

# Office of the Auditor General of Alberta

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Results Analysis Report  
2014–2015





Ms. Denise Woollard, MLA  
Chair  
Standing Committee on Legislative Offices

**Office of the Auditor General of Alberta  
Results Analysis Report for the Year Ended March 31, 2015**

I am honoured to send you this Results Analysis Report on the operations of the office for the fiscal year April 1, 2014 to March 31, 2015.

[original signed by]

Merwan N. Saher FCPA, FCA  
Auditor General  
Edmonton, Alberta  
September 28, 2015



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\* including performance measures (Schedule 2, page 46)

# ACCOUNTABILITY STATEMENT

This results analysis report of the Office of the Auditor General of Alberta summarizes and analyzes the work of our office for the fiscal year ended March 31, 2015.

In this report we explain how we used Albertans' money as the independent auditor of the Government of Alberta. We are reporting against our 2014–2017 business plan, which included our office's strategies and priorities for fiscal 2015.

In the year ended March 31, 2015 the office issued five public reports:

- July 2014
- August 2014 (externally requested special duty report)
- September 2014
- October 2014
- March 2015

We believe this results analysis report, which includes our independently audited 2014–2015 financial statements, presents our operations and results in a complete, fair and balanced manner.

[original signed by]

Merwan N. Saher FCPA, FCA  
Auditor General

[original signed by]

Eric Leonty CPA, CA  
Assistant Auditor General

[original signed by]

Robert Driesen CPA, CA  
Assistant Auditor General

[original signed by]

Brad Ireland CPA, CA  
Assistant Auditor General

[original signed by]

Doug Wylie CPA, CMA, ICD.D  
Assistant Auditor General

[original signed by]

Ruth McHugh MBA, FCPA, FCMA, ICD.D  
Executive Director, Corporate Services and  
Office Accountability

# RESULTS MANAGEMENT FRAMEWORK

This results analysis report summarizes the Office of the Auditor General of Alberta's achievements in the year ended March 31, 2015 and identifies lessons we have learned and plan to incorporate into our business. It is the key annual public performance report prepared under the office's results management framework, which has three central integrated processes involving governance, oversight and accountability for results.

Effective results management starts with governance—the structure and processes we use to bring together capable people and relevant information to achieve cost effective results.

Oversight is the glue that holds our results management framework together. By applying good oversight we will know if we are managing our resources cost effectively in producing our audit results. Our team of management leaders works towards achieving their oversight objectives and the pursuit of desired results by:

- being vigilant and providing watchful care for the office's use of financial and human resources
- checking that our processes and systems are working well, including our system to ensure accountability for how effectively we use our resources
- modelling and signaling preferred behaviours through mentorship and by example

Accountability for results requires a management obligation to show continuous improvement in the context of fair and agreed on expectations. To ensure that Albertans receive the value for money they deserve from our office, we must follow a clear process of accountability for results:

1. Set and communicate measurable results and responsibilities
2. Plan what needs to be done to achieve results
3. Do the work and monitor our progress
4. Identify and evaluate our results, plus provide feedback for continued improvement
5. Publicly report on the results of our work



The results management framework outlines a formal process in which we can learn from what we are doing so that we can do better in the future. The framework also prompts us to feed the analysis back into our business planning and processes. The three parts – governance, oversight and accountability for results – work together to produce effective results.

## OUR BUSINESS

### OUR MANDATE

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 every ministry, department, regulated fund and provincial agency.

### WHAT WE DO

We have two core lines of business designed to provide expert auditing of the government's:

- financial statements (this also includes reporting on compliance with authorities, performance measures, results analysis, and research and advice)
- management systems and processes (systems audits)

Our audit 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 the appropriate standards.

Ministries and their related entities also include our conclusions (auditor general report scope and level of assurance is limited) about selected performance measures in their annual reports. We report on the performance measures of about 14 per cent of the organizations for which we audit financial statements.

Systems audits 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 our financial statements audits. We make recommendations to management if we find that an organization could improve its systems in areas such as governance and accountability for results, internal control over financial management, information technology or performance reporting.

### HOW WE REPORT ON OUR WORK

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

Once the Government of Alberta has acted upon our audit recommendations, we carry out follow-up audits to confirm that our recommendations have been implemented. Ideally, implementation by management and our follow-up reporting on the appropriateness of their implementation is completed within three years of each original recommendation. The results of the follow-up audits are also included in auditor general reports to complete our reporting to Albertans.

## OUR BUSINESS

### OUR GOALS

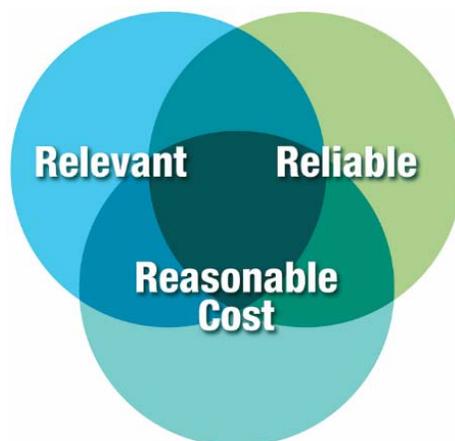
In fulfilling our mandate, and in pursuit of our vision to add value through expert auditing, our goals are to provide relevant and reliable audit services and public reporting within the constraint of reasonable cost. Our business plan is designed to ensure our audits are:

**Relevant**—Our work must be relevant to the Legislative Assembly and Albertans.

**Reliable**—The Legislative Assembly and Albertans must be able to count on our work.

**Reasonable cost**—We exercise fiscal stewardship in producing relevant and reliable reports.

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



Consistently working towards these three goals helps focus our planning, operational and evaluation decisions.

### OUR STRATEGY

The business plan highlights our primary strategy—to perform more added-value systems audit work—without compromising our financial statements auditing responsibilities. Anchored by the *Auditor General Act*, we believe performing more added-value systems audit work aligns with Albertans' need to know whether government is using their resources wisely. Currently, we are striving to fine tune the relative percentage of our resource (i.e., operating costs) allocations to achieve a mix of 30 per cent systems auditing and 70 per cent financial statements auditing by 2018.

As legislative auditors, we have a profound understanding of the environment we are auditing, including performance audit standards, management control systems, performance reporting and accountability for results. In our view, value is added when we perform systems audits on matters that relate to critical government goals, strategies and risks in areas that are important to Albertans. A key output of our systems audit work is to identify where government can make improvements to enhance the efficiency, effectiveness, and economy of important management systems. True value is attained when government implements our recommendations.

## OUR BUSINESS

### OUR PLANS AND FINANCIAL RESULTS—OVERVIEW

In our business plan and budget for 2015 (<http://www.oag.ab.ca/other>), we allocated operating expenses of \$27.4 million (including amortization of tangible capital assets) between our two core lines of business, ministry by ministry. This allocation was aligned to match the government's 2014–2017 strategic plan priorities (subsequently restated to match the government organizational structure at March 31, 2015). Our budget and actual costs are summarized and compared below.

	2015				2014	
	Budget	Budget %	Actual	Actual %	Actual	Actual %
	(thousands)				(thousands)	
<b>Financial statements auditing</b>						
Government priority areas						
Alberta's Economic Future	\$ 6,499	24%	\$ 6,356	24%	\$ 6,692	26%
Families and Communities	6,111	23%	5,235	20%	6,427	25%
Resource Stewardship	7,494	27%	7,367	27%	6,500	25%
	20,104	74%	18,958	71%	19,619	76%
Executive Council and Legislative Assembly						
	381	1%	369	1%	344	1%
	20,485	75%	19,327	72%	19,963	77%
<b>Systems auditing</b>						
Government priority areas						
Alberta's Economic Future	913	3%	811	3%	1,168	5%
Families and Communities	3,457	13%	2,938	10%	2,588	10%
Resource Stewardship	2,315	8%	3,447	13%	2,073	8%
	6,685	24%	7,196	26%	5,829	23%
Executive Council and Legislative Assembly						
	245	1%	488	2%	35	0%
	6,930	25%	7,684	28%	5,864	23%
	\$ 27,415	100%	\$ 27,011	100%	\$ 25,827	100%

For the families and communities priority area, the \$5.2 million cost of 2015 financial statements auditing was \$0.9 million lower than budgeted and \$1.2 million lower than prior year actual. These favourable variances reflect the dissolving of the persons with developmental disabilities and child and family services authorities organizations (integrated into other areas) and the advancement of the final audits for these entities to 2014 (originally budgeted for 2015). The current year \$2.9 million systems auditing in families and communities was \$0.5 million lower than budgeted, mainly due to the postponement of planned audit work on physician services and health information technology spending (these audits are now planned to be completed on a combined basis).

