funds committed to determine when to stop accepting applications during the intake.

After application approval, an employer had up to 120 days to hire an employee and 30 days after hiring to submit online documentation to the department supporting their eligibility. If a new hire did not remain with the employer for the required 52-week period, the employer could hire up to two replacements as long as they met the program eligibility requirements.

We tested a sample of applications to ensure all parts of these processes were followed. We found no deviations from this process except some had new hires approved after the 120-day requirement. The department provided us an internal directive in which the minister permitted staff flexibility to still approve new hires up to 180 days at their discretion. Our sample testing included new hire approvals up to 162 days after application approval.

In 2022, management became aware of possible fraud related to a small number of previously approved applications. Management engaged a consultant to examine all similar approved applications. The department investigation is still ongoing. During the application stage, the department did not require applicants to have a fully verified My Alberta Digital ID (MADI)[29] to validate the identity of the applicant authorized signing authority. The department's contract and grant policy requires it to obtain a verified MADI or My Alberta Digital ID for Business for electronic signatures. The department examination is determining the extent of fraudulent applications and if the proper verification process would have prevented those cases from occurring.

The department grant agreement clearly set out program requirements

The department used a grant agreement that clearly outlined the program roles and responsibilities, terms and conditions of funding, and reporting requirements. Our sampling of approved applications found all had signed agreements.

Payments followed program guidelines and were issued within 14 days after approval

Employers could request grant funding at the end of the required 52-week employment period or 50 per cent after 90 days employment and the remaining 50 per cent after 52 weeks. The employer must submit pay stubs verifying new hire employment during the period when requesting payment. Within 30 days of the last approved hire completing the 52-week employment term, the employer submitted a grant completion declaration and survey to obtain final grant payment. Ninety-one per cent of approved employers chose to receive two payments.

Once payment is approved by a program manager, the grant system generates a spreadsheet of all approved payments to be entered electronically into the Government of Alberta's payment system for actual payment. We found staff regularly reconciled payments under the grant system to the payment system. Our sample testing found payments to employers were processed within 14 days of payment approval, which is reasonable when compared to other grant programs.

Program Monitoring

Context

Oversight of application and grant agreement processing is important to ensure consistency and accuracy. Timely identification of inaccuracies or inconsistencies with these processes allow program staff to adjust processes promptly, so all eligible applicants receive the program funding they are entitled. Complaint and appeal processes help to provide external feedback on the effectiveness of expected program delivery. Timely processes to monitor the use of grant funding by recipients help ensure funds are used as intended. Monitoring may include reviewing reporting or documentation from recipients as designed in the grant agreements.

[29] MADI is a free identification system allowing individuals to access many government sites and services. Applying for a MADI account uses three levels of authentication: basic, partially verified, and fully verified. A basic MADI is typically used for payments to the Government of Alberta, such as traffic fines. A partially verified MADI is the first step towards verifying identity and residency against the government's motor vehicles database. To fully verify a MADI, a personal identification number is mailed to the person's address for them to enter back into the MADI system to confirm they reside at the address on file.

Criteria

The department should have effective processes to monitor program delivery and identify opportunities for improvement. It should:

- monitor the use of grant funds to verify that employers use them as intended. This may include receiving required reports, post-verification reviews, or audits.
- identify, evaluate, and manage risks, including complaints during program delivery
- identify opportunities for continuous improvements of the program, and systems to deliver the program or similar programs

Our findings

Based on our detailed findings as follows, we assess the criteria on program monitoring has been met.

Payments are only made when employers supply required employment documentation

Since the department does not pay program funding to employers without documentation of new hire continued employment, the risk of misused program funds is low. The department does not verify continued employment of a new hire unless payment is requested. The department pays employers 50 per cent of the total grant if payment is requested after 90 days employment (one quarter the grant term). The department does not recover from the employer any portion of the payment if the employee is not retained for a further 90 days.

The department emails employers when they can request a payment. Staff manually monitor the system if responses for requests are not received. Our data analysis of payments found $35 million of the $52 million approved for new hires from the first intake have been paid by May 2023. Employers have not yet provided full supporting employment documentation after 52-weeks for unpaid grants issued in the first intake.

Management managed risks, including any from applicant inquiries, complaints, and appeals

Management managed risks identified during the program on an ad hoc basis.

Applicants were notified that their application was denied by email. Applicants could request an appeal form. Appeals had to be made within 30 days of notification. Only fourteen appeals were made on the 4,480 applications assessed in the first intake. Nine were successful after providing additional information to support their eligibility.

Program applicant guidelines provided information on how to inquire or complain about the program by phone or email. There was no central recording of complaints and inquiries to know how many were received, nor evidence of analysis of common problems and lessons learned for the second intake.

Program changes were made based on learnings from internal data analysis

The department held stakeholder consultation sessions to get feedback on the first intake for changes to the second intake. Feedback resulted in the department:

- reducing the time in which to hire new employees after application approval from 120 to 90 days. This reduced the time until funds committed to an application that didn't proceed could be given to other applicants.
- allowing employers to use funding to convert a part-time employee to full-time within an employer. An employer could hire only part-time employees from outside the organization in the first intake.
- removing the requirement for employers to have at least one full year of operations.

The department examined program data from the first intake to identify program changes. Staff saw many approved applications requested funding to hire the maximum of 20 new hires, but they eventually hired less than half that number. The maximum number of hires by one employer was reduced to ten for the second intake. This committed less funding to individual employers and allowed more eligible employers to participate in the program.

In October 2021, the department identified the number of new hires being applied for in the first intake was less than one quarter expected levels. To increase employer program accessibility, the minister changed the original program objective for the second intake to eliminate the requirement to hire the unemployed or under-employed which was the original intent of the program.

Program Reporting

Context

An important element of accountability is reporting results to stakeholders, typically in the results analysis section of ministry annual reports. Evaluating results achieved, and why they varied from targets, is fundamental to learning whether the strategies and activities in programs worked as intended. Reporting and analyzing these differences and trends on an ongoing basis helps management adjust the programs. By understanding why differences exist, management can better achieve desired results for the current program and apply lessons learned to future programs.

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. It should:

- collect relevant, timely, and accurate program results information
- analyze the results promptly
- report analysis and results on effectiveness of the program to management
- report financial, non-financial or other information to key stakeholders

Our findings

Based on our detailed findings as follows, we assess the criteria on program reporting has not been met. The department does not have effective processes to report:

- analysis and results on effectiveness of the program to management
- financial, non-financial or other information to key stakeholders

We are not making a new recommendation to the department on reporting because our previous recommendation on improving performance reporting to Albertans in ministry annual reports[30] is still outstanding.

Management collected information on applicant program utilization. Management's analysis of program results was not always documented

The grant system gives management regular statistical information on program applications. We examined a sample of monthly program results reports which provided data including the number of:

- applications by size of employer (based on number of employees)
- new hires applied for by size of employer
- applications to hire persons with disabilities
- positions applied for by sector
- applications which already include new hire information
- employers selecting program payment after 52 weeks

This information gives a snapshot of how applicants are using the program which management can use to consider program changes.

There was no evidence of management's regular analysis of program information. Maintaining written analysis supports program decisions and the rationale for program changes. Management did provide us two briefing documents for the minister which included brief program information analysis to support recommended changes to the program after the first intake.

A planned interim program effectiveness report has not been completed

The department planned to perform an interim program evaluation report. The department did not complete this report. The department is performing an end of program evaluation scheduled to be completed in fiscal 2024–2025.

We found no regular internal analysis of program effectiveness documented during the period examined, including the measures identified by management in the design of the program.

[30] *Report of the Auditor General—August 2019, Reporting Performance Results to Albertans Followup.*

Program statistical information was publicly reported, but no interim program results analysis nor lessons learned were included

The department disclosed in its 2021–2022 Annual Report overall details of the program and information as at March 31, 2022 including:

- 2,501 applications were received during the first intake and 2,843 during the second intake of applications
- $152.5 million of the budgeted $263 million was committed to support 12,678 new hires from 3,367 employers

There was no interim results analysis of these statistics in the annual report. Nor were there any lessons learned or possible impacts on the program in the future. We would have expected the department to provide some interim analysis of the program to date, and the department's assessment if the program was on track to create 22,000 jobs and provide funding of $370 million.

Audit Responsibilities and Quality Assurance Statement

Management of Jobs, Economy and Trade is responsible for the design, delivery, monitoring, and reporting for the program.

> **Our responsibility is to express an independent conclusion on whether the Department of Jobs, Economy and Trade had effective systems to design, deliver, monitor, and report on the program.**

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out in the CPA Canada Handbook—Assurance. The Office of the Auditor General applies Canadian Standard on Quality Management 1, which requires the office to design, implement and operate a system of quality management, including 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.

Justice

This report includes our *Processes to Manage Bail Hearings and Case Management of Adult Criminal Prosecutions Assessment of Implementation*—see page 141.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	0	0	0	0	0	0	3	0

Processes to Manage Bail Hearings and Case Management of Adult Criminal Prosecutions

Justice

Report of the Auditor General
December 2023

Assessment of Implementation Report

Auditor General
OF ALBERTA

About our Assessment of Implementation Report

Management is responsible for implementing our recommendations. We examine implementation plans and perform procedures to determine whether management has implemented our recommendations 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 during our assessment.

Our assessments of implementation are conducted under the authority of the *Auditor General Act*. The Office of the Auditor General applies Canadian Standard on Quality Management 1. Accordingly, we have maintained 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 behaviour.

Outstanding Recommendations

Assessment of Implementation Report

Processes to Manage Bail Hearings and Case Management of Adult Criminal Prosecutions

Justice

(June 2021)

Summary of Recommendations

IMPLEMENTED Recommendation:
Resume its bail results analysis and evaluate and report on the effectiveness of implemented solutions

IMPLEMENTED Recommendation:
Continue cause analysis of cases stayed due to *Jordan* applications

IMPLEMENTED Recommendation:
Comply with Triage Practice Protocol tracking and reporting requirements

Introduction

Albertans should be confident the Department of Justice (the department) has processes in place to effectively administer the justice system—for the accused, for victims and for the public. When serious criminal charges are at risk of being dismissed by the courts due to bail hearings exceeding statutory time requirements, or trials not completed within *Jordan* time limits, there is a risk this confidence is eroded and justice is not seen to be done. Albertans need assurance the department is identifying and addressing the root causes for these delays.

In 2020, we audited whether the department had processes and procedures to ensure the effective management of:

- bail hearings, focusing on Alberta Crown Prosecution Service (ACPS) processes to ensure an accused is taken before a justice for a bail hearing within 24 hours of being arrested

- adult criminal prosecutions, focusing on ACPS case management processes to ensure actions attributable to the Crown do not contribute to trials exceeding *Jordan* time limits
- adult criminal prosecutions, focusing on ACPS application of the Triage Practice Protocol and adherence to its tracking and reporting requirements

We found that the department had stopped its detailed results analysis for the bail hearing process, had only completed one historical cause analysis for cases stayed because of *Jordan* applications and there were errors and omissions in many of the Triage Practice Protocol (the protocol) submissions.

