



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. Following are the numbered recommendations in the Auditor General's 1999-2000 Annual Report and the government's response to each of them.

These recommendations and the government's response are based on the previous ministry structure in effect at March 31, 2000.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Cross Government</p> <p>1 Core measures and targets</p> <p>We recommend that the Department of Treasury, in conjunction with other ministries, clearly define the core measures and targets in the government business plan.</p> <p>2 Linking goals to core businesses</p> <p>We recommend that ministries, with assistance from the Department of Treasury, improve the link between goals and core businesses in ministry business plans.</p>	<p>Accepted. The government business plan is a work in progress. It has always been the intention that each goal under the three core businesses <i>People, Prosperity</i> and <i>Preservation</i> would have at least one core measure which would have a performance target associated with it. Some measures are still under construction while others are being refined as better metrics are discovered. The process of establishing appropriate targets is complex and involves the input of many stakeholders and interest groups.</p> <p>Accepted. Some improvement in the link between goals and core businesses will occur in the 2001-04 ministry business plans as part of our ongoing refinements. Full implementation of the recommendation will commence with the 2002-05 ministry business plans.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>3 Targets</p> <p>We recommend that ministries, in conjunction with the Department of Treasury, ensure that all performance measures in ministry business plans include clearly defined targets.</p> <p>4 Integrated results analysis</p> <p>We recommend that ministries, with assistance from the Department of Treasury, enhance the results analysis included in ministry annual reports by providing an integrated analysis of financial and non-financial performance.</p>	<p>Accepted. The objective of measuring performance is to foster a discussion around long term improvements rather than measure and report on short term wins. It is the overall direction of the results being measured that is important.</p> <p>Accepted. The quality of results analysis included in ministry annual reports continues to evolve. Efforts will be made to better integrate analysis of financial and non-financial performance.</p>
<p>Agriculture, Food and Rural Development</p>	
<p>5 Core businesses</p> <p>We recommend that the Ministry of Agriculture, Food and Rural Development business plan be enhanced by structuring it around core businesses, each embracing one or more goals, performance targets related to those goals, strategies designed to achieve those goals, and the budget for the necessary resources.</p>	<p>Accepted. A description of the Ministry's core businesses and their costs will be included in the Ministry 2001-2004 business plan. Implementation of the recommendation regarding goals, performance targets, strategies and budget will commence with the development of the 2002-2005 business plan.</p>
<p>6 Computer control environment</p> <p>We recommend that Agriculture Financial Services Corporation obtain assurance on the control environment of their outsourced computer services provider.</p>	<p>Accepted. The outsourcing contract expires June 30, 2001. The corporation will implement the recommendation when a new or renewed contract is signed. The corporation will consult with the Office of the Auditor General to determine the most effective way to implement this recommendation.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Children's Services</p> <p>7 Shared services support</p> <p>We again recommend that the Department of Children's Services and the Child and Family Services Authorities examine the support services, including shared services, for opportunities to improve cost effectiveness. We also again recommend that the Department and Authorities enter into service agreements with their service providers.</p> <p>8 Business practices and accounting policies</p> <p>We recommend that the Department of Children's Services work in collaboration with the Child and Family Services Authorities to clarify business practices and ensure financial statements comply with generally accepted accounting principles.</p> <p>9 Expenditure forecasts</p> <p>We recommend that the Department of Children's Services review the funding formula to ensure that the allocation of resources is consistent with the expected needs of each Child and Family Services Authority. We further recommend that the Department and Authorities obtain appropriate information to assist in forecasting and managing costs.</p> <p>10 Year-end accounting processes</p> <p>We recommend that the Department of Children's Services and the Authorities improve their year-end accounting processes in order to produce high quality, accurate and timely financial statements.</p>	<p>Accepted in principle. The cost-effectiveness of support services will be reviewed in conjunction with the transfer of many services to the Alberta Corporate Service Centre (ACSC).</p> <p>Accepted in principle. The process of clarifying and formalizing accounting policies and business practices is underway. The basis of accounting for the authorities will be further discussed with Alberta Treasury to ensure consistency in the government's corporate accounting policies.</p> <p>Accepted. The Ministry is committed to improving the funding model taking into consideration variations between regions, best practices in case and program management, and the impact of legislated and mandated program parameters. Work to improve access to expenditure information and facilitate monitoring and forecasting of costs is underway.</p> <p>Accepted. Procedures have been implemented to reconcile and review accounts on a monthly basis. Detailed financial control standards are being established to ensure consistency.</p>

