

RESPONSE TO AUDITOR GENERAL



Response to the Auditor General

Every year the Auditor General prepares an annual report on the scope and findings of the work carried out by the Office of the Auditor General. The following are the numbered recommendations in the Auditor General's 2003-04 Annual Report and the government's response to each of them.

For accountability purposes, we have also responded to the recommendation on contracting for consulting services.

AUDITOR GENERAL'S RECOMMENDATIONS	GOVERNMENT'S RESPONSE
<p>Cross Ministry</p> <p>1. Succession management guidance</p> <p>We recommend that the Personnel Administration Office, working with deputy ministers, provide additional guidance and support to help all departments implement succession management systems.</p> <p>Public Private Partnerships (P3s)</p> <p>2. Identifying opportunities to use a P3</p> <p>We recommend that the Ministries of Infrastructure and Transportation, as co-chairs of the Deputy Minister Capital Planning Committee, work with the Ministry of Finance and other ministries to:</p> <ol style="list-style-type: none"> 1. improve the definition of a P3 2. determine key prerequisites to identify projects most suitable for P3s 3. define when differences in key processes are appropriate 4. improve the timeliness of information and the overall analysis of alternatives to decision makers 5. define what constitutes a significant change in project scope 6. evaluate transparency and accountability of P3s 	<p>Accepted. Additional guidance and support will be provided.</p> <p>Accepted. The Ministries of Infrastructure and Transportation, and Finance will work through the Capital Planning Initiative to define and improve Alberta's P3 process by addressing the six identified items.</p>

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<p>Agriculture, Food and Rural Development</p> <p>3. Risk assessment for the agriculture and agri-food industry in Alberta</p> <p>We recommend that the Department of Agriculture, Food and Rural Development complete a risk assessment that analyzes the probability of major risks to the agriculture and agri-food industry in Alberta. Based on the results of the risk assessment, the Department should also develop risk mitigation and response strategies.</p> <p>4. Measurable targets</p> <p>We recommend that the Department of Agriculture, Food and Rural Development establish measurable targets for its emergency financial assistance programs.</p> <p>5. Contingency planning</p> <p>We recommend that the Department of Agriculture, Food and Rural Development, working with other governments and industry, immediately develop and implement a contingency planning process.</p> <p>6. BSE testing quota</p> <p>We recommend that the Department of Agriculture, Food and Rural Development, working with the federal Canadian Food Inspection Agency (CFIA) and the beef and related industries, ensure that Alberta meets its contribution to Canada's BSE testing quota.</p>	<p>Accepted. More formalized processes for sharing the potential impacts of known risks on the agricultural economy and international trade will be implemented. Ministry officials are targeting for 2004-05 implementation, but completion will be dependent on the Ministry's ability to reallocate resources from other response priorities.</p> <p>Accepted. The Ministry will endeavour to establish reasonable targets for emergency response programs. Decision templates have been updated to incorporate formal documentation of this component.</p> <p>Accepted. Numerous activities are underway to resolve critical issues as soon as possible. In addition, the Foreign Animal Disease Eradication Support (FADES) Plan for Alberta is in the final stages of renewal. This plan incorporates a contingency plan for highly contagious foreign animal disease outbreaks. However, a specific timeline for implementation of additional components such as an economic impact analysis has not yet been identified given the multi-jurisdictional nature of these issues.</p> <p>Accepted. The recently implemented Canada-Alberta BSE Surveillance Program has increased the number of heads that are being tested. This program, combined with the construction of the new Level 3 biocontainment laboratory, will help to ensure Alberta meets its contribution.</p>
<p>Children's Services</p> <p>7. Reporting to senior management on the Delegated First Nation Agencies</p> <p>We recommend that the Ministry of Children's Services improve the quality of its reporting to Ministry senior management on program delivery at the Agencies.</p>	<p>Accepted. A number of actions are being undertaken this year to standardize the reporting of the Delegated First Nation Agencies. The Ministry is developing a standard annual report format and monitoring checklists that will improve the quality of the reporting to senior management. In addition, a quality assurance review is underway to assess the data elements in the Ministry's information system to address the appropriateness and accuracy of these elements as key indicators in the annual report process.</p>