In our 2020 audit, we made three recommendations to the department:[31]

- resume its detailed results analysis of the various steps in the bail hearing process and evaluate and report on the effectiveness of solutions it implements to improve identified problems in the bail hearing process
- continue its cause analysis of cases, which have been judicially stayed or pre-emptively stayed by ACPS because of *Jordan* applications to identify contributing shortcomings in practices, or behaviour it can control and correct
- ensure the tracking and reporting requirements of the Triage Practice Protocol are followed by all ACPS offices

In our assessment of implementation, we found the department has implemented all three recommendations.

Recommendation:
Resume its bail results analysis and evaluate and report on the effectiveness of implemented solutions

IMPLEMENTED

Context

The *Criminal Code of Canada* requires that a person arrested, but not released from custody by police, must be brought before an available justice within 24 hours of their arrest. Failure to meet this requirement can be considered a *Charter of Rights* breach and could negatively impact any future prosecution against them.

In 2019, 11 per cent of all first-appearance bail hearings exceeded this statutory 24-hour limit, from a high of 18.2 per cent in April to a low of 4.6 per cent in December.

In our 2020 audit, we found ACPS had not performed, or reported, results analysis against target processing times for the various steps of the bail hearing process, or on files that go over 24 hours, since May 2019. We also found there was no documented evidence to show ACPS had evaluated the effectiveness of the process or operational changes it had made to correct identified deficiencies in the bail hearing process.

[31] *Report of the Auditor General—June 2021*, page 8.

Our current findings

The department implemented our recommendation to resume its bail results analysis and evaluate and report on the effectiveness of implemented solutions.

ACPS performs monthly bail results analyses which includes target processing times for the various steps in the bail hearing process. For calendar year 2022, hearings that exceeded 24 hours after an arrest dropped to approximately one per cent—down from 11 per cent in 2019.

To monitor and evaluate the effectiveness of the process, key stakeholders meet regularly to review the bail analyses, identify trends, and develop opportunities for improvement.

Recommendation: **Continue cause analysis of cases stayed due to *Jordan* applications**

IMPLEMENTED

Context

The 2016 Supreme Court's *Jordan* ruling imposed new maximum time limits for trials to be concluded from when charges are laid—18 months in provincial court and 30 months for Court of King's Bench. If trials exceed these time limits, and delay is attributed to the Crown, the defence could submit a *Jordan* application to the judge to find the accused's *Charter* rights were breached and stay all charges. *Jordan* numbers are publicly reported every six months on March 31 and September 30.

In our original audit, we found ACPS did one historical cause analysis in 2019 of cases that were stayed because of *Jordan* applications. It concluded only the police needed to improve their practices. However, we noted judicial comments in Alberta-based *Jordan* stay decisions made after this analysis showed various shortcomings in Crown practices. During our initial audit, we found no evidence that ACPS had completed or scheduled further similar case cause analyses.

Our current findings

The department implemented our recommendation to continue cause analysis of cases stayed due to *Jordan* applications.

Since our 2020 audit, the department has completed two cause analyses, one for cases between October 25, 2016 and September 30, 2021, and the other for cases between October 1, 2021 and September 30, 2022.

The analyses provide a detailed evaluation of the reasons for the pre-emptive and judicial stays, a summary of the issues and possible solutions for the delays.

The latest Alberta *Jordan* Analysis indicates "the average number of criminal files entering the provincial court in Alberta over the last six years was approximately 100,000 files per year. With 408 *Jordan* applications brought over six years, during that time, less than one percent of files entering the system have been impacted by *Jordan* applications and less than 0.02 per cent have resulted in a successful application or proactive stay by the Crown." The one factor that caused or contributed to the largest number of stays was unavailability of court and Crown resources.

The department has implemented and evaluated solutions identified in the cause analyses. Management informed us they plan to continue with annual cause analysis reporting.

Recommendation:

Comply with Triage Practice Protocol tracking and reporting requirements

IMPLEMENTED

Context

One response by ACPS to the *Jordan* decision and resource constraints was bringing in a Triage Practice Protocol. Effective February 27, 2017, the protocol requires all otherwise viable criminal cases not prosecuted (triaged) to be tracked and reported internally to the assistant deputy minister responsible for ACPS. The objective of the protocol is to provide a standardized method for prosecutors to prioritize their cases; focus efforts on serious and violent crime; and prevent significant cases from being dismissed or stayed because of *Jordan* rulings.

In our 2020 audit, we found errors and omissions in many of these required monthly submissions between mid-2017 and mid-2019.

Our current findings

The department implemented our recommendation to comply with Triage Practice Protocol tracking and reporting requirements.

We examined the protocol monthly summaries submitted by the Edmonton and Calgary ACPS offices between January 2022 and December 2022 and compared these against the combined report submitted to senior management. We found the department is tracking and reporting as per the reporting requirements set out in the protocol.

Municipal Affairs

In this report, there are no new audit findings.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	1	1	1	0	1	0	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Flood Mitigation Systems—March 2015** › Designate flood hazard area and complete floodway development regulation—see page 148	1
Total	1

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Flood Mitigation Systems: **Designate flood hazard area and complete floodway development regulation** To minimize public safety risk and to avoid unnecessary expenditure of public money, we recommend that: • the Department of Environment and Protected Areas identify flood hazard areas for designation by the minister • the Department of Municipal Affairs: › establish processes for controlling, regulating or prohibiting future land use or development to control risk in designated flood hazard areas › put in place processes to enforce the regulatory requirements **Consequences of not taking action:** Allowing development in floodways unnecessarily risks public safety and the public purse. Keeping people and infrastructure away from floodways is the most cost-effective approach to managing flood risk in areas where experts can predict water flows will be deepest, fastest and most destructive.	March 2015, no. 12, p. 80	Ready for Assessment

Public Safety and Emergency Services

In this report, there are no new audit findings.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	3	3	0	3	1	2	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Victims of Crime and Public Safety Fund—November 2021** › Develop and publicly report on a business plan for the Victims of Crime and Public Safety Fund (originally February 2016; repeated November 2021)—see page 150	1
• **Provincial Hazard Assessment for Emergency Management—September 2020** › Implement a system to develop and maintain a provincial hazard assessment—see page 150 › Improve monitoring and reporting of recommendations from post-incident disaster reviews—see page 151	2
Total	3

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Victims of Crime and Public Safety Fund: **Develop and publicly report on a business plan for the Victims of Crime and Public Safety Fund** We recommend that the Department of Public Safety and Emergency Services: • develop and approve a business plan with measurable desired results for the Victims of Crime and Public Safety Fund • publicly report on the results of this business plan **Consequences of not taking action:** If the department does not set out goals with accompanying targets and measures for the Victims of Crime and Public Safety Fund, it cannot know whether the money being spent is achieving program objectives.	Repeated November 2021, p. 209 › **Originally reported February 2016, no. 5, p. 46**	**Not Ready for Assessment**
DEPARTMENT Provincial Hazard Assessment for Emergency Management: **Implement a system to develop and maintain a provincial hazard assessment** We recommend that the Department of Public Safety and Emergency Services implement a system to develop and maintain a provincial hazard assessment. **Consequences of not taking action:** Without an effective provincial hazard assessment system, the Government of Alberta may not be aware of its cumulative disaster risk exposure. It may not have the information necessary to identify its highest priority provincial hazards so that it can make informed, province-wide, evidence-based decisions. This could result in mitigation or preparedness efforts falling short. As a result, the Government of Alberta may not be investing in mitigation that meets provincial priorities. An ineffective provincial hazard assessment system could also result in the Government of Alberta incurring significant costs to respond to—and recover from—a disaster that it may have been able to mitigate or avoid. Incomplete or inadequate hazard assessments by ministries or local authorities may compromise the completeness and accuracy of the provincial hazard assessment system.	September 2020, p. 17	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Provincial Hazard Assessment for Emergency Management: **Improve monitoring and reporting of recommendations from post-incident disaster reviews** We recommend that the Department of Public Safety and Emergency Services improve the monitoring and reporting of recommendations from post-incident disaster reviews. **Consequences of not taking action:** Lessons identified in post-incident disaster reviews may not be implemented, or may not be implemented in a timely manner, resulting in missed opportunities to improve Alberta's emergency management system.	September 2020, p. 18	**Not Ready for Assessment**

Seniors, Community and Social Services

This report includes our *Systems to Manage the Assured Income for the Severely Handicapped (AISH) Program Assessment of Implementation*—see page 157.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	7	7	3	4	4	3	1	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Family Support for Children with Disabilities—May 2022** › Review and update guides to increase consistency—see page 154 › Further develop training processes to ensure staff have the necessary skills and knowledge—see page 154 › Increase consistency through effective oversight of caseworkers—see page 154	3
• **Control Systems at the Office of the Public Guardian and Trustee Assessment of Implementation—March 2022** › Improve and follow policies and procedures (originally February 2013; repeated March 2022)—see page 155	1
• **Report of the Auditor General—November 2020** › User Access Control: Improve access control processes (originally October 2014; repeated November 2020)—see page 156	1
• **Income Support for Albertans—December 2019** › Improve eligibility processes—see page 156 › Improve performance management processes—see page 156	2
Total	7

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Family Support for Children with Disabilities: **Review and update guides to increase consistency** We recommend the Department of Seniors, 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. **Consequences of not taking action:** Eligible families should receive program supports and services based on their needs, not on who their caseworker is. But because guides, training, and oversight are inadequate, families may not receive the supports and services they qualify for.	May 2022, p. 6	**Not Ready for Assessment**
DEPARTMENT Family Support for Children with Disabilities: **Further develop training processes to ensure staff have the necessary skills and knowledge** We recommend the Department of Seniors, 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. **Consequences of not taking action:** Eligible families should receive program supports and services based on their needs, not on who their caseworker is. But because guides, training, and oversight are inadequate, families may not receive the supports and services they qualify for.	May 2022, p. 8	**Not Ready for Assessment**
DEPARTMENT Family Support for Children with Disabilities: **Increase consistency through effective oversight of caseworkers** We recommend the Department of Seniors, Community and Social Services improve caseworker oversight processes to increase the consistency of the assessment of needs and support planning process. **Consequences of not taking action:** Eligible families should receive program supports and services based on their needs, not on who their caseworker is. But because guides, training, and oversight are inadequate, families may not receive the supports and services they qualify for.	May 2022, p. 10	**Not Ready for Assessment**

