

# Office of the Auditor General of Alberta

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Performance Report  
2012–2013





Mr. Wayne Cao, MLA  
Chair  
Standing Committee on Legislative Offices

**Office of the Auditor General of Alberta**  
**Performance Report for the Year Ended March 31, 2013**

I am honoured to send you this Performance Report, which presents analysis of office operations and our audited financial statements for the fiscal year April 1, 2012 to March 31, 2013.

[Original signed by Merwan N. Saher, FCA]

Auditor General  
Edmonton, Alberta

July 4, 2013



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Office performance measures - a summary table of our performance measures is included as a schedule to our audited financial statements.

# Accountability statement

This performance report of Office of the Auditor General of Alberta for the year ended March 31, 2013 summarizes and analyzes the work of our office for 2013. It was prepared under our direction.

In this report we endeavour to explain how we used Albertans' money to add value as their independent auditor. We are following up on our Business Plan 2012–2015, which publicly outlined strategies and priority initiatives for our 2013 fiscal year.

In addition to our auditor's reports on financial statements, the office released three public reports of the Auditor General of Alberta during the year focused on our systems audit work:

- July 2012
- October 2012
- February 2013

We believe this performance report, which includes our independently audited 2013 financial statements, presents our analysis of operations and results in a complete, fair and balanced manner.

[original signed by]

Merwan N. Saher, FCA  
Auditor General

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Assistant Auditor General

# Our business

## Legislative auditing

The Office of the Auditor General of Alberta serves the Legislative Assembly and the people of Alberta. Our mandate is to examine and report publicly on government's management of, and accountability practices for, the public resources entrusted to it. Under the *Auditor General Act*, the auditor general is the auditor of all government ministries, departments, funds and provincial agencies.

### Lines of business

We have two core lines of business designed to add value through expert auditing of government:

- financial statements and performance measures
- systems

Our auditor's reports on financial statements are included in the annual reports published by ministries and their related entities. We provide our opinion on whether the financial statements are presented fairly in accordance with appropriate standards.

Ministries and their related entities also include in their annual reports our conclusion when we have examined selected performance measures. We report on the measures of about 15 percent of the organizations whose financial statements we audit.

Systems audits, our other core line of business, are of two types. In a stand-alone systems audit, we audit major programs or initiatives that an organization undertakes to achieve its goals. In these audits, we answer the question, "Does the organization have the policies, processes and controls to accomplish its goals and mitigate its risks economically and efficiently?" Such systems include procedures to measure and report on the effectiveness of programs. The second type of systems audit is a by-product of other audits. If we find that an organization could improve its systems in areas such as governance and accountability, internal control over financial management, information technology or performance reporting, we make recommendations to management.

We make our findings and recommendations for system improvements public in auditor general reports to the Legislative Assembly.

Once management has acted upon our systems audit recommendations, we carry out follow-up audits to confirm that our recommendations have been implemented. The results of the follow-up audits are also included in auditor general reports to complete the reporting to Albertans.

In our 2012–2015 business plan, we allocated our funding request of \$25,685,000 for 2013 between our two core lines of business, ministry by ministry. We have re-worked the groupings in that business plan to correspond with the government’s current priority areas as summarized below:

	2013				2012	
	Budget	Budget %	Actual	Actual %	Actual	Actual %
	(in thousands)				(in thousands)	
<b>Financial statements auditing</b>						
Government priority areas						
Alberta's Economic Future	\$ 6,333	25%	\$ 6,166	24%	\$ 6,018	25%
Families and Communities	6,859	27%	6,136	24%	6,420	27%
Resource Stewardship	6,945	27%	6,411	26%	6,386	26%
	20,137	79%	18,713	74%	18,824	78%
Executive Council and Legislative Assembly	268	1%	368	2%	288	1%
	20,405	80%	19,081	76%	19,112	79%
<b>Systems auditing</b>						
Government priority areas						
Alberta's Economic Future	1,151	4%	1,199	5%	915	4%
Families and Communities	2,061	8%	2,670	10%	2,451	10%
Resource Stewardship	2,068	8%	2,232	9%	1,731	7%
	5,280	20%	6,101	24%	5,097	21%
Executive Council and Legislative Assembly	-	-	23	-	-	-
	5,280	20%	6,124	24%	5,097	21%
	\$ 25,685	100%	\$ 25,205	100%	\$ 24,209	100%

This summary shows that the actual systems auditing cost for the families and communities category for 2013, in the amount of \$2,670,000, was significantly higher than the budgeted allocation. In the main, this variance reflects the audit work done on controls over expense claims at Alberta Health Services, included in the *Report of the Auditor General of Alberta—February 2013*. That audit was not contemplated in the plan for 2013.

Schedule 1 to the office’s 2013 financial statements lists the ministries assigned to each of the government priority areas.

Office performance measure

**Percentage of costs dedicated to financial statements/systems auditing**

The target for the office split of costs between the two core lines of business was 80/20% for 2013. But our goal is to drive down the cost of our financial statements auditing while at the same time maintaining the reliability of that work. If we can achieve our goal we will be able to redirect resources to more systems auditing.

For 2013, the actual split was 76/24%, improving on our target. It is also an improvement from our prior year split of 79/21%.

The improvement was possible as we began to see the results of strategies to make our financial statements auditing more cost effective. For example, more reliance was placed on the work done by our agents and our more junior staff took on added responsibility. Also in 2013, we did not have to carry out special International Financial Reporting Standards transition work applicable to certain audits. That work was completed in 2012.

Percentage of office costs	Prior actual results				2013	
	2009	2010	2011	2012	Target	Actual
Financial statements auditing	79%	80%	82%	79%	80%	76%
Systems auditing	21%	20%	18%	21%	20%	24%
	100%	100%	100%	100%	100%	100%

A 1.0% change in the above percentages reflects a shift of approximately \$250,000 of office resources between financial statements and systems auditing.

# Financial statements auditing

## Plans and performance

### Financial statements auditing

Every year we audit the financial statements of those entities for which we have been appointed auditor, including the consolidated financial statements of the Government of Alberta, as well as every ministry, department, regulated fund and provincial agency. The auditor's report for each of these entities provides the Auditor General's opinion on whether the financial statements are presented fairly in accordance with the appropriate financial reporting framework, most usually public sector accounting standards. These recurring annual audits provide independent assurance on the financial reporting provided to the Legislative Assembly.

### Office performance measures

#### Alberta's consolidated financial statements – report by June 30

Issuing our auditor's report on the consolidated financial statement of the province by June 30 gives timely assurance to the Legislative Assembly on the quality of the financial reporting of government. We issued our most recent auditor's report on June 20, 2013 (prior years – June 21, 2012, June 23, 2011).

#### Financial statements audits – completion within budget

We are below the target of the percentage of financial statement audits completed within budget. Actual hours and costs exceeded budgets for reasons that included unexpected additional work on accounting information systems conversions by several auditees, certain entities' transitions to a new financial reporting framework and unanticipated risks in some organizations' financial reporting processes. Due to staff departures, replacement staff was recruited. As is normal in these situations, the new staff required more supervision and on-the-job training, thus increasing audit hours and costs.

#### Auditing standards – pass professional practice review

In February 2013, the Institute of Chartered Accountants of Alberta reviewed our financial statements auditing practice to determine if it meets current auditing standards. We are awaiting their final conclusion, expected in summer 2013. As part of the Institute's three year cycle for practice reviews, we passed our last inspection in 2010.

For 2013, the Auditor General issued 157 (2012 – 158) unqualified auditor's reports on financial statements. We also issued 7 unqualified reports on financial information (2012 – 7). No qualified auditor's reports were issued for 2013 or 2012.

