

RESPONSE TO THE AUDITOR GENERAL

Alberta **2003** Budget

Making Alberta Even Better

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 2001-02 Annual Report and the government's response to each of them.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Cross-Government</p> <p>1. Improve internal controls</p> <p>We recommend that the Department of Finance, working with the other departments and the Alberta Corporate Service Centre, improve internal controls, in particular, controls for:</p> <ol style="list-style-type: none"> 1. access to the IMAGIS system 2. the use of procurement cards 3. compliance with sections 37 and 38 of the <i>Financial Administration Act</i> <p>2. Establish internal audit</p> <p>We recommend that the Deputy Minister of Executive Council, working with other Deputy Ministers, establish an internal audit function to provide assurance that significant government systems and risks are managed effectively.</p> <p>3. Improve guidance on business plans</p> <p>We recommend that the Ministry of Finance, working with other ministries, develop comprehensive standards for preparing ministry business plans. We further recommend that Deputy Ministers and the Ministry of Finance ensure the standards are followed.</p>	<p>Accepted. Senior Financial Officers across government have implemented internal control best practices for procurement cards. Internal control best practices on the other items raised by the Auditor General are expected to be implemented in the current fiscal year.</p> <p>Accepted. The Deputy Minister of Executive Council, working with the Deputy Ministers' Committee, will determine how best to implement this recommendation.</p> <p>Accepted. In September, Treasury Board approved updated guidelines for preparation of 2003-06 business plans. The Deputy Ministers' Committee will review how to ensure compliance with these guidelines.</p>

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<p>4. Government competency model</p> <p>We recommend that the Personnel Administration Office, working with Deputy Ministers, improve guidance for the use of the Alberta Public Service Competency Model.</p>	<p>Accepted. It will remain important for departments to retain the flexibility to be responsive to the unique nature of their respective business needs.</p>
<p>Agriculture, Food and Rural Development</p>	
<p>5. Reporting industry performance targets</p> <p>We recommend that the Ministry of Agriculture, Food and Rural Development report progress toward its industry performance targets in its annual report performance measures.</p>	<p>Accepted in principle. Management will take the recommendation into consideration in the development of the Ministry's new framework and revised reporting processes.</p>
<p>Children's Services</p>	
<p>6. Funding allocation</p> <p>We recommend that the Ministry of Children's Services allocate funds to Authorities in a way that provides for appropriate incentives and allows the Authorities to plan and manage their business.</p>	<p>Accepted. Multi-year funding/expenditure targets have been provided to the Authorities. The Ministry will review further the principles related to allocation of funding to Child and Family Services Authorities within program areas voted by the Legislative Assembly</p>
<p>7. First Nation expense recoveries</p> <p>We recommend that the Ministry of Children's Services improve its systems to recover expenses for providing services to children and families ordinarily resident-on-reserve.</p>	<p>Accepted. Several initiatives for improvement in systems and processes are underway in the current fiscal year. There are several different agreements that cover the provision of services to children and their families ordinarily resident on reserve. Changes to the administration of these agreements may take several years to implement.</p>
<p>8. Contract management systems</p> <p>We recommend that the Ministry of Children's Services strengthen the processes used to award and manage contracts.</p>	<p>Accepted. A new cross-government contract management system is planned to be implemented during the 2003-04 fiscal year. A review of risk management strategies underway will also address the policies and practices related to contracting.</p>
<p>9. ACSC audit services</p> <p>We recommend that the Ministry of Children's Services improve accountability for audit services provided by Alberta Corporate Services Centre.</p>	<p>Accepted. Ministry staff will take a more active role in managing audit services provided by ACSC by identifying areas of risk that should be addressed, and outlining expectations for the presentation of results and expected follow-up. We will also work with the ACSC on the clarification of roles and responsibilities.</p>