Recommendation	When	Status
OFFICE OF THE PUBLIC GUARDIAN AND TRUSTEE Control Systems at the Office of the Public Guardian and Trustee Assessment of Implementation: **Improve and follow policies and procedures** We recommend that the Office of the Public Guardian and Trustee: • review and assess whether its policies are appropriate, and procedures are adequate to mitigate the risk that client assets could be mismanaged • improve its processes for ensuring compliance with policies and procedures **Consequences of not taking action:** The Office is entrusted with managing property and money for Albertans who are unable to act for themselves. This means the Office manages the financial interests for some of the most vulnerable people in Alberta. The duties and responsibilities are significant, as the trustee must act with care, with integrity, and in the best interest of the person whose trust they hold. Internal controls must be established and working well to prevent or detect and correct errors in a timely manner. In instances where day-to-day trust administration activities and transactions do not comply with the Office's procedures and policies, there are two important consequences. The first is that the risk that client trust funds will not be administered properly is increased. Although the dollar amount of individual errors may not be significant, many of the Office's clients have limited income, so errors of any amount may impact them. If procedures are not followed, there is a risk that: • financial and valuable personal property assets held in trust will not be accurately documented so they can be safeguarded • eligibility for benefit programs will not be reassessed periodically and pursued on behalf of the client • client trust-account budgets will not be maintained to ensure spending guidelines for vulnerable clients are followed The second is that it is much less efficient across the organization if work is not done correctly or completely the first time. Continually correcting errors after they have occurred instead of ensuring policies and processes are complied with in the first place puts undue stress on the organization's systems of internal control and the staff administering them.	Repeated March 2022, p. 33 > **Originally reported February 2013, no. 4, p. 45**	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT User Access Control: **Improve access control processes** We again recommend that the Department of Seniors, Community and Social Services improve access control processes for all its information systems to ensure: • user access to application systems and data is properly authorized • user access is disabled promptly when employees leave their employment or roll **Consequences of not taking action:** Unauthorized individuals may access the department's systems and applications and may change or manipulate critical personal, business, and financial information. Unauthorized access to financial systems could impair the integrity of financial reporting and results.	Repeated November 2020, p. 56 › **Originally reported October 2014, no. 18, p. 151**	**Ready for Assessment**
DEPARTMENT Income Support for Albertans: **Improve eligibility processes** We recommend the Department of Seniors, 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. **Consequences of not taking action:** This program has a major impact on the quality of life of vulnerable Albertans. Poor program management increases the risk that clients who need support may not receive it, some clients may receive support payments they are not entitled to, or clients may not take the necessary actions to become self-sufficient.	**December 2019, p. 10**	**Ready for Assessment**
DEPARTMENT Income Support for Albertans: **Improve performance management processes** We recommend that the Department of Seniors, Community and Social Services improve its processes to measure and report on the Income Support program's performance. **Consequences of not taking action:** There will not be enough information for Albertans to assess if the program is working and for management to analyze performance and make necessary improvements to ensure the program is achieving the desired outcomes.	**December 2019, p. 12**	**Ready for Assessment**

Systems to Manage the Assured Income for the Severely Handicapped (AISH) Program

Seniors, Community and Social Services

Report of the Auditor General

December 2023

Assessment of Implementation Report

Auditor General
OF ALBERTA

About our Assessment of Implementation Report

Management is responsible for implementing our recommendations. We examine implementation plans and perform procedures to determine whether management has implemented our recommendations 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 during our assessment.

Our assessments of implementation are conducted under the authority of the *Auditor General Act*. The Office of the Auditor General applies Canadian Standard on Quality Management 1. Accordingly, we have maintained 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 behaviour.

Outstanding Recommendations

Assessment of Implementation Report

Systems to Manage the Assured Income for the Severely Handicapped (AISH) Program

Seniors, Community and Social Services

(October 2016)

Summary of Recommendations

We have completed our assessment of implementation of the outstanding recommendation relating to our 2016 audit *Systems to Manage the Assured Income for the Severely Handicapped (AISH) Program*.

IMPLEMENTED Recommendation:
Set service standards and improve eligibility procedures and guidelines

Introduction

Albertans should be confident the Department of Seniors, Community and Social Services (the department) has processes in place to effectively administer the Assured Income for the Severely Handicapped (AISH) Program. When someone has a disability that limits their ability to work, they need income to meet their basic needs. If the department does not have processes to ensure staff consider applications in a consistent and timely manner, there is a risk that Albertans who need support do not receive it, or receive it too late.

In 2016, our audit assessed whether the department could demonstrate that:

- services provided are accessible to eligible Albertans with disabilities
- eligibility decisions are timely and align with program objectives
- the program is efficient

We found the department was unable to demonstrate that the AISH program was efficient:

- The application process favoured people who were good at completing forms and who were persistent.
- Assessing eligibility took too long and the department could not be sure if its staff's decisions were consistent.
- The reporting process did not provide sufficient information to allow the department to know what it needs to change to improve the program.

We made three recommendations to the department:[32]

- ensure its application processes are user friendly
- set service standards for application processing times and regularly monitor against these standards and improve procedures and guidelines to ensure staff apply policy in a consistent manner
- improve its processes to measure, monitor and report on the efficiency of the AISH program

In January 2021, we completed our assessment of implementation and found the department had implemented two of our three recommendations. The department had improved program application processes and processes to measure, monitor, and report on the efficiency of the AISH program. However, the department had not set service standards for application processing times or made enough improvements to ensure staff apply policy in a consistent manner, so we repeated that recommendation.

Recommendation:
Set service standards and improve eligibility procedures and guidelines

IMPLEMENTED

Context

Consistent, efficient, and accurate eligibility decisions are critical to provide support to eligible Albertans with disabilities.

Our current findings

Based on our 2023 assessment of implementation, we found the department has implemented our recommendation to set service standards and improve eligibility procedures and guidelines.

Service standards

In our 2016 audit report, we found the department only actively monitored application timelines for the medical review stage and did not monitor against any service standards.

[32] *Report of the Auditor General—October 2016*, page 35.

The department has implemented processes to improve its tracking of AISH application processing times by developing measures and the following four service standards:

1. Median time between receipt of application and sent for adjudication
2. Median time between sent for adjudication and eligibility decision[33]
3. Median time between eligibility decision and commencement
4. Median time between receipt of application and commencement

The department reports results of the application processing measures to program management on a monthly basis. Management utilizes the monthly reports to assist in identifying which stages of the application processes may be causing delays.

The department measures results against the four service standards and reports to management and a steering committee on a quarterly basis. We reviewed meeting minutes and supporting documentation from the steering committee's meetings and found regular discussion of:

- service standards results
- root causes where standards were not met
- recommended actions to bring results in line with standards
- progress against recommended actions

Eligibility procedures and guidelines

In our January 2021 assessment of implementation, we found the department had improved its eligibility procedures and guidelines to assist staff in applying program policy consistently; however, the department did not have effective processes for accurately assigning, tracking, and monitoring employee training completion.

Since then, the department has improved processes relating to employee training completion. We found management has:

- developed and implemented role-specific training plans which include:
  - the listing of all mandatory, core, and recommended courses
  - timeframes for completion
  - the format of training
- implemented processes to confirm training completion
- developed a self-serve training compliance reporting tool which management utilizes to track and monitor employee training completion. The tool allows for improved monitoring of training completion as results may be generated at any time and are automatically updated from the training system on a monthly basis.

The department reports training completion quarterly to a steering committee and on an ad hoc basis to senior management. We examined meeting minutes from the steering committee and found regular discussion of training compliance results and identification of potential areas for improvement to increase training compliance. Our review of minutes from senior management's meetings found evidence that staff training compliance updates were presented to senior management.

[33] Department indicated the service standard is reflective of internal ministry activities only.

The department has an internal audit function that conducts reviews of the AISH program and makes recommendations. In our 2016 audit, we found that while management had a process to review the internal audit recommendations, implementing the recommendations had been ineffective.

In October 2021, the department established a steering committee which provides feedback on internal audit plans and reports, and monitors actions to respond to internal audit recommendations. We examined meeting minutes and supporting documentation from the committee's meetings and found discussion of:

- formalizing a process to respond to internal audit recommendations
- an internal audit report completed on the AISH program
- an action plan to address recommendations from an internal audit report
- progress on action plan items

Technology and Innovation

We issued unqualified independent auditor's reports on the 2022-2023 financial statements for Alberta Enterprise Corporation and Alberta Innovates.

This report includes our:

- *Systems to Manage a Comprehensive Inventory of Information Technology Applications and IT Disaster Recovery Program Assessment of Implementation*—see page 167.
- *Processes to Report on Value Generation Assessment of Implementation (Alberta Enterprise Corporation)*—see page 173.
- *Cybersecurity—Data Protection, Incident Detection and Response*—see below.

Cybersecurity—Data Protection, Incident Detection and Response

About This Audit

The Government of Alberta (the government) spends about $60 billion a year. Its Information Technology (IT) systems collect and maintain vast amounts of Albertans' personal information, intellectual property, and other sensitive data.

Effective cybersecurity controls are essential to protect personal information, services and programs, the government's reputation, and the public's confidence in government. Without effective controls, the government risks serious cyberattacks that could harm its operations and expose confidential information.

The government's exposure to cyberattacks has grown significantly over the past few years because more operations and services are moving online. Plus, information systems are more complex and interconnected, and cyberattacks are more frequent and sophisticated.

The cybersecurity division of the Department of Technology and Innovation (the department) is responsible to implement and maintain an effective cybersecurity program (the program). Its goal is to ensure the government's cyberspace is secure, safe, and resilient.

The program covers both digital and physical information. It includes all government departments except the Department of Health. The program does not include public agencies, boards, and commissions. The department provides advisory support to these entities.

Objective and Scope

We assessed the IT systems and processes at the department to determine if it has implemented an effective cybersecurity program to secure government's information and technology assets. Our scope was limited to the department and other government departments that rely on its program.

What We Examined

We examined the department's processes to train its employees, protect its data—stored in its computers and transmitted to its partners—and detect and respond to vulnerabilities and cyber incidents. We tested management's controls to monitor and identify anomalies in its IT environment. When security incidents were reported to management, we tested the processes to reduce the impact and mitigate the service disruption.

Conclusion

We conclude—based on our audit criteria and findings—that the department has implemented a cybersecurity program to secure government's information and technology assets. We did identify areas of improvement in the department's cybersecurity program and shared those detailed findings and related recommendations with management.