### Performance measures

For ministries and some agencies, we complete review engagement procedures on selected non-financial measures of performance in the entity's annual report. We also audit selected measures in the annual progress report on the government's business plan, titled Measuring Up. We report on the reliability, understandability, comparability and completeness of the selected measures of performance. Our reviews and the audit are not designed to provide assurance on the relevance of the measures to users.

For 2013, we issued 20 unqualified review (limited assurance) engagement reports and one unqualified auditor's report on performance measures (2012 – 23 reviews and one audit).

### 2013 reports

Page 17 has a list of the entities whose financial statements were audited.

Page 21 has a list of the entities whose performance measures were examined.

# Systems auditing

## Plans and performance

We audit systems government organizations use to achieve their goals. In these systems audits, we are generally focused on operations and performance—the organization’s policies, processes, and controls in place to accomplish its goals and mitigate its risks. Such systems should include procedures to measure and report on the effectiveness of programs. If we find that an organization could improve its systems in areas such as governance and accountability, internal control over financial management, information technology or performance reporting, we make recommendations to management.

We concentrate on areas that will result in improved:

- governance and ethical behaviour—which underpin the success of any organization
- safety and welfare of all Albertans—especially the most vulnerable in our society
- security and use of the province’s resources—which belong to all Albertans and must be protected for future generations

In selecting systems audit projects, we include specific current priority areas: aboriginal, capital planning, pension sustainability and results analysis.

### Office performance measures

#### Systems auditing recommendations – acceptance by ministries and other entities

A key performance measure for our systems auditing is the number of recommendations accepted by the auditee for implementation. We met our target of 95% for recommendations accepted by the government. Our actual result was 98% compared to 100% in the prior year. In the three public reports issued in 2013, we made 78 recommendations.

Each year, we make about 75 recommendations for improvements or changes to government systems and financial controls. We then follow up all recommendations and report publicly whether or not they have been implemented. Follow-up audits confirm that sustainable change has taken place and are the payback on the investment of audit resources that produced the recommendation in the first place. We will repeat our recommendations when management has not satisfactorily implemented them.

Generally, we try to complete follow-up audits within three years. At October 2012, we reported 233 outstanding recommendations, of which 84 were ready for us to complete follow-up audits. This number was reduced from the 308 that we reported as outstanding in our October 2010 report. We continue to actively manage these outstanding recommendations to reduce the number to approximately 150, which represents about two years of recommendations.

## 2013 reports

Page 22 has a list of audits publicly reported in 2013.

Summaries of some projects included in the three public reports follow.

<p><b>Primary Care Networks</b> Health and Alberta Health Services</p> <p><b>Background</b> In 2005, the Primary Care Networks (PCN) program was introduced to operationally connect family physicians and Alberta Health Services in order to proactively prevent acute illness and better manage chronic diseases.</p> <p><b>Findings</b> We found weaknesses in the design and implementation of the accountability systems for the PCN system.</p>	<p><b>Recommendations</b> We recommended that clear expectations and targets for the PCN program be established to permit better performance reporting and evaluation. Oversight of the program was recommended for improvement, along with better communication programs to make Albertans aware of PCN services.</p> <p>Duration - September 2011 to June 2012 2013 costs - \$158,000 Total costs - \$406,000 Auditor general report - July 2012</p>
<p><b>Managing the Structural Safety of Bridges</b> Transportation</p> <p><b>Background</b> Alberta's roadways system has 1,600 bridges and 2,800 bridge-sized culverts. Well-maintained bridges are necessary to ensure the safety of Albertans and protect their investment in these structures.</p> <p><b>Findings</b> The ministry has well-designed systems to manage the structural safety of bridges. However, various systems are not operating as they should. We did not find evidence of any unsafe bridges.</p>	<p><b>Recommendations</b> Our recommendations were directed at improvement in the quality, timeliness and completeness of inspections, inspector certifications and information systems. Changes to improve the information used for bridge maintenance activities and capital planning decisions were also recommended.</p> <p>Duration - May 2011 to September 2012 2013 costs - \$342,000 Total costs - \$865,000 Auditor general report - October 2012</p>

<p><b>Office of the Public Trustee</b> Human Services</p> <p><b>Background</b> The Office of the Public Trustee (OPT) is entrusted with protecting and managing the property of deceased persons, represented adults and minors when there is no one else to act on their behalf. We were asked by the Department of Justice and Solicitor General to audit the files of the OPT when it determined through an internal investigation that a senior trust officer had misappropriated trust funds.</p> <p><b>Findings</b> While our audit did not find other instances of misappropriation, it did determine that the OPT does not have adequate systems or controls in place to ensure:</p> <ul style="list-style-type: none"> <li>• client files are being properly administered</li> <li>• that there is sufficient rigour in the OPT internal audit function</li> <li>• trust officers are performing their duties competently and acting in the best interests of OPT clients</li> </ul>	<p><b>Recommendations</b> We recommended that the OPT improve its file management processes and oversight of client file by ensuring adequate supervisory review and internal audit. Processes recommended for review and improvement include those for:</p> <ul style="list-style-type: none"> <li>• approving and paying client expenses</li> <li>• file documentation and supervisory review</li> <li>• risk mitigation over potential mismanagement or misappropriation of client assets</li> </ul> <p>Duration - January 2011 to October 2012 2013 costs - \$371,000 * Total costs - \$2,450,000 * Auditor general report - February 2013</p> <p>* total includes \$1.2 million of costs borne by the Department of Justice and Solicitor General (\$96,000 in 2013)</p>
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# Priority initiatives

## Update from business plans

Priority initiatives (from business plans)	Performance update
<p><b>Outstanding systems audit recommendations</b></p> <p>Our most recent business plan identified that at October 2012 there were 165 outstanding numbered recommendations. We stated a goal to follow up on the 25 numbered recommendations more than three years old and ready for follow-up audits.</p>	<p>We are on track to complete the follow-up audits of the 25 recommendations by December 31, 2013.</p>
<p><b>Independent peer review</b></p> <p>An independent peer review is planned that will report on the design and operational effectiveness of our office's systems. The purpose of the review is to provide conclusions on whether our systems support us doing relevant, reliable and reasonable cost audits.</p>	<p>The office has a signed memorandum of understanding with the Provincial Auditor General of Saskatchewan to lead the independent peer review. The review will be conducted in two stages – design of systems will be examined in the summer of 2013 and the operating effectiveness of systems will be examined the following summer. We expect to make the report on the peer review public in the fall of 2014.</p>
<p><b>Staff development</b></p> <p>Recent business plans have highlighted activities directed at re-working our staff mix of students, and recently qualified and experienced professionals in the financial statements and systems auditing groups. In planning audits, job responsibilities are to be reassessed in the interests of broadening and accelerating training and staff development opportunities.</p>	<p>Improved coaching and training was provided in the year to staff. Some re-working of engagement activities, supported by training and supervision, was achieved. However, management believes more progress can be made in 2014.</p> <p>We have created a new position—Director of People Development. The director will oversee staff training and competencies development while working with the office's quality assurance committee.</p>
<p><b>Results analysis project</b></p> <p>The office committed to complete a systems audit of the processes used by ministries to prepare the results analysis sections in ministry annual reports. This audit was a prerequisite to developing methodology to provide assurance on management's analysis of performance.</p>	<p>A significant portion of the best practices research on public sector performance reporting and fieldwork for the systems audit had been completed at the end of 2013. We plan to include our audit results in our February 2014 public report.</p>

## Our people

We operate as a professional services office competing with the private sector public accounting firms for designated accountants and other professionals with specialized technical skills. As a student training office, we are also in competition for top talent from post-secondary business and accounting programs.

People development has been, and will continue to be, a key focus of our office. Like many professional services firms, particularly in the Alberta environment, one of our main operating challenges is attracting, training and retaining quality staff to carry out our legislative audit office responsibilities. We recognize that our staff are well educated and receive good training, making them attractive to other employers. Without making good hires and investing in their skills development, we would expose the office to audit performance and other business risks.