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<p>Community Development</p> <p>8. Service provider risk assessment</p> <p>We recommend that the Persons with Developmental Disabilities Provincial Board, in conjunction with the six Community Boards, reduce the risk of service providers breaching contracts by:</p> <ul style="list-style-type: none"> • performing a risk assessment to identify service providers with a high risk of breaching contracts; and • auditing high-risk service providers to ensure that they spend funding according to their contracts and that they meet the other terms of their contracts. <p>9. Contract monitoring and evaluation</p> <p>We recommend that the Persons with Developmental Disabilities Provincial Board work with the six Community Boards to strengthen the monitoring and evaluation of the performance of service providers by:</p> <ul style="list-style-type: none"> • requiring individual funding service providers to provide adequate financial reporting; • obtaining annual financial statements to evaluate the financial sustainability of critical service providers; • implementing a sustainable, risk-based internal audit plan; • developing and implementing standard procedures to be followed when Community Board staff are in contact with service providers; and • implementing a method to evaluate service provider performance. 	<p>Accepted. The Persons with Developmental Disabilities Provincial Board will work with the Office of the Chief Internal Auditor to conduct a risk assessment of service providers. Those service providers that are assessed to be high risk will be audited this fiscal year. The results of the risk assessment will also be used to design and implement a sustainable, risk-based internal audit plan that will be ongoing into the future.</p> <p>Accepted. The Persons with Developmental Disabilities Provincial Board will work with the Community Boards to enhance accountability by implementing the policy and practice changes recommended by the Auditor General. This will result in more rigorous standard accountability requirements across all PDD-funded service providers. Policy development and related staff training will be completed by March 2005 for implementation at the beginning of the 2005-06 fiscal year.</p>
<p>Energy</p> <p>10. Oil sands projects approvals</p> <p>We recommend that the Department of Energy:</p> <ul style="list-style-type: none"> • set expected ranges for analyzing the costs and forecasted resource prices submitted on oil sands project applications. • incorporate risk into its present value test used to assess project applications. <p>11. Evaluation of industry reporting</p> <p>We recommend that the Department of Energy improve its documentation of its verification procedures for oil sands royalty information and its audit results.</p>	<p>Accepted. The ranges will be developed in 2004-05. The recommendation to "incorporate risk into its present value test used to assess project applications" is accepted in principle and will be fully considered and assessed, including consultation with potentially affected stakeholders commencing in 2004-05.</p> <p>Accepted. Several improvements have already been implemented.</p>

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<p>12. Alberta Royalty Tax Credit program</p> <p>We again recommend that the Department of Energy document and communicate the objectives of the Alberta Royalty Tax Credit program and use measures to assess whether the program is meeting its objectives (2003 - No. 11).</p>	<p>Accepted. As noted in the audit findings, during the 2003-04 fiscal year the department has developed a draft objective and performance measures. The Ministry will work with Alberta Finance to obtain formal approval of the objective.</p>
<p>Environment</p>	
<p>13. Relevancy and sufficiency of performance measures</p> <p>We recommend that the Ministry improve the process for developing new performance measures and ensure the measures in its business plan assess the results each goal aims to achieve.</p>	<p>Accepted in principle. These recommendations will be considered in preparing the 2005-08 Business Plan in the context of the government's standards for 2005-08 ministry business plans.</p>
<p>Finance</p>	
<p>14. Private sector pension plans: compliance information</p> <p>We recommend that the Office of the Superintendent of Financial Institutions ensure that compliance staff:</p> <ul style="list-style-type: none"> • promptly review and follow-up compliance information obtained from private sector pension plans • receive appropriate training to effectively discharge their responsibilities 	<p>Accepted. A business process review is underway and will be completed in 2004-05. The purpose is to identify ways to improve compliance processes and a workflow tracking system has been introduced to better monitor timelines for review of compliance information. An overall business unit competency/training plan for 2005-06 will be developed.</p>
<p>15. Private sector pension plans: monitoring</p> <p>We recommend that the Office of the Superintendent of Financial Institutions improve its processes for monitoring private sector pension plans by:</p> <ul style="list-style-type: none"> • preparing a risk-based annual plan for its compliance monitoring program that identifies resources required to effectively carry out the plan • reporting the results of regulatory activities by compliance staff to senior management • updating its policies and procedures manual 	<p>Accepted. The Office has instituted a risk assessment system, which is being used to identify at-risk plans for further action. Further, in conjunction with the business process review, reporting requirements for senior management are being identified and reporting processes will be established by the end of 2004-05. Also, policy and procedure manuals will be updated as required based on the results of the business process review.</p>
<p>16. Private sector pension plans: high-risk plans</p> <p>We recommend that, for high-risk employer pension plans, the Office of the Superintendent of Financial Institutions obtain:</p> <ul style="list-style-type: none"> • assurance from pension plans' auditors on the plans' compliance with the Employment Pension Plans Act, Regulation and plan document • information on pension plans' governance structure and practices 	<p>Under review. Further consultation with stakeholders regarding the assurances to be provided by the plan's auditors will take place by March 31, 2006. Starting in 2005-06, procedures for examinations and reviews will incorporate methods for obtaining information about the governance structure and practices of high-risk pension plans.</p>