## OUR BUSINESS

In the resource stewardship area, the 2015 systems auditing projects costs totalling \$3.5 million was \$1.1 million higher than budgeted and \$1.4 million higher than prior year actual. These unfavourable variances reflect the requirements on several projects (involving flood mitigation systems and dam safety monitoring and regulation) to carry out extra 2015 work and procedures that were identified after our field work commenced. The timing of this extra work and our reporting targets were such that the extra costs could not be incorporated into our budget process.

The systems auditing cost for Executive Council and Legislative Assembly of \$488,000 was \$243,000 higher than budget and \$453,000 higher than prior year actual. These differences arose from the unexpected (and unbudgeted) externally requested special duty audit report work involving the Office of the Premier expenses and the Treasury Board and Finance program for government owned aircraft. The \$245,000 amount in the 2015 budget that was planned for systems audit work in this area was deferred.

### Office performance measure

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

In pursuit of our strategy to perform more added-value systems audit work and our goal of a sustainable relative mix of 30% systems auditing and 70% financial statements auditing by the end of three years, our 2015 target for resource allocation between the two core lines of business was 25% systems auditing and 75% financial statements auditing. Our actual result was 28:72%, a favourable shift from financial statement auditing to systems auditing of three percentage points compared to target and five percentage points compared to prior year (23:77%). This is significant since the three percentage points change reflects a shift of \$810,000 of office costs and resources from financial statements to systems auditing.

Our improved 2015 systems to financial statements audit costs ratio benefited from certain external factors. Government decisions to dissolve the persons with developmental disabilities and child and family services authorities entities, as well as reduced public sector accounting standard transitioning requirements, allowed for some extra systems audit work. Also, the externally requested special duty engagement created some unanticipated systems audit work. Internally, a continued focus on audit project management and staff utilization allowed us to re-deploy resources to additional systems audit work.

Percentage of office costs	Prior actual results				2015	
	2011	2012	2013	2014	Target	Actual
Financial statements auditing	82%	79%	76%	77%	75%	72%
Systems auditing	18%	21%	24%	23%	25%	28%
	100%	100%	100%	100%	100%	100%

Over the past five years, our results show us trending on a consistent and sustainable basis towards completing more added-value systems auditing work. These recent results, combined with our plans for the next few years, lead us to believe our 2018 target of 30% systems auditing is achievable.

## OUR BUSINESS

We received an unqualified auditor's report on our externally audited 2015 financial statements. The auditor did not identify any recommendations to improve our financial processes and controls. We do not have any recommendations outstanding from prior years.

In 2015 we also received a positive endorsement of our office's operating systems and processes through an external peer review engagement completed pro bono by the Provincial Auditor of Saskatchewan.

# FINANCIAL STATEMENTS AND PERFORMANCE MEASURES

## AUDITING RESULTS

### PLANS AND PERFORMANCE

Our audits include the consolidated financial statements of the Government of Alberta, as well as every ministry, department, fund and provincial agency, including ATB Financial, Alberta Health Services and public post-secondary education institutions. Our office'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, usually public sector accounting standards. These recurring annual audits provide independent assurance on the government's financial reporting to the Legislative Assembly.

The auditor general issued 149 unqualified auditor's reports on financial statements in 2015 (2014 – 152). He also issued 19 unqualified auditor's reports on specified financial information for certain organizations (2014 – 17). No qualified auditor's reports were issued for either year.

We complete review engagement procedures on selected non-financial measures of performance in the annual reports of ministries and one agency. We also audit selected measures in the government's annual progress report on its business plans, titled Measuring Up. The auditor general reports on the reliability, understandability, comparability and completeness of selected performance measures. These reviews and the audit are not designed to provide assurance on whether the measures are relevant or useful to users.

The auditor general issued 20 unqualified review (limited assurance) engagement reports and one unqualified auditor's report on performance measures in 2015 (2014 – 20 reviews and one audit).

### 2015 REPORTS

Appendix A lists the entities whose financial statements we audited.

Appendix B lists the entities whose performance measures we examined.

#### Office performance measures

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

We strive to issue the auditor's report on the consolidated financial statements of the government by June 30 every year, to give timely assurance to the Legislative Assembly on the quality of the government's financial reports. We issued our report on June 19, 2014 for the government's March 31, 2014 year end and on June 23, 2015 for its 2015 year end.

##### Financial statements audits—number of audits completed within budget

For 2015, we completed 64% of our financial statements audits within budget, an improvement over the 59% achieved for 2014 and comparable to the 67% result for 2013 and 68% for 2012.

In assessing these recent results, we had some informal benchmarking discussions in the year with other public accounting firms in Alberta that also train students. We determined that our within budget performance rates are in the 'respectable to good' range, particularly for the past few years when there have been a series of fairly complex new and changed accounting standards impacting financial statements audits. Considering the feedback and given the nature of the public accounting and auditing business, we believe that targeting to complete 90% of audits, even with fair and comprehensive budgeting processes, is unrealistic (even as a stretch target for the year's portfolio of financial statements audits).

As a result of this review, and in tandem with the independent peer review component focused on the reasonable costs aspect of our systems and operations, we will be re-setting our upcoming completion within budget targets. In doing this, we will be working to have this performance measure's future targets be realistic, but also with a stretch factor.

### Auditing standards—pass professional practice review

Our office was registered as a practicing audit and training office with the Institute of Chartered Accountants of Alberta through fiscal 2015. Our goal is to meet all Institute standards, including those for practice review, and maintain our registrations in good standing.

The practice reviews follow a three year cycle and focus on financial statements audits. We passed our most recent review in 2013 and expect the accounting profession's next review will be in 2016.

# SYSTEMS AUDITING RESULTS

## PLANS AND PERFORMANCE

Sections 19(2) (d) and (e) of the *Auditor General Act* require us to report when “accounting systems and management control systems, including those systems designed to ensure economy and efficiency, ...were not in existence, were inadequate or had not been complied with” or “when appropriate and reasonable procedures could have been used to measure and report on the effectiveness of programs, those procedures were either not established or not being complied with.” We meet this expectation in two ways:

- **Stand-alone systems audits**—We audit major programs or initiatives that an organization undertakes to achieve its goals. In a stand-alone systems audit, 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.
- **By-products 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 concentrate on areas that will result in improved:

- oversight and ethical behavior—these 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—they belong to all Albertans and must be protected

## 2015 REPORTS

Appendix C lists the systems audits publicly reported in 2015. Summaries of four of those audits follow.

## Results Analysis Reporting

### Treasury Board and Finance

#### Background

We examined the quality of results analysis in management's commentary on performance in ministry annual reports, for two reasons:

- The Standing Committee on Public Accounts, an all-party committee consisting of 15 members of the Legislative Assembly, is questioning the quality of this reporting, finding it lacks focus and insights from management.
- We want to highlight, and reinforce within an effective results management framework, the importance of publicly reporting on results achieved compared to what was planned.

The government should tell Albertans whether it is achieving desired results. It is important to set goals and targets, then analyze the results to learn what is working and what is not.

#### Findings

Ministry annual reports describe activities and programs, but provide limited information:

- identifying progress towards goals and results achieved
- analyzing and evaluating progress against business plans, goals, priority initiatives and commitments
- relating progress and results achieved to dollars spent

Guidance and training for results analysis report preparation is limited. Compliance with the results analysis reporting standards is not monitored consistently.

#### Recommendations

Public service managers and the government must improve the quality of their results analysis reports. They should:

- identify and analyze results
- present a clear analysis of results for significant matters, including business plan priority initiatives
- shift the balance—increase the reported analysis of results, and decrease the number of programs and activities described without analysis
- develop standardized guidance and training to direct and support improving public performance reporting
- monitor results analysis reporting compliance with standards

From our project research, we developed a results management and analysis reference guide as a report appendix. The guide's results management framework lists good governance, oversight and accountability for results as its building blocks. Within this framework, evaluating and publicly reporting on results is a key component of good public sector stewardship.

Total audit project costs – \$531,000

*Report of the Auditor General of Alberta—July 2014*

## Special Duty Report on the Expenses of the Office of Premier Redford and Alberta's Air Transportation Services Program

### Treasury Board & Finance and Executive Council

#### Background

On March 4, 2014, Premier Redford asked the auditor general to perform a special duty under Section 17(2)<sup>1</sup> of the *Auditor General Act*. He accepted Premier Redford's request on March 7, 2014. Subsequently, Ms. Redford resigned from her position as premier and we formally communicated the scope of our audit work plans to Premier Hancock on April 15, 2014.

Our objectives were to:

- review the Government of Alberta's travel, meal and hospitality expense and disclosure policies and provide advice on whether the policies provide a framework for the most effective and efficient use and disclosure of public resources in the course of mandated government business
- assess whether Premier Redford and the Office of the Premier's employees complied with the Government of Alberta's:
  - travel, meal and hospitality expense policy
  - public disclosure of travel and expense policy
  - Air Transportation Services (ATS) policies
- assess if the Department of Treasury Board and Finance has adequate processes to assess the ATS program to ensure the program is meeting its objectives, considering risks, costs and benefits

After our audit field work commenced, the auditor general decided to exercise his legislated discretion and expand the scope of our engagement to also examine the Edmonton Federal Building redevelopment plan, specifically the non-office development of the top floor of the building.