A challenge of management is to maximize the office's investment in its staff to ensure that our work meets our overriding quality (professional standards for the financial statements and system audit engagements) and accountability objectives (relevant, reliable, reasonable cost). Some staff leave our office for positions with the Alberta government public sector. In these cases, Albertans are able to receive an ongoing benefit from the initial training investment in those individuals through our office.

Office performance measure

### Staff turnover rate

Staff turnover is a key performance metric that is monitored for the overall office, within each line of business and by levels of staff experience.

Staff turnover rates are used as cost measures for the office within the context of reasonable cost auditing. For every staff vacancy arising, whether it is due to maternity leave, resignation, performance or retirement, there are costs for replacement hiring, training, supervising and sometimes temporary staff services. As a training office for the accounting profession, given our staff mix and the overall nature of our business, a target turnover rate of 20% is considered by management to be realistic and reasonable.

For 2013, the overall staff turnover rate was 21%, an improvement compared to the prior year's 22% but with the 20% target not being met. The turnover rate was highest among the young auditors who recently achieved their accounting designations. There were also more vacancies related to terminations, retirements and maternity leaves in 2013 compared to 2012.

## Our people

Our office is actually two offices, as we have a full-time office in Edmonton and in Calgary. Through 2013, our average monthly full-time equivalent staff was 127 for Edmonton (2012 – 125) and 16 for Calgary (2012 – 14).

As is the case with many public accounting firms, there is a significant seasonal element for the financial statements line of business. As a cost effective means of completing the financial statement audit assignments on time, the office seconds staff from audit firms and contracts firms to complete some work as agents under the office.

### 2013 staff milestones

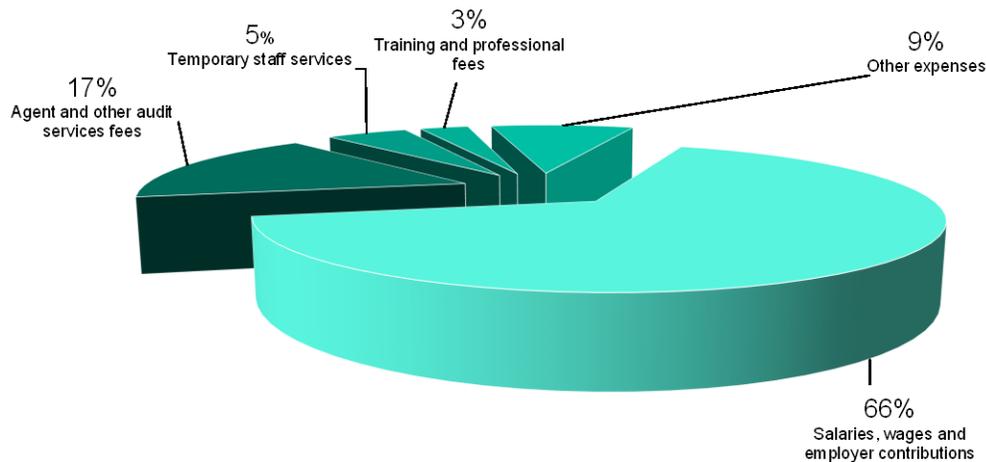
The office's 2012 United Way fundraising campaign was recognized for having the highest staff participation rate and highest average gift per employee among similarly sized Alberta government departments and organizations. This was the fourth consecutive year the office received this recognition.

In December 2012, five staff members were recognized for reaching 10, 15 and 20 year milestones as Alberta public service employees. Most of their experience has been with our office. In some cases, experience with other Alberta government entities contributed towards reaching their milestone. At our 2013 fiscal year end, 34 of our staff members had 10 or more years of Alberta public service experience.

# Financial discussion and analysis

The Legislative Assembly funds our operations. For 2013, it provided \$25.4 million for expenses and \$255,000 for capital investment, a total of \$25.7 million. The approved funding was reduced by \$94,000 for expenditures over budget in 2012.

The chart below illustrates our expense pattern. It shows that as a professional auditing office our salary, wages and employer contributions plus professional service contracts for agents and temporary staff represent 88% of our total expenses.



## Actuals to budget

We returned \$400,000 or 1.6 percent of our budget to the Legislative Assembly for 2013. The unspent portion of our budget is the result of management of the mix and cost of our personnel resources pool while ensuring that the aggregate size of the pool remained as budgeted to carry out our work plan.

Our resource pool comprises mainly internal staff supplemented by agents and temporary staff services contracted from accounting firms. Internal staff cost less. But we use agents to meet peak work demands, to provide specialized skills outside the accounting field and to save on travel costs; we also use temporary staff services to fill staff shortages especially during our busy season.

Our salaries, wages and employer contributions were only \$270,000 or 2 percent under budget. This was achieved through active recruitment to meet our budgeted full time equivalent positions. As a result, our staff were able to both complete their planned work with less overtime and take their vacation entitlements. We incurred less than anticipated banked vacation costs in 2013 and for the first time in eight years reversed the trend of increasing our vacation liability.

## Financial discussion and analysis

Proactive staff recruitment also enabled us to save \$200,000 or 14 percent on temporary staff services by minimizing vacancy periods caused by staff turnover. Besides the cost savings, active staff hiring brought more value for the office as we can train staff to perform both financial statements and systems audits, thereby increasing our capacity to do more systems audits.

We spent \$320,000 or 7 percent less in agent fees as a result of competitive renewals of agent contracts and the less than anticipated requirements for external specialist consulting in audits.

The budget savings were partially offset by increased spending in advisory services of \$185,000 or 80 percent, mainly due to corporate initiatives such as staff development carried forward from the prior year and senior staff placement fees paid to recruitment agencies.

### **Actuals to prior year**

Overall, the actual total spending increased by \$1.22 million or 5 percent over prior year.

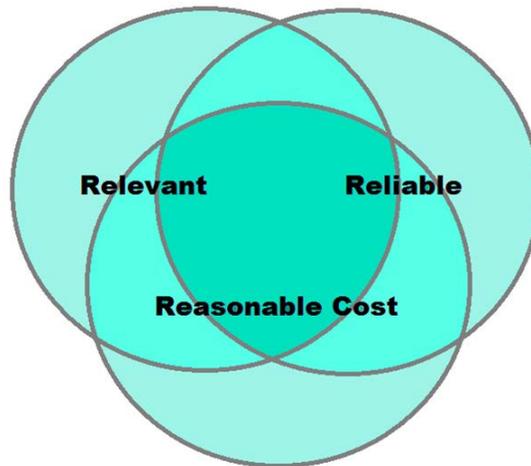
Actual costs for salaries, wages and employer contributions increased by \$1.18 million or 7 percent. More than one third or \$428,000 was offset by the decrease in temporary staff services. The balance reflects salary adjustments to compete with market demand for accounting professionals, higher employer contributions related to participation in the new Health Spending Account, and increased premiums to pension plans and the Workers' Compensation Board.

Agent fees decreased by \$165,000 or 4 percent and advisory services increased by \$160,000 or 62 percent for reasons mentioned in the "Actuals to budget" section above.

We spent more in technology services due to mobile device replacements and software license subscriptions. Also, to replace our IT network servers and storage that were at the end of their life cycle, we incurred \$293,000 in capital investment, compared to last year's spending of \$5,000.

# What we learned

As illustrated below, our goal is to optimize the congruence (i.e., the degree and balance) between these three, sometimes competing, accountability objectives.



Office management believes that applying the 3 Rs in our business plan, budget and public reporting process helps focus many of our operational, planning and evaluation decisions.

In considering the office's 2013 performance, we have identified the following learnings for review and follow-up action in 2014.