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<p>17. ATB: Lending policy compliance</p> <p>We again recommend that Alberta Treasury Branches ensure its lending officers comply with corporate lending policies (2003 - No. 15).</p> <p>18. ATB: Key internal controls at Branches</p> <p>We again recommend that Alberta Treasury Branches ensure branch processes comply with corporate policies and procedures (2002 - No. 17).</p> <p>19. ATB: Investment service regulatory compliance</p> <p>We recommend that ATB Investment Service Inc., ATB Investment Management Inc., and ATB Securities Inc. enhance their control processes to ensure they meet regulatory requirements.</p>	<p>Accepted. The policy, guideline and process changes that are necessary to address the compliance issues raised have been identified. The most significant changes are currently on track for implementation by June 2005 with continuous improvement planned after that time period.</p> <p>Accepted. A new compliance assessment program and scorecard to assess, monitor and, as necessary, remediate performance against key compliance issues in branch administration and retail credit processes has been implemented. The program involves a follow-up round of site visits by compliance teams that will be completed before the end of the 2005-06 fiscal year.</p> <p>Accepted. Programs have already been implemented to address all regulatory issues noted during the Auditor General's 2003-04 examination. It is anticipated that these programs will be completed by March 31, 2005.</p>
<p>Government Services</p>	
<p>20. Contracting policies and procedures</p> <p>We recommend that the Alberta Corporate Service Centre:</p> <ul style="list-style-type: none"> • develop comprehensive contracting policies and procedures • train staff on how to follow the policies and procedures • monitor staff compliance with the policies and procedures 	<p>Accepted. ACSC will develop more comprehensive contracting policies and procedures by December 31, 2004 and train staff by March 31, 2005. Monitoring processes will then be implemented to ensure staff comply with the new policies and procedures.</p>
<p>Health and Wellness</p>	
<p>21. Health care registration</p> <p>We recommend the Department of Health and Wellness improve control over the health care registration system (1999 - No. 40).</p>	<p>Accepted. The Ministry is working to improve control over health registration. Prior to October 2004, a plan was developed for a new eligibility verification policy and process that introduces increased rigor by ensuring applicants provide proof of identity, residency and legal entitlement to reside in Canada. The implementation date for this new policy is January 2005.</p> <p>In October 2004, the Ministry began implementing a new duplicate or replacement health card policy and procedure.</p>

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<p>22. Information technology control environment</p> <p>We again recommend that the Department of Health and Wellness carry out a comprehensive risk assessment of its IT environment, and develop and implement an IT disaster recovery plan (2002 - No. 24).</p>	<p>Accepted. The Ministry began a comprehensive risk assessment of its IT environment in September 2004 with an anticipated completion date in the first quarter of the 2005-06 fiscal year. The Ministry has conducted a walk through of data and application processes on an annual basis with a mainframe recovery test conducted successfully in December 2003. The development of an all-encompassing formal disaster recovery plan is now well underway with an anticipated completion date of March 31, 2005.</p>
<p>23. Accountability of the Health Regions to the Minister</p> <p>We again recommend that the Department of Health and Wellness improve accountability of the Health Regions to the Minister by:</p> <ul style="list-style-type: none"> • ensuring performance expectations for the Health Regions are explicit and accepted by the Health Regions, • reviewing and providing feedback to the Health Regions on the Health Regions' progress towards meeting expectations, and • taking follow up actions, including rewards and sanctions, to improve the future performance of the Health Regions (1998 - No. 26). 	<p>Accepted in principle. A robust accountability process that includes rewards and sanctions will evolve over time. The multi-year performance agreement process for 2004-05 and the new planning process for 2004-08 attests to the Ministry's attempts to improve the accountability of regional health authorities and provincial boards. The Ministry and the health authorities are continuing to refine performance measures and targets, including ways to improve quarterly reporting.</p>
<p>Infrastructure</p>	
<p>24. Swan Hills Treatment Plant</p> <p>We recommend that the Ministry of Infrastructure establish a process to assess whether the Swan Hills Treatment Plant is achieving its objectives.</p>	<p>Accepted. A comprehensive strategic assessment will be undertaken by 2008-09.</p>
<p>Innovation and Science</p>	
<p>25. Security awareness Program</p> <p>We recommend that the Corporate Chief Information Officer implement a security awareness program for government employees.</p>	<p>Accepted. The Office of the Corporate Chief Information Officer will work with the Office of the Auditor General and the Chief Information Officers' Council to reinforce the importance of ministries developing and delivering security awareness training to users of critical systems through the 2005-06 fiscal year.</p>