In order not to increase the cybersecurity risks of government, we will report the results of our audit once management has implemented the identified improvements to its cybersecurity program.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	3	3	2	1	1	2	3	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations	
	Department	Alberta Innovates
• **Report of the Auditor General—November 2021** › Department: Improve User Access Controls—Remove terminated users' access to the government network and IT applications promptly—see page 164	1	0
• **Processes to Report on Value Generation—November 2021** › Alberta Innovates: Improve processes to measure, monitor and report value generated by research and innovation activities—see page 164	0	1
• **Protecting Information Assets—October 2012** › Department: Assess risk and improve oversight—see page 165	1	0
Total	2	1

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Improve User Access Controls: **Remove terminated users' access to the government network and IT applications promptly** We recommend that the Department of Technology and Innovation strengthen its user access controls to ensure access rights to government network and IT applications are removed when the access is no longer required. **Consequences of not taking action:** By not removing access rights of terminated employees from government network and IT applications, it creates non-compliance with government's ISMDs, and increases the risk of unauthorized access to government's data and Albertans' personal information.	November 2021, p. 136	**Ready for Assessment**
ALBERTA INNOVATES Processes to Report on Value Generation: **Improve processes to measure, monitor and report value generated by research and innovation activities** We recommend that Alberta Innovates improve its performance reporting processes by: • establishing targets for its corporate, program and project performance measures • analyzing its corporate, program, and project results to targets and to the costs to achieve the results • reporting, internally and externally, the value generation results from all research and innovation activities including the contribution to government desired outcomes **Consequences of not taking action:** Alberta Innovates may not be able to demonstrate whether its activities are maximizing its contribution to achieving the government's research and innovation goals and achieving the corporation's legislative mandate.	November 2021, p. 180	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Protecting Information Assets: **Assess risk and improve oversight** We recommend that the Department of Technology and Innovation: • assess the risks to public information assets throughout the government • determine if the government has adequate IT security policies, standards and controls to mitigate risks • determine who is responsible and accountable to ensure that public information assets are adequately protected. Specifically: › who is responsible for monitoring compliance with IT security requirements › who is responsible for ensuring or enforcing compliance with security requirements › what actions should be taken when non-compliance is identified › how is compliance to security requirements demonstrated **Consequences of not taking action:** Without adequate security policies, the ability to monitor and enforce them throughout government, or the need for government entities to demonstrate they adequately protect public information assets, government information and the personal information of Albertans is at risk of unauthorized use or disclosure.	October 2012, no. 11, p. 62	Ready for Assessment

Systems to Manage a Comprehensive Inventory of IT Applications

IT Disaster Recovery Program

Technology and Innovation

Report of the Auditor General
December 2023

Assessment of Implementation Report

Auditor General
OF ALBERTA

About our Assessment of Implementation Report

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Assessment of Implementation Report

Systems to Manage a Comprehensive Inventory of IT Applications

IT Disaster Recovery Program

Technology and Innovation

(May 2017 and November 2019)

Summary of Recommendations

In July 2023, we completed our assessment of implementation of two recommendations from our May 2017 and November 2019 audits of the department's[34] processes to manage its IT application inventory across government and its IT disaster recovery program. We found both recommendations have been implemented.

IMPLEMENTED Recommendation:
Establish a comprehensive inventory system for information technology applications

IMPLEMENTED Recommendation:
Improve recovery of critical information technology applications

[34] Our original recommendations were made to the Department of Service Alberta. However, after government reorganization in 2022, the recommendations were assigned to the Department of Technology and Innovation.

Recommendation:

Establish a comprehensive IT application inventory system

IMPLEMENTED

Context

In 2017, we audited whether the department had effective processes and systems to establish and maintain an inventory of IT applications used across departments.[35]

Across government there are over one thousand IT applications used by departments. Having a comprehensive inventory of these applications is crucial to knowing where government's investments in IT have occurred and where further investment is needed to maintain and eventually replace aging applications. Also, knowing what applications are in use across the government's vast IT infrastructure is important for data security, and can help to avoid wasteful investments implementing duplicate IT applications.

In 2017, we found that the department did not have a comprehensive inventory of IT applications used across government—only a partial list existed. We also found duplicate IT applications existed, and the department's project to create an IT application inventory did not use a formal project management approach.

Our current findings

The department has implemented our recommendation to develop a comprehensive inventory system of all IT applications used across government, with supporting processes to maintain the inventory.

The department developed a database to identify and track information for over 1,500 IT applications across government. This database is available to all departments and tracks general information about applications as well as information on ownership, risk and security, criticality and disaster recovery.

The department also developed a process to maintain the information in the database. Application owners across government submit updates or changes to their applications, where relevant. The department can then review the information and make applicable updates to the database.

[35] Our audit inquiries were restricted to IT application inventory processes that occur within the government's corporate network of departments and did not include IT services in the ministries' agencies, boards, and commissions.

Recommendation:

Improve IT disaster recovery processes

IMPLEMENTED

Context

In 2019, we followed up on our outstanding recommendations from 2014 to improve the government's IT disaster recovery capabilities. Albertans require that IT applications and systems that provide critical government services be restored as soon as possible after a disaster.

We found the department lacked processes to identify the most critical applications to Albertans and to ensure they were available when needed. As a result, we repeated our recommendation to identify critical IT applications across government and test recovery of those applications within required timelines.

Our current findings

The department has implemented our recommendation to identify the most critical IT applications across government, identify recovery timelines and test critical applications to ensure they can be recovered within these timelines.

The department developed criteria to assess whether an IT application is critical. The department also developed a "Recovery Time Assessment Tool" to help departments and business owners assess their applications for criticality.

Based on the criteria for criticality, the department identified the critical applications across government. The department also defined a required recovery time for these applications. The department requires documented disaster recovery plans for each critical application.

The department developed an annual disaster recovery exercise to test recovery of IT applications. We reviewed the 2022 post-exercise report identifying the applications and services that participated in the test and the test results. Based on our review and testing, almost 90 per cent of the government's critical applications were successfully tested. The remaining critical applications were either new or are scheduled to be tested prior to or as part of the next annual exercise.

Processes to Report on Value Generation

Alberta Enterprise Corporation

Report of the Auditor General
December 2023

Assessment of Implementation Report

Auditor General
OF ALBERTA

About our Assessment of Implementation Report

Management is responsible for implementing our recommendations. We examine implementation plans and perform procedures to determine whether management has implemented our recommendations 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 during our assessment.

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Assessment of Implementation Report

Processes to Report on Value Generation

Alberta Enterprise Corporation

(November 2021)

Summary of Recommendations

We have completed our assessment of implementation of the outstanding recommendation related to Alberta Enterprise Corporation's processes to report on value generation.

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

Introduction

Performance reporting is reporting on financial and non-financial performance compared with a plan and targets. Performance measures quantify what management examines to assess the achievement of its desired results. Targets for these measures specify what the organization wants to achieve and by when. With clearly linked desired outcomes, measures, and targets, an organization can demonstrate the value it generates from its activities.

In 2021, we examined the effectiveness of AEC's processes to define its desired results and to measure, monitor, and report whether its venture capital investment activities generate value in accordance with its mandate under the *Alberta Enterprise Corporation Act*.

In August 2023, we completed our assessment of AEC's implementation of our recommendation to improve its processes to measure, monitor, and report value generated by its investment and ecosystem activities.

Recommendation:

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

IMPLEMENTED

Context

In 2021, we found that AEC could improve its performance reporting processes by:

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

Our current findings

AEC implemented our recommendation. Management applies a process linking its investment and ecosystem strategies to its organizational outcomes. Management developed one or more key performance indicators (KPIs) for each outcome. AEC's 2022-2023 business plan included 15 KPIs, eight of which were reported externally in the corporation's annual report. In its business plan, management documented its methodology for each KPI including method of calculation, data sources, and business rationale. Targets were set for each KPI. The target for one of the external KPIs, the cumulative value invested in Alberta companies by AEC's funds and syndicate investors, is set jointly with the Ministry of Technology and Innovation.[36]

Management introduced a process to annually review the appropriateness and relevance of its KPIs and targets. The learnings from management's review of 2021-2022 results led to the introduction of new strategies in 2022-2023, such as the investment in Alberta-based micro funds to increase funds headquartered in Alberta and increased investor education and connectivity between Alberta's entrepreneurs and investors. For these new strategies, management developed new KPIs and targets. In its 2022-2023 business plan, management introduced four new KPIs and updated four previous KPI targets.

AEC's strategies, KPIs and targets were presented and approved by the board of directors as evidenced in meeting minutes. AEC does not make its business plan public as it contains sensitive or confidential information.

[36] The 2022–2023 target was determined with the Minister of Jobs, Economy and Innovation. Effective October 2022, the corporation was transferred to the Ministry of Technology and Innovation as part of a government restructuring.

Management monitors the performance of fund investments on a quarterly basis and documents the results of its analysis. Management developed a KPI tracking tool to monitor its progress toward achieving targets. The tool compares quarterly actual results to targets and actual results from the prior quarter, prior year, and five years ago (if information was available). Management's documentation of variance analysis and commentary at the individual KPI and target level are included in the tracking tool.

Management improved quarterly reporting to the board of directors with reports on organizational KPIs and targets including variance analysis. Management improved reporting to the Ministry of Technology and Innovation with a mid-year progress report of actual results to targets, variance analysis, and lessons learned.

Improved external reporting in AEC's 2022-2023 annual report was demonstrated by:

- a clear link between organizational outcomes, strategies, and KPIs
- a result analysis on all external KPIs with actual to target variance analysis
- lessons learned from previous results and what adjustments management made to its strategies, investment activities, and processes to adapt to AEC's changing environment

Transportation and Economic Corridors

This report includes our *Procurement Processes Performance Audit*—see page 183.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
3	2	5	0	5	0	5	0	0

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations
• **Procurement Processes—December 2023** › Improve controls for posting periods—see page 180 › Improve documentation controls—see page 180 › Improve access controls for procurement information systems—see page 181	3
• **Processes to Provide Information About Government's Environmental Liabilities—June 2021** › Improve processes to assess, estimate and account for environmental liabilities—see page 181 › Improve processes to ensure compliance with environmental legislation—see page 182	2
Total	5

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Procurement Processes: **Improve controls for posting periods** We recommend that the Department of Transportation and Economic Corridors improve its controls to ensure solicitation posting periods comply with trade agreement requirements. **Consequences of not taking action:** The department may not be posting solicitations with a reasonable amount of time for proponents to prepare and submit bids, based on trade agreement requirements. If these requirements are not being met, the department could face financial or other penalties or reputational damage from resulting actions. If proponents do not have adequate time to prepare their submission, they may not submit a proposal resulting in less competition or they may price this risk into their bid.	December 2023, p. 194	**New**
DEPARTMENT Procurement Processes: **Improve documentation controls** We recommend that the Department of Transportation and Economic Corridors ensure it has adequate controls to document support for its shortlisting and award decisions, including key procurement information. **Consequences of not taking action:** Without proper documentation or records, the department may not be able to demonstrate its procurement practices and award decisions are fair. If challenged, the department could face legal, financial or reputational damage if it cannot produce adequate support for its shortlisting or contract award decisions.	December 2023, p. 197	**New**

Recommendation	When	Status
DEPARTMENT Procurement Processes: **Improve access controls for procurement information systems** We recommend that the Department of Transportation and Economic Corridors improve its access controls for its procurement information systems. **Consequences of not taking action:** Without adequate access controls, there is a risk that confidential information, including bid prices and evaluation information, could be accessed and shared inappropriately with proponents. The inappropriate sharing of confidential information could result in an unfair advantage, undermining the credibility and integrity of the procurement process.	December 2023, p. 198	**New**
DEPARTMENT Processes to Provide Information About Government's Environmental Liabilities: **Improve processes to assess, estimate and account for environmental liabilities** We recommend that the Department of Transportation and Economic Corridors improve its processes to assess, estimate and account for environmental liabilities related to its sand and gravel pits and highway maintenance yards. **Consequences of not taking action:** The department may not accurately account for environmental liabilities, resulting in the province's financial statements not reflecting the total environmental liabilities of the province. Decision-makers need this information to know the resources required to comply with environmental legislation and in order to protect people and the environment.	June 2021, p. 16	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Processes to Provide Information About Government's Environmental Liabilities: **Improve processes to ensure compliance with environmental legislation** We recommend that the Department of Transportation and Economic Corridors improve its processes to comply with environmental legislation at highway maintenance yards. **Consequences of not taking action:** By not complying with legislation, the department may not take appropriate actions to clean up or manage environmental risks at sites for which it is responsible.	June 2021, p. 18	**Not Ready for Assessment**

Procurement Processes

Transportation and Economic Corridors

Report of the Auditor General

December 2023

Auditor General
OF ALBERTA

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Related Reports:

- Infrastructure—Procurement Processes (June 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 properly accounted for and provides value.