## Effective and sustainable people development

The right complement of staff skills and ongoing people development are critical for high quality and cost effective auditing. Maintaining a workplace that facilitates the recruitment, growth and retention of skilled legislative auditors is important to our activities. In recent years, we have learned that our approaches to meeting these ongoing human resources challenges must be flexible and adapt to market, education and societal changes.

Within the current Alberta economy, we have identified a need to reassess our strategies directed at staff development and retention, particularly in the student through manager ranks. As part of this, we need to ensure that the demands and risks of our professional services business can be competitively met in a positive and supportive work environment. In-house training must be upgraded, including dealing with changes in the professional accounting student programs that are expected in the near future.

### Timely follow-up after recommendations implemented

The follow-up audit is the payback on the investment of audit resources to produce recommendations in the first place. In making our audit recommendations, we request that the auditee's management commit to an implementation target date. Sometimes these implementation targets are met, sometimes not. When the implementation target is met, our office is generally in a good position to commence and complete our follow-up audit on a scheduled, timely basis.

The audit work to confirm that each recommendation has been sustainably implemented is not superficial. We approach follow-up audits with the rigor that Albertans expect from this office, and will repeat our recommendations when management has not satisfactorily implemented them.

We will have new and follow-up audits in process at any particular time. Over the past few years, having been advised that initial audit recommendations had been implemented, we fell behind on the timeliness of completing some follow-up systems audits. We have reviewed the circumstances involved with our falling behind. We are also in the midst of a two year process of "catching up" and re-balancing our inventory of new and follow-up systems audits. Moving ahead, as part of actively balancing our new and follow-up systems audit work, plans are to better incorporate timely follow-up audit scheduling and completion into our project priorities considerations.

### Build our capacity for systems audits

We entered 2013 with specific strategies to build our capacity to do more systems audits. While each strategy yielded results, the ability to schedule extra senior staff to lead systems audits proved most effective. In part, this was achieved by reducing the time of senior staff on financial statements auditing by relying more on the work of our agents. We will continue to work with agents to explore ways where we can either redeploy our own resources or use the expertise of our agents to build the capacity to do more systems audits. With more senior staff gaining systems audit experience, legislative auditing skill sets have grown and the office has added a degree of scheduling flexibility as we move into 2014.

# 2013 Financial statements reports

We issued an unqualified independent auditor's report on the financial statements for the year ended March 31, 2013 (unless otherwise stated) for the following entities:

<b>Consolidated financial statements of the Province of Alberta</b>	
<b>Aboriginal Relations</b>	
<ul style="list-style-type: none"> <li>Ministry of Aboriginal Relations</li> </ul>	
<b>Agriculture and Rural Development</b>	
<ul style="list-style-type: none"> <li>Ministry of Agriculture and Rural Development</li> <li>Department of Agriculture and Rural Development</li> </ul>	<ul style="list-style-type: none"> <li>Agriculture Financial Services Corporation</li> <li>Alberta Livestock and Meat Agency Ltd.</li> </ul>
<b>Culture</b>	
<ul style="list-style-type: none"> <li>Ministry of Culture</li> <li>Department of Culture</li> <li>Alberta Foundation for the Arts</li> <li>Historic Resources Fund</li> </ul>	<ul style="list-style-type: none"> <li>The Alberta Historical Resources Foundation</li> <li>The Government House Foundation</li> <li>The Wild Rose Foundation</li> </ul>
<b>Education</b>	
<ul style="list-style-type: none"> <li>Ministry of Education</li> <li>Department of Education</li> </ul>	<ul style="list-style-type: none"> <li>Alberta School Foundation Fund</li> </ul>
<b>For the year ended August 31, 2012</b>	
<ul style="list-style-type: none"> <li>Alberta Teachers' Retirement Fund Board</li> </ul>	<ul style="list-style-type: none"> <li>Northland School Division No. 61</li> </ul>
<b>Energy</b>	
<ul style="list-style-type: none"> <li>Ministry of Energy</li> <li>Department of Energy</li> <li>Alberta Utilities Commission</li> </ul>	<ul style="list-style-type: none"> <li>Energy Resources Conservation Board</li> <li>Post-Closure Stewardship Fund</li> </ul>
<b>For the year ended December 31, 2012</b>	
<ul style="list-style-type: none"> <li>Alberta Petroleum Marketing Commission</li> </ul>	<ul style="list-style-type: none"> <li>Senior Employee Pension Fund for ERCB &amp; AUC</li> </ul>
<b>Enterprise and Advanced Education</b>	
<ul style="list-style-type: none"> <li>Ministry of Enterprise and Advanced Education</li> <li>Department of Enterprise and Advanced Education</li> <li>Access to the Future Fund</li> <li>Alberta Enterprise Corporation</li> <li>Alberta Foundation for Health Research</li> <li>Alberta Innovates—Bio Solutions</li> <li>Alberta Innovates—Energy and Environment Solutions</li> </ul>	<ul style="list-style-type: none"> <li>Alberta Innovates—Health Solutions</li> <li>Alberta Innovates—Technology Futures</li> <li>Athabasca University</li> <li>University of Alberta</li> <li>University of Calgary</li> <li>University of Lethbridge</li> </ul>

## 2013 Financial statements reports

<b>For the year ended June 30, 2012</b>	
<ul style="list-style-type: none"> <li>• Alberta College of Art and Design</li> <li>• Bow Valley College</li> <li>• Grande Prairie Regional College</li> <li>• Grant MacEwan University</li> <li>• Grant MacEwan University Foundation</li> <li>• Keyano College</li> <li>• Lakeland College</li> <li>• Lethbridge College</li> <li>• Medicine Hat College</li> </ul>	<ul style="list-style-type: none"> <li>• Mount Royal University</li> <li>• NorQuest College</li> <li>• Northern Alberta Institute of Technology</li> <li>• Northern Alberta Institute of Technology Foundation</li> <li>• Northern Lakes College</li> <li>• Olds College</li> <li>• Portage College</li> <li>• Red Deer College</li> <li>• Southern Alberta Institute of Technology</li> </ul>
<b>Environment and Sustainable Resources Development</b>	
<ul style="list-style-type: none"> <li>• Ministry of Environment and Sustainable Resource Development</li> <li>• Department of Environment and Sustainable Resource Development</li> </ul>	<ul style="list-style-type: none"> <li>• Environment Protection and Enhancement Fund</li> <li>• Land Stewardship Fund</li> <li>• Climate Change and Emissions Fund</li> <li>• Natural Resources Conservation Board</li> </ul>
<b>Executive Council</b>	
<ul style="list-style-type: none"> <li>• Ministry of Executive Council</li> <li>• Long Term Disability Income Continuance Plan - Bargaining Unit</li> </ul>	<ul style="list-style-type: none"> <li>• Long Term Disability Income Continuance Plan - Management, Opted Out and Excluded</li> <li>• The Public Service Health Spending Account Plan</li> </ul>
<b>For the year ended December 31, 2012</b>	
<ul style="list-style-type: none"> <li>• Government of Alberta Dental Plan Trust</li> </ul>	<ul style="list-style-type: none"> <li>• Government Employees' Group Extended Medical Benefits Plan and Prescription Drug Plan Trust</li> </ul>
<b>Health</b>	
<ul style="list-style-type: none"> <li>• Ministry of Health</li> <li>• Department of Health</li> <li>• Alberta Health Services</li> </ul>	<ul style="list-style-type: none"> <li>• Calgary Laboratory Services Ltd.</li> <li>• Capital Care Group Inc.</li> <li>• Carewest</li> <li>• Health Quality Council of Alberta</li> </ul>
<b>Human Services</b>	
<ul style="list-style-type: none"> <li>• Ministry of Human Services</li> <li>• Department of Human Services</li> <li>• Calgary and Area Child and Family Services Authority</li> <li>• Central Alberta Child and Family Services Authority</li> <li>• East Central Alberta Child and Family Services Authority</li> <li>• Edmonton and Area Child and Family Services Authority</li> <li>• Metis Settlements Child and Family Services Authority</li> <li>• North Central Child and Family Services Authority</li> <li>• Northeast Alberta Child and Family Services Authority</li> <li>• Northwest Alberta Child and Family Services Authority</li> </ul>	<ul style="list-style-type: none"> <li>• Southwest Alberta Child and Family Services Authority</li> <li>• Southeast Alberta Child and Family Services Authority</li> <li>• Persons with Development Disabilities Calgary Region Community Board</li> <li>• Persons with Development Disabilities Central Region Community Board</li> <li>• Persons with Development Disabilities Edmonton Region Community Board</li> <li>• Persons with Development Disabilities Northwest Region Community Board</li> <li>• Persons with Development Disabilities Northeast Region Community Board</li> <li>• Persons with Development Disabilities South Region Community Board</li> <li>• Office of the Public Trustee</li> </ul>