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<p>11 Business planning</p> <p>We again recommend that the business plans of the Child and Family Services Authorities provide clear links between the social and economic factors affecting service delivery and the attendant strategies to mitigate their effect on service delivery. We also recommend that each Authority develop an appropriate number of performance measures to monitor the effectiveness of services.</p>	<p>Accepted. The Ministry is developing a planning process that links environmental trends to proposed actions and utilizes relevant performance measures at the authority level.</p>
<p>Economic Development</p>	
<p>12 Assets recorded as grants</p> <p>We recommend that the Department of Economic Development ensure that expenses and assets arising from new initiatives are disclosed in its financial statements based on the substance of the transactions.</p>	<p>Accepted.</p>
<p>Environment</p>	
<p>13 Consistent action plans</p> <p>We recommend that the Department of Environment's regional and area Action Plans used in the planning process be completed on a consistent basis. There are 17 areas covering the Province for which Action Plans are prepared by the Department's Natural Resources Service.</p>	<p>Accepted. Natural Resources Service has utilized an operational plan at the service level, in conjunction with action plans at the area level for the fiscal years 1999-2000 and 2000-01. Improvement in consistency is expected in future years.</p>
<p>14 Monitoring system for DAOs</p> <p>We recommend that the Department of Environment fully implement and continue to refine its system for monitoring its Delegated Administrative Organizations.</p>	<p>Accepted in principle. Monitoring will continue to be enforced. Both informal and formal communication is occurring, particularly with respect to business planning and annual reporting in an effort to address the requirements outlined in the evaluation framework.</p>

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<p>Gaming</p> <p>15 Accountability for the Casino Gaming Terminal Racetrack Program</p> <p>We recommend that the Ministry of Gaming establish an appropriate accountability system to determine whether public resources provided to the horse racing industry have been spent for their intended purposes and have achieved their objectives.</p> <p>16 Accountability of the Alberta Racing Corporation</p> <p>We recommend that the Ministry of Gaming take appropriate steps to hold the Alberta Racing Corporation accountable for the performance of its delegated responsibilities.</p>	<p>Accepted. The new process for disbursing funds to the racing industry in Alberta will be fully open and transparent and will include, as part of the agreements, the necessary accountability framework for all funds disbursed through the Racing Industry Renewal Initiative.</p> <p>Accepted. Immediate steps to address the specific issues commented upon in the Auditor General's Report include:</p> <ul style="list-style-type: none"> • All payments of gaming revenues to the Alberta Racing Corporation have ceased effective September 21, 2000. • Review of and commentary on the Alberta Racing Corporation's business plan and annual report will be done. • A detailed accounting of all gaming revenues received by the Alberta Racing Corporation will be provided to the Alberta Gaming and Liquor Commission. • The Ministry's next annual report will include a section on the Racing Appeal Tribunal.
<p>Health and Wellness</p> <p>17 Accountability for the cost and quality of health services</p> <p>We recommend that the Department of Health and Wellness further develop a process for defining and reporting the respective accountability of those affecting the cost and quality of health services.</p>	<p>Accepted. The Ministry is working on a number of initiatives such as the Medical Services Project and the Alternative Payment Plan Pilot Project which will help define the reporting, accountability and responsibility relative to costs and health services.</p>

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<p>18 Business planning for health</p> <p>We again recommend that the Department of Health and Wellness and health authorities implement a joint strategy for improving the implementation of authorized business plans.</p>	<p>Accepted. The Ministry will collaborate with health authorities and others to determine where streamlining of the process can occur to improve implementation of the 2001-04 business plans.</p>
<p>19 Reporting the cost of outputs</p> <p>We again recommend that the Department of Health and Wellness take a lead role in working with health authorities in reporting the costs of key service outputs.</p>	<p>Accepted.</p>
<p>20 Reporting population health costs</p> <p>We recommend that the Department of Health and Wellness develop a process for reporting the full cost of delivering health services for the population of each health region of Alberta as a means of supporting business planning decisions and the accountability of regional health authorities.</p>	<p>Accepted in principle. The Ministry will examine how relevant reporting can be enhanced to support decision-making.</p>
<p>21 Using information to improve funding systems</p> <p>We again recommend that the Department of Health and Wellness examine regional differences in the utilization and cost of health services with a view to improving the system for allocating funds to health authorities.</p>	<p>Accepted. An in-depth study is being conducted that will examine regional differences in utilization and costs and may result in enhancements to the funding formula.</p>
<p>22 Accountability for we//net results</p> <p>We recommend that the Department of Health and Wellness and the Alberta we//net Project Office review the alignment of accounting, funding, and accountability for we//net to better ensure the achievement of benefits for costs incurred.</p>	<p>Accepted. A proposal is being considered regarding future funding of we//net to achieve consistent reporting and accountability.</p>