Report Highlights

Transportation and Economic Corridors' procurement processes are guided by the Government of Alberta's Procurement Accountability Framework which is based on the principles of fairness, transparency, and integrity. p. 187

Our audit objective was to assess whether the department has effective processes to ensure fair and competitive procurement of its construction tenders. p. 191

Fair and competitive procurement processes are needed to ensure Albertans get good value from the significant dollars their government spends on construction projects. p. 187

We found that the department had processes to conduct procurements of its construction projects fairly and competitively, but not all of these processes were effective, and improvements can be made. p. 187

Valued at over $20 billion,

the department manages over 31,000 km of highways and over 4,000 bridges and culverts throughout the province. The province's roads, 31,000 km of highways and 4,000 bridges and culverts make up over 90 per cent of total net book value for all assets owned by Transportation. p. 187

What we recommend

The department should improve its procurement of construction projects by strengthening its processes and controls for posting solicitation documents for appropriate timelines and ensuring only appropriate parties have access to its procurement information systems.

The department should also ensure it retains appropriate documentation to support its shortlisting and contract award decisions. p. 188

Summary

Transportation and Economic Corridors' (the department) procurement processes are guided by the Government of Alberta's Procurement Accountability Framework (PAF) which is based on the principles of fairness, transparency and integrity.

The department is also subject to Canadian and international trade agreements designed to reduce trade barriers. These agreements are based on similar principles of openness, non-discrimination, non-circumvention, and transparency.

In addition to requirements under the trade agreements, the department is subject to all of Canada's competitive legal obligations found in the common law, including the duty to conduct a fair procurement process.

Based on these legislative requirements and legal obligations, it is critical that the department has effective processes to ensure fair and competitive procurements. Failure to comply could result in complaint, legal action or judicial review, and reputational damage or loss of value.

Why We Did This Audit

The department manages over 31,000 km of highways and over 4,000 bridges and culverts throughout the province. Valued at over $20 billion, the province's roads, highways and bridges make up over 90 per cent of total net book value for all assets owned by the department. The majority of the construction and maintenance of this infrastructure is contracted to third parties.

Given the significant dollars the department spends on construction, Albertans should be confident it has effective procurement processes to ensure contracts are awarded appropriately. Proponents, including bidders, suppliers, and subcontractors, also rely on the department's procurement processes and expect them to be impartial, consistent and transparent. We examined the department's processes to ensure fair and competitive procurement of its construction tenders.

What We Examined

We examined a sample of procurements of construction projects over $100,000 that the department procured between January 2019 and January 2022. The projects related largely to construction and rehabilitation of roads, highways, bridges, dams, and related infrastructure. Our audit focused on the solicitation stage through to the contract award stage. We also examined the department's processes for developing and posting solicitation documents, receiving and evaluating responses, and ultimately awarding contracts to the lowest compliant bidders.

What We Found

We found that the department had processes to conduct procurements of its construction projects fairly and competitively, but not all of these processes were effective, and improvements can be made.

The department competitively procured its construction contracts, included the necessary and appropriate information in solicitation documents, ensured only compliant bids were considered, and ensured communication with bidders was appropriate and transparent.

However, the department did not always post solicitation documents for appropriate timelines, document support for its shortlisting decisions, have effective document filing or retention processes, and have sufficient controls to ensure appropriate access to its procurement information systems.

What We Recommended

The department should improve its procurement of construction projects by strengthening its processes and controls for posting solicitation documents for appropriate timelines and ensuring only appropriate parties have access to its procurement information systems. The department should also ensure it retains appropriate documentation to support its shortlisting and contract award decisions.

Why This Matters to Albertans

Fair and competitive procurement processes are needed to ensure Albertans get good value from the significant dollars their government spends on construction projects. Fair and competitive processes provide market participants with an equal opportunity to bid and help ensure capital projects are delivered within scope, on budget, and on schedule.

If the department cannot demonstrate that its processes are perceived as fair, it faces increased risk of legal action, financial penalties, or reputational damage. As well, proponents may lose confidence in the department's procurement processes, which could result in decreased competition or inflated contract costs.

Background

The Procurement Accountability Framework, Trade Agreements and Canadian Competitive Bid Law

All Government of Alberta departments must procure goods and services in accordance with the Procurement Accountability Framework (PAF). The PAF provides departments with procurement requirements and guidance. The PAF:

- reinforces fairness, transparency, and integrity
- adds rigor and accountability
- drives consistency and discipline
- includes controls and a shared set of values and ethics
- outlines duties under the common law[37]

The department must also follow Canadian and international trade agreements when it conducts procurements.[38] The agreements are triggered based on the value of the procurement. The agreements are based on the principles of:

- **openness**—all eligible suppliers that meet requirements are given an opportunity to submit a proposal
- **non-discrimination**—the procuring entity does not provide favorable treatment to suppliers in their own or any jurisdiction
- **non-circumvention**—the procurement is not structured in any way to avoid the obligations of the trade agreements
- **transparency**—the procuring entity must post procurements on designated systems, provide procurement policies on request, and provide requested documents in a non-discriminatory manner

Procurement at the Department

The department is focused on building and maintaining a safe and efficient transportation system throughout the province. This horizontal infrastructure system is relied upon by Albertans for the movement of people and goods throughout the province's highway system and to support Alberta's economic growth and recovery. The department engages third parties to build and maintain most of this infrastructure through large and complex contracts.

The department manages over 31,000 km of highways and over 4,000 bridges and culverts throughout the province. Valued at over $20 billion, the province's roads, highways and bridges make up over 90 per cent of total net book value for all assets owned by the department. From January 2019 to January 2022, the department awarded almost 300 construction contracts for almost $2.2 billion. Having effective procurement systems is critical for the department in ensuring it conducts procurements fairly, competitively, and openly in accordance with the trade agreements, common law, and other government policies and directives. This reduces the risk of potentially costly legal action, loss of confidence in government, and other reputational damage.

For most construction projects, the department uses one of two solicitation methods—open or limited solicitation, which is driven by requirements of the trade agreements:

- **open solicitation**—any proponent may submit a response
- **limited solicitation**—following an open solicitation, only a pre-determined, pre-qualified or shortlisted group of proponents are invited to submit a response

[37] Procuring entities have the duty to disclose material information about the contract that could impact a proponent, reject non-compliant responses, conduct a fair procurement process, award to the winning proponent, and award the contract as tendered.

[38] Appendix A includes the procurement thresholds for each trade agreement.

The department may tender its construction projects using a two-stage or one-stage approach:

- **two-stage procurements**—the department uses a qualifications-based approach to shortlist proponents and final bids will only be accepted from those proponents. In the first stage, the department provides a solicitation document, called a request for qualification (RFQ), open to all proponents. The department then evaluates submissions received based on pre-established evaluation criteria stated in the RFQ and determines a final shortlist of proponents who may bid on the tender. In the second stage, the tender solicitation document is provided, including unit price schedules, relevant drawings, specifications and plans, and instructions for bidders to submit their final price. These tenders are to be awarded to the lowest compliant bidder.
- **one-stage procurements**—the department foregoes the qualifications stage and provides a tender solicitation document including unit price schedules, relevant drawings, specifications and plans, and instructions, open for all proponents to submit their final price. These tenders are to be awarded to the lowest compliant bidder.

The department generally uses a one-stage approach for more standard construction projects of lower complexity or risk; however, the department does not have formal rules for when to use one- or two-stage procurements. Each method has advantages and disadvantages. For example, two-stage procurements take longer to complete but have the advantage of giving the department more assurance that bidders are qualified and capable of completing the work as required.

About This Audit

Objective and Scope

Our audit objective was to assess whether the department has effective processes to ensure fair and competitive procurement of its construction tenders.

Our audit focused on the solicitation stage through to the contract award stage and included contracts that the department ultimately awarded to the proponent with the lowest priced compliant bid, using either a one-stage or two-stage method. We focused on contracts awarded based on lowest price because the magnitude of the contract spend is significant. These contracts also have increased risk for ensuring a fair procurement process, such as protecting confidentiality of bid prices before the procurement closes.

To assess the department's process and controls, we sampled contracts awarded from January 2019 to January 2022. The audit included procurements in both the procurement strategy and planning as well as major capital projects groups at the department. These procurements related to construction or rehabilitation of roads, highways, bridges, dams, and related infrastructure. These contracts were awarded using either a one-stage or two-stage approach.

Our audit did not include:

- the decision to acquire or capital planning processes, contract management or contract completion
- consulting, highway maintenance or other service contracts
- contracts less than $100,000
- public-private partnership contracts

Criteria

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

The department should:

- ensure the solicitation method is appropriate and solicitation documents are posted for the required time and contain the required information
- ensure all communication to proponents is complete and transparent
- ensure it has adequate controls to receive proponent responses
- ensure it has adequate controls to protect the confidentiality of information received
- ensure its procurement evaluation and contract award processes are clear, consistent, and impartial
- prepare and retain appropriate procurement records and information

We developed our criteria from the PAF and trade agreements. Management of the department acknowledged the suitability of the audit criteria on April 13, 2022.

What We Examined

In assessing the department's procurement systems, we examined:

- relevant legislation, policies, guidelines, manuals, and trade agreements
- the procurement information in the department's systems
- procurement records and supporting information such as solicitation documents, communication to and from proponents, proponent submissions, department evaluation, and support for award decisions including approvals for a sample of procurements

We also interviewed staff involved in procurement at the department.

We conducted our fieldwork from July 2022 to December 2022.

Conclusion

Based on our audit criteria, we conclude that the department has processes to ensure fair and competitive procurement of its construction tenders but not all of these processes are effective, and improvements can be made.

Why This Conclusion Matters to Albertans

Albertans should be confident that the department has effective processes to ensure the significant dollars it spends on construction contracts are procured fairly and competitively.

Construction contracts are often in the millions of dollars and are significant for Albertans, the department and for proponents. Proponents invest time and money in the development of their submissions, including their bids, and they rely on and expect fair and competitive procurement processes.

Summary of Recommendations

NEW Recommendation:
Improve controls for posting periods

We recommend that the Department of Transportation and Economic Corridors improve its controls to ensure solicitation posting periods comply with trade agreement requirements.

NEW Recommendation:
Improve documentation controls

We recommend that the Department of Transportation and Economic Corridors ensure it has adequate controls to document support for its shortlisting and award decisions, including key procurement information.

NEW Recommendation:
Improve access controls for procurement information systems

We recommend that the Department of Transportation and Economic Corridors improve its access controls for its procurement information systems.

Detailed Findings and Recommendations

Solicitation Documents and Posting Periods

Context

Solicitation method

The trade agreements[39] require departments to use open solicitation for construction procurements over a threshold amount. For example, the New West Partnership Trade Agreement requires departments to use an open solicitation method for construction services with an estimated value of over $100,000.