#### Findings

On August 1, 2014, we reported that Premier Redford and her office used public resources inappropriately. They consistently failed to demonstrate in the documents we examined that their travel expenses were necessary and a reasonable and appropriate use of public resources—in other words economical and in support of a government business objective. Premier Redford used public assets (aircraft) for personal and partisan purposes. Premier Redford was also involved in a plan to convert public space in a public building into personal living space.

The Department of Treasury Board and Finance has not explained to Albertans why it believes the extra cost over alternatives to owning a fleet of aircraft is judged to be worthwhile.

#### Recommendations

No public servant, not even a premier, should be excused from vigilant oversight of their compliance with policies and processes designed to protect both the public interest and themselves from bad judgment.

<sup>1</sup> Section 17(2) of the *Auditor General Act* states "The Auditor General shall perform such special duties as may be specified by the Executive Council, but only if those special duties do not conflict with or impair the exercise or performance of any of the Auditor General's powers and duties under this or any other Act."

## SYSTEMS AUDITING RESULTS

Senior members of the public service should focus on these three areas of risk:

- allowing any individual's expenses to be incurred and approved by many staff across multiple ministries
- not having processes to identify and cost the partisan use of government aircraft when that use occurs together with government business
- not restricting out-of-province use of government aircraft to those cases where a cost benefit analysis has been performed

Total audit project costs – \$497,000

*Report of the Auditor General of Alberta—August 2014*

## Chronic Disease Management

### Health

#### Background

The purpose of chronic disease management is to provide care that helps people with chronic disease improve their quality of life and live as long as possible. Effective chronic disease management can also reduce overall costs to the public healthcare system. The most common chronic diseases in Alberta include hypertension (high blood pressure), diabetes, chronic obstructive pulmonary disease, asthma, heart failure, coronary artery disease, obesity and depression. The personal consequences of these diseases can range from pain, impaired mobility, reduced ability to work, and social isolation to dependence on drugs, repeated trips to hospital, amputations and early death.

The financial costs to Alberta's healthcare system run into billions of dollars. Chronic diseases require the services of thousands of healthcare professionals and the infrastructure and systems to support them. People with chronic diseases account for nearly two-thirds of hospital inpatient days, one-third of all visits to physicians and more than one-quarter of visits to emergency rooms.

#### Findings

Our overall conclusion is that Alberta provides some excellent care for individuals with chronic diseases. However, that care tends to be fragmented. No entity has overall responsibility for ensuring that all the parts work together well, that all patients receive the same level of care, and that providers are making good use of available resources to understand chronic diseases and manage patient care.

#### Recommendations

Alberta has developed some good approaches to chronic disease management. However, these approaches can be improved.

The Department of Health needs to better define services it expect physicians, primary care networks and Alberta Health Services to provide to individuals with chronic disease, and hold them accountable for the patient outcomes achieved. The department also needs to provide better support to physicians and AHS in standardizing and sharing clinical information, identifying patient panels, establishing multidisciplinary care teams, and strengthening and aligning the physician and pharmacist care plan initiatives. The department also needs to involve Albertans in decisions about their care by providing individuals with chronic disease access to their own clinical information and their care plans. We also recommended that AHS align its services to individual chronic disease patients with the care provided by physicians, and offer comprehensive care to chronic disease patients who do not have a family physician.

Total project costs – \$477,000

*Report of the Auditor General of Alberta—September 2014*

## Systems to Improve Student Attendance in Northland School Division

### Education

#### Background

Regular school attendance is critical to student success. Poor student attendance has been a significant and longstanding problem in Northland School Division. About one-third of the division's students remain chronically absent despite many years of reporting on this situation, and despite what was to have been a concerted attempt to deal with attendance following the 2010 Inquiry Team Report.<sup>2</sup> Factors that contribute to poor attendance are numerous and complex.

At the school division and Department of Education levels, the story is simpler; necessary improvements have not been made, despite the need being highlighted in the inquiry report and in commitments made afterward. The division has not produced a workable plan; oversight at all levels, including the department, has failed. Lack of coordination, weaknesses in reporting systems; and the absence of a student-centred approach are all contributors.

#### Findings

We found no actionable plan on improving attendance by the division and oversight of improved attendance has failed at every level in the division and by the department. The result after five years is limited progress; attendance remains unacceptably low.

#### Recommendations

We recommended that the Department of Education exercise oversight of the division implementation plans to improve student attendance. In our view, department oversight of the division's accountability for improved attendance results is the key to not failing another generation of the division's children.

Total project costs – \$706,000

*Report of the Auditor General of Alberta—March 2015*

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<sup>2</sup> The Northland School Division Inquiry Team Report to the Honourable Dave Hancock, Minister of Education, Department of Education, November 2010.

### Office performance measures

#### Auditing recommendations—acceptance by ministries and other entities

One way we measure the relevance of our work is to review the number of recommendations the government accepts for implementation, with a target acceptance rate of 95%. Out of 58 recommendations made in our February, July, August, September and October 2014 public reports, the government accepted 53 (91%) and five (9%) were accepted in principle.

#### Auditing recommendations—not implemented within three years of acceptance

Once our recommended improvements to government systems and controls have been accepted, we follow up and report publicly on their implementation. Follow-up audits confirm that sustainable change has taken place. This work is not superficial. We approach follow-up audits with the rigour Albertans expect from this office, and will repeat our recommendations when management has not satisfactorily implemented them.

Ideally, we will be able to commence or complete follow-up audits within three years. At March 31, 2015, there were 50 recommendations outstanding for over three years, of which the government advises 18 are ready for follow-up audits in 2016.

Our initiative to reduce the number of outstanding recommendations continues to be a closely monitored process impacted by both the number of recommendations and the government's progress in implementing them. Our ultimate objective is to have no outstanding recommendations older than three years.

## PRIORITY INITIATIVES FROM 2014-2017 BUSINESS PLAN

### PRIORITY INITIATIVE—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 recruiting, growing and retaining skilled legislative auditors is vital to our success. Our focus in meeting these ongoing human resources challenges is to be flexible in adapting to market, education and societal changes.

In our professional services business we recognize the need for strategies directed at staff development and retention, particularly in the student through manager ranks. Our training program is designed to improve the overall effectiveness, efficiency and personal excellence of all staff within a positive and supportive work environment. In-house training, mentoring and support for our students dealt with changes in the professional accounting education programs taking place in 2015.

#### Performance update

In addition to our first rate training program, we have implemented a new performance management system augmented by specific staff coaching and training to give our people the skills they need to get the most out of the new performance management tools.

We developed and implemented comprehensive competency and expectations guidelines that help us to measure performance in a more meaningful way. Managers are encouraged to take every opportunity to interact with staff and demonstrate inspirational leadership. We believe that over time this initiative will have a positive effect on our ability to cultivate and retain high quality, professionally trained employees.

Revising the compensation structure to align more closely with the market and Government of Alberta pay bands allowed us to pay for performance and retain Albertans' investment in highly qualified legislative audit staff. As a result, staff turnover was at its lowest in five years, reinforcing our philosophy of "right people, right roles, right work."

### PRIORITY INITIATIVE—INDEPENDENT PEER REVIEW

We commissioned an independent peer review to provide conclusions on whether we do relevant, reliable work at a reasonable cost. The peer review was completed in two stages. The first stage, which focused on the design of the office's systems, took place in August 2013. The second stage, focusing on the operating effectiveness of systems, occurred in August 2014. The findings from this external peer review will be used to improve our audit and operational processes, and were made public.

### Performance update

In conducting an independent peer review, our intent was twofold: to provide Albertans with assurance that their legislative audit office functions well and to identify areas for improvement. The Provincial Auditor of Saskatchewan stated the following in their November 17, 2014 audit conclusion:

“In our opinion, for the twelve-month period ended June 30, 2014, the Office of the Auditor General of Alberta’s systems were designed suitably and operated effectively to provide reasonable assurance that the work performed by the Office of the Auditor General of Alberta is relevant, reliable and was carried out at a reasonable cost.”

We have taken action to implement the suggestions made by the reviewer to improve in two areas:

- Consistent documentation of timing of audit file review
- Better documentation of engagement quality control review decisions

We have found the independent peer review to be useful and will establish an appropriate interval between reviews based on study of best practices. We will focus our efforts on sustaining what we have achieved, identifying opportunities for improvement and confirming internally that our systems continue to operate as intended.

The 2015 peer review report from the Provincial Auditor of Saskatchewan is available online at <http://www.oag.ab.ca/other>.

### PRIORITY INITIATIVE—OUTSTANDING RECOMMENDATIONS

There were 201 outstanding systems audit recommendations, 47 of which were more than three years old at the start of fiscal 2015. Our practice is to assess the implementation of recommendations, particularly those more than three years old. We then schedule timely follow-up audits of departments or agencies that notify us they are ready.