## 2013 Financial statements reports

<b>For the year ended December 31, 2012</b>	
<ul style="list-style-type: none"> <li>Workers' Compensation Board—Alberta</li> </ul>	
<b>Infrastructure</b>	
<ul style="list-style-type: none"> <li>Ministry of Infrastructure</li> </ul>	
<b>International and Intergovernmental Relations</b>	
<ul style="list-style-type: none"> <li>Ministry of International and Intergovernmental Relations</li> </ul>	
<b>Justice and Solicitor General</b>	
<ul style="list-style-type: none"> <li>Ministry of Justice and Solicitor General</li> <li>Department of Justice and Solicitor General</li> </ul>	<ul style="list-style-type: none"> <li>Human Rights Education and Multiculturalism Fund</li> <li>Victims of Crime</li> </ul>
<b>Legislative Assembly</b>	
<ul style="list-style-type: none"> <li>Legislative Assembly Office</li> </ul>	<ul style="list-style-type: none"> <li>Office of the Chief Electoral Officer</li> <li>Office of the Child and Youth Advocate</li> <li>Office of the Ethics Commissioner</li> <li>Office of the Information and Privacy Commissioner</li> <li>Office of the Ombudsman</li> </ul>
<b>Municipal Affairs</b>	
<ul style="list-style-type: none"> <li>Ministry of Municipal Affairs</li> <li>Department of Municipal Affairs</li> </ul>	<ul style="list-style-type: none"> <li>Alberta Social Housing Corporation</li> </ul>
<b>For the year ended December 31, 2012</b>	
<ul style="list-style-type: none"> <li>Improvement Districts 4, 9, 12, 13, 24 and 349</li> <li>Kananaskis Improvement District</li> </ul>	<ul style="list-style-type: none"> <li>Special Areas Trust Account</li> </ul>
<b>Service Alberta</b>	
<ul style="list-style-type: none"> <li>Ministry of Service Alberta</li> </ul>	
<b>Tourism, Parks and Recreation</b>	
<ul style="list-style-type: none"> <li>Ministry of Tourism, Parks and Recreation</li> <li>Department of Tourism, Parks and Recreation</li> </ul>	<ul style="list-style-type: none"> <li>Alberta Sport, Recreation, Parks and Wildlife Foundation</li> <li>Travel Alberta</li> </ul>
<b>Transportation</b>	
<ul style="list-style-type: none"> <li>Ministry of Transportation</li> </ul>	

## 2013 Financial statements reports

<b>Treasury Board and Finance</b>	
<ul style="list-style-type: none"> <li>• Ministry of Treasury Board and Finance</li> <li>• Department of Treasury Board and Finance</li> <li>• Alberta Cancer Prevention Legacy Fund</li> <li>• Alberta Gaming and Liquor Commission</li> <li>• Alberta Gambling Research Institute</li> <li>• Alberta Heritage Foundation of Medical Research Endowment Fund</li> <li>• Alberta Heritage Savings Trust Fund</li> <li>• Alberta Heritage Scholarship Fund</li> <li>• Alberta Heritage Science and Engineering Research Endowment Fund</li> <li>• Alberta Investment Management Corporation</li> <li>• Alberta Lottery Fund</li> </ul>	<ul style="list-style-type: none"> <li>• Alberta Risk Management Fund</li> <li>• Alberta Securities Commission</li> <li>• ATB Financial                             <ul style="list-style-type: none"> <li>• ATB Insurance Advisors Inc.</li> <li>• ATB Investment Management Inc.</li> <li>• ATB Securities Inc.</li> </ul> </li> <li>• Consolidated Cash Investment Trust Fund</li> <li>• N.A. Properties (1994) Ltd.</li> <li>• Provincial Judges and Masters in Chambers (Registered) Pension Plan</li> <li>• Provincial Judges and Masters in Chambers Reserve Fund</li> <li>• Supplementary Retirement Plan Reserve Fund</li> </ul>
<b>For year ended September 30, 2012</b>	
<ul style="list-style-type: none"> <li>• Gainers Inc.</li> </ul>	
<b>For the year ended December 31, 2012</b>	
<ul style="list-style-type: none"> <li>• Alberta Capital Finance Authority</li> <li>• Alberta Local Authorities Pension Plan Corp.</li> <li>• Alberta Pensions Services Corporation</li> <li>• Credit Union Guarantee Corporation</li> <li>• Local Authorities Pension Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Management Employees Pension Plan</li> <li>• Public Service Management (Closed Membership) Pension Plan</li> <li>• Public Service Pension Plan</li> <li>• Special Forces Pension Plan</li> <li>• Supplementary Retirement Plan for Public Service Managers</li> </ul>

# 2013 Performance measures reports

<b>Government of Alberta</b>	
Measuring Up - March 31, 2013 audit report on selected performance measures	
<b>Ministries and other organizations</b>	
The following ministries and organizations engaged us to review <sup>1</sup> its selected performance measures in their March 31, 2013 annual reports. We issued unqualified review engagement reports on the measures reviewed.	
Aboriginal Relations Agriculture and Rural Development Culture Education Energy Enterprise and Advanced Education Environment and Sustainable Resource Development Executive Council Health	Human Services Workers' Compensation Board—Alberta* Infrastructure International and Intergovernmental Relations Justice and Solicitor General Municipal Affairs Service Alberta Tourism, Parks and Recreation Transportation Treasury Board and Finance Alberta Pensions Services Corporation*
* December 31, 2012 annual report	

<sup>1</sup> A review is not an audit, and provides a limited/moderate level of assurance.

# 2013 Systems auditing reports

## July 2012 Public Report Stand-alone audits

<b>New</b>	
Health	<ul style="list-style-type: none"> <li>• Management of Healthcare Waste Materials at Alberta Health Services</li> <li>• Primary Care Networks</li> </ul>
Treasury Board and Finance	<ul style="list-style-type: none"> <li>• Analyzing Performance</li> <li>• Literature Review – Performance Targets</li> </ul>
<b>Follow-up</b>	
Environment and Sustainable Resource Development	<ul style="list-style-type: none"> <li>• Systems to Promote Drinking Water Safety and Regulate Water Well Drilling Activities</li> </ul>
Human Services	<ul style="list-style-type: none"> <li>• Occupational Health and Safety Systems</li> </ul>

## October 2012 Public Report Stand-alone audits

<b>New</b>	
Transportation	<ul style="list-style-type: none"> <li>• Managing Structural Safety of Bridges</li> </ul>
Ministries - all	<ul style="list-style-type: none"> <li>• Web Application Vulnerability Assessments</li> </ul>
<b>Follow-up</b>	
Environment and Sustainable Resource Development	<ul style="list-style-type: none"> <li>• Climate Change</li> <li>• Reforestation</li> </ul>
Executive Council	<ul style="list-style-type: none"> <li>• Protecting Information Assets</li> </ul>
Service Alberta	<ul style="list-style-type: none"> <li>• Protecting Information Assets</li> </ul>
Human Services	<ul style="list-style-type: none"> <li>• Systems to Provide Tuition-based Training to Learners</li> </ul>