Solicitation documents and posting

The trade agreements have several requirements for posting timelines and content of solicitation documents, including that the procuring entity:

- provide proponents with a reasonable time to submit a response. The time limit should consider the nature and complexity of the procurement, extent of subcontracting anticipated, and the time needed to submit submissions by non-electronic means. When the procuring entity accepts electronic submissions, some trade agreements require a minimum 25-day posting period for construction procurements over $9.1 million. Trade agreements do allow for a reduction in the posting period to no less than 10 days in certain circumstances and in situations of urgency.
- provide proponents with all necessary evaluation criteria, design specifications, and other information needed to submit a response
- avoid the use of restrictive conditions that would prevent proponents from bidding, such as requiring bidders to be located in Alberta or requiring previous experience with the Government of Alberta

Communicating with proponents

After solicitation documents have been made available, proponents may seek answers, clarifications or additional information on the project or submission requirements. The department communicates with proponents through direct inquiries and in some cases, pre-bid meetings. The department may also extend submission deadlines depending on the extent of clarifications to proponents or potential changes to scope of work. Extensions of submission deadlines would be communicated through addenda.

In line with trade agreement requirements, the department needs to communicate any information relevant to the solicitation fairly and transparently to all prospective bidders. The department balances project requirements, such as the project schedule and expected completion date, with posting timelines. However, the procurement posting time, including addenda, is important because proponents need adequate time to prepare their submissions, factoring in any new or changed information.

Criteria

The department should ensure:

- the solicitation method is appropriate and solicitation documents are posted for the required time and contain required information
- all communication to proponents is complete and transparent

[39] The trade agreements allow for certain exceptions.

Our findings

Key findings

The department:

- competitively procured construction contracts over $100,000 as required by trade agreements
- included necessary and appropriate information in the solicitation documents
- posted some solicitation documents for less time than required per trade agreements and department guidance and did not document rationale for the reduced timelines

Solicitation method

The trade agreements require the department to use open solicitation for construction procurements over $100,000. We sampled construction projects, all over $100,000, and found the department used open solicitation for all projects sampled.

The department used standard tender and RFQ templates as starting points in developing solicitation documents. The solicitation documents for the construction projects sampled all contained the required information including the scope of work and instructions to proponents on submissions requirements and deadlines.

The trade agreements do not allow procuring entities to restrict which proponents may be awarded contracts. The department cannot impose restrictions on its solicitations that potential bidders must be located in Alberta or have previously contracted with the department. We did not find any such restrictions in the solicitation documents we examined.

Posting timelines

The trade agreements require construction tenders over $9.1 million be posted for minimum 25 days if proponents can submit their bids electronically and minimum 30 days if the bids are required in hard copy. In either case, the posting timeline can be reduced to no less than 10 days if a notice of the planned procurement was published in advance of the intended procurement, or a state of urgency duly substantiated by the department renders the time period for tendering impracticable.

We found that almost 30 per cent of construction projects sampled were not initially posted for the minimum timelines per the trade agreements. The department did not provide support in any of these instances for advanced notice of the planned procurement or a duly substantiated state of urgency that would have allowed reduced posting timelines.

After initial posting, the department extended the submission deadline for some of the exceptions above. After submission deadlines were extended, 20 per cent of projects sampled were still not posted for minimum timelines per the trade agreements. The department did not provide evidence that conditions allowing for reduced timelines were present.

NEW Recommendation:
Improve controls for posting periods

We recommend that the Department of Transportation and Economic Corridors improve its controls to ensure solicitation posting periods comply with trade agreement requirements.

Consequences of not taking action

The department may not be posting solicitations with a reasonable amount of time for proponents to prepare and submit bids, based on trade agreement requirements. If these requirements are not being met, the department could face financial or other penalties or reputational damage from resulting actions. If proponents do not have adequate time to prepare their submission, they may not submit a proposal resulting in less competition or they may price this risk into their bid.

Receiving, Evaluating and Retaining Submissions and Other Key Procurement Information

Context

Receiving submissions

Solicitation documents are intended to state submission requirements, including closing date and time, schedules and other information required with the submission. The department also requires bid bonds[40] be submitted with bids or the bid will not be evaluated.

Submissions are to be received by the department and information in those submissions is to be protected, either sealed or unread, until after the submission deadline when tenders are opened and posted publicly.

Evaluating submissions

The following submissions need to be evaluated by the department:

- **qualifications-based (RFQ)**—these submissions are evaluated for shortlisting decisions. For these solicitations, proponents are generally asked to submit details such as qualifications and experience of its construction and project teams, as well as details of its corporate profile, project comprehension and proposed schedule. These and other criteria against which proponents will be scored, and the weightings of each criterion, are to be stated in the solicitation documents. After submissions have been received, the department uses evaluation teams to score submissions and arrive at final shortlisting decisions. Following the RFQ, a tender or request for proposal (RFP) is issued, resulting in the contract being awarded to a shortlisted proponent.
- **tender**—these submissions are evaluated for compliance after the tender closing time. Prior to opening individual tenders, the department is required to disqualify any bid received after the submission deadline. After tender opening, after bids have been read, the department is required to perform a more extensive evaluation of each bid to ensure all mandatory requirements, such as appropriate bid bonds, are met. If any mandatory requirements are not met, the bid should be disqualified.

Retaining records

The PAF includes a list of solicitation process documentation[41] that should be kept on file. This list includes copies of all responses received from vendors, solicitation and vendor notices and communications, evaluation ratings and scoring sheets or other justifications for scoring and how final scores were determined, recommendations for awards, and other department internal communication documentation where applicable.

Criteria

The department should:

- ensure it has adequate controls to receive proponent responses
- ensure its procurement evaluation and contract award processes are clear, consistent, and impartial
- prepare and retain appropriate procurement records and information

Our findings

Key findings

The department:

- has effective controls to ensure any non-compliant bids are not accepted or evaluated, including any bids received after the submission deadline
- did not adequately document support for its shortlisting decisions for two procurements
- could not locate all procurement information to support award decisions prior to moving to electronic submissions; after the move to electronic submissions, we found no exceptions

[40] A bid bond provides financial assurance—for the department, generally 10 per cent of the tender amount—that a bid for a project has been submitted in good faith and the bidder intends to enter into the contract at the price tendered.

[41] Section 3.2.5—Solicitation Process Documentation of the Procurement Accountability Framework manual.

Receiving submissions

Prior to July 2021, the department only received bids and bid bonds in hard copy format. After July 2021, the department began accepting bids and bid bonds in electronic format only. The department's processes for receiving electronic submissions differ from processes for receiving hard copy submissions:

- for **hard copy submissions**—proponent submissions were dropped off at the tender deposit counter at the department, where submissions were received in sealed envelopes and time stamped. As submissions were received, the department logged proponent names and time of submission in a bid log form. Bid bonds were included with the bid submission. Submissions remained sealed until tender opening, where bid prices for each proponent were publicly read.
- for **electronic submissions**—proponent submissions and digital bid bonds are emailed to an inbox as stated in the solicitation document, and those submissions remain in the submission inbox, unread, until after the deadline for submission has closed. Submissions are then moved to a shared network and a tender bidder list form is prepared for tender opening, where bid prices for each proponent are publicly posted. The department takes a screenshot of each tender submission inbox just after deadline close to show the time that submissions were received.

Our sample of construction projects included both hard copy and electronic submissions. In all samples tested, we found no deviations of the department accepting or evaluating non-compliant bids, including any bids received after the submission deadline.

Evaluating RFQs

Of the samples we tested, nearly half were two-stage procurements where stage one was an RFQ. In all of these procurements:

- the department composed an evaluation team that scored proponent submissions according to the criteria and weightings listed in the corresponding solicitation documents
- a consensus scoring process was appropriately used to arrive at final scores for submissions, adequately supported by notes and comments for each

For all but two of the department's two-stage procurements, shortlisting decisions were made based on the final rankings from the consensus scoring process. For the other two procurements, due to the size and complexity of the projects, the department used a separate selection committee to make final shortlisting decisions following scoring by a technical committee. In these two procurements, the technical committee consensus scoring was used as a starting point for the shortlisting decision by the selection committees.

In both procurements, the selection committee conducted additional review of proponent submissions and interviewed the proponents. In both procurements, the department could not provide supporting documentation for the results of these additional evaluation processes. For one of these two procurements, the final shortlisting decision by the selection committee did not match the rankings from the initial technical committee. The department did not document the rationale for its final shortlisting decision.

Evaluating tenders

The department evaluates tender submissions to ensure they meet the mandatory requirements, such as whether bid bonds and other supplementary information are appropriate, and tenders are submitted in proper form. In our samples, we found the department appropriately disqualified all submissions that did not meet mandatory requirements.

Retaining records

The department could not locate all key procurement information and records for all samples tested. The records and documentation that could not be located as indicated below related to procurements prior to July 2021 when the department used hard copy submission processes. The department moved to electronic submissions in July 2021, making storing and retaining records easier. The department was able to locate all key records and documentation for procurements after it moved to electronic submissions in July 2021. For procurements prior to July 2021, the department could not locate:

- **proponent submissions**—for four per cent of samples tested, the department could not locate all of the proponent submissions; only the winning bid could be located. Without the original submissions, we could not verify the accuracy of the data in the department's procurement information system and the basis for the award decision.

- **evidence of date and time of submission**—for 20 per cent of the samples tested, the department either could not locate the time-stamped envelopes indicating dates and times of all submissions or did not time-stamp submissions as they were received. Without this evidence of date and time of submission, we could not verify that all submissions were received on time.
- **bid bonds**—for 20 per cent of the samples tested, the department could not locate the bid bonds submitted by proponents with their bids. Without these bid bonds, we could not verify that mandatory requirements were met for corresponding submissions.

NEW Recommendation:
Improve documentation controls

We recommend that the Department of Transportation and Economic Corridors ensure it has adequate controls to document support for its shortlisting and award decisions, including key procurement information.

Consequences of not taking action

Without proper documentation or records, the department may not be able to demonstrate its procurement practices and award decisions are fair. If challenged, the department could face legal, financial or reputational damage if it cannot produce adequate support for its shortlisting or contract award decisions.

Procurement Information Systems

Context

It is essential for a procuring entity to protect the confidentiality of procurement information to ensure it does not provide proponents with an unfair advantage. In accordance with the trade agreements, a procuring entity must "receive, open and treat all tenders under procedures that guarantee the fairness and impartiality of the procurement process, and the confidentiality of tenders".[42]

Procurement information systems

The department stores procurement information in three main systems:

- **email accounts**—the department uses email accounts to receive proponent submissions electronically
- **procurement network folders**—the department uses these folders to store procurement records electronically. The information stored includes proponent submissions, submission evaluations, contracts, communications with proponents and other key procurement documents that support the department's procurement processes and decisions.
- **Program Management Application (PMA)**—this is the department's primary procurement system. One of the functions of PMA is to track and retain procurement-related information such as successful and unsuccessful proponents, submission evaluation results, bid prices, award recommendations, and approvals

Criteria

The department should ensure it has adequate controls to protect the confidentiality of information received.

Our findings

Key findings

The department does not have sufficient controls to ensure appropriate access to its procurement information systems.