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<p>10. Policies and practices</p> <p>We recommend that the Office of the Children's Advocate clarify its practices for conflicts between a child's viewpoint and best interest, and then confirm these practices with the Minister of Children's Services.</p>	<p>Accepted. The Ministry suggests Office of the Children's Advocate (OCA) retains its responsibility to assist young people to express their viewpoints with respect to decisions that will affect them, and that the parents or guardians of these young people retain the responsibility for best interests decision-making. The OCA has examined possible changes to policy and procedure in response to the recommendation, for discussion with the Minister.</p>
<p>Community Development</p>	
<p>11. Excluded operations</p> <p>We recommend that the Ministry of Community Development record in its financial statements all revenues, expenses and surpluses generated through the operation of Provincially owned facilities.</p>	<p>Under review. Volunteer societies operating the facilities are legally incorporated, not-for-profit organizations. Legal opinion obtained by the ministry has indicated that these are not public funds. We continue to review this recommendation with the Office of the Auditor General.</p>
<p>Energy</p>	
<p>12. Royalty reduction programs</p> <p>We again recommend that the Department of Energy disclose its royalty reduction programs in its financial statements (2001-No. 43).</p>	<p>Accepted. The Department is working with the Department of Finance and the Office of the Auditor General to resolve this issue by agreeing on an appropriate method of disclosure.</p>
<p>13. Defining performance measures</p> <p>We again recommend that the Ministry of Energy use performance measures that permit consistent evaluation of the success of the Ministry from one year to the next (2001-No. 42).</p>	<p>Accepted. The 2002-05 Ministry plan includes outcome-based measures that are intended to be comparable from year to year and that will track the results of our work. The Ministry will continue to refine these measure where needed.</p>
<p>14. Well and production data reported by industry</p> <p>We again recommend that the Alberta Energy and Utilities Board develop an audit strategy for the Production Audit Group that meets the business needs of key stakeholders (2001-No. 44).</p>	<p>Accepted. The introduction of the Petroleum Registry of Alberta will help to solidify the specific risk areas of production reporting and contribute to our audit strategy. The EUB'S Production Audit Group will formally adopt a detailed audit strategy that meets the business needs of the key stakeholders.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Finance</p>	
<p>15. Corporate government accounting policies</p> <p>We again recommend the Department of Finance change the corporate government accounting policies to improve accountability (2001-No. 45).</p>	<p>Accepted in principle. The government's corporate accounting policies continue to be reviewed on an ongoing basis, in consultation with ministries and the Office of the Auditor General. Changes may take place as a result of work being done by the Public Sector Accounting Board. Changes are implemented where Treasury Board considers accountability can be improved.</p>
<p>16. Risk management</p> <p>We recommend that Alberta Treasury Branches (ATB) develop an integrated approach to risk management to effectively manage operational, credit and market risk.</p>	<p>Accepted. The enterprise risk management concept is strongly supported by ATB. Development of an overall plan and a framework is underway.</p>
<p>17. Key internal controls</p> <p>We again recommend that Alberta Treasury Branches management document, evaluate and monitor internal controls to ensure assets are properly protected and financial information is accurate and complete (2001-No. 49).</p>	<p>Accepted. ATB continues to focus on further strengthening its internal controls and improvements have been made. This is an ongoing process and it will take time to fully address the recommendation.</p>
<p>18. Business resumption plan</p> <p>We recommend that Alberta Treasury Branches complete and test a business resumption plan to enable the timely resumption of business in the event of a significant business disruption.</p>	<p>Accepted. For the last several years significant resources have been allocated to this issue. Although we expect to make a significant progress this year, the work will continue beyond the current fiscal period.</p>
<p>Gaming</p>	
<p>19. Risk management</p> <p>We recommend that the Alberta Gaming and Liquor Commission develop a formal risk management process and provide the Board with a comprehensive risk assessment, including management's actions to manage the risks.</p>	<p>Accepted. A formal, documented risk assessment and mitigation plan has been included in the 2003-06 business plan development process. Refinements are expected to occur in future years.</p>
<p>20. Internal controls</p> <p>We recommend that the Alberta Gaming and Liquor Commission establish a formal process to assess the adequacy of its systems of internal controls and report the results of these assessments to the Board.</p>	<p>Accepted. The Alberta Gaming and Liquor Commission will establish a formal process to assess the adequacy of its systems of internal control which will be coordinated with the government's actions in this area. All internal control assessments will be provided to the Board with proposals to deal with any identified shortcomings or suggested improvements.</p>

