


Report on Post-secondary Institutions 2023

Advanced Education

Report of the Auditor General
March 2024



**Auditor
General**
OF ALBERTA

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Related Reports:

- [Post-secondary Institution Report Card 2022](#) (March 2023)
- [Post-secondary Institution Report Card 2021](#) (February 2022)
- [Post-secondary Institution Report Card 2020](#) (March 2021)
- [Post-secondary Institutions Report Card 2019](#) (December 2019)
- [Post-secondary Institutions Report Card 2018](#) (August 2019)

Appointed under Alberta's *Auditor General Act*, the Auditor General is the legislated auditor of every provincial ministry, department, and most provincial agencies, boards, commissions, and regulated funds. The audits conducted by the Office of the Auditor General report on how government is managing its responsibilities and the province's resources. Through our audit reports, we provide independent assurance to the 87 Members of the Legislative Assembly of Alberta, and the people of Alberta, that public money is properly accounted for and provides value.

Report Highlights

We issued unqualified audit opinions on the 2023 financial statements of 19 post-secondary institutions p. 6

At the time of writing this report, our audit of Olds College is ongoing as management has not completed their financial reporting for 2023. We will repeat our recommendation for the college to improve its financial reporting processes at the completion of the audit. p. 6

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institutions audited have adequately applied processes to prepare accurate financial statements for their stakeholders & decision-makers p. 6

2023 Recommendations



New recommendation
p. 8



Implemented recommendation
p. 8



9 outstanding recommendations at five institutions

4 outstanding recommendations are older than three years p. 7



Why this is important to Albertans

Strong, sustainable financial reporting processes and internal controls improve management's decision-making ability and provide opportunities to use results analysis to communicate to Albertans the institution's performance and accountability for results. p. 2

About This Report

This report compiles the status of recommendations from our 2023 financial statement audits of post-secondary institutions. It also includes a report card on each institution's financial reporting processes and internal controls with comparative assessments from our 2022 and 2021 audits.

To govern effectively, boards need accurate and timely financial information throughout the year, not just at year-end. To manage effectively, management needs the same information. We see a direct correlation between a strong year-end process to prepare financial statements and the ability to prepare quality financial information throughout the year. Strong, sustainable processes improve management's decision-making ability and provide opportunities to use results analysis to communicate to Albertans about the institution's performance and accountability for results.

Consistent with our prior report cards, we evaluated the following key indicators of effective financial reporting processes and internal controls for each institution:

- the quality of draft financial statements prepared for the board, as evidenced by the number of differences from public sector accounting standards our audit found
- the time it took management to prepare draft year-end financial statements
- the number, age, and nature of current and outstanding recommendations

A post-secondary institution could have a yellow or red status yet still receive an unqualified audit opinion on its financial statements, as management can correct errors and financial statement disclosure deficiencies during the audit process. The number of errors and disclosure deficiencies we find in the draft financial statements indicates how effective internal controls are for preparing accurate financial statements.

We occasionally make observations to management at the end of our financial statement audits. The observations usually relate to less-significant control weaknesses. We would consider noting a caution in the report card, typically over financial statement accuracy, if we make more than two observations to a particular institution.

Effective control environments include clear policies, well-designed processes and controls to implement and monitor compliance with policies, and secure information systems. Such control environments help provide timely, accurate financial and non-financial information to manage and govern the institution.

Our conclusion on the status of outstanding recommendations considers not just the number, but also the age and nature of the outstanding recommendations. See "Post-secondary Institutions: Summary of Recommendations" on page 10.

The Report Card

- ◆ Significant improvement is required
- ▲ Improvement is required, but impacts on financial reporting are less significant
- We have not identified significant weaknesses in the institution's control environment

Institution	Preparation of Financial Statements		Outstanding Recommendations
	Accuracy	Timeliness	
Alberta University of the Arts			
2023	●	●	▲
2022	●	●	▲
2021	▲	●	▲
Athabasca University			
2023	●	●	●
2022	●	●	●
2021	●	●	●
Bow Valley College			
2023	●	●	●
2022	●	●	●
2021	●	●	●
Keyano College			
2023	▲	●	●
2022	●	●	●
2021	●	●	▲
Lakeland College			
2023	●	●	●
2022	●	●	●
2021	●	●	▲
Lethbridge College			
2023	●	●	●
2022	●	●	●
2021	●	●	●