Procurement information system access controls

The department does not periodically review access to its procurement information systems. We found:

- 15 individuals had access to the submission inboxes, and of these 15 individuals, one was no longer with the department
- over 180 individuals had access to the network folders, and 45 of these individuals were currently not listed on the Government of Alberta staff directory

[42] Guidelines to the Procurement Obligations of Domestic and International Trade Agreements, New West Partnership, December 2021, page 21.

- over 1,100 individuals had access to the PMA application, many of these users are external consultants with various levels of access. The department could not confirm to us that the access of the 1,100 individuals was appropriate.

The department could not provide evidence that all individuals with access to the network folders and PMA application should have this access or that their access was appropriate.

NEW Recommendation:
Improve access controls for procurement information systems

We recommend that the Department of Transportation and Economic Corridors improve its access controls for its procurement information systems.

Consequences of not taking action

Without adequate access controls, there is a risk that confidential information, including bid prices and evaluation information, could be accessed and shared inappropriately with proponents. The inappropriate sharing of confidential information could result in an unfair advantage, undermining the credibility and integrity of the procurement process.

Audit Responsibilities and Quality Assurance Statement

Management of Transportation and Economic Corridors is responsible for the construction procurement systems.

Our responsibility is to express an independent conclusion on whether Transportation and Economic Corridors has effective processes to ensure fair and competitive procurement of its construction tenders.

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out in the CPA Canada Handbook—Assurance. The Office of the Auditor General applies Canadian Standard on Quality Management 1, which requires the office to design, implement and operate a system of quality management, including 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.

Appendix A—Trade Agreement Thresholds for Construction

Trade Agreement	Construction Threshold for Ministries/Departments[43]
New West Partnership Trade Agreement	$100,000
Canadian Free Trade Agreement	$121,200
World Trade Organization—Agreement on Government Procurement	$9,100,000
Canada-European Union Comprehensive Economic and Trade Agreement	$9,100,000
Canada-UK Trade Continuity Agreement	$9,100,000
Comprehensive and Progressive Agreement for Trans-Pacific Partnership	$9,100,000

[43] Thresholds as of January 2022.

Treasury Board and Finance

We examined the transfer of investment funds from the Alberta Teachers Retirement Fund (ATRF) to the Alberta Investment Management Corporation (AIMCo)—see below.

We also examined extra compensation paid to management employees as part of the Province's COVID-19 pandemic response. We found that the government created a process to record, review, and approve extra compensation; however, we noted time records were not always promptly signed off and approved—see page 203.

This report also includes our:

- *Travel, Meal and Hospitality Expenses of the Premier, Ministers and Their Staff Performance Audit* —see page 209.
- *Public Agency Board Member Recruitment and Selection Assessment of Implementation*—see page 213.

Findings

Alberta Investment Management Corporation

Bill 22, the *Reform of Agencies, Boards and Commissions and Government Enterprises Act* was passed into law in 2019 and required the Alberta Teachers Retirement Fund (ATRF) to use the Alberta Investment Management Corporation (AIMCo) as its investment manager. The transfer of the investments from ATRF to AIMCo was completed in October 2021.

To ensure that investments were transferred completely and were reported accurately in AIMCo's investment accounting system, we performed the following procedures:

- examined management's processes to ensure investments were transferred completely and were reflected accurately in AIMCo's investment accounting system
- verified investment holdings transferred accurately and completely in the investment custodian's records
- verified that values used for the investments transferred correctly into AIMCo's investment accounting system

We found that investments were transferred completely from ATRF to AIMCo and were reflected accurately in AIMCo's investment accounting system.

Public Service Commission

Extra compensation paid to employees in response to the COVID-19 pandemic

Context

The matter of "bonus" compensation paid to government employees was raised both publicly and directly with our office. As a result, we examined what extra compensation policies exist in relation to emergencies and whether those policies were adhered to.

Government can pay extra compensation to employees in exceptional circumstances

Currently, the Government of Alberta (GoA) does not pay extra compensation to employees in the normal course of government operations. But in exceptional circumstances, the Public Service Commissioner (the commissioner) can, under section 46 of the *Public Service Employment Regulation*,[44] pay extra compensation to employees after a recommendation from a deputy head (usually, a deputy minister).

When Alberta suffers a natural disaster or other extra ordinary event, the government may declare a state of emergency, requiring management employees to work significant overtime. For example, during the severe flooding in Calgary in 2013 and the Fort McMurray wildfire in 2016, GoA employees were eligible for extra compensation if they worked a minimum number of overtime hours in a day.

The COVID-19 pandemic, starting in March 2020, also required some GoA management employees to work significant overtime. They reviewed and modified public health measures, and provided support for the COVID-19 vaccine rollout. The government decided to pay extra compensation to certain management employees for the COVID-19 response.

GoA paid $2.7 million extra compensation to 107 employees for the COVID-19 response

The GoA paid $2,701,281 extra compensation to 107 employees: $2,434,344 during calendar year 2021 and another $266,937 up to March 31, 2022.

Media reported in the summer of 2022 that both the Chief Medical Officer of Health (CMOH) and Deputy CMOH received significant extra compensation.

We selected a sample of the 107 employees who received extra compensation and tested the accuracy of the calculations to ensure they were in accordance with government policies.

Our findings

Key findings

- Government implemented process to record, review, and approve extra compensation
- Some employees underpaid; time records not always promptly signed off and approved

Government implemented process to record, review, and approve additional compensation

In 2020, the commissioner approved a new method to determine how much additional compensation to pay in recognition of the overtime management employees worked in responding to the COVID-19 pandemic. People eligible for this compensation were working for Health's Emergency Operations Centre and included some employees seconded from other GoA departments. This approval would expire on March 31, 2021

[44] https://www.alberta.ca/system/files/custom_downloaded_images/psc-public-service-employment-regulation.pdf.

but the commissioner later extended it to March 31, 2022. There were eight distinct periods (cycles) between March 6, 2020 and March 31, 2022 when employees were eligible for extra compensation.

To be eligible for extra compensation, a management employee had to work more than 45 hours a week. Any time over 45 hours a week was eligible for extra compensation at the employee's current hourly rate. For example, an employee who worked 50 hours in a week and had an hourly rate of $100 would get $500 of extra compensation. This changed the previous practice of granting of lump-sum extra compensation in previous disasters and could mean more compensation to employees.

Eligible employees had to track and log their overtime in a spreadsheet that calculated how many hours over 45 they worked for each week. Employees would submit the spreadsheet to their supervisor, who reviewed and approved it. These time logs were then sent to, and reviewed by, the Public Service Commission's (PSC) client service delivery team. Once the team approved the logs, the PSC sent a final spreadsheet and memo to the Deputy Minister of Health to authorize payment of the extra compensation to employees.

Overall, we found that policies existed to pay extra compensation and the compensation was paid in accordance with those policies. We did note that timeliness of some of the supervisor reviews could have been better, which is discussed below.

Time records not always promptly signed off and approved

We selected a sample of employees (including the CMOH and Deputy CMOH) to test if the extra compensation paid followed the established process. We examined all extra compensation the employees received from March 6, 2020 to March 31, 2022. We relied on the accuracy of the overtime hours the employees asserted and their supervisor approved because we could not verify that the overtime hours were worked.

Often, the employee and supervisor signoffs on the spreadsheets were not dated and we could not tell if they were promptly reviewed. In at least one case in January 2021, the supervisor approved a batch of employee timesheets submitted between March and October 2020. This revealed a process weakness because after significant time has elapsed, it is harder for a supervisor to recall and assert that an employee worked those overtime hours. Because the program to pay extra compensation for COVID-19 has ended, we have not made a recommendation to management.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	7	7	5	2	7	0	2	1

Recommendation summary (by report, newest to oldest)

Report Title	Number of Recommendations	
	Department	Public Service Commission
• **Reporting Performance Results to Albertans Followup—August 2019** › Results Analysis Performance (originally July 2014, repeated August 2019)—see page 205	1	0
• **Public Agency Board Member Recruitment and Selection—August 2019** › Public Service Commission: Improve information systems to monitor process outcomes—see page 205	0	1
• **Economy and Efficiency of Cash Management—February 2016** › Evaluate cash management for efficiency and economy—see page 206 › Develop policies to prevent early payment of grants and an accumulation of large cash balances—see page 206 › Implement and use information technology to manage cash—see page 207 › Use leading banking and related practices and evaluate cost benefits of bank accounts—see page 207 › Improve policies for payments—see page 207	5	0
Total	6	1

Detailed recommendation list (by report, newest to oldest)

Recommendation	When	Status
DEPARTMENT Reporting Performance Results to Albertans Followup: **Results Analysis Performance** We again recommend that the Department of Treasury Board and Finance improve: • guidance and training for ministry management to identify, analyze and report on results in ministry annual reports • processes to monitor ministry compliance with results analysis reporting standards **Consequences of not taking action:** Meaningful results analysis reporting is critical to the government demonstrating its stewardship of Alberta's resources. In the absence of quality results analysis reporting, Albertans will not receive sufficient information to assess whether government programs are achieving desired results, and at what cost.	Repeated August 2019, p. 12 › Originally reported July 2014, no. 1, p. 19	Ready for Assessment
PUBLIC SERVICE COMMISSION Public Agency Board Member Recruitment and Selection: **Improve information systems to monitor process outcomes** We recommend that the Public Agency Secretariat: • consolidate information systems used to track competitions and appointments • develop reports that can be used by departments to measure and monitor upcoming and existing board vacancies, the status of open competitions, and metrics on board continuity **Consequences of not taking action:** Data can be better used to identify existing and pending vacancies and prioritize appointments based on risk.	August 2019, p. 19	**Not Ready for Assessment**

Recommendation	When	Status
DEPARTMENT Economy and Efficiency of Cash Management: **Evaluate cash management for efficiency and economy** We recommend that the Department of Treasury Board and Finance: • evaluate how it can use excess liquidity within government-controlled entities to reduce government debt and minimize borrowing costs, and implement mechanisms to utilize excess liquidity • evaluate the Consolidated Cash Investment Trust Fund and pursue opportunities to increase its use or modify its current structure to ensure it remains a relevant cash management tool **Consequences of not taking action:** Inefficient and uneconomical cash management systems increase debt, interest, and administration costs.	February 2016, no. 8, p. 77	Ready for Assessment
DEPARTMENT Economy and Efficiency of Cash Management: **Develop policies to prevent early payment of grants and an accumulation of large cash balances** 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. **Consequences of not taking action:** Providing cash to entities before they need it or allowing them to accumulate large cash balances increases provincial debt and debt costs.	February 2016, no. 9, p. 79	Ready for Assessment

Recommendation	When	Status
DEPARTMENT Economy and Efficiency of Cash Management: **Implement and use information technology to manage cash** 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. **Consequences of not taking action:** Lack of information technology creates inefficiencies, inaccurate and stale information, and too many manual processes that increase errors and costs. It also prevents Treasury Board and Finance from managing cash efficiently and economically across government.	February 2016, no. 10, p. 82	Ready for Assessment
DEPARTMENT Economy and Efficiency of Cash Management: **Use leading banking and related practices and evaluate cost benefits of bank accounts** 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. **Consequences of not taking action:** Government is missing opportunities by not using leading banking practices.	February 2016, no. 11, p. 85	Ready for Assessment
DEPARTMENT Economy and Efficiency of Cash Management: **Improve policies for payments** We recommend that the Department of Treasury Board and Finance: • periodically analyze payment data to identify non-compliance with policies and seek opportunities for improvements • ensure that cost recoveries between government entities consider costs and benefits, and a transaction threshold **Consequences of not taking action:** When government does not use best practices for payment policies, terms, and methods, it is missing opportunities to operate in the most efficient and economical way.	February 2016, no. 12, p. 86	**Not Ready for Assessment**

Travel, Meal and Hospitality Expenses of the Premier, Ministers and Their Staff

Treasury Board and Finance

Report of the Auditor General
December 2023

Auditor General
OF ALBERTA

About This Audit

Public servants may incur expenses for travel, meals and hospitality related to government business, and can claim expense reimbursements and certain allowances. They have to follow government policies on these types of expenses,[45] as well as policies on procurement cards and credit cards.