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<p>Government Services</p>	
<p>21. Motor Vehicles Registry access standards</p> <p>We again recommend that the Ministry of Government Services implement access standards for the use and disclosure of personal information in the Motor Vehicles Registry (1998-No. 47).</p>	<p>Accepted. The Ministry is working closely with Alberta Transportation and the Privacy Commissioner's Office to refine the standards for accessing information from the motor vehicle registry. Implementation of these new access standards will likely be in conjunction with changes to the <i>Freedom of Information and Protection of Privacy Act</i> in Spring, 2003.</p>
<p>22. Performance Measures</p> <p>We recommend that the Alberta Corporate Service Centre improve its performance measurement systems.</p>	<p>Accepted. A "balanced scorecard" approach is being developed for 2003-04 to provide a consistent, accurate report on the outcomes achieved.</p>
<p>Health and Wellness</p>	
<p>23. Business Planning</p> <p>We again recommend the Department of Health and Wellness and Authorities implement a joint strategy to ensure authorized business plans are implemented at the start of the year (2001-No. 13).</p>	<p>Accepted. The delay in completing business plans largely results from the timing of the province's funding announcement. The proposed approach of multi-year contracting between the province and health authorities currently under consideration could significantly address this recommendation.</p>
<p>24. Information technology control environment</p> <p>We recommend that the Department of Health and Wellness assess the effectiveness of the controls over information technology, resolve deficiencies, and strengthen the overall control framework. In particular, the Department should obtain assurance that its service providers are maintaining effective controls.</p>	<p>Accepted. The Department is jointly undertaking with other ministries, a SysTrust Audit of several of its areas. The SysTrust Audit pre-certification work is expected to be undertaken during December 2002 through March 2003.</p>
<p>25. Alberta Cancer Board</p> <p>We recommend that the Alberta Cancer Board improve systems for managing cancer drug programs.</p>	<p>Accepted. The Department will continue to work with the Board to improve their system for managing cancer drug programs.</p>
<p>26. Chinook Regional Health Authority reservation of opinion</p> <p>We again recommend the Chinook Regional Health Authority continue to work with the Department of Health and Wellness and Alberta Infrastructure to clarify the nature of the Authority's future responsibilities for, and control of, one long-term care facility (2001-Page 133).</p>	<p>Accepted. All stakeholders have now reviewed the leases and accountability relationships. We plan to have the capital and operating lease concluded by December 31, 2002.</p>

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<p>Human Resources and Employment</p> <p>27. Monitoring compliance with the Skills Development Program (SDP)</p> <p>We again recommend that Department of Human Resources and Employment improve the procedures to monitor compliance by training providers with the terms of the Skills Development Program (2001-No. 22).</p> <p>Infrastructure</p> <p>28. Contracting processes</p> <p>We recommend that the Ministry of Infrastructure strengthen its contract management processes by:</p> <ol style="list-style-type: none"> 1. ensuring contracts for consulting services are awarded through a process that is open, fair, and gets good value 2. ensuring that all contracts contain the provisions required to protect the Ministry 3. evaluating consultant and contractor performance 4. establishing a policy for renewing property management contracts without competition <p>29. Conflict of interest</p> <p>We recommend that the Ministry of Infrastructure require its employees to disclose annually in writing:</p> <ol style="list-style-type: none"> 1. that they understand and agree to follow the <i>Code of Conduct and Ethics</i>. 2. any potential conflicts of interest they have. <p>We also recommend that the Ministry ensure that consultant contracts contain a conflict of interest provision.</p> <p>30. Long-term capital asset plans</p> <p>We again recommend that the Ministry of Infrastructure implement processes to ensure that capital plans received from ministries, regional health authorities, school jurisdictions and post-secondary educational institutions contain the information it requires to prepare its long-term strategic plans (2001-No. 25).</p>	<p>Accepted. As a result of ongoing monitoring and analysis of this issue the Department will hire more third party audit consultants to increase the monitoring of the training providers. Contracts for these consultants should be in place by April 1, 2003.</p> <p>Accepted. This is currently under review and we are in the process of developing an action plan. New procedures will be implemented by March 31, 2003.</p> <p>Accepted. This is currently under review and we are in the process of developing an action plan for implementation within the Ministry and potentially across government. New procedures will be implemented in the Ministry by March 31, 2003.</p> <p>Accepted. This is currently under review and we are in the process of developing an action plan. New procedures will be implemented by March 31, 2003.</p>