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<p>23 Reporting financial results</p> <p>We recommend that the Department of Health and Wellness improve the reporting of financial results in the Ministry and Department financial statements.</p>	<p>Accepted. The Ministry is reviewing the budget process to improve the linkages and reporting of objectives with financial performance.</p>
<p>Human Resources and Employment</p>	
<p>24 Skills development program</p> <p>We recommend that procedures to monitor compliance by educational institutions with the terms of the Skills Development Program be improved.</p>	<p>Accepted in principle. A new Memorandum of Understanding (MOU) has been finalized that addresses the risks identified in the audit. The Ministry will develop interim procedures to ensure compliance with the program terms to provide adequate assurance until the new MOU is fully implemented. In addition, the Skills Development Program is currently being reviewed along with other related programs to determine the most effective method for delivering these services.</p>
<p>Infrastructure</p>	
<p>25 Monitoring the Ministry's implementation of the Capital Planning Initiative strategies</p> <p>We recommend that the Ministry of Infrastructure monitor and evaluate its progress in implementing the strategies of the Capital Planning Initiative.</p>	<p>Accepted. The Ministry has been monitoring the progress on the implementation of the Capital Planning Initiative through:</p> <ul style="list-style-type: none"> • the approved business plan, • the semi-annual Corporate Capital Overview process, • the strategies/work plan established for the fiscal year, and • coordination of activities through a cross-government working committee.

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<p>26 Long-term capital asset plans for owned and supported facilities</p> <p>We recommend that the Ministry of Infrastructure obtain further information on the strategic service delivery options and forecasted needs of client ministries to assist in the development of long-term capital asset plans for owned and supported facilities.</p> <p>27 Ministry infrastructure management systems</p> <p>We recommend that the Ministry of Infrastructure review the plans in place for the development of the Ministry's infrastructure management systems and satisfy itself that the most cost-effective systems are being developed and that it has the resources necessary to successfully develop and implement the systems.</p>	<p>Accepted. The Ministry obtains and reviews information on program delivery needs and strategic directions from ministries. Capital planning and decisions take into consideration both the strategic program needs and directions of the majority of ministries and the condition, utilization and functionality of the capital assets.</p> <p>Accepted. The Ministry is committed to developing an integrated Information Management System for all types of infrastructure. Systems upgrades/development are not done in isolation. Cost-effective solutions are investigated and, if appropriate, adopted, while concurrently addressing the specific capital asset managements needs of the infrastructure programs.</p> <p>The objective is to ensure that the approach would be cost effective and consistent with the Capital Planning Initiative's long-term objective of developing an integrated system for the government.</p>
<p>INNOVATION AND SCIENCE</p>	
<p>28 Information technology</p> <p>We recommend that the Ministry of Innovation and Science, with the cooperation of other ministries, develop systems to assist in the management of cross-government information technology (IT) services and infrastructure.</p>	<p>Accepted. An accountability framework is being developed with the participation of all ministries and other important stakeholders. In addition, processes and tools to support the management of IT services and infrastructure will be implemented.</p>

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29 IMAGIS

We recommend that the Ministry of Innovation and Science obtain an appropriate level of assurance that information technology service providers are maintaining effective controls to protect the confidentiality and integrity of IMAGIS data. We also recommend that controls in the IMAGIS system be improved.

Accepted. With the transition of several finance and human resource functions to ACSC, Innovation and Science and ACSC will jointly ensure that the appropriate level of control is maintained. Both parties will continue to work to ensure that the management of IMAGIS reflects all legal, policy and confidentiality requirements. The controls currently in place are effective and there is no evidence of unauthorized access to IMAGIS data.

Justice

30 Fines and costs

We again recommend that the Department of Justice report the results and costs of its fines collection activities.

Accepted. An action plan to respond to this recommendation is under development and will be finalized shortly.

Learning

31 Long-term capital planning

We recommend that the Department of Learning enhance its systems to ensure that long-term capital planning for school facilities is consistent with strategic plans for the delivery of education.