We established an annual rotational audit of departments' systems for verifying that the expenses of the Premier, ministers, associate ministers, and their staff comply with policies.[46]

Objective and Scope

The audit objective was to assess whether departments have effective processes to verify that the travel, meal and hospitality expenses of the Premier, ministers, associate ministers and their staff comply with policies.[47]

We follow a rotational approach, so that we audit each department once every three years. This year, we audited expenses from the following ministries:

- Executive Council (Premier's Office)
- Treasury Board and Finance
- Health
- Mental Health and Addiction
- Jobs, Economy and Trade
- Immigration and Multiculturalism
- Skilled Trades and Professions
- Service Alberta and Red Tape Reduction
- Technology and Innovation

We audited the processes and expenses at these ministries for the period April 1, 2022 to March 31, 2023.

Criteria

To determine whether departments have effective processes to verify that the travel, meal and hospitality expenses of the Premier, ministers, associate ministers, and their staff comply with policy, we used the following criteria:

- Departments should have processes to ensure expenses are incurred to support government business, are economical, and are appropriately allocated, approved and disclosed.

We developed the audit criteria based on departments' responsibilities and policy requirements.

Management of Treasury Board and Finance acknowledged the suitability of the audit criteria on July 13, 2023.

What We Examined

We examined a sample of travel, meal and hospitality expenses incurred between April 1, 2022 and March 31, 2023 at each ministry included in our scope. Our work included reviewing expense claims and supporting documents, and interviewing staff. We did not examine remuneration, employment and termination benefits, or other office expenses, such as office supplies.

The detailed testing procedures we performed were consistent with the testing we executed in prior years. We conducted our field work in July and August 2023, and completed the audit on September 11, 2023.

[45] https://open.alberta.ca/publications/travel-meal-and-hospitality-expenses-policy-expenses-policy.

[46] *Report of the Auditor General—May 2017*, page 53.

[47] Travel, Meal and Hospitality Expenses Directive, Travel Policy for Elected Official Missions, Public Disclosure of Travel and Expenses Policy and Government Procurement Card Policy.

Conclusion

We conclude that all departments examined had effective processes, for the period from April 1, 2022 to March 31, 2023 to verify that the travel, meal and hospitality expenses of the Premier, ministers, associate ministers and their staff comply with policies.

The following table summarizes our conclusions on the departments' systems.

Department	Systems to verify that expenses are in compliance with directives and policies
Executive Council (Premier's Office)	●
Treasury Board and Finance	●
Health	●
Mental Health and Addiction	●
Jobs, Economy and Trade	●
Immigration and Multiculturalism	●
Skilled Trades and Professions	●
Service Alberta and Red Tape Reduction	●
Technology and Innovation	●

◆ significant improvements needed to systems
▲ improvements are needed to systems, but not to the same extent as red items
● we have not identified any significant weaknesses in the systems

Why This Conclusion Matters to Albertans

Albertans expect ministers and public servants to spend taxpayers' dollars responsibly and prudently when conducting government business. Effective processes are needed to ensure that people are complying with the expense policies. Albertans need the assurance that these systems are well-designed and working effectively.

Audit Responsibilities and Quality Assurance Statement

Management of Treasury Board and Finance has certain administrative responsibility for government expense policies, so we report our overall audit results to that department. Management of each department is responsible for creating and sustaining systems to comply with policies.

> **Our responsibility is to express an independent conclusion on the audit objective stated above.**

All work in this audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001—Direct Engagements, set out in the CPA Canada Handbook—Assurance. The Office of the Auditor General applies Canadian Standard on Quality Management 1, which requires the office to design, implement and operate a system of quality management, including 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.

Public Agency Board Member Recruitment and Selection

Public Service Commission

Report of the Auditor General
December 2023

Assessment of Implementation Report

Auditor General
OF ALBERTA

About our Assessment of Implementation Report

Management is responsible for implementing our recommendations. We examine implementation plans and perform procedures to determine whether management has implemented our recommendations 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 during our assessment.

Our assessments of implementation are conducted under the authority of the *Auditor General Act*. The Office of the Auditor General applies Canadian Standard on Quality Management 1. Accordingly, we have maintained 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 behaviour.

Outstanding Recommendations

Assessment of Implementation Report

Public Agency Board Member Recruitment and Selection

Public Service Commission

(August 2019)

Summary of Recommendations

In May 2023, we completed our assessment of implementation of three recommendations from our August 2019 audit of the Public Agency Secretariat's board member recruitment and selection process. We found two recommendations have been implemented and a change in circumstance in another.

IMPLEMENTED Recommendation:
Improve guidance for usage of succession plans and reappointments

CHANGED CIRCUMSTANCE Recommendation:
Improve guidance on use of professional recruitment

IMPLEMENTED Recommendation:
Strengthen the recruitment, screening, and selection processes

Introduction

In 2019, we audited whether the Government of Alberta's recruitment, screening, selection, and appointment processes, as described in the *Guidebook for Appointments to Alberta's Public Agencies*, have been implemented and are operating effectively and efficiently.

We made four recommendations to the Public Agency Secretariat (secretariat). The scope of this assessment of implementation includes three recommendations related to:

- improving the usage of succession plans and reappointments
- improving guidance on the use of professional recruitment
- strengthening the recruitment, screening, and selection processes

The fourth recommendation, to improve information systems to monitor process outcomes, remains outstanding. We will assess this recommendation in the future when the secretariat indicates to us that it is ready for assessment.

Recommendation: **Improve guidance for usage of succession plans and reappointments**

IMPLEMENTED

Context

In 2019, we found most board members were reappointed through an open competition rather than using the reappointment process and board succession plans often did not inform the recruitment plan.

Our current findings

The secretariat implemented our recommendation to improve guidance described in the guidebook by having departments:

- include evaluations, biographies, and resumes of board members being recommended for reappointment
- provide the rationale for recruitment approach including succession planning activities

We reviewed the *Centralized recruitment guidebook for Alberta's public agencies, boards and commissions* (recruitment guidebook), as well as policies and supporting materials and found:

- the recruitment guidebook includes an updated process where the secretariat and department confirm the recruitment approach using information from the agency's competency matrix, succession planning activities, board evaluations, and biographies or resumes of members being recommended for reappointment
- that the public agency governance policy was updated to include best practices for all public agencies to engage in regular and ongoing succession planning that informs recommendations to reappoint
- a succession planning guide for public agencies was developed to assist public agencies with effective succession planning

- a member evaluation guidebook for public agencies was developed to strengthen governance, succession planning, competency-based recruitment and increase awareness of best practices for evaluation of public agency members which includes sample member self-evaluation forms and board evaluation for agencies for consideration

Through our review of a sample of public agency board member recruitments, we observed that succession planning activities, member evaluations, and competency matrices were used to determine the recommended recruitment approach.

Recommendation:
Improve guidance on use of professional recruitment

CHANGED CIRCUMSTANCE

Context

In 2019, we found improvements could be made to processes used by departments to determine whether to use professional recruitment services. Effective September 2019, the secretariat centralized recruitment processes for all public agencies. As a result, the secretariat's executive search now performs all public recruitment efforts, including posting positions and conducting searches. Recruitments are no longer outsourced to external professional recruitment firms. Given the significant change in recruitment processes, we have concluded this recommendation is no longer relevant.

Recommendation:
Strengthen the recruitment, screening, and selection processes

IMPLEMENTED

Context

In 2019, we found that the recruitment, screening, and selection processes could be improved by including additional information in the selection package and strengthening controls around conflicts of interest.

Our current findings

The secretariat implemented our recommendation to strengthen the guidance for recruitment, screening, and selection processes by:

- including in the selection package the candidate's assessed competencies and skills along with the interview panel's recommendation of qualified candidate(s)
- setting processes and guides for agencies and departments to identify, assess, and resolve real or apparent conflicts of interest prior to appointment

We found the updated recruitment guidebook includes processes to:

- evaluate applications against desired competencies and skills through shortlisting applicants, and assessing candidates using interview guides and position profiles
- provide the minister's office with the interview panel's recommendation of candidates for consideration
- complete a conflict of interest self-declaration and for departments/public agencies to assess the results of the self-declaration

We found the secretariat developed and implemented a conflict of interest process for all public recruitments or direct appointments. The process includes:

- a standardized conflict of interest self-declaration[48]
- an evaluation of the self-declaration results by departments/public agencies
- guidance for departments/public agencies to identify and manage conflicts of interest should a real or perceived conflict be identified

Through our review of public recruitment documentation, we saw evidence that the executive search and screening team used the public agencies' competency matrix to screen applicants and develop an interview guide. The interview panel assessed the shortlist of candidates and developed a recommendation for the minister's office. Biographies were developed to include the successful candidate's background and competencies for the role.

Through our review of sample recruitments, when candidates identified conflicts, we found the department/public agencies assessed the conflict and developed options for resolution or mitigation prior to the appointment.

[48] A standardized declaration form is used unless the agency, board or commission has developed an agency specific form.

Executive Council

In this report, we highlight that Invest Alberta Corporation has implemented one recommendation to improve processes to analyze and conclude on financial reporting of significant transactions—see below.

IMPLEMENTED Recommendation

Invest Alberta Corporation

Improve Financial Reporting Processes
IMPLEMENTED Recommendation:
Improve processes to analyze and conclude on financial reporting of significant transactions

Context

In 2021,[49] we found the corporation's draft financial statements required material adjustments to the recognition, presentation, and disclosure of its revenues and expenses. We recommended 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.

Our current findings

The corporation has implemented our recommendation. Management has demonstrated a commitment to building sustainable effective annual financial reporting processes by providing evidence it has:

- increased staff capacity within the financial reporting team and established appropriate segregation of duties
- provided quarterly financial statements and regular updates on internal controls to the audit and finance committee
- developed several financial and non-financial policies to guide its operations
- introduced review procedures to improve the quality of its quarterly and annual financial statements

We examined the documents and conclude that the corporation's financial reporting processes are operating effectively.

[49] *Report of the Auditor General—November 2021*, page 112.

Status of Recommendations

New	Outstanding	Total	Status of Recommendations				Closed Recommendations	
			Ready for Assessment	Not Ready for Assessment	>3 Years	<3 Years	Implemented	Changed Circumstance
0	0	0	0	0	0	0	1	0

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