

Response to the Auditor General



THE RIGHT DECISIONS FOR CHALLENGING TIMES

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 2000-01 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 for reporting purposes at March 31, 2001.

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Cross-Government</p> <p>1. Standards for business cases</p> <p>We recommend that the Ministry of Executive Council work with other ministries to develop standards for business cases.</p> <p>2. Service level agreements</p> <p>We recommend that the Deputy Minister of Executive Council, the Alberta Corporate Service Centre and Ministries take immediate action to develop and sign service level agreements that detail the services to be provided by the Centre, the associated costs and performance measures.</p>	<p>Accepted. Standards will be developed and implemented with the assistance of the Deputy Ministers by March 2002.</p> <p>Accepted. Revised service level agreements will be in place for 2002-03.</p>

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<p>Agriculture, Food and Rural Development</p> <p>3. Evaluating program success</p> <p>We recommend that the Department evaluate the success of its grant programs in meeting Ministry goals. This includes evaluating the grant programs themselves as well as individual grants within the programs.</p> <p>4. Evaluation of the Farm Income Disaster Program</p> <p>We again recommend that the Department of Agriculture, Food and Rural Development perform annual performance evaluations of the Farm Income Disaster Program (FIDP) to assess the achievement of the program.</p>	<p>Accepted. The Ministry will more clearly link its grant programs to Ministry goals and establish performance measures at the commencement of programs. The success of grant programs will be evaluated against these measures. Some grant programs do not lend themselves well to the identification of quantifiable outcomes. Interested groups and stakeholders will be consulted about appropriate measures for determining the success of these programs.</p> <p>Accepted. The Ministry plans to complete an evaluation by end of 2001.</p>
<p>Children's Services</p> <p>5. Information systems</p> <p>We again recommend that the Ministry improve its information systems that report the costs and results of services.</p>	<p>Accepted. Within the resources available, some initiatives will be undertaken commencing in 2002 which are expected to provide improved cost information for decision-making.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>6. Improve business plans</p> <p>We again recommend that the Ministry and Authorities improve their business plans by:</p> <ul style="list-style-type: none"> • improving the links between issues, trends and priority areas for improvement, and the strategies to deal with them • improving the definitions of their goals, performance measures and targets • providing a reasonable number of performance measures • providing better budget information 	<p>Accepted. The Ministry has initiated a project with an expected implementation date of fiscal 2002-03, to improve the ministry and regional environmental scanning necessary to strengthen the linkages between trends and issues, and the priorities and strategies to deal with them.</p> <p>Support will be provided to the Authorities with the continuous improvement of their local plans.</p>
<p>Environment</p>	
<p>7. IRMD planning, monitoring, and reporting</p> <p>We recommend that the Integrated Resource Management Division's planning, monitoring, and reporting be strengthened. Performance measurement and reporting should be implemented.</p>	<p>Accepted. Several initiatives aimed at improving planning, monitoring and reporting for the Integrated Resource Management Division are underway and expected to be implemented during the 2001-02 fiscal year.</p>
<p>8. Financial security for land disturbances</p> <p>We again recommend that the Department address the risks related to financial securities for land disturbances throughout the Province.</p>	<p>Accepted in principle. The Ministry requires all operators to post the full amount of security legislated by the <i>Environmental Protection and Enhancement Act</i> and the Conservation and Reclamation Regulation. The amount of security is stipulated by the Regulation at either full-cost-of reclamation or at rates set in previous legislation.</p> <p>The Ministry will continue to work with industry to improve calculation methods that will ensure security is being provided according to the Regulation. The Ministry has also indicated to industry that it will discuss the form of security that will be provided.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Executive Council</p> <p>9. Governance and accountability of Academic Health Centres</p> <p>We recommend that Executive Council assign responsibility for implementation of our prior year recommendations 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>Accepted. Responsibility for implementing these recommendations will be assigned and prior year's recommendations will be implemented by March 31, 2002.</p>
<p>Gaming</p> <p>10. Compensation to gaming operators</p> <p>We recommend that the Alberta Gaming and Liquor Commission determine whether compensation rates paid to VLT and casino facility operators represent an appropriate commercial return for services provided.</p> <p>11. Electronic racing terminals</p> <p>We recommend that the Alberta Gaming and Liquor Commission improve its management of electronic racing terminal contracts.</p>	<p>Accepted. The Alberta Gaming and Liquor Commission, working with the casino operators, has begun a review of the compensation rates and the establishment of a process to provide ongoing review of these rates. A similar review will be carried out with the VLT operators. The reviews are expected to be completed in spring 2002.</p> <p>Accepted in principle. A transition plan, providing operators an opportunity to adapt their business plans to the new requirements, will result in termination of the existing agreements or acquisition of the machines by the Commission by December 31, 2003. Compensation rates will be amended at the time of acquisition of the machines by the Commission to reflect the actual cost of doing business.</p>