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<p>Innovation and Science</p> <p>31. IMAGIS Control Environment</p> <p>We recommend that the Ministry of Innovation and Science resolve deficiencies in the IMAGIS environment and strengthen the overall IMAGIS control framework.</p> <p>32. IMAGIS Management Team</p> <p>We recommend that the Ministry of Innovation and Science ensure that the strategic and contractual oversight responsibilities currently assigned to the IMAGIS Management Team, under Article 6 of the Master Agreement with the service provider, are adequately addressed.</p> <p>33. Systems Development</p> <p>We again recommend that the Ministry of Innovation and Science, with the cooperation of other ministries, develop a systems development methodology (2001-No. 27).</p> <p>34. Clarification of Legislation - Alberta Heritage Foundation for Science and Engineering Research</p> <p>We again recommend that the Minister of Innovation and Science seek an amendment to the <i>Alberta Heritage Foundation for Science and Engineering Research Act</i> to clarify the meaning of "real value of the Endowment Fund over the long term" (2001-page 174).</p>	<p>Accepted. The Ministry is working to resolve this recommendation in the current business cycle. The implementation of the IMAGIS Upgrade in the next business cycle will also assist in addressing this recommendation.</p> <p>Accepted. The Ministry will address this recommendation in the current business cycle.</p> <p>Accepted. The Ministry will resolve this recommendation by developing project management templates and rolling them out to ministries in the current business cycle.</p> <p>Under review. The Alberta Heritage Foundation for Science and Engineering Research, Alberta Revenue, and the Ministry are currently reviewing this matter to determine the best course of action.</p>
<p>Learning</p> <p>35. Long-term capital planning</p> <p>We again recommend that the Department of Learning improve its systems to ensure that long-term capital planning for school facilities is consistent with plans for the delivery of education (2001-No. 31).</p>	<p>Accepted. Learning will work closely with Infrastructure to address this recommendation. Access to the full capital plan will be referenced in school jurisdictions' three year education plans. The target for resolution of any apparent inconsistencies between school jurisdictions' capital and education plans is 2004-05 when the recommendations of the Financial Management Commission for long-term capital planning are fully implemented.</p>

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<p>36. Risk management</p> <p>We again recommend that the Department of Learning establish a risk management process to improve the effectiveness of its control and monitoring activities (2001-page 196).</p>	<p>Accepted. Risks are addressed in the development of the Ministry's business plan and considered in monitoring activities performed by the Ministry. Further risk management initiatives will be undertaken by Learning in the current business cycle and an integrated risk management process for the Ministry is targeted for full implementation in 2004-05.</p>
<p>37. Charter School accountability</p> <p>We again recommend that the Department of Learning determine what steps are needed to achieve charter school compliance with reporting requirements (2001-No. 32).</p>	<p>Accepted. Learning has assigned a liaison manager to each charter school to provide guidance in improving performance reporting and to ensure there is one-to-one correspondence between measurable outcomes and performance measures in charter schools' 2001-02 Annual Education Results Report.</p>
<p>38. Capital Assets Policy statement</p> <p>We again recommend the Department of Learning, in consultation with the Department of Infrastructure and the Department of Innovation and Science, provide an updated Capital Assets Policy Statement to the public post-secondary institutions (2001-No. 35).</p>	<p>Accepted. The Province has recently accepted the recommendations of the Financial Management Commission regarding capital funding. These recommendations, once fully implemented in 2004-05, will facilitate the development of capital asset policies for public post secondary institutions.</p>
<p>39. Alberta School Foundation Fund - Allowance for Assessment Adjustments and Appeals</p> <p>We again recommend that the Ministry of Learning improve the process used to calculate the allowance for assessment adjustments and appeals (2001-No. 33).</p>	<p>Under review. The Ministries of Finance, Learning and Municipal Affairs participate on a working committee to address this audit reservation. Learning will work with its Ministry partners to determine the best solution.</p>
<p>40. Internal control systems</p> <p>We again recommend that the University of Alberta improve its system of internal control (2001-No. 37).</p>	<p>Accepted. To improve its internal control systems, the University has initiated work in the research area by amalgamating it into a single office known as the Research Services Office. The University is now planning work on an expanded business model to address other internal control issues. Target date for completion is 2005-06.</p>