### Performance update

We completed follow-up audits for 12 of the 47 older recommendations. Offsetting this, 15 prior recommendations were moved to the category of outstanding for more than three years. There were 190 outstanding systems audit recommendations, 50 of which were more than three years old, at the end of fiscal 2015.

### PRIORITY INITIATIVE—CORPORATE ACCOUNTING POLICIES

We view as very important, the government controller’s success in articulating and overseeing the timely and effective implementation of new and changed corporate accounting policies. To meet our financial statements reporting deadlines, our considerations and examination of these developments must be well coordinated.

In fiscal 2015, we worked proactively with the controller’s office on the consistency of accounting policies (in particular those for contaminated sites and capital assets) and proforma financial statements. Our office, the controller’s office and government entities benefited from this approach. Similar steps in future years should continue to provide a positive performance impact on auditee readiness for their year-end audits.

## OUR PEOPLE

As a professional services office, we compete with the private sector for designated accountants and other professionals with specialized technical skills. As a training office for accounting students, we also compete to attract top talent from post-secondary education institutions.

People development has been, and will continue to be, a focus of our office. Like many professional services firms, one of our main operating challenges is attracting, training and retaining quality staff to carry out our legislative audit 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.

Investment in our staff ensures our work meets the fundamental objectives of:

- **Quality**—Do we meet professional standards for financial statements and systems audit engagements?
- **Accountability for results**—Do we provide relevant, reliable auditing services at a reasonable cost?

### Office performance measure

#### Staff turnover and vacancy rate

This measure considers the number of departures and vacancies as a percentage of the total number of people employed by the office during the year.

For 2015, the office's overall staff turnover rate was 15 per cent, the lowest in five years (average for the prior four years was 20 per cent). Revising the compensation structure to align more closely with the market and government pay bands allowed us to better match pay with performance and retain staff. This action, combined with our ongoing focus on performance management and people development, helped us to maintain a strong complement of managers and in-charges producing cost and time efficiencies in our work as well as reliable audit continuity. This improved performance supports our philosophy of "right people, right roles, right work."

We recognize the importance of understanding and measuring turnover and vacancy. Replacing employees brings significant costs and disruption to any organization in hiring, onboarding, training, mentoring, supervising and reassigning work portfolios. These costs are also reflected in additional temporary staff and time spent on audits affected by staff turnover and negatively impact our ability to perform audits within budget.

The turnover and vacancy rate is also used to understand our staff profile. As a training office for the accounting profession, and given our staff mix and the overall nature of our business, we consider a target turnover rate of under 20 per cent to be realistic and reasonable. Once designated, some of our staff choose to leave our office for positions in the province's public sector. In these cases, Albertans receive an ongoing benefit from the initial training investment in those individuals through our office.

## OUR PEOPLE

We have offices in Edmonton and Calgary. Average monthly full-time equivalent staffs were 133 in Edmonton (2014–136) and 13 in Calgary (2014–14).

As is the case in many public accounting firms, there is a significant seasonal element in our financial statements line of business. As a cost effective means of completing financial statements audits on time, the office hires temporary staff from public accounting firms as well as contracting some public accounting firms as agents to complete audit work under office oversight. Lower staff turnover in 2015, especially during critical audit seasons, reduced the need for temporary staff.

### 2015 staff milestones

The office's 2014 United Way fundraising campaign was recognized as the highest fundraising employee campaign per capita among similarly sized Alberta government departments and organizations. This was the sixth consecutive year the office received this acknowledgement.

In December 2014, one staff member was recognized for their 25-year Alberta government milestone and three for their 15-year milestones. Three staff members were recognized for reaching 10- and 5-year milestones. At March 31, 2015, almost one-third of our employees had 10 or more years of experience in the Alberta public service.

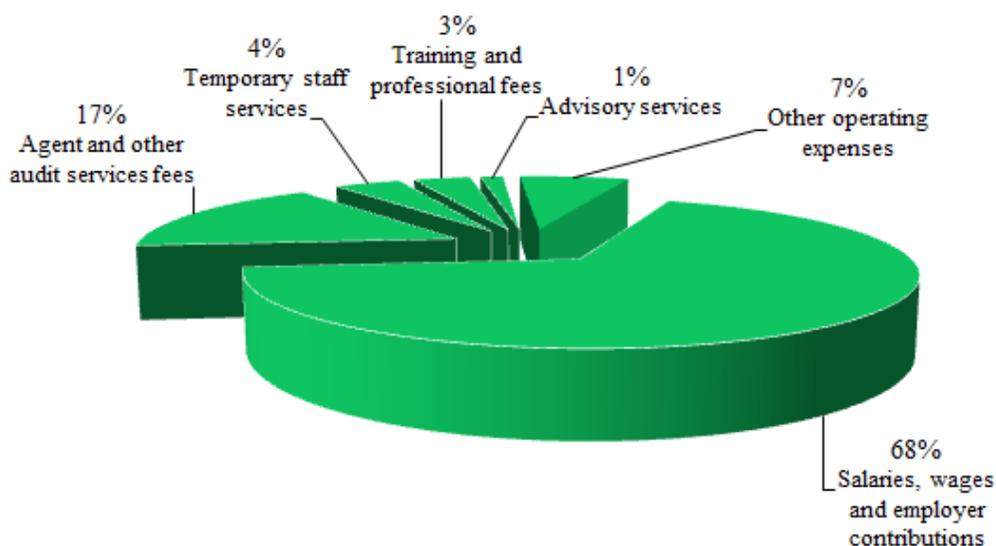
In 2015, 17 employees passed their professional accounting designation exams. Twelve employees fulfilled the education and experience requirements to obtain their professional accounting designation. We are proud and supportive of our staff in these significant accomplishments.

## FINANCIAL DISCUSSION AND ANALYSIS

The discussion should be read in conjunction with our audited financial statements.

For April 1, 2014 to March 31, 2015, the Legislative Assembly provided \$27 million for our office's operating expenses and \$255,000 for capital investment, for a total of \$27.3 million.

The chart below illustrates our expense mix. As expected in a "people organization" such as ours, salary, wages, employer contributions, training and professional service contracts for agents and temporary staff represent the vast majority (93%) of our total expenses.



Salaries and wages in 2015 were \$919,000 (7%) higher than in 2014. Over half of the increase was related to organization restructuring costs that position us to execute our strategy to perform more systems audit work in an environment of cost containment. The remaining increase reflected a government pay band adjustment during the year. Salaries and wages were \$182,000 (1%) lower than budget mainly due to delays in recruiting to two senior audit positions.

Employer benefit contributions were up by \$115,000 (3%) over last year due to higher pension premiums and the salary base increase. However, the employer contributions were below budget by \$101,000 (3%) as premiums were avoided while we sought to fill staff vacancies.

We contract with external accounting firms to second qualified auditors to augment our audit teams temporarily during our peak work periods. Our temporary staff services spending was similar to prior year but below budget by \$206,000 (16%). The savings resulted from our reduced staff turnover rate. As a result of fewer staff vacancies we had a strong complement of internal audit managers and in-charges during peak audit season, thereby limiting secondments to junior level temporary staff and reducing overall cost.

## FINANCIAL DISCUSSION AND ANALYSIS

We engage accounting firms as our agents to conduct certain audits. The agent audits the entity, under our oversight, to compile the supporting evidence needed for the auditor's report by the auditor general. We use agents to meet peak work demands, to save on travel costs and to provide specialized skills for certain unique audit components. Agent and other audit services fees were lower than for 2014 by \$264,000 (6%) and under budget by \$86,000 (2%) primarily due to:

- The government dissolving ten Child and Family Services Authorities and six Persons with Developmental Disabilities entities, and the advancement of the final audit work for these entities done by our agent to 2014, rather than in the current year per the 2015 budget.
- Reducing fees as a result of some significant contracts coming up for renewal under our competitive contract bidding process.

We re-deployed part of the funding freed from the above areas to additional systems audit work and audit specialist consulting fees.

Training and professional fees increased by \$96,000 (11%) over the previous year and exceed the budget by \$57,000 (7%) for two reasons:

- Last year the three Canadian accounting bodies, Chartered Accountants (CA), Certified Management Accountants (CMA) and Certified General Accountants (CGA) signed an agreement to unify into one Canadian professional accounting designation—Chartered Professional Accountant (CPA). Transitional changes in the student programs encouraged completion under the pre-unification programs, such that more sessions were offered for completion on an accelerated basis. As a result, we incurred additional exam registration and support costs for our student employees.
- We introduced more in-house training on performance management and leadership skills to improve the overall effectiveness, efficiency and personal excellence of all staff.

Technology services were \$79,000 (18%) more than prior year and \$65,000 (14%) higher than budget due to additional software licenses for a new firewall and secure file sharing, and price increases for other licenses.