Institution	Preparation of Financial Statements		Outstanding Recommendations
	Accuracy	Timeliness	
MacEwan University			
2023	●	●	●
2022	●	●	●
2021	●	●	●
Medicine Hat College			
2023	▲	●	▲
2022	●	●	▲
2021	●	●	▲
Mount Royal University			
2023	●	●	●
2022	●	●	●
2021	●	●	●
NorQuest College			
2023	●	●	●
2022	●	●	●
2021	▲	●	●
Northern Alberta Institute of Technology			
2023	●	●	●
2022	●	●	●
2021	●	●	●
Northern Lakes College			
2023	●	●	●
2022	●	●	●
2021	●	●	●
Northwestern Polytechnic			
2023	●	●	▲
2022	●	●	▲
2021	●	●	●

Institution	Preparation of Financial Statements		
	Accuracy	Timeliness	Outstanding Recommendations
Olds College			
2023	◆	▲	◆
2022	◆	●	◆
2021	◆	●	◆
Portage College			
2023	●	●	●
2022	●	●	●
2021	●	●	▲
Red Deer Polytechnic			
2023	●	●	●
2022	●	●	●
2021	●	●	●
Southern Alberta Institute of Technology			
2023	●	●	●
2022	●	●	●
2021	●	●	●
University of Alberta			
2023	●	●	●
2022	●	●	●
2021	●	●	●
University of Calgary			
2023	●	●	●
2022	●	●	●
2021	●	●	●
University of Lethbridge			
2023	▲	●	●
2022	●	●	●
2021	●	●	●

Report Card Summary

Preparation of Financial Statements

Unqualified audit opinions on Financial Statements of 19 post-secondary institutions

We issued clean (unqualified)¹ audit opinions on the 2023 financial statements of 19 post-secondary institutions. Strong financial reporting processes and internal controls result in timely information that users of the financial statements can rely on. Institutions can also better respond to unexpected events and report results analyses of their performance.

At the time of writing this report, management of **Olds College** is still finalizing its 2023 financial reporting. When done, we will complete our audit. Management and the board of governors say they are committed to making all necessary adjustments to ensure we can issue an unqualified audit opinion on the final 2023 college consolidated financial statements. We will repeat our recommendation for the college to improve its financial reporting processes at the completion of our audit.

Upward trend in accounting differences

Nineteen institutions have adequately applied processes to promptly prepare accurate financial statements. While institutions completed their financial reporting on time, we identified an upward trend in the number of accounting differences in financial reporting.

Institutions were challenged with implementing a complex new accounting standard on asset retirement obligations. A best practice would be for any organization applying a new accounting standard to assess the impact on operations, reporting, and budgeting in the year before the standard becomes

effective. This is even more important for complex new or revised standards. While institutions started the assessment of the new standard before the start of the fiscal year, they did not finish implementing the new standard until late in the fiscal year. Institutions should work with the Department of Advanced Education to improve the assessment of future accounting changes impacting the sector, as also noted in our December 2023 recommendation to the department to improve their consolidation processes.²

Finance staff shortages strain institutions' processes

We also saw gaps in the completeness of financial analysis and in the consistent application of financial reporting processes this year. We continue to see the strain on institutions' processes due to finance staffing shortages. Management of all institutions should regularly monitor the financial reporting processes and internal controls they rely on to prepare accurate financial reporting and test that they work as expected. We think that process weaknesses seen this year will be temporary and will not require a formal recommendation if resolved.

Cybersecurity risk-management processes

Cybersecurity risks and trends are continuously evolving and are a focus of all institutions. This year, we expanded our financial statement audit work, examining institutions' cybersecurity risk-management processes. We provided our insights and analysis to institutions to help them in their ongoing cybersecurity governance, monitoring, and mitigation processes.

¹ Financial statements are fairly presented, in all material respects, in accordance with generally accepted accounting standards.

² *Report of the Auditor General—December 2023*, pages 31-32.

Outstanding Recommendations

We issued one new recommendation during the year. Five other institutions have a total of nine previous outstanding recommendations.