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<p>Government Services</p> <p>12. Compliance with the Charitable Fund-Raising Act</p> <p>We recommend that the Ministry improve its monitoring of compliance with the <i>Charitable Fund-Raising Act</i>.</p>	<p>Accepted. The Ministry is currently implementing an action plan to ensure:</p> <ul style="list-style-type: none"> • all charitable organizations collecting more than \$25,000 per year are registered, • all registered charitable organizations are complying with the financial reporting requirements of the Act, and • on-site inspections and follow up will take place, as needed. <p>The Ministry will develop and implement the risk assessment model as suggested by the Office of the Auditor General.</p>
<p>Health and Wellness</p> <p>13. Business planning</p> <p>We again recommend the Department of Health and Wellness and health authorities implement a joint strategy for improving the implementation of authorized business plans at the beginning of the year.</p> <p>14. Measuring and reporting the performance of the health system</p> <p>We again recommend the Department of Health and Wellness, in cooperation with stakeholders, improve the measurement and reporting of the quality and cost of health services.</p> <p>15. Basis of funding</p> <p>We recommend the Department of Health and Wellness clarify expectations for funding equipment and assess the merits and risks in providing equipment funding in two different ways.</p>	<p>Accepted. The Ministry plans to provide the fiscal target to health authorities before the beginning of the year so as to improve the business planning process.</p> <p>Accepted. To further improve performance measurement and reporting of results and costs by health authorities, four new initiatives were started during 2001-02.</p> <p>Accepted. Future equipment funding will explicitly clarify expectations and risks will continue to be monitored and managed.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>16. Physician billings</p> <p>We again recommend the Department of Health and Wellness complete a risk assessment of physician billings with reference to section 8 of the <i>Alberta Health Care Insurance Act</i> and further develop an examination process for meeting the expectation of the Act.</p>	<p>Accepted. A review of the existing risk assessment approaches and the legislation will be undertaken during 2002-03 to identify improvements.</p>
<p>17. System for paying physicians</p> <p>We again recommend the Department of Health and Wellness implement strategies that would promote cost-effectiveness as part of the system for paying physicians for their services.</p>	<p>Accepted. A number of initiatives that will collectively address this recommendation are underway or planned for 2002-03.</p>
<p>18. Contracting for services</p> <p>We recommend the Department of Health and Wellness assess reliance on contracted services and improve the control over contracting activity.</p>	<p>Accepted. Specific actions are underway to substantially address this recommendation by June 30, 2002.</p>
<p>19. Reporting financial results</p> <p>We again recommend 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 moving towards reporting expenses by core business as set out in the government's new corporate policies.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>20. Surgical service contracting – conflict of interest</p> <p>We recommend the Calgary Health Region and Capital Health Authority enhance their conflict-of-interest processes:</p> <ul style="list-style-type: none"> • by extending private interest disclosure requirements to senior management who are in a position to influence contract decisions, and • by using an independent third-party review, as part of a formalized appeal mechanism, when employees operate private practices or clinics that contract with their employers. <p>We believe this recommendation should apply to all regional health authorities.</p>	<p>Accepted. The Ministry will be meeting the Capital Health Authority and Calgary Health Region to discuss the Auditor General's recommendation and identify options to enhance further their conflict of interest processes. Due to the complexity of the recommendations, it is anticipated that resolution will likely occur in a future business cycle.</p>
<p>Human Resources and Employment</p>	
<p>21. Safeguarding client information</p> <p>We recommend the Department:</p> <ul style="list-style-type: none"> • review the access that training providers have to client information and limit training providers' access to only the information required to fulfill their responsibilities, • monitor enquiries to sensitive information to assess whether enquires are appropriate, and • maintain adequate documentation of the procedures performed to ensure that all client information is returned to the Department and deleted from training providers' systems upon contract completion. 	<p>Accepted. A new information system that includes access restrictions is planned for implementation before the end of 2002. The system will also allow monitoring of training providers' access to client information. Procedures will be documented to ensure that all client information is returned to the Ministry and deleted from training providers' systems upon contract completion.</p>
<p>22. Skills Development Program</p> <p>We again recommend that procedures to monitor compliance by training providers with the terms of the Skills Development Program be improved.</p>	<p>Accepted. The Ministry has in place, or will have in place by March 2002, memorandums of understanding and/or contracts with larger institutions providing training to the majority of students of the Skills Development Program. A new regulation being developed will require all service providers to meet minimum standards. We expect the regulation to be in place by April 2002.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>Infrastructure</p> <p>23. Business case analyses</p> <p>We recommend that the Ministry of Infrastructure establish and enforce its requirements for preparing business case analyses, including the preparation of a public sector comparator for partnership projects.</p> <p>24. Deferred maintenance</p> <p>We recommend that the Ministries of Infrastructure and Transportation take the following actions to ensure that they base their spending decisions on adequate information:</p> <ul style="list-style-type: none"> • establish a consistent definition of deferred maintenance • acquire and use systems that accurately measure the extent and cost of deferred maintenance • disclose the extent and cost of deferred maintenance in its annual report <p>25. Capital plans</p> <p>We recommend that the Ministry of Infrastructure continue to implement processes to ensure that capital plans from ministries and client organizations contain information it requires to prepare its long-term strategic plans, as well as the Corporate Capital Overview.</p>	<p>Accepted. Progress is expected to be made before the end of March 2002.</p> <p>Partially accepted. The Ministry agrees that there is a need to establish a consistent definition of deferred maintenance and to accurately measure the extent and cost of deferred maintenance. Whether accountability is better served by the ministry reporting on its achievement of the performance measures related to the physical condition of different types of infrastructure or by disclosure of deferred maintenance amounts requires further study.</p> <p>Accepted. Further progress is expected to be made before the end of March 2002.</p>
<p>Innovation and Science</p> <p>26. Management of information technology</p> <p>We again recommend that the Ministry of Innovation and Science, with the cooperation of other Ministries, develop systems to assist in the management of government-wide information technology (IT) services and infrastructure.</p>	<p>Accepted. The Ministry has taken several steps over the past year to assist in the management of government-wide information technology services and infrastructure. The Ministry plans to have the accountability framework approved for implementation in 2001-02.</p>