Last year we implemented a scheduled replacement of our laptop computers. Because the new computers were put in use at the beginning of the current year, no amortization was recorded for them in 2014. Compared to the prior year, capital spending was \$190,000 (41%) lower, whereas the amortization expense was \$150,000 (106%) higher. Current year capital spending was on budget. However, amortization expense was below budget by \$78,000 (21%) because the new firewall and video conferencing replacement devices were not used until early 2016. As a result, for these capital asset additions, no amortization was recorded in 2015.

Our financial result is comparable to our results in prior years in that we returned \$306,000 (1%) of our budget to the Legislative Assembly. A small surplus or deficit in any fiscal year is normal due to the timing of our planned audit work. As audits often span two or more fiscal years, we budget according to planned audit timelines but must be flexible in carrying out our work.

## WHAT WE LEARNED

Throughout each year, we spend significant leadership time analyzing our results and identifying our core strengths. As legislative auditors we have a profound understanding of the environment we are auditing. We also have a unique ability to communicate complex technical concepts in an understandable manner. By building on these core strengths we will succeed in our strategy to perform more added-value systems audit work. Anchored by the *Auditor General Act*, we believe performing more added-value systems audit work aligns with Albertans' need to know whether government is using their resources wisely.

In considering our 2015 results, we incorporated the following lessons into our operations and business plan for next year.

- **Staff skills and development—Right people, right roles, right work**

Evidence shows that if we continue to focus on monitoring and analyzing what constitutes the optimal mix of staff at various levels we can ensure we have the right people, with the right skills, in the right place, at the right time, doing the right things. The right complement of staff skills and ongoing people development are critical for high quality and cost effective auditing. Maintaining a workplace that recruits, grows and retains skilled legislative auditors is vital to our success.

We have learned that our refreshed performance management system, our updated and aligned compensation strategy, plus our first rate training and career advisor programs have created a positive and supportive work environment and contributed to improved results. Our efforts to maintain and improve on recent changes in these areas are to continue.

- **Business complexities—Diversify the Office Leadership Team**

As is the case for large public companies and their independent auditors, public sector auditing and financial reporting requirements continue to grow in number and complexity. For legislative auditors, there are also unique complexities associated with each systems audit, particularly the larger stand-alone systems audits. Added to this are standard business and management issues that must be handled well to ensure operations run smoothly.

In light of these growing complexities and our office's role in relation to the government's operations, we determined the need to strengthen our Office Leadership Team with two new business leaders—one focused on the business of financial statements auditing and the other on the business of systems auditing. The Office Leadership Team brings together capable people to lead relevant auditing, reliably, at a reasonable cost. Every role on the team is different; hence its strength. Working collaboratively for the best interests of the office and all Albertans, the leadership team's four areas of focus are on strategy, people, results and learning.

- **Financial statements audits—A better target and improved results**

We believe that the recent 90 per cent performance measure target for completing our portfolio of financial statements audits within budget is unrealistic, even as a stretch target. We will reassess this target for 2016 to make it more realistic and useful as a results management tool.

Quite separate from resetting this performance measure, several initiatives commenced in 2015 aimed at increasing the number of financial statements audits completed within budget. Learning from past results, we introduced a new audit project management process which helped our audit teams monitor and manage costs, staffing and project milestone dates more proactively. This new

## WHAT WE LEARNED

process has allowed our engagement leaders to better track reasons for variances and effectively apply lessons learned to future audits. In 2015 we developed new computerized audit testing applications to reduce manual testing. Several other audit methodology changes were directed at more efficient audit file documentation.

- **Portfolio management—Use of agents**

Our results reinforce that if we strategically use agent services and expertise, we can continue to identify opportunities to redeploy some of our legislative audit specialists to bolster our systems audit capacity.

- **Portfolio management—Audit requirements and priorities**

To be sure Albertans obtain maximum value from each financial statement audit, we will continue to evaluate whether an audit is necessary and whether it should be conducted by the Office of the Auditor General. Every audit we do should add value. Staff time that is freed up will be redeployed to complete systems audits.

- **Valued feedback from peers—Implement independent review suggestions**

We commissioned an independent peer review to provide conclusions on whether we do relevant, reliable work at a reasonable cost. As a result, we learned about ways we can improve our audit and operational processes. We will focus on sustaining what we have achieved, identifying opportunities for improvement and confirming internally that our systems continue to operate as intended.

- **Monitor systems audit implementation—Target more timely follow-up audits**

We've learned that by staying engaged with our auditees we can focus on the implementation of recommendations more than three years old and schedule timely follow-up audits when auditees advise they are ready.

- **Accounting standards compliance—Improve readiness for year-end audit work**

Auditee readiness impacts our ability to do audits within budget. We view the government controller's success in articulating and enforcing corporate accounting policies as important, because it impacts financial statements consistency, the efficiency of financial statements preparation, and the audit. Therefore, as requested, we coordinate key aspects of standards reviews, discussions and transitions with the controller's office.

- **Systems audit coverage—Perform smaller systems audits**

To do more added-value systems audit work we plan to conduct smaller systems audit engagements (approximately 500 hours or less) in addition to our larger systems audits. This will create greater flexibility in our deployment of resources to system audits and help develop the systems audit skills of the office's audit workforce. These smaller audits will also increase the breadth of our systems audit portfolio coverage throughout the government's entities without impacting our ability to carry out larger systems audits.

*At the Office of the Auditor General, the purpose that inspires us is knowing that our work is making a difference in the lives of Albertans. To this end, our continuous improvement is critical.*

## APPENDIX A—2015 FINANCIAL STATEMENTS REPORTS

We issued an unqualified independent auditor's report on the financial statements and financial information for the year ended March 31, 2015 (unless otherwise stated) for the following entities:	
<b>Consolidated financial statements of the Province of Alberta</b>	
<b>Alberta's Economic Future</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> <li>Agriculture Financial Services Corporation</li> <li>Alberta Livestock and Meat Agency Ltd.</li> </ul>	
<b>Infrastructure</b>	
<ul style="list-style-type: none"> <li>Ministry of Infrastructure</li> </ul>	
<b>Innovation and Advanced Education</b>	
<ul style="list-style-type: none"> <li>Ministry of Innovation 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> <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>	
<b>For the year ended June 30, 2014</b>	
<ul style="list-style-type: none"> <li>Alberta College of Art + Design</li> <li>Bow Valley College</li> <li>Grande Prairie Regional College</li> <li>McEwan 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> <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>Intergovernmental and International Relations</b>	
<ul style="list-style-type: none"> <li>Ministry of International and Intergovernmental Relations</li> </ul>	
<b>Culture and Tourism</b>	
<ul style="list-style-type: none"> <li>Ministry of Culture and Tourism</li> <li>Department of Culture and Tourism</li> <li>Government House Foundation</li> <li>Historic Resources Fund</li> <li>Alberta Sport Connection<sup>3</sup></li> <li>Travel Alberta</li> <li>Alberta Foundation for the Arts</li> <li>The Alberta Historical Resources Foundation</li> <li>The Wild Rose Foundation</li> </ul>	

<sup>3</sup> Auditor's report for this entity had not been issued as at July 8, 2015.

<b>Families and Communities</b>	
<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, 2014</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>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>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> </ul>	<ul style="list-style-type: none"> <li>Office of the Public Trustee</li> </ul>
<b>Jobs, Skills, Training and Labour</b>	
<ul style="list-style-type: none"> <li>Ministry of Jobs, Skills, Training and Labour</li> </ul>	
<b>For the year ended December 31, 2014</b>	
<ul style="list-style-type: none"> <li>Workers' Compensation Board—Alberta</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, Citizenship and Multiculturalism Education Fund</li> <li>Victims of Crime Fund</li> </ul>
<b>Seniors</b>	
<ul style="list-style-type: none"> <li>Ministry of Seniors</li> <li>Department of Seniors</li> <li>Non-profit Housing Program</li> <li>Alberta Social Housing Corporation</li> </ul>	<ul style="list-style-type: none"> <li>Rent Supplement Program</li> <li>ASHC Project Blended Costs</li> <li>Rural and Native Housing Program</li> </ul>
<b>Service Alberta</b>	
<ul style="list-style-type: none"> <li>Ministry of Service Alberta</li> </ul>	
<b>Resource Stewardship</b>	
<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>Alberta Energy Regulator</li> <li>Post-closure Stewardship Fund</li> </ul>
<b>For the year ended December 31, 2014</b>	
<ul style="list-style-type: none"> <li>Alberta Petroleum Marketing Commission</li> </ul>	<ul style="list-style-type: none"> <li>Senior Employee Pension Plan Fund for AER and AUC</li> </ul>