Monitoring internal controls—three of the outstanding recommendations are to improve testing and monitoring of the effectiveness of internal controls at an institution. All three were first reported over three years ago. Financial reporting differences found during our audit have trended upward this year. It is important that all institutions maintain strong processes to assess the long-term sustainability of their financial reporting processes and related internal controls. These processes are critical to provide accurate and complete information needed for good decision-making by management and boards of governors during the year.

IT security—four of the outstanding recommendations highlight the importance of strong information and related technology (IrT) processes and internal controls. Organizations must ensure IrT processes and related controls are properly integrated with manual processes and internal controls. This is critical as institutions consider the expanded use of artificial intelligence and data analytics in maximizing the effectiveness and efficiency of their operations and financial reporting.

Lessons learned—our reported audit findings and recommendations to all government organizations we audit, including post-secondary institutions, can be an effective tool for management and boards to reassess the strength and sustainability of their own processes. We encourage management and boards of governors to review reported audit findings and recommendations and challenge the effectiveness of their institution's processes.

Implemented recommendation

Bow Valley College improved the consistent application of financial statement reporting processes based on the recommendation we made last year. The college improved processes for establishing clear responsibilities, segregating duties, and reviewing its financial reporting and disclosures.

One new recommendation

We issued a new recommendation to the **University of Calgary** to improve its access controls for terminated employees. We found management was not consistently applying related university IrT policies.

Audit Findings

NEW Recommendation

University of Calgary

Information system user access controls

NEW Recommendation:
Improve user access controls over terminated employees

We recommend that the University of Calgary improve its network access controls over terminated employees.

Context

As a foundation of data security, access controls include procedures and segregation of duties—formal access requests, approvals, and access monitoring—that ensure users cannot make unauthorized changes to systems, applications, or data.

Our findings

Key findings

- The university did not consistently remove terminated employee network access promptly.

The university requires terminated employee network and application access to be removed on the termination date. Our sample testing found some terminated employees continued to have access to the university's network after the termination date. One terminated employee continued to have access to the network for two months. For deviations in our sample, the faculty or department did not promptly notify the Information Technology department of the termination.

The university has a process to review network access privileges but has not defined how often the reviews need to occur. Periodic network access reviews had inadequate documentation evidencing the extent of the review or the follow up completed.

Consequences of not taking action

Unless management promptly removes terminated employees' network access, the university risks unauthorized access to its systems.

IMPLEMENTED Recommendation

Bow Valley College

Consistent application of processes

IMPLEMENTED Recommendation:
Improve consistent application of financial statement preparation processes

Context

In 2022,³ we found that the year-end financial statements preparation and review processes were not applied as designed and certain review controls were ineffective in preventing accounting and presentation differences from occurring. We recommended that the college consistently apply its processes to produce accurate year-end financial statements.

³ Report on Post-secondary Institutions 2022, *Report of the Auditor General—March 2023*, page 7.

Our findings

The college has implemented our recommendation. Management has demonstrated a commitment to building sustainable effective processes to produce accurate year-end financial statements by providing evidence it has:

- established clear responsibilities and deadlines for year-end financial statements preparation
 - established appropriate segregation of duties between preparers and reviewers of year-end financial statements
 - established appropriate review procedures to ensure financial statements components and disclosures are reconciled to supporting schedules and documents
-

Post-secondary Institutions: Summary of Recommendations

Institution	New	Outstanding	Total	Status of Recommendations ⁴				Closed Recommendations	
				Ready for Assessment	Not Ready for Assessment	> 3 Years	< 3 Years	Implemented	Changed Circumstance
Alberta University of the Arts	0	1	1	0	1	1	0	0	0
Athabasca University	0	0	0	0	0	0	0	0	0
Bow Valley College	0	0	0	0	0	0	0	1	0
Keyano College	0	0	0	0	0	0	0	0	0
Lakeland College	0	3	3	1	2	0	3	0	0
Lethbridge College	0	0	0	0	0	0	0	0	0
MacEwan University	0	0	0	0	0	0	0	0	0
Medicine Hat College	0	1	1	0	1	1	0	0	0
Mount Royal University	0	0	0	0	0	0	0	0	0
NorQuest College	0	0	0	0	0	0	0	0	0
Northern Alberta Institute of Technology	0	0	0	0	0	0	0	0	0
Northern Lakes College	0	0	0	0	0	0	0	0	0
Northwestern Polytechnic	0	2	2	0	2	1	1	0	0
Olds College	0	2	2	0	2	1	1	0	0
Portage College	0	0	0	0	0	0	0	0	0
Red Deer Polytechnic	0	0	0	0	0	0	0	0	0
Southern Alberta Institute of Technology	0	0	0	0	0	0	0	0	0
University of Alberta	0	0	0	0	0	0	0	0	0
University of Calgary	1	0	1	0	1	0	1	0	0
University of Lethbridge	0	0	0	0	0	0	0	0	0
Total	1	9	10	1	9	4	6	1	0

⁴ Based on management representations to January 1, 2024.