Accepted. Plans are in place to set up ongoing regular communication between the Ministry of Learning and the Ministry of Infrastructure to exchange information on long-term capital planning that focuses on Learning's goals and other issues related to critical outcomes and business plans for the respective ministries. Also, the Ministry of Learning is represented on committees that review school jurisdictions' three-year business plans and capital plans.

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<p>32 Institution budgets</p> <p>We recommend that the Department of Learning require institution budgets be prepared on the same basis of accounting as the institution's audited financial statements. We also recommend that the Department ensure that the budgets of public post-secondary education institutions are reviewed and approved in accordance with Legislative requirements.</p>	<p>Accepted. Implementation will take some time as institutions need to change their budget processes and universities will need to adjust their timelines for submission.</p>
<p>33 Deferred maintenance</p> <p>We again recommend that the Department of Learning and public post-secondary institutions continue to improve the system to manage the sector's infrastructure by evaluating the overall progress made towards addressing the critical health and safety risks arising because of deferred maintenance.</p>	<p>Accepted. Working with Infrastructure, the Ministry will require institutions to include information on progress in addressing critical health and safety issues in their accountability reports on the use of their Infrastructure Renewal funding.</p>
<p>34 Information in strategic and divisional plans</p> <p>We recommend that Athabasca University ensure sufficient information is contained in the strategic plan and divisional plans to enable senior management and the Governing Council to determine the University's progress in implementing the objectives set out in its plans.</p>	<p>Accepted. The university will put steps in place to ensure that sufficient information is contained in its strategic and divisional plans. These include identifying specific measures to assess progress of the implementation of its Strategic University Plan, incorporating appropriate Alberta Learning Key Performance Indicators, and including measurable objectives in its divisional plans.</p>
<p>35 Internal control systems</p> <p>We recommend that the University of Alberta ensure control weaknesses are identified and corrected.</p>	<p>Accepted. The university is revising its existing accountability structure and decision-making framework, within the context of a decentralized management structure as recommended by the audit committee. Detailed review of critical controls and processes will be conducted and any weaknesses identified will be corrected.</p>

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<p>36 Basis of measurement for budget</p> <p>We recommend the University of Alberta adopt a basis consistent with generally accepted accounting principles for its budget presentation and that the budget encompasses all operating, financing and investing transactions.</p>	<p>Accepted in principle. The university's first priority is to provide its board with comprehensive planning and budget information to enable it to focus its attention on the strategic direction of the university. This includes both a cash and GAAP based statement of operations. The university is willing to investigate the feasibility and utility of developing a budgeted cash-flow statement prepared on a GAAP basis.</p>
<p>37 Net assets</p> <p>We recommend the University of Alberta determine the level of net assets that will be required to ensure that programs and faculties will continue to be supported.</p>	<p>Accepted in principle. The university's net assets deficiency is largely comprised of employee pension, long-term disability and vacation entitlements. Strategies are in place to address these liabilities over time. The university pursues targeted funding in support of indirect costs of research and for capital facilities and equipment replacement.</p>
<p>38 Project proposals</p> <p>We recommend that the University of Calgary's capital project proposals demonstrate cost benefits and alignment with the long-term campus plan. We further recommend that project management controls be strengthened.</p>	<p>Accepted. Proposed capital projects will be required to demonstrate fit with the new Campus Community Plan. All capital projects now follow revised policies and procedures, which strengthen existing project management controls.</p>

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<p>39 Governance and accountability</p> <p>We again recommend that:</p> <ul style="list-style-type: none"> • Those who manage and fund academic health activities acknowledge the full scope and magnitude of those activities and the consequences for the accountability of academic health centres. • The entity or entities responsible for academic health and their mandates, roles, and accountabilities be clearly defined and, on this basis, the appropriate organization and governance structure be established. <p>We further recommend that the Universities of Alberta and Calgary take the lead in addressing the need for a governance structure for academic health.</p>	<p>Accepted in principle. The universities of Alberta and Calgary intend to work closely with the Council of Academic Health Centres over the coming year in order to review the council's governance and accountability.</p>
<p>40 Long-range capital plan</p> <p>We recommend that Grant MacEwan College perform an assessment of its long-range facilities requirements and incorporate this assessment into a long-range capital plan.</p>	<p>Accepted. The college is currently determining its long-range facilities' requirements and will incorporate this assessment into its long-term capital plans.</p>
<p>Resource Development</p>	
<p>41 Risks associated with the Crown royalty crude oil marketing system</p> <p>We recommend that the Department of Resource Development take action to address the risks associated with the automated systems relating to the collection and marketing of Crown royalty crude oil.</p>	<p>Accepted. The computer application relating to crude oil royalty volumes is very stable and represents a low risk to the department. Plans are currently underway to migrate this application to an environment consistent with the technical direction of the Ministry.</p>