APPENDIX A—2015 FINANCIAL STATEMENTS REPORTS

<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> <li>Environment Protection and Enhancement Fund</li> </ul>	<ul style="list-style-type: none"> <li>Land Stewardship Fund</li> <li>Climate Change and Emissions Management Fund</li> <li>Natural Resources Conservation Board</li> <li>Alberta Environmental Monitoring, Evaluation and Reporting Agency</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>	
<b>For the year ended December 31, 2014</b>	
<ul style="list-style-type: none"> <li>Improvement Districts 4, 9, 12, 13, 24, 25 and 349</li> <li>Kananaskis Improvement District</li> </ul>	<ul style="list-style-type: none"> <li>Special Areas Trust and Board</li> </ul>
<b>Transportation</b>	
<ul style="list-style-type: none"> <li>Ministry of Transportation</li> <li>Department of Transportation</li> </ul>	<ul style="list-style-type: none"> <li>Alberta Transportation Safety Board</li> </ul>
<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 for 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> <li>Alberta Risk Management Fund</li> <li>Alberta Securities Commission</li> </ul>	<ul style="list-style-type: none"> <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>Long-term Disability Income Continuance Plan - Bargaining Unit</li> <li>Long-term Disability Income Continuance Plan - Management, Opted Out and Excluded</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> <li>The Public Service Health Spending Account Plan</li> </ul>
<b>For year ended September 30, 2014</b>	
<ul style="list-style-type: none"> <li>Gainers Inc.</li> </ul>	
<b>For the year ended December 31, 2014</b>	
<ul style="list-style-type: none"> <li>Alberta Capital Finance Authority</li> <li>Alberta Local Authorities Pension Plan Corporation</li> <li>Alberta Pensions Services Corporation</li> <li>Credit Union Deposit Guarantee Corporation</li> <li>Government of Alberta Dental Plan Trust</li> <li>Government Employees' Group Extended Medical Benefits Plan and Prescription Drug Plan Trust</li> </ul>	<ul style="list-style-type: none"> <li>Local Authorities Pension Plan</li> <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>

## APPENDIX A—2015 FINANCIAL STATEMENTS REPORTS

<b>Executive Council</b>	
• Ministry of Executive Council	
<b>Legislative Assembly</b>	
• Legislative Assembly Office	<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><li>• Office of the Public Interest Commissioner</li></ul>

## APPENDIX B—2015 PERFORMANCE MEASURES REPORTS

<b>Government of Alberta</b>	
Measuring Up - March 31, 2015 audit report on a limited scope of selected performance measures	
<b>Ministries and other organizations</b>	
The following ministries and organizations engaged us to review <sup>4</sup> selected performance measures in their March 31, 2015 annual reports. We issued unqualified review engagement reports on the limited scope of measures reviewed.	
<ul style="list-style-type: none"><li>• Aboriginal Relations</li><li>• Agriculture and Rural Development</li><li>• Culture and Tourism</li><li>• Education</li><li>• Energy</li><li>• Environment and Sustainable Resource Development</li><li>• Executive Council</li><li>• Health</li></ul>	<ul style="list-style-type: none"><li>• Human Services</li><li>• Infrastructure</li><li>• Innovation and Advanced Education</li><li>• International and Intergovernmental Relations</li><li>• Jobs, Skills, Training and Labour</li><li>• Justice and Solicitor General</li><li>• Municipal Affairs</li><li>• Service Alberta</li><li>• Transportation</li><li>• Treasury Board and Finance</li><li>• Alberta Pension Services Corporation*</li></ul>
*December 31, 2014 annual report	

<sup>4</sup> A review is not an audit, and provides a limited/moderate level of assurance.

## APPENDIX C—2015 SYSTEMS AUDITING REPORTS

### March 2015 Public Report Stand-alone auditing

<b>New</b>	
Education	• Systems to Improve Attendance in Northland School Division
Energy	• Alberta Energy Regulator—Systems to Regulate Pipeline Safety and Reliability in Alberta
Environment and Sustainable Resource Development	• Flood Mitigation Systems • Systems to Regulate Dam Safety
<b>Follow-up</b>	
Innovation and Advanced Education	• Medicine Hat College International Education Division

### October 2014 Public Report Stand-alone auditing

<b>New</b>	
Environment and Sustainable Resource Development	• Alberta Environmental Monitoring, Evaluation and Reporting Agency—Joint Canada–Alberta Plan for Oil Sands Monitoring
Health	• Crown’s Right of Recovery of Healthcare Costs from Motor Vehicle Accidents
Service Alberta	• IT Disaster Recovery Program
Treasury Board and Finance	• Collection of Outstanding Corporate Taxes • Various Departments—Contracting
<b>Follow-up</b>	
Environment and Sustainable Resource Development	• Natural Resources Conservation Board—Confined Feeding Operations
Health	• Seniors Care in Long-term Care Facilities

### September 2014 Public Report Stand-alone auditing

<b>New</b>	
Health	• Chronic Disease Management

August 2014 Special Duty Report  
Stand-alone auditing

**New**

Expenses of the Office of Premier Redford and Alberta's Air Transportation Services Program

July 2014 Public Report  
Stand-alone auditing

**New**

Treasury Board and Finance • Results Analysis Reporting

**Follow-up**

Energy	• Alberta's Bioenergy Grant Programs
Environment and Sustainable Resource Development	• Climate Change
Health	• Management of Sand and Gravel Resources
Innovation and Advanced Education	• Alberta Health Services—Contracted Surgical Facilities
Transportation & Justice and Solicitor General	• Athabasca University—Administrative Systems Renewal Project
Treasury Board and Finance	• Commercial Vehicle Safety
	• Executive Corporate Credit Cards

By-product of financial statements auditing (current and follow-up\*)

March 2015	Innovation and Advanced Education	<ul style="list-style-type: none"> <li>• Report on post-secondary institutions</li> </ul>
	International and Intergovernmental Relations	<ul style="list-style-type: none"> <li>• Alberta's international offices**</li> </ul>
October 2014	Aboriginal Relations	<ul style="list-style-type: none"> <li>• Improve estimation processes</li> </ul>
	Agriculture and Rural Development	<ul style="list-style-type: none"> <li>• Enterprise risk management</li> <li>• Employee misconduct allegations</li> </ul>
	Education	<ul style="list-style-type: none"> <li>• Obtaining an interest in land</li> </ul>
	Energy	<ul style="list-style-type: none"> <li>• Improve financial reporting processes</li> </ul>
	Environment and Sustainable Resource Development	<ul style="list-style-type: none"> <li>• Security patch management of servers</li> </ul>
	Health	<ul style="list-style-type: none"> <li>• Follow processes for hiring and termination of executives</li> <li>• Information technology control policies and processes**</li> </ul>
	Human Services	<ul style="list-style-type: none"> <li>• Improve access control processes</li> </ul>
	Innovation and Advanced Education	<ul style="list-style-type: none"> <li>• Improve financial reporting processes</li> </ul>
	Justice and Solicitor General	<ul style="list-style-type: none"> <li>• IT risk assessment and IT control framework</li> </ul>
	Municipal Affairs	<ul style="list-style-type: none"> <li>• Effectiveness of seniors lodge programs and determining future needs**</li> </ul>
	Tourism, Parks and Recreation	<ul style="list-style-type: none"> <li>• Enhance documentation to support senior management expenses</li> </ul>
	Treasury Board and Finance	<ul style="list-style-type: none"> <li>• Enterprise risk management systems</li> <li>• Improve access controls over the tax and revenue administration systems</li> <li>• Corporate tax refunds</li> <li>• Valuing investments in life settlements</li> <li>• Service auditor reports**</li> </ul>
July 2014	Treasury Board and Finance	<ul style="list-style-type: none"> <li>• Budget for financial reporting</li> </ul>

\* selected by-product systems audits are listed

\*\* recommendation(s) repeated

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

# 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 29, 2015

# FINANCIAL STATEMENTS (AUDITED)—MARCH 31, 2015

**Legislative Assembly of Alberta  
Office of the Auditor General  
Financial Statements  
March 31, 2015**

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

## INDEPENDENT AUDITORS' REPORT

To the Members of the Legislative Assembly

### Report on the Financial Statements

We have audited the accompanying financial statements of the Legislative Assembly of Alberta Office of the Auditor General, which comprise the statement of financial position as at March 31, 2015, 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 Legislative Assembly of Alberta Office of the Auditor General as at March 31, 2015, 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 29, 2015

John H.C. Pinsent Professional Corporation  
Chartered Accountant

**Legislative Assembly of Alberta**  
**Office of the Auditor General**  
**Statement of Operations**  
**Year Ended March 31, 2015**

