

NEWS RELEASE

Auditor General issues clean audit opinion on province's 2023-2024 consolidated financial statements, makes 11 new and repeats four recommendations

EDMONTON, AB — November 18, 2024 — Today Auditor General Doug Wylie tabled his *Audit of the 2023-2024 Consolidated Financial Statements of the Province of Alberta and Annual Summary of Ministry Audit Work* in the Legislative Assembly.

“I am pleased to report that my office issued a clean audit opinion on the Province's Consolidated Financial Statements for the year ended March 31, 2024,” said Auditor General Doug Wylie. “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.”

“Our audit also includes 11 new recommendations dealing with improvements needed to financial information preparation and reporting, and grant management processes”, said Wylie. “I am also repeating four previous recommendations, three of which relate to user access controls for information systems.”

Audit of the 2023-2024 Consolidated Financial Statements of the Province of Alberta

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

“The goal of sharing key audit matters with the public is to make the auditor's report more informative by offering clearer insights into the audit. It also helps users discuss important issues with management and those responsible for overseeing the organization,” said Wylie.

Environmental Liabilities

At March 31, 2024, the Province's Consolidated Financial Statements included \$168 million (2023: \$117 million) for environmental liabilities.

The Auditor General identified accounting for environmental liabilities as a key audit matter because:

- there are a significant number of sites where responsibility and strategies for remediation or reclamation have not been established
- the *Processes to Provide Information About Government's Environmental Liabilities, Report of the Auditor General—June 2021*, describes weaknesses in the processes to provide information about environmental liabilities
- management must interpret environmental law and standards to determine who is responsible to do the work when operators won't do the work or no longer exist
- management must have expertise to assess the nature and extent of contamination and the work required to remediate and reclaim sites, and then to estimate costs to do the work

Pension Liabilities

At March 31, 2024, the Province's Consolidated Financial Statements included \$7.9 billion (2023: \$8.3 billion) for pension liabilities.

"The valuation of pension liabilities is inherently uncertain as the actual experience of the plan may differ significantly from assumptions used in calculating pension liabilities," said Wylie. "Examples of assumptions include long-term expectations for investment returns, inflation, salary escalation, and mortality estimates. Pension plan investments include significant allocations to private equity and alternative investment asset classes which are subject to measurement uncertainty. Valuation of these types of investments is also a key audit matter."

Private Equities, Inflation-sensitive and Alternative Investments

At March 31, 2024, the Province's Consolidated Financial Statements included \$12.2 billion (2023: \$12.0 billion) of assets consisting of private equities and inflation-sensitive and alternative investments recorded at fair value.

Management uses valuation models to estimate the fair value of these investments. The valuations of these investments are subject to measurement uncertainty because they are based on valuation models that use inputs and assumptions which are not based on observable market data or quoted market prices.

"We identified the recording of private equities, inflation-sensitive and alternative investments as a key audit matter because estimated fair values may differ significantly from the value that would have been recorded had readily available market prices existed for these investments," said Wylie.

Investments in and Toll Commitments Related to the North West Redwater Partnership

The province, via Alberta Petroleum Marketing Commission signed a processing agreement, whereby NWRP will process Crown royalty bitumen, and market the refined products for the commission. The commission is responsible to supply bitumen and pay 75 per cent of the monthly cost-of-service tolls (including the unconditional debt tolls related to paying NWRP's debt).

At March 31, 2024, the province:

- recorded the total deficit of the commission in equity in government business enterprises on the consolidated statement of financial position (Schedule 8 of the Province's Consolidated Financial Statements). Included in the liabilities of the commission is an onerous contract accounting provision of \$2 billion (2023: \$669 million) because it estimated that the unavoidable costs of meeting the obligations under the agreement exceed its expected economic benefits.
- estimated the toll commitments to be \$37.3 billion (2023: \$40.1 billion)

"We identified the accounting for the investment in NWRP and the toll commitments as a key audit matter because it requires significant judgments and long-term assumptions about future oil prices, inflation rates, and operation of the refinery over its expected life," said Wylie.

Personal Income Tax Revenue

The province estimated personal income tax revenues of \$15.2 billion (2023: \$13.9 billion) for the year ended March 31, 2024. The revenue estimate is subject to measurement uncertainty because tax assessments are finalized after the consolidated financial statements are published.

The province uses an economic model with several inputs and assumptions, such as population growth, personal income growth, and tax elasticity of income to estimate revenues.

“We identified the accounting for personal income tax as a key audit matter because it requires significant judgments and several inputs and assumptions to estimate revenues for the reporting period,” said Wylie.

Annual Summary of Ministry Audit Work

New Recommendations

- Improve financial information preparation and reporting processes (Agriculture and Irrigation, page 47; Forestry and Parks, page 87; Public Safety and Emergency Services, page 117; Transportation and Economic Corridors, page 143)
- Improve grant management processes (Public Safety and Emergency Services, page 118)
- Improve controls over liquor revenues (Alberta Gaming, Liquor and Cannabis Commission, page 131)
- Improve asset accounting processes (Transportation and Economic Corridors, page 144)
- Improve process to record portfolio investments (Olds College, page 32)
- Improve process to account for conditional funding (Olds College, page 33)
- Regularly reconcile cash accounts and investigate differences promptly (Olds College, page 34)
- Regularly monitor the condition of tangible capital assets (Olds College, page 34)

Repeated Recommendations

- Improve financial reporting process (Olds College, page 35)
- Improve user access controls for all of its information systems (Children and Family Services, page 51; Seniors and Community and Social Services, page 123)
- Improve user access controls (Technology and Innovation, page 137)

Since December 2023, the Auditor General has issued 24 new recommendations to those we audit. Many of these new recommendations focus on need for better processes and effective and efficient monitoring of programs and services. During this same period, 15 recommendations were implemented, while 97 from previous audits remain outstanding.

Summary of the 2023 Financial Audit Results of School Jurisdictions in Alberta

The audit also summarizes the results of examinations 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*. The purpose of the summary of the financial information and recommendations made to school jurisdictions is to identify trends across the sector.

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