## Other auditing

Agriculture and Rural Development	International and Intergovernmental Relations
Education	Municipal Affairs
Energy	Service Alberta
Enterprise and Advanced Education <sup>1</sup>	Tourism, Parks and Recreation & Culture and Community Services
Environment and Sustainable Resource Development	Transportation
Health	Treasury Board and Finance

<sup>1</sup> includes reports on multiple post-secondary education institutions

## 2013 Systems auditing reports

### February 2013 Public Report

#### Stand-alone audits

**New**

Health

- AHS controls Over Expense Claims, Purchasing Card Transactions and Other Travel Expenses

Human Services

- Office of the Public Trustee

**Follow-up**

Treasury Board and Finance

- Reporting on Selected Payments to MLAs

**Other auditing**

Enterprise and Advanced Education<sup>1</sup>

Treasury Board and Finance

<sup>1</sup> includes reports on multiple post-secondary education institutions

The public Reports of the Auditor General of Alberta  
are available online at <http://www.oag.ab.ca>

# Management's responsibility for financial reporting



## **Legislative Assembly of Alberta Office of the Auditor General Management's Responsibility for Financial Reporting**

The accompanying financial statements of the Office of the Auditor General, including the performance measures, are the responsibility of office management.

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards. Financial statements are not precise, since they include certain amounts based on estimates and judgments. When alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances to ensure that the financial statements are presented fairly in all material respects.

The Office of the Auditor General maintains control systems designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the relevance and reliability of internal and external reporting, and compliance with authorities. The costs of control are balanced against the benefits, including the risks that the control is designed to manage.

The financial statements, including performance measure results, have been audited by St. Arnaud Pinsent Steman, Chartered Accountants, on behalf of the members of the Legislative Assembly.

[Original signed by Merwan N. Saher, FCA]

Auditor General  
June 24, 2013

# Financial statements (audited) - March 31, 2013

**Legislative Assembly of Alberta  
Office of the Auditor General  
Financial Statements  
March 31, 2013**

Independent Auditors' Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1: Lines of Business Cost by Sector and Ministry

Schedule 2: Performance Measures Summary



**ST. ARNAUD PINSENT STEMAN**  
CHARTERED ACCOUNTANTS

Daniel J. St. Arnaud, CA\*\*  
John H. C. Pinsent, CA\*\*  
Bernardus C. Steman, CA, CFA\*\*

## INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly

### Report on the Financial Statements

We have audited the accompanying financial statements of the Office of the Auditor General, which comprise the statement of financial position as at March 31, 2013, and the statement of operations and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting principles, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian public sector auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Unqualified Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General as at March 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with Canadian public sector accounting principles.

[ORIGINAL SIGNED BY JOHN H.C. PINSENT PROFESSIONAL CORPORATION]

June 24, 2013

John H. C. Pinsent Professional Corporation  
Chartered Accountant

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\* An Association to Practice Chartered Accountancy \*\* Operates as a Professional Corporation

Legislative Assembly of Alberta  
Office of the Auditor General  
Statement of Operations  
Year Ended March 31, 2013

	2013			2012	
	Budget	Adjustment	Authorized Budget	Actual	Actual
Expenses:					
Personnel					
Salaries and wages (Note 7)	\$ 13,895,000	\$ -	\$ 13,895,000	\$ 13,498,671	\$ 12,840,741
Agent and other audit services fees	4,575,000	-	4,575,000	4,252,654	4,417,341
Employer contributions	3,050,000	-	3,050,000	3,175,190	2,648,872
Temporary staff services	1,470,000	-	1,470,000	1,271,327	1,699,621
Advisory services	230,000	-	230,000	416,262	257,084
	<u>23,220,000</u>	<u>-</u>	<u>23,220,000</u>	<u>22,614,104</u>	<u>21,863,659</u>
Supplies and services					
Training and professional fees	805,000	-	805,000	759,151	777,532
Travel	560,000	-	560,000	646,084	604,991
Technology services	420,000	-	420,000	472,150	321,753
Materials and supplies	195,000	-	195,000	202,660	175,668
Telephone and communications	80,000	-	80,000	81,027	83,309
Rental of office equipment	70,000	-	70,000	49,544	66,019
Repairs and maintenance	25,000	-	25,000	19,930	22,238
Miscellaneous	20,000	-	20,000	18,252	18,466
Budget encumbrance from 2012	-	(93,986)	(93,986)	-	-
	<u>2,175,000</u>	<u>(93,986)</u>	<u>2,081,014</u>	<u>2,248,798</u>	<u>2,069,976</u>
Total professional services expenses	25,395,000	(93,986)	25,301,014	24,862,902	23,933,635
Add: Amortization of capital assets	290,000	-	290,000	341,613	275,380
Total operating expenses	<u>25,685,000</u>	<u>(93,986)</u>	<u>25,591,014</u>	<u>25,204,515</u>	<u>24,209,015</u>
Less: Audit fee revenue	<u>(2,300,000)</u>	<u>-</u>	<u>(2,300,000)</u>	<u>(2,454,977)</u>	<u>(2,923,648)</u>
Cost of operations for the year (Note 6)	<u>\$ 23,385,000</u>	<u>\$ (93,986)</u>	<u>\$ 23,291,014</u>	<u>\$ 22,749,538</u>	<u>\$ 21,285,367</u>

**Legislative Assembly of Alberta  
Office of the Auditor General  
Statement of Financial Position  
As at March 31, 2013**

	<b>2013</b>	<b>2012</b>
<b>Assets</b>		
Audit fees revenue receivable	\$ 1,757,238	\$ 2,145,127
Other receivables and prepaids	151,416	197,696
Tangible capital assets (Note 3)	256,565	305,469
	\$ 2,165,219	\$ 2,648,292
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,665,312	\$ 999,008
Accrued vacation pay	1,871,064	1,898,321
	3,536,376	2,897,329
<b>Net Assets (Liabilities)</b>		
Net liabilities at beginning of year	(249,037)	(1,588,854)
Cost of operations	(22,749,538)	(21,285,367)
Net financing provided from General Revenues	21,627,418	22,625,184
	(1,371,157)	(249,037)
	\$ 2,165,219	\$ 2,648,292

The accompanying notes and schedules are an integral part of these financial statements.

**Legislative Assembly of Alberta  
Office of the Auditor General  
Statement of Cash Flows  
Year Ended March 31, 2013**

	<b>2013</b>	<b>2012</b>
Operating transactions:		
Cost of operations	\$ (22,749,538)	\$ (21,285,367)
Non-cash item included in cost of operations:		
Amortization of tangible capital assets	341,613	275,380
	(22,407,925)	(21,009,987)
Decrease (Increase) in audit fees receivable	387,889	(167,018)
Decrease in other receivables and prepaids	46,280	33,274
Increase (Decrease) in accounts payable and accrued liabilities	666,304	(1,733,585)
(Decrease) Increase in accrued vacation pay	(27,257)	257,483
Net cash used by operating transactions	(21,334,709)	(22,619,833)
Capital transactions:		
Acquisition of tangible capital assets	(292,709)	(5,351)
Financing transactions:		
Net financing provided from General Revenues	21,627,418	22,625,184
Net cash provided (used)	-	-
Cash, beginning of year	-	-
Cash, end of year	\$ -	\$ -

The accompanying notes and schedules are an integral part of these financial statements.

**Legislative Assembly of Alberta  
Office of the Auditor General  
Notes to the Financial Statements  
Year Ended March 31, 2013**

**Note 1 Authority and Purpose**

The Auditor General is an officer of the Legislature operating under the authority of the *Auditor General Act, Chapter A-46, Revised Statutes of Alberta 2000*. General revenues of the Province of Alberta fund both the cost of operations of the Office of the Auditor General and the purchase of tangible capital assets. The Standing Committee on Legislative Offices reviews the Office's annual operating and capital budgets.