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<p>Treasury</p> <p>42 Corporate government accounting policies</p> <p>We again recommend that the Department of Treasury initiate changes to the corporate government accounting policies in order to improve accountability.</p> <p>43 Cost allocation</p> <p>We again recommend that the Department of Treasury develop a methodology to allocate all significant costs to those entities which are responsible for delivering outputs.</p> <p>44 Strategies to improve reporting throughout the year</p> <p>We again recommend that the Department of Treasury promote the benefits of quality financial reporting throughout the fiscal year.</p> <p>45 Earmarked assets</p> <p>We again recommend that the Province's consolidated financial statements and the Ministry of Treasury financial statements provide expanded disclosure of assets set aside for particular purposes.</p>	<p>Accepted in principle. The government's corporate accounting policies will continue to be reviewed, in consultation with ministries and the Office of the Auditor General and refined where Treasury Board considers accountability can be improved.</p> <p>Under review. There is ongoing discussion between Treasury and the Office of the Auditor General on the most practical and cost efficient method to provide additional information on allocated costs.</p> <p>Accepted. Improving in the quality of financial reporting throughout the year is an ongoing process. Treasury in consultation with ministries and the Office of the Auditor General will continue to review progress in this area.</p> <p>Partially accepted. Consideration will be given to additional disclosure of the assets of the Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Scholarship Fund and Alberta Heritage Science and Engineering Research Endowment Fund as earmarked for specific purposes.</p> <p>The preamble to the Alberta Heritage Saving Trust Fund (AHSTF) Act states the mission of the AHSTF is: "To provide prudent stewardship of the savings from Alberta's non-renewable resources by providing the greatest financial return on those savings for current and future generations of Albertans." The Act also provides for the return of AHSTF's net income to the General Revenue Fund at amounts the Provincial Treasurer considers advisable until accumulated debt is repaid. After accumulated debt</p>

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<p>45 Earmarked assets (cont'd)</p>	<p>is repaid, any transfers to the General Revenue must take into account the impact of inflation to maintain the value of AHSTF's assets. As a result, it would be inappropriate to indicate these assets are "set aside for particular purposes." The Province's consolidated financial statements already adequately explain the nature of the assets held by the AHSTF.</p>
<p>46 Reporting performance information</p> <p>We recommend that the Department of Treasury enhance the background information and results analysis included in Measuring Up.</p>	<p>Accepted.</p>
<p>47 Performance measurement for social and economic development programs within the tax collection system</p> <p>We recommend that the Department of Treasury identify for the Legislative Assembly the expected and actual results from the social and economic development programs within the tax collection system.</p>	<p>Not accepted. The Auditor General acknowledges there are no common standards for reporting such programs within the tax collection system. The different tax rates in Alberta compared with other jurisdictions and non-existence of provincial sales tax makes establishing a "benchmark" revenue for a government highly subjective. In the government's view, any arbitrary method to attribute specific results to these revenue differences would not be meaningful.</p>
<p>48 Forecasting corporate income tax revenue</p> <p>We recommend that the Department of Treasury improve its forecasting of corporate income tax revenue to facilitate more accurate reporting.</p>	<p>Accepted. Steps are being taken to improve corporate income tax modeling and the timeliness and quality of information available on corporate income tax receipts.</p>
<p>49 Strengthening internal controls</p> <p>We recommend that Alberta Treasury Branches strengthen the internal controls within its financial systems by ensuring account reconciliations are performed regularly, adequate division of duties exists at the branches and useful systems documentation is maintained.</p>	<p>Accepted. Management is in the process of reviewing and documenting internal processes to ensure the integrity of the accounting systems.</p>

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The 1999-2000 Auditor General's Report comments on the progress being made to implement previous recommendations. The Auditor General has indicated that 16 recommendations above relate to recommendations since 1994-95 that have not been fully implemented. This represents the complex nature of some of these recommendations. The government continues to work towards addressing the Auditor General's recommendations.