	<u>2015</u>		<u>2014</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Expenses			
Personnel			
Salaries and wages (Note 7)	\$ 14,945,000	\$ 14,763,405	\$ 13,844,254
Agent and other audit services fees	4,580,000	4,493,860	4,757,443
Employer contributions	3,655,000	3,554,290	3,438,991
Temporary staff services	1,300,000	1,094,118	1,124,257
Advisory services	270,000	375,049	274,785
	<u>24,750,000</u>	<u>24,280,722</u>	<u>23,439,730</u>
Supplies and services			
Training and professional fees	880,000	937,390	841,686
Travel	580,000	595,773	556,007
Technology services	450,000	514,983	435,884
Materials and supplies	205,000	218,622	238,742
Telephone and communications	85,000	80,563	78,999
Rental of office equipment	50,000	52,423	51,004
Repairs and maintenance	25,000	18,962	24,150
Miscellaneous	20,000	19,879	18,607
	<u>2,295,000</u>	<u>2,438,595</u>	<u>2,245,079</u>
Total professional services expenses	27,045,000	26,719,317	25,684,809
Add: amortization of tangible capital assets	370,000	291,800	141,778
Total operating expenses	<u>27,415,000</u>	<u>27,011,117</u>	<u>25,826,587</u>
Less: audit fee revenue	<u>-</u>	<u>-</u>	<u>(952,689)</u>
Cost of operations for the year (Note 6)	<u>\$ 27,415,000</u>	<u>\$ 27,011,117</u>	<u>\$ 24,873,898</u>

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

**Legislative Assembly of Alberta  
Office of the Auditor General  
Statement of Financial Position  
As at March 31, 2015**

<b>Assets</b>	<b>2015</b>	<b>2014</b>
Accounts receivable and prepaids	\$ 168,767	\$ 271,563
Tangible capital assets (Note 3)	<u>562,443</u>	<u>579,684</u>
	<u>\$ 731,210</u>	<u>\$ 851,247</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 1,959,668	\$ 2,046,136
Accrued vacation pay	<u>2,253,042</u>	<u>2,082,458</u>
	<u>4,212,710</u>	<u>4,128,594</u>
<b>Net Assets (Liabilities)</b>		
Net liabilities at beginning of year	(3,277,347)	(1,371,157)
Cost of operations	(27,011,117)	(24,873,898)
Net financing provided from General Revenues	<u>26,806,964</u>	<u>22,967,708</u>
	<u>(3,481,500)</u>	<u>(3,277,347)</u>
	<u>\$ 731,210</u>	<u>\$ 851,247</u>

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, 2015**

	<u>2015</u>	<u>2014</u>
Operating transactions:		
Cost of operations	\$ (27,011,117)	\$ (24,873,898)
Non-cash item included in cost of operations:		
Amortization of tangible capital assets	<u>291,800</u>	<u>141,778</u>
	(26,719,317)	(24,732,120)
Decrease in audit fees revenue receivable	-	1,757,238
(Increase) Decrease in accounts receivable and prepaids	102,796	(120,147)
Increase (Decrease) in accounts payable and accrued liabilities	(86,468)	380,824
Increase in accrued vacation pay	<u>170,584</u>	<u>211,394</u>
Net cash applied to operating transactions	<u>(26,532,405)</u>	<u>(22,502,811)</u>
Capital transactions:		
Acquisition of tangible capital assets	<u>(274,559)</u>	<u>(464,897)</u>
Financing transactions:		
Net financing provided from General Revenues	<u>26,806,964</u>	<u>22,967,708</u>
Net cash provided	<u>-</u>	<u>-</u>
Cash, beginning of year	-	-
Cash, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2015**

**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 serves the Legislative Assembly of Alberta and Albertans. Our mandate is to conduct comprehensive risk-based audits and report publicly on government's management of, and accountability practices for, the public resources entrusted to it. The auditor general is the auditor of every government ministry, department, regulated fund and provincial agency, including ATB Financial, Alberta Health Services and public post-secondary 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 are prepared in accordance with Canadian public sector accounting standards.

(a) Expenses

Directly incurred

Directly incurred expenses are those costs incurred under the authority of the office's budget (Note 5).

Incurring by others

Services contributed by other entities in support of the office's operations are not recognized and are disclosed in Note 6.

Pension expense

Pension costs included in the directly incurred expenses as part of these statements refer to employer contributions for current service of employees during the year and additional employer contributions for service relating to prior years and are disclosed in Note 4.

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(b) 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 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.

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.

(c) Tangible capital assets

Tangible capital assets are recorded at historical cost less accumulated amortization and the threshold for capitalizing new assets is \$5,000. Amortization begins when the assets are put into use and is recorded on a straight-line basis over the estimated useful lives of the assets (Note 3).

(d) 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.

(e) 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 2 Significant Accounting Policies and Reporting Practices (continued)**

(f) Revenue

Audit fee revenue was reported on the accrual basis of accounting when billable financial statements audits were performed. Audit fees were charged to organizations that were funded primarily from sources other than provincial general revenues. Effective for auditee year-ends post March 31, 2013, the office ceased the practice of billing organizations. 2013–2014 was the last fiscal year the office had audit fee revenue.

(g) Lines of business costs

Schedule 1 provides detail of the office's lines of business costs by sector and ministry.

**Note 3 Tangible Capital Assets**

	Computer hardware	Computer software	Office furniture	2015 Total	2014 Total
Estimated useful life	3 years	3 years	10 years		
Historical cost					
Beginning of year	\$ 1,598,246	\$ 224,681	\$ 593,940	\$ 2,416,867	\$ 2,919,690
Additions	209,870	17,110	47,579	274,559	464,897
Disposals, including write-downs	(540,096)	-	-	(540,096)	(967,720)
	<u>1,268,020</u>	<u>241,791</u>	<u>641,519</u>	<u>2,151,330</u>	<u>2,416,867</u>
Accumulated amortization					
Beginning of year	1,069,947	220,036	547,200	1,837,183	2,663,125
Amortization expense	270,302	4,644	16,854	291,800	141,778
Effect of disposals	(540,096)	-	-	(540,096)	(967,720)
	<u>800,153</u>	<u>224,680</u>	<u>564,054</u>	<u>1,588,887</u>	<u>1,837,183</u>
Net book value at March 31, 2015	<u>\$ 467,867</u>	<u>\$ 17,111</u>	<u>\$ 77,465</u>	<u>\$ 562,443</u>	
Net book value at March 31, 2014	<u>\$ 528,299</u>	<u>\$ 4,645</u>	<u>\$ 46,740</u>		<u>\$ 579,684</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 \$2,328,839 for the year ended March 31, 2015 (2014: \$2,189,398). The office is not responsible for future funding of the plan deficit other than through contribution increases.

**Note 4 Benefit Plans (continued)**

At December 31, 2014, the Management Employees Pension Plan reported a surplus of \$75,805,000 (2013: surplus \$50,457,000), the Public Service Pension Plan reported a deficiency of \$803,299,000 (2013: deficiency \$1,254,678,000) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$17,203,000 (2013: deficiency \$12,384,000).

The office also participates in a multi-employer Long Term Disability Income Continuance Plan. At March 31, 2015, the Management, Opted Out and Excluded Plan reported an actuarial surplus of \$32,343,000 (2014: surplus \$24,055,000). 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 29, 2013. The following table compares the office's actual expenditures, excluding non-voted amounts such as amortization, to the approved budgets:

	<u>Voted budget</u>	<u>Actual</u>	<u>Unexpended</u>
Operating expenses			
Total professional services expenses	\$27,045,000	\$26,719,317	\$ 325,683
Capital spending	<u>255,000</u>	<u>274,559</u>	<u>(19,559)</u>
	<u>\$27,300,000</u>	<u>\$26,993,876</u>	<u>\$ 306,124</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.

	<u>2015</u>	<u>2014</u>
Expenses incurred by Alberta Infrastructure accommodation	<u>\$ 983,947</u>	<u>\$ 970,308</u>
Expenses incurred by Service Alberta technology services	<u>\$ 166,000</u>	<u>\$ 159,000</u>
Expense incurred by the Legislative Assembly Office audit fee	<u>\$ 33,500</u>	<u>\$ 30,000</u>

## Note 7 Salary and Benefits Disclosure

2015						
	Pensionable base salary	Cash benefits <sup>(1)</sup>	Non-cash benefits <sup>(2)</sup>	Total	Cashed out vacation	Total including cashed out vacation
Auditor General <sup>(3)</sup>	\$ 272,916	\$ -	\$ 66,305	\$ 339,221	\$ 15,685	\$ 354,906
Assistant Auditor General <sup>(4)</sup>	202,651	-	47,988	250,639	-	250,639
Assistant Auditor General <sup>(5)</sup>	196,748	-	46,502	243,250	15,076	258,326
Assistant Auditor General <sup>(6)</sup>	177,123	-	43,899	221,022	20,359	241,381
Assistant Auditor General <sup>(7)</sup>	177,123	26,568	5,550	209,241	-	209,241
Executive Director <sup>(8)</sup>	177,123	40,738	5,438	223,299	-	223,299
	<u>\$ 1,203,684</u>	<u>\$ 67,306</u>	<u>\$ 215,682</u>	<u>\$ 1,486,672</u>	<u>\$ 51,120</u>	<u>\$ 1,537,792</u>
2014						
	Pensionable base salary	Cash benefits <sup>(1)</sup>	Non-cash benefits <sup>(2)</sup>	Total	Cashed out vacation	Total including cashed out vacation
Auditor General <sup>(3)</sup>	\$ 254,820	\$ 1,850	\$ 83,213	\$ 339,883	\$ 13,669	\$ 353,552
Assistant Auditor General <sup>(4)</sup>	192,890	1,850	54,909	249,649	-	249,649
Assistant Auditor General <sup>(5)</sup>	189,690	1,850	53,041	244,581	14,536	259,117
Assistant Auditor General <sup>(6)</sup>	164,000	1,850	44,522	210,372	-	210,372
Assistant Auditor General <sup>(7)</sup>	164,000	26,450	5,600	196,050	-	196,050
Assistant Auditor General <sup>(9)</sup>	73,904	-	21,245	95,149	-	95,149
	<u>\$ 1,039,304</u>	<u>\$ 33,850</u>	<u>\$ 262,530</u>	<u>\$ 1,335,684</u>	<u>\$ 28,205</u>	<u>\$ 1,363,889</u>

(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 2015 and 2014.