The Office of the Auditor General exists to serve the Legislative Assembly and the people of Alberta. The auditor general is the auditor of all government ministries, departments, funds and provincial agencies, including Alberta Health Services, universities, and public colleges and technical institutes. With the approval of the Assembly's Standing Committee on Legislative Offices, the auditor general may also be appointed auditor of a Crown-controlled corporation or another organization. The results of the office's work are included in the public reports of the auditor general presented to the Legislative Assembly.

**Note 2 Significant Accounting Policies and Reporting Practices**

These financial statements have been prepared in accordance with Canadian public sector accounting standards.

(a) **Audit fee revenue**

Audit fee revenue is recognized when billable financial statements audits are performed. Audit fees are charged to organizations that are funded primarily from sources other than provincial general revenues.

(b) **Lines of business cost**

Schedule 1 provides detail of our lines of business cost by sector and ministry.

(c) **Expenses incurred by others**

Services contributed by other entities in support of the Office's operations are disclosed in Note 6.

(d) **Tangible capital assets**

Tangible capital assets are recorded at historical cost. Amortization is calculated on a straight-line basis, over the following estimated useful lives of the assets:

Computer hardware	3 years
Computer software	3 years
Office equipment	10 years

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(e) Liabilities

Liabilities are recorded to the extent that they represent present obligations as a result of events and transactions occurring prior to the end of the fiscal year. The settlement of liabilities will result in sacrifice of economic benefits in the future.

(f) Pension expense

Pension costs included as part of these statements refer to employer contributions for the current service of employees during the year and additional employer contributions for service relating to prior years.

(g) Financial instruments

Fair value is the amount of consideration agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

The fair values of accounts receivable, other receivables and prepaids, accounts payable and accrued liabilities, and accrued vacation pay are estimated to approximate their carrying values because of the short-term nature of these instruments.

Effective April 1, 2012, the Office adopted PS 3450 Financial Instruments. This section deals with how to account for and report financial instruments. As the office does not have any transactions involving financial instruments that are classified in the fair value category and has no foreign currency transactions, there are no remeasurement gains and losses and therefore a statement of remeasurement gains and losses has not been presented.

(h) Net liabilities

Net liabilities represent the difference between the office's liabilities and the carrying value of its assets.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The office operates within the government reporting entity, and does not finance its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

## Note 3 Tangible Capital Assets

		2013		2012	
	Historical cost	Accumulated amortization	Net book value	Net book value	
Computer hardware	\$ 2,015,496	\$ 1,829,645	\$ 185,851	\$ 199,135	
Computer software	310,254	299,182	11,072	32,854	
Office equipment	593,940	534,298	59,642	73,480	
	<u>\$ 2,919,690</u>	<u>\$ 2,663,125</u>	<u>\$ 256,565</u>	<u>\$ 305,469</u>	

## Note 4 Benefit Plans

The office participates in multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$1,998,842 for the year ended March 31, 2013 (2012: \$1,693,985). The office is not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2012, the Management Employees Pension Plan reported a deficiency of \$303,423,000 (2011: deficiency \$517,726,000), the Public Service Pension Plan reported a deficiency of \$1,645,141,000 (2011: deficiency \$1,790,383,000) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$51,870,000 (2011: deficiency \$53,489,000).

The office also participates in a multi-employer Long Term Disability Income Continuance Plan. At March 31, 2013, the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$18,327,000 (2012: surplus \$10,454,000). The expense for this Plan is limited to the employer's annual contributions for the year.

Note 5 Budget

The budget shown on the statement of operations is based on the budgeted expenses that the Standing Committee on Legislative Offices approved on November 18, 2011. The current year voted budget was reduced by \$93,986 for the expenditures exceeding budget in 2012. The following table compares the office's actual expenditures to the approved budgets:

Voted budget		
Operating expenses		\$ 25,395,000
Capital investments		255,000
		<u>25,650,000</u>
Adjustment		
Budget encumbrance from 2012		(93,986)
		<u>25,556,014</u>
Actual		
Operating expenses		24,862,902
Capital investments		292,709
		<u>25,155,611</u>
Unexpended		<u>\$ 400,403</u>

Note 6 Expenses Incurred by Others

The office had transactions with other entities for which no consideration was exchanged. The amounts for the following transactions are estimated based on the costs incurred by the service provider.

	2013	2012
Expenses incurred by Alberta Infrastructure accommodation	<u>\$ 960,036</u>	<u>\$ 893,498</u>
Expense incurred by the Legislative Assembly Office audit fee	<u>\$ 30,000</u>	<u>\$ 29,500</u>

## Note 7 Salary and Benefits Disclosure

	2013						
	Pensionable base salary	Cash benefits <sup>(1)</sup>	Non-cash benefits <sup>(2)</sup>	Severance	Total	Cashed out vacation	Total including cashed out vacation
Auditor general <sup>(3)</sup>	\$ 242,688	\$ -	\$ 80,919	\$ -	\$ 323,607	\$ 18,205	\$ 341,812
Assistant auditors general:							
AAG <sup>(4)</sup>	192,890	-	53,790	-	246,680	-	246,680
AAG <sup>(5)</sup>	192,890	-	52,608	-	245,498	-	245,498
AAG <sup>(6)</sup>	180,090	-	48,682	-	228,772	13,800	242,572
AAG <sup>(7)</sup>	161,850	40,463	5,193	-	207,506	25,412	232,918
AAG <sup>(8)</sup>	145,262	-	40,904	310,328	496,494	40,441	536,935
AAG <sup>(9)</sup>	26,391	-	8,148	-	34,539	-	34,539
AAG <sup>(10)</sup>	26,391	3,959	1,942	-	32,292	-	32,292
	<u>\$ 1,168,452</u>	<u>\$ 44,422</u>	<u>\$ 292,186</u>	<u>\$ 310,328</u>	<u>\$ 1,815,388</u>	<u>\$ 97,858</u>	<u>\$ 1,913,246</u>
	2012						
	Pensionable base salary	Cash benefits <sup>(1)</sup>	Non-cash benefits <sup>(2)</sup>	Severance	Total	Cashed out vacation	Total including cashed out vacation
Auditor general <sup>(3)</sup>	\$ 222,241	\$ 1,250	\$ 73,281	\$ -	\$ 296,772	\$ 10,218	\$ 306,990
Assistant auditors general:							
AAG <sup>(4)</sup>	185,472	1,250	51,066	-	237,788	-	237,788
AAG <sup>(5)</sup>	179,000	1,250	47,507	-	227,757	-	227,757
AAG <sup>(6)</sup>	167,000	1,250	42,948	-	211,198	-	211,198
AAG <sup>(7)</sup>	179,000	46,000	4,768	-	229,768	-	229,768
AAG <sup>(8)</sup>	173,000	1,250	46,318	-	220,568	6,236	226,804
	<u>\$ 1,105,713</u>	<u>\$ 52,250</u>	<u>\$ 265,888</u>	<u>\$ -</u>	<u>\$ 1,423,851</u>	<u>\$ 16,454</u>	<u>\$ 1,440,305</u>

Salary and benefits disclosure is in accordance with Treasury Board Directive 12/98 as amended and Recommendation No. 2 in the *October 2009 Report of the Auditor General of Alberta*.

- (1) Cash benefits include lump sum payments, payments in lieu of certain employer contributions towards non-cash benefits such as long-term disability insurance and pensions. No bonuses were paid in 2013 and 2012.
- (2) Non-cash benefits include the office's share of all employee benefits, and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, WCB premiums, professional memberships and tuition fees.
- (3) Non-cash benefits for the auditor general includes \$10,414 (2012: \$10,263) being the lease, fuel and maintenance expenses for an automobile provided.