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<p>41. Basis of measurement for budget</p> <p>We again recommend that the University of Alberta corporate level budget be presented solely on a GAAP basis and that it encompass all operating, financing and investing transactions (2000-No. 36).</p>	<p>Accepted. The University will consider extending the GAAP budgets, where practical, from the overall corporate level to faculties and support units over the next few years as the appropriate business models are implemented at the faculty and support unit levels. Target date for completion is 2005-06.</p>
<p>42. Net assets</p> <p>We again recommend the University of Alberta calculate the level of net assets required to ensure that programs and facilities continue to be supported (2000-No. 37).</p>	<p>Accepted. A Funding Solutions Task Force has been established to look at cost reductions as well as revenue enhancements. Additional strategies are also being developed by faculties and departments and will be reflected in their respective updated business plans. Net asset targets will be established as capital asset policies are developed by the Ministry. Target date for completion is 2005-06.</p>
<p>43. Internal control systems</p> <p>We again recommend that the University of Calgary significantly improve its internal control systems (2001-No. 38).</p>	<p>Accepted. Improvement of internal controls will ultimately require the replacement of core legacy systems along with changes to administrative structures, policies and processes that will occur beyond the current business cycle. Risk assessments of key business processes have been completed that will guide internal control improvement strategies. Target date for completion is 2006-07.</p>
<p>44. Application development methodology</p> <p>We recommend that the University of Calgary implement a formal methodology to design, develop, implement, test, and maintain software applications.</p>	<p>Accepted. The University will work towards this recommendation within the context of its current financial constraints and other competing priorities. To the extent the University is unable to take action in the current business cycle, substantive action will be taken in subsequent business cycles. Target date for completion is 2006-07.</p>
<p>45. Financial Processes</p> <p>We again recommend that Grant MacEwan College improve its financial processes and controls to increase efficiency and accuracy in financial reporting (2001-No. 39).</p>	<p>Accepted. The College has completed a financial process review and recommendations from this review are currently being implemented. In addition, the College is reviewing the possibility of an internal audit function to assist in monitoring of financial controls and to improve financial processes. Target date for completion is June 2004.</p>

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<p>Municipal Affairs</p> <p>46. Emergency preparedness</p> <p>We recommend that the Ministry of Municipal Affairs improve its procedures to promote and coordinate emergency preparedness plans developed by Alberta government departments and municipalities. We further recommend that the Ministry reassess the present and future suitability of the existing <i>Government Emergency Operations Centre</i>.</p> <p>47. Managing for results</p> <p>We recommend that the Ministry of Municipal Affairs:</p> <ol style="list-style-type: none"> effectively implement the Ministry business plan by fully integrating its operational plans with the Ministry business plan and staff performance plans. improve the implementation of the human resource performance planning and assessment process. refer to all relevant entities in the business plan and expand the discussion of risks and environment factors. review the methodology for two performance measures. <p>Sustainable Resource Development</p> <p>48. Timber production audits</p> <p>We recommend that the Department of Sustainable Resource Development improve:</p> <ol style="list-style-type: none"> the planning, documentation, and reporting of results for its timber production audit group. the timeliness of its timber production auditing. <p>Transportation</p> <p>49. Conflict of interest</p> <p>We recommend that the Ministry of Transportation require its employees to disclose annually in writing:</p> <ol style="list-style-type: none"> that they understand and agree to follow the <i>Code of Conduct and Ethics</i>. any potential conflicts of interest. <p>We also recommend that the Ministry ensure that consultant contracts contain a conflict of interest provision.</p>	<p>Accepted. We are taking action in the current business cycle and into future business cycles to address the recommendation.</p> <p>Accepted. The Ministry's objective in its planning process is to integrate internal operational planning processes with its individual performance planning activities. Targets have been set to improve the participation in and the quality of our performance planning system. Methodology for selected performance measures will be reviewed in the 2004-05 reporting cycle.</p> <p>Accepted. The Department is revising the Timber Production Audit Framework to reflect a systems-based audit approach. This change, which will be implemented into the business practices by the end of the current business cycle, will address the planning, documentation, reporting and timeliness issues identified.</p> <p>Accepted. This is currently under review and we are in the process of developing an action plan for implementation within the Ministry and potentially across government.</p>