(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 paid by the office includes \$11,061 (2014: \$10,995) being the lease, fuel, insurance and maintenance expenses for an automobile provided.

Responsibilities of the Assistant Auditors General and Executive Director as at March 31, 2015 are as follows:

(4) Executive Council, Health, Human Services, Legislative Assembly, Measuring Up and Ministry Performance Measures, Seniors

(5) Infrastructure, Municipal Affairs, Treasury Board and Finance

(6) Aboriginal Relations, Education, Innovation and Advanced Education, International and Intergovernmental Relations, Jobs, Skills, Training and Labour, Transportation

**Note 7 Salary and Benefits Disclosure (continued)**

- (7) Agriculture and Rural Development, Culture and Tourism, Energy, Environment and Sustainable Resource Development, Justice and Solicitor General, Service Alberta
- (8) Corporate Services and Office Accountability. Became a member of the Office Leadership Team on November 1, 2014. Amount reported is the salary and benefits for the full year.
- (9) Left on August 9, 2013 (5.3 months in 2014)

**Note 8 Comparative Figures**

Certain 2015 budget and 2014 actual figures have been reclassified to conform to the 2015 actual presentation.

**Note 9 Approval of the Financial Statements**

These financial statements were approved by the auditor general.

Legislative Assembly of Alberta  
Office of the Auditor General  
Lines of Business Costs by Sector<sup>1</sup> and Ministry  
For the Year Ended March 31, 2015

	2015 Budget <sup>2</sup>			2015 Actual			2014 Actual <sup>2</sup>		
	Auditing			Auditing			Auditing		
	Financial statements <sup>3</sup>	Systems <sup>4</sup>	Total	Financial statements <sup>3</sup>	Systems <sup>4</sup>	Total	Financial statements <sup>3</sup>	Systems <sup>4</sup>	Total
<b>Alberta's Economic Future</b>									
Aboriginal Relations	\$ 107,000	\$ -	\$ 107,000	\$ 143,000	\$ 26,000	\$ 169,000	\$ 78,000	\$ 378,000	\$ 456,000
Agriculture and Rural Development	793,000	123,000	916,000	630,000	91,000	721,000	702,000	44,000	746,000
Infrastructure	210,000	297,000	507,000	216,000	295,000	511,000	231,000	45,000	276,000
Innovation and Advanced Education	4,910,000	493,000	5,403,000	4,729,000	382,000	5,111,000	5,198,000	671,000	5,869,000
International and Intergovernmental Relations	83,000	-	83,000	84,000	17,000	101,000	63,000	30,000	93,000
Culture and Tourism	396,000	-	396,000	554,000	-	554,000	420,000	-	420,000
	<u>6,499,000</u>	<u>913,000</u>	<u>7,412,000</u>	<u>6,356,000</u>	<u>811,000</u>	<u>7,167,000</u>	<u>6,692,000</u>	<u>1,168,000</u>	<u>7,860,000</u>
<b>Families and Communities</b>									
Education	677,000	437,000	1,114,000	527,000	700,000	1,227,000	572,000	280,000	852,000
Health	2,345,000	1,811,000	4,156,000	2,396,000	1,473,000	3,869,000	2,511,000	1,449,000	3,960,000
Human Services	1,322,000	763,000	2,085,000	616,000	203,000	819,000	1,559,000	274,000	1,833,000
Jobs, Skills, Training and Labour	529,000	-	529,000	469,000	47,000	516,000	501,000	2,000	503,000
Justice and Solicitor General	542,000	137,000	679,000	439,000	67,000	506,000	457,000	148,000	605,000
Seniors	178,000	68,000	246,000	279,000	260,000	539,000	274,000	268,000	542,000
Service Alberta	518,000	241,000	759,000	509,000	188,000	697,000	553,000	167,000	720,000
	<u>6,111,000</u>	<u>3,457,000</u>	<u>9,568,000</u>	<u>5,235,000</u>	<u>2,938,000</u>	<u>8,173,000</u>	<u>6,427,000</u>	<u>2,588,000</u>	<u>9,015,000</u>
<b>Resource Stewardship</b>									
Energy	979,000	506,000	1,485,000	970,000	758,000	1,728,000	796,000	298,000	1,094,000
Environment and Sustainable Resource Development	793,000	1,149,000	1,942,000	673,000	1,844,000	2,517,000	608,000	775,000	1,383,000
Municipal Affairs	442,000	-	442,000	568,000	71,000	639,000	469,000	90,000	559,000
Transportation	190,000	23,000	213,000	284,000	67,000	351,000	265,000	18,000	283,000
Treasury Board and Finance	5,090,000	637,000	5,727,000	4,872,000	707,000	5,579,000	4,362,000	892,000	5,254,000
	<u>7,494,000</u>	<u>2,315,000</u>	<u>9,809,000</u>	<u>7,367,000</u>	<u>3,447,000</u>	<u>10,814,000</u>	<u>6,500,000</u>	<u>2,073,000</u>	<u>8,573,000</u>
<b>Executive Council</b>	80,000	245,000	325,000	102,000	488,000	590,000	64,000	35,000	99,000
Legislative Assembly	301,000	-	301,000	267,000	-	267,000	280,000	-	280,000
	<u>381,000</u>	<u>245,000</u>	<u>626,000</u>	<u>369,000</u>	<u>488,000</u>	<u>857,000</u>	<u>344,000</u>	<u>35,000</u>	<u>379,000</u>
	<u>\$20,485,000</u>	<u>\$6,930,000</u>	<u>\$27,415,000</u>	<u>\$19,327,000</u>	<u>\$7,684,000</u>	<u>\$27,011,000</u>	<u>\$19,963,000</u>	<u>\$5,864,000</u>	<u>\$25,827,000</u>
Percentage of costs dedicated to financial statements/systems auditing	75%	25%	100%	72%	28%	100%	77%	23%	100%

<sup>1</sup> Ministry auditing work is aligned with the government's 2015 priority areas.

<sup>2</sup> Certain figures have been reclassified to conform to the current Ministry organization.

<sup>3</sup> Financial statements audits include reporting on financial statements, compliance with authorities, performance measures, results analysis, and research and advice.

<sup>4</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  
Year Ended March 31, 2015**

Performance measures	Actual 2013	Actual 2014	Target 2015	Actual 2015
<b>Relevant auditing</b>				
Percentage of the auditor general's recommendations accepted for implementation <sup>1</sup> <i>(also Reliable)</i>	98%	89%	95%	91%
Number of auditor general's recommendations not implemented within three years of acceptance	55	47	Zero	50
Issue auditor's report on Alberta's consolidated financial statements by June 30 (for the preceding March 31 fiscal year-end)	June 21, 2012	June 20, 2013	June 30, 2014	June 19, 2014
Percentage of costs dedicated to systems/financial statements auditing <sup>2</sup> <i>(also Reasonable cost)</i>	24:76%	23:77%	25:75%	28:72%
<b>Reliable auditing</b>				
Institute of Chartered Accountants of Alberta's conclusion that the office's financial statements audits meet practice review standards <sup>3</sup> <i>(also Relevant and Reasonable Cost)</i>	Met	Next review expected in 2016	Next review expected in 2016	Next review expected in 2016
<b>Reasonable cost auditing</b>				
Staff turnover and vacancy rate <i>(also Reliable)</i>	21%	18%	Under 20%	15%
Percentage of financial statements audits completed within budget	67%	59%	90%	64%

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

<sup>2</sup> The goal is to reach 30:70% by March 31, 2018.

<sup>3</sup> The practice review is done triennially.



Office of the Auditor General of Alberta  
8<sup>th</sup> Floor, 9925 109 Street NW  
Edmonton, Alberta, Canada T5K 2J8

Phone: 780.427.4222  
Fax: 780.422.9555  
Email: [info@oag.ab.ca](mailto:info@oag.ab.ca)

<http://www.oag.ab.ca>