## Note 7 Salary and Benefits Disclosure (continued)

Responsibilities of the Assistant Auditors General as at March 31, 2013 are as follows:

- (4) Health, Human Services, Legislative Assembly, Measuring Up and Ministry Performance Measures
- (5) Aboriginal Relations, Education, Enterprise and Advanced Education, Executive Council, Intergovernmental and International Relations, Justice and Solicitor General
- (6) Infrastructure, Municipal Affairs, Treasury Board and Finance
- (7) Left on January 31, 2013 (10 months in 2013)
- (8) Left on January 4, 2013 (9 months in 2013)
- (9) Promoted on February 1, 2013 (2 months in 2013). Agriculture and Rural Development, Enterprise and Advanced Education, Service Alberta, Transportation
- (10) Promoted on February 1, 2013 (2 months in 2013). Culture, Energy, Environment and Sustainable Resource Development, Tourism, Parks and Recreation

## Note 8 Comparative Figures

Certain 2012 figures have been reclassified to conform to the 2013 presentation.

## Note 9 Approval of the Financial Statements

These financial statements were approved by the Auditor General.

# Financial statements (audited)—March 31, 2013

Schedule 1

Legislative Assembly of Alberta  
Office of the Auditor General  
Lines of Business Cost by Sector<sup>1</sup> and Ministry  
For the Year Ended March 31, 2013

	2013 Budget			2013 Actual			2012 Actual		
	Auditing			Auditing			Auditing		
	Financial statements <sup>2</sup>	Systems <sup>3</sup>	Total	Financial statements <sup>2</sup>	Systems <sup>3</sup>	Total	Financial statements <sup>2</sup>	Systems <sup>3</sup>	Total
<b>Alberta's Economic Future</b>									
Aboriginal Relations	\$ 102,000	\$ -	\$ 102,000	\$ 44,000	\$ 133,000	\$ 177,000	\$ 50,000	\$ 230,000	\$ 280,000
Agriculture and Rural Development	909,000	-	909,000	637,000	85,000	722,000	791,000	111,000	902,000
Enterprise and Advanced Education	4,779,000	979,000	5,758,000	5,001,000	957,000	5,958,000	4,661,000	554,000	5,215,000
Infrastructure	227,000	45,000	272,000	221,000	6,000	227,000	225,000	6,000	231,000
Intergovernmental and International Relations	59,000	127,000	186,000	73,000	17,000	90,000	118,000	14,000	132,000
Tourism, Parks and Recreation	257,000	-	257,000	190,000	1,000	191,000	173,000	-	173,000
	<u>6,333,000</u>	<u>1,151,000</u>	<u>7,484,000</u>	<u>6,166,000</u>	<u>1,199,000</u>	<u>7,365,000</u>	<u>6,018,000</u>	<u>915,000</u>	<u>6,933,000</u>
<b>Families and Communities</b>									
Culture	206,000	32,000	238,000	141,000	-	141,000	133,000	-	133,000
Education	502,000	187,000	689,000	600,000	74,000	674,000	498,000	10,000	508,000
Health	2,785,000	1,006,000	3,791,000	2,441,000	1,748,000	4,189,000	2,630,000	951,000	3,581,000
Human Services	2,089,000	347,000	2,436,000	1,827,000	596,000	2,423,000	2,105,000	1,234,000	3,339,000
Justice and Solicitor General	514,000	69,000	583,000	496,000	1,000	497,000	433,000	25,000	458,000
Service Alberta	763,000	420,000	1,183,000	631,000	251,000	882,000	621,000	231,000	852,000
	<u>6,859,000</u>	<u>2,061,000</u>	<u>8,920,000</u>	<u>6,136,000</u>	<u>2,670,000</u>	<u>8,806,000</u>	<u>6,420,000</u>	<u>2,451,000</u>	<u>8,871,000</u>
<b>Resource Stewardship</b>									
Energy	979,000	138,000	1,117,000	811,000	36,000	847,000	800,000	81,000	881,000
Environment and Sustainable Resource Development	800,000	1,209,000	2,009,000	695,000	667,000	1,362,000	670,000	698,000	1,368,000
Municipal Affairs	600,000	-	600,000	595,000	375,000	970,000	542,000	90,000	632,000
Transportation	219,000	-	219,000	250,000	412,000	662,000	242,000	460,000	702,000
Treasury Board and Finance	4,347,000	721,000	5,068,000	4,060,000	742,000	4,802,000	4,132,000	402,000	4,534,000
	<u>6,945,000</u>	<u>2,068,000</u>	<u>9,013,000</u>	<u>6,411,000</u>	<u>2,232,000</u>	<u>8,643,000</u>	<u>6,386,000</u>	<u>1,731,000</u>	<u>8,117,000</u>
Executive Council	101,000	-	101,000	144,000	22,000	166,000	78,000	-	78,000
Legislative Assembly	167,000	-	167,000	224,000	1,000	225,000	210,000	-	210,000
	<u>268,000</u>	<u>-</u>	<u>268,000</u>	<u>368,000</u>	<u>23,000</u>	<u>391,000</u>	<u>288,000</u>	<u>-</u>	<u>288,000</u>
	<u>\$ 20,405,000</u>	<u>\$ 5,280,000</u>	<u>\$ 25,685,000</u>	<u>\$ 19,081,000</u>	<u>\$ 6,124,000</u>	<u>\$ 25,205,000</u>	<u>\$ 19,112,000</u>	<u>\$ 5,097,000</u>	<u>\$ 24,209,000</u>

<sup>1</sup> Ministry auditing work is aligned with the government's 2013 priority areas.

<sup>2</sup> Financial statements audits include reporting on financial statements, performance measures, compliance with authorities and research.

<sup>3</sup> Systems audits examine major programs or initiatives an organization undertakes to achieve its goals.

**Legislative Assembly of Alberta  
Office of the Auditor General  
Performance Measures Summary**

Performance measures	Actual 2011	Actual 2012	Target 2013	Actual 2013	
<b>Relevant auditing</b>					
1.a	Percentage of the auditor general's systems auditing recommendations accepted for implementation <sup>1</sup>	100%	100%	95%	<b>98%</b>
1.b	Number of auditor general's systems auditing recommendations not implemented within three years of acceptance	43	42	Zero	<b>55</b>
1.c	Issue auditor's report on Alberta's consolidated financial statements by June 30 (for the prior March 31 fiscal year end)	June 22, 2010	June 23, 2011	June 29, 2012	<b>June 21, 2012</b>
1.d	Percentage of costs dedicated to financial statements/systems auditing	82/18%	79/21%	80/20%	<b>76/24%</b>
<b>Reliable auditing</b>					
2.a	Institute of Chartered Accountants of Alberta's conclusion that the office's financial statements audits meet practice review standards <sup>2</sup>	No review	No review	Pass review	<b>Results pending at year end</b>
<b>Reasonable cost auditing</b>					
3.a	Staff turnover rate - overall <sup>3</sup>	18%	22%	Under 20%	<b>21%</b>
3.b	Percentage of financial statements audits completed within budget <sup>4</sup>	Under development – not reported	68%	90%	<b>67%</b>

<sup>1</sup>Acceptance for implementation does not include systems auditing recommendations accepted in principle or under review.

<sup>2</sup>The practice review is done triennially. The 2010 review result was a pass. The latest practice review was conducted in February 2013. The results will be provided in the summer of 2013.

<sup>3</sup>Overall staff turnover rate includes voluntary and involuntary vacancies that affect our productivity and costs.

<sup>4</sup>This performance measure aligns with our business plan strategy to “build our capacity to do systems audits by freeing up staff from financial statement audits”. It replaces our Business Plan 2012–2015 measure “Benchmarking average hourly audit costs”, described as “Under development”.





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