Detailed recommendation list (by original report date, newest to oldest)

Recommendation	When	Status
<p>UNIVERSITY OF CALGARY</p> <p>REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Improve user access controls over terminated employees.</p> <p>We recommend that the University of Calgary improve its network access controls over terminated employees.</p> <p>Consequences of not taking action: Unless management promptly removes terminated employees’ network access, the university risks unauthorized access to its systems.</p>	<p>March 2024, p. 8</p>	<p>New</p>
<p>LAKELAND COLLEGE</p> <p>REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Develop, formalize, and document risk management processes related to cloud computing services</p> <p>We recommend that Lakeland College develop, formalize, and document its risk management processes related to cloud computing services.</p> <p>Consequences of not taking action: The college exposes itself to the risk of data loss, privacy breach and business interruption if risks related to cloud computing services are not managed effectively.</p>	<p>March 2023, p. 7</p>	<p>Not Ready for Assessment</p>
<p>LAKELAND COLLEGE</p> <p>REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Monitor cloud service provider controls and ensure end-user controls are effective</p> <p>We recommend that Lakeland College regularly monitor the effectiveness of the controls of its cloud service providers and its own end-user controls.</p> <p>Consequences of not taking action: Corporate data will not be appropriately managed and protected without regular monitoring of cloud service providers and end-user controls.</p>	<p>March 2023, p. 8</p>	<p>Not Ready for Assessment</p>

Recommendation	When	Status
<p>NORTHWESTERN POLYTECHNIC</p> <p>REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Improve consistent application of procurement and contracting processes</p> <p>We recommend that Northwestern Polytechnic (NWP) consistently apply its procurement and contracting policy and processes.</p> <p>Consequences of not taking action: Without consistently following its procurement policy, NWP will not be able to demonstrate that its procurement practices are fair and equitable and do not lead to inappropriate, biased, and uncompetitive procurement practices.</p>	<p>March 2023, p. 9</p>	<p>Not Ready for Assessment</p>
<p>LAKELAND COLLEGE</p> <p>REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Improve user access controls</p> <p>We recommend that Lakeland College improve its process to promptly remove terminated employees' access to its network and Enterprise Resource Planning system.</p> <p>Consequences of not taking action: Without effective user access controls, the college is at risk of unauthorized access to its confidential data, which could lead to data corruption, inappropriate modification, or disclosure.</p>	<p>February 2022, p. 7</p>	<p>Ready for Assessment</p>
<p>OLDS COLLEGE</p> <p>REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Improve financial reporting processes</p> <p>We recommend that Olds College improve its financial reporting processes to:</p> <ul style="list-style-type: none"> • provide sufficient update training to staff of public sector accounting standards • ensure proper management oversight of the preparation of consolidated financial statements <p>Consequences of not taking action: Without effective financial reporting processes, there is a higher risk of financial reporting errors.</p>	<p>March 2021, p. 10</p>	<p>Not Ready for Assessment</p>

Recommendation	When	Status
<p>ALBERTA UNIVERSITY OF THE ARTS REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Implement processes for testing and monitoring the effectiveness of internal controls</p> <p>We recommend that Alberta University of the Arts test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p> <p>Consequences of not taking action: Without effective internal controls, institutions increase exposure to financial errors, financial loss, and reputational damage. The Board of Governors may not get the information from management it requires to exercise proper oversight.</p>	<p>December 2019, p. 7</p>	<p>Not Ready for Assessment</p>
<p>MEDICINE HAT COLLEGE REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Implement processes for testing and monitoring the effectiveness of internal controls</p> <p>We recommend that Medicine Hat College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p> <p