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<p>Learning</p> <p>26. University of Calgary: Planning for research capacity</p> <p>We recommend that the University of Calgary improve human resource and space plans and develop a system to quantify and budget for the indirect costs of research.</p> <p>Revenue</p> <p>27. Reliance on Canada Revenue Agency's compliance auditing</p> <p>We recommend that the Tax and Revenue Administration division of the Ministry of Revenue justify its reliance on the compliance audit activities of the Canada Revenue Agency.</p> <p>Sustainable Resource Development</p> <p>28. Confined feeding operations</p> <p>We recommend that the Natural Resources Conservation Board enhance its compliance and enforcement function by prioritizing tasks based on risk analysis and managing odour and nuisance complaints more efficiently.</p> <p>Transportation</p> <p>29. Monitoring processes for inspection programs</p> <p>We recommend that the Ministry of Transportation strengthen its monitoring processes for Commercial Vehicle Inspection Program and Motor Vehicle Inspection Program by:</p> <ul style="list-style-type: none"> • documenting policies, procedures and management's expectations of the Vehicle Safety Investigators to ensure that they perform their functions appropriately and consistently; • developing a reporting process to allow senior management to enhance the assessment of the effectiveness of the programs. 	<p>Accepted. The University is developing a comprehensive review of resources required to deliver its core services with a focus on its human resource and space planning. The University will continue to work with the Ministry and the federal government over the next two years to develop an improved understanding and appropriate funding of the incremental indirect costs of research.</p> <p>Accepted. The Canada Revenue Agency has been asked for relevant information to be provided on an ongoing, formalized basis, and this request will be discussed further in upcoming meetings. The information obtained will be used in updating the program risk analysis.</p> <p>Accepted. The Natural Resources Conservation Board (NRCB) will be assessing compliance management practices in other jurisdictions, which will be used to formulate a standardized protocol by March 31, 2005. All senior managers have begun to formalize operational plans, with assistance from a professional consultant, to coincide with the development of the NRCB's 2005-08 Business Plan.</p> <p>Accepted. The Ministry will publish existing policies for Motor Vehicle Inspection Program and Commercial Vehicle Inspection Program, and develop procedures during 2004-05, with completion expected for Spring 2005. A risk based assessment model which will allow the resources to be more effectively targeted to areas requiring intervention will be implemented. Performance and activity reporting for contract auditors will be implemented within the 2004-05 fiscal year.</p>

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<p>30. Licensing inspection stations and technicians</p> <p>We recommend that the Ministry of Transportation improve the process to license inspection facilities and technicians.</p>	<p>Accepted. The Ministry will work on improving the process to license inspection facilities and technicians during 2004-05, with implementation to be completed in 2005-06.</p>
<p>Members of the Legislative Assembly (MLAs) expense reimbursements</p> <p>31. Timeliness of Report of payments to MLAs</p> <p>We again recommend that the Minister of Finance improve the timeliness of the annual Report of payments to MLAs (2003 - page 290).</p>	<p>Accepted in principle. Finance will work with the Legislative Assembly Office to streamline the process for developing the report.</p>
<p>Accountability</p> <p>Contracting for consulting services</p> <p>We recommend the Department of Health and Wellness follow its contract management policy and processes in awarding any contract for consulting services.</p>	<p>Accepted. The Ministry has requested the Office of the Chief Internal Auditor to review the Ministry's contract management processes to ensure the contract management policy is being followed. In addition, Treasury Board reinforced its previous policies and the Office of the Chief Internal Auditor and Finance will survey ministries annually.</p>