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<p>27. Systems development</p> <p>We recommend the Ministry of Innovation and Science establish a systems development methodology that can be used as a source of reference when any systems development projects are initiated throughout government, for both outsourced and in-house systems development.</p>	<p>Accepted. An action plan developed through the Chief Information Officer Council will be completed in 2001-02 to address this recommendation.</p>
<p>Justice and Attorney General</p>	
<p>28. Capital asset management</p> <p>We recommend that the Department of Justice improve its capital asset management process by completing long-term capital asset plans, and linking this information to the business planning process.</p>	<p>Accepted in principle. The Ministry intends to prepare capital project listings. The projects would be linked to business plan goals or strategies for management information.</p>
<p>29. Fines and costs</p> <p>We again recommend the Department of Justice determine the results and costs of its fines collection activities.</p>	<p>Accepted. The Ministry intends to continue with completing its current action plan.</p>
<p>Learning</p>	
<p>30. Career and Technology Studies</p> <p>We recommend that the Department of Learning improve its systems to ensure that school jurisdictions are complying with the requirements of the Career and Technology Studies (CTS) program.</p>	<p>Accepted. The Ministry will continue communications with school jurisdictions concerning the requirements for this program. Learning is up to date in its monitoring of funding for Credit Enrollment Unit/Career and Technology Studies eligibility and has plans in place to maintain the monitoring on an ongoing basis.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>31. 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.</p>	<p>Accepted in principle. The Ministry of Infrastructure has changed the timing of the capital plan to coincide with the education plan to facilitate the Ministries' review of both plans. Procedures are in place to ensure that Learning's zone directors review both plans for consistency.</p>
<p>32. Charter School accountability</p> <p>We again recommend that the Department of Learning continue to assist charter schools in developing measurable outcomes so that there is a base from which to measure and evaluate charter school results against their mandates.</p>	<p>Accepted. The Ministry will continue to work with chartered schools in the development and reporting of measurable outcomes. All charter schools have provided measurable outcomes with their education plans for 2001-02.</p>
<p>33. Allowance for assessment appeals and adjustments</p> <p>We recommend that the Ministry improve the process used to determine the allowance for assessment appeals and adjustments.</p>	<p>Under review. The Ministry is currently reviewing the processes shared with Municipal Affairs in determining the allowance for assessment adjustments and appeals.</p>
<p>34. Timeliness and reliability of data collection</p> <p>We recommend that the Department ensure that data from PSIs, used to support funding and program decisions, is promptly collected and is reliable.</p>	<p>Accepted. In November 2000, the Institutional Data Operating Committee was initiated, its primary goal being to improve the timeliness and completeness of data from post-secondary institutions. To address improving the reliability of submissions, senior management of post-secondary institutions are now required to sign off on data submissions to the Ministry. Extensive training sessions, updated manuals for all systems and new edit routines are available to post-secondary institutions as they prepare for their 2000-01 data submissions.</p>

AUDITOR GENERAL'S OBSERVATIONS

GOVERNMENT'S RESPONSE

35. Capital Assets Policy Statement

We recommend that the Department of Learning, in consultation with the Departments of Infrastructure and Innovation and Science, provide an updated Capital Assets Policy Statement to the public post-secondary institutions.

Accepted in principle. The Ministry recognizes the need for a Capital Assets Policy Statement for post-secondary institutions. Such a policy will be contingent on having an overall government capital assets funding framework and dedicated capital funding for post-secondary initiatives. The Ministries of Learning, Infrastructure and Innovation and Science are researching the capital requirements of post-secondary institutions.

36. Deferred maintenance – critical health and safety risks

We again recommend that the Department of Learning and the Department of Infrastructure obtain sufficient accountability information from post-secondary institutions to allow the Departments to evaluate the annual progress made towards addressing the critical health and safety risks of deferred maintenance.

Accepted. Maintenance of facilities is the responsibility of post-secondary institutions and they are expected to address any critical health and safety issues as a priority. Alberta Infrastructure monitors institutions to determine that funding provided is directed towards these issues.

37. Internal control systems – University of Alberta

We recommend that the University of Alberta modernize and significantly improve its control systems. As a first step to improving control, we recommend the University determine the business model to be used in assigning responsibility and authority for implementing and enforcing control processes.

Accepted in principle. In March 2001, the Executive Planning Committee, consisting of the four Vice-Presidents and the Chair of Strategic Initiatives Group, authorized the Chief Financial Officer to establish business models for the research support infrastructure. The scope of this exercise will have to be broadened to include the overall Business Support Model for the University, which will include research as well as operations.

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<p>38. Internal control systems – University of Calgary</p> <p>We recommend that the University of Calgary strengthen its internal control systems.</p>	<p>Accepted. The University of Calgary is currently working on a number of strategies to strengthen internal controls from a system, policy and procedural standpoint.</p>
<p>39. Financial processes – Grant MacEwan College</p> <p>We recommend that the College review its financial processes to increase efficiency and accuracy in financial reporting.</p>	<p>Accepted. Grant MacEwan College has issued a request for proposal for a consultant to complete a systems review by the fall of 2001. Management of the Finance Department have completed a major revision to the accounts structure.</p>
<p>40. Business case analysis and project management controls – Southern Alberta Institute of Technology</p> <p>We recommend that the Institute improve the business case analysis for major projects and strengthen project management controls.</p>	<p>Accepted. The Institute agrees that there is a need for business case analysis when changes in project cost estimates affect the scope of work. The Institute rigorously controlled costs of the overall expansion. The expansion project has come in on budget and on schedule.</p> <p>With respect to strengthening project management controls, the Institute used a “design-built” method of project management for their expansion.</p>
<p>Municipal Affairs</p>	
<p>41. Municipal property tax assessments</p> <p>We recommend that the Ministry improve the controls designed to ensure that municipal property tax assessments are fair and equitable.</p>	<p>Accepted. The Ministry has identified actions to address the recommendations. Some of the actions will occur in the current business cycle, while others are planned for implementation in 2002-03.</p>

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<p>Resource Development</p> <p>42. Defining performance measures</p> <p>We recommend that the Ministry define and use performance measures that evaluate the success of the Ministry over time.</p> <p>43. Disclosing royalty reduction programs</p> <p>We recommend that the Department disclose its royalty reduction programs in its financial statements.</p> <p>44. Risk analysis and audit strategy for the Production Audit Group</p> <p>We recommend that the Board undertake a risk analysis to determine expectations and requirements for its Production Audit Group. Further, the results of the risk analysis should form the basis for a documented audit strategy.</p>	<p>Accepted. The Ministry will continue to develop and use performance measures that evaluate its success. The Ministry's performance measures are reviewed annually with the aim of improving them and strengthening their linkage to the Ministry's core businesses and goals.</p> <p>Under review, in connection with Finance's review of recommendation 48. Pending that review, consideration may be given to including this information within the Results Analysis of the Ministry's Annual Report.</p> <p>Accepted. The Board is committed to initiating, in the fourth quarter of the 2001-02 fiscal year, a detailed needs analysis of the stakeholders' requirements for production assurance. The Board will work with stakeholders to conduct a cost/benefit analysis associated with service delivery options. The outcome of this work will form the basis for a risk based audit strategy.</p>
<p>Treasury</p> <p>45. Corporate government accounting policies</p> <p>We again recommend the Department of Finance change the corporate government accounting policies in order to improve accountability.</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 are implemented where Treasury Board considers accountability can be improved.</p>

AUDITOR GENERAL'S OBSERVATIONS	GOVERNMENT'S RESPONSE
<p>46. Strategies to improve reporting</p> <p>We again recommend the Department of Finance promote the benefits of quality financial reporting throughout the fiscal year.</p>	<p>Accepted. Improving the quality of financial reporting throughout the year is an ongoing process. Ministries, Finance and the Office of the Auditor General continue to review ways to resolve problems regarding the year-end audit processes.</p>
<p>47. Results analysis in Measuring Up</p> <p>We again recommend the Department of Finance enhance the results analysis in Measuring Up.</p>	<p>Accepted. Measuring Up 2002 will continue to improve the discussion of results achieved in relation to the goals, strategies and targets.</p>
<p>48. Accountability for foregone revenue</p> <p>We again recommend the Department of Finance identify for the Legislative Assembly the expected and actual results from the social and economic development programs within the tax system.</p>	<p>Under review. In light of the Auditor's repeated recommendation, the government will review the recommendation and consider alternatives for possible implementation in Budget 2003.</p>
<p>49. Strengthening internal controls – Alberta Treasury Branches</p> <p>We again recommend internal controls be improved and that all internal controls be documented, evaluated and monitored by management to ensure assets are properly protected and that financial information is accurate and complete.</p>	<p>Accepted. Alberta Treasury Branches has established a risk control project to ensure that all operational risk is identified and managed. The existing controls are regularly tested and any deficiencies corrected.</p>
<p>50. Internal Audit Department – Alberta Treasury Branches</p> <p>We recommend internal controls be subject to periodic independent review by the Internal Audit Department to confirm their existence and to verify their effectiveness.</p>	<p>Accepted. Internal audit department has revised its branch audit programs to focus on assessing compliance with key controls. As Alberta Treasury Branches management continues with its risk control initiative, the internal audit department will continue to provide support through assessment of control design, periodic testing for compliance, and recommendations for improvement where warranted.</p>

The 2000-01 Auditor General's Report comments on the progress being made to implement previous recommendations. The Auditor General has indicated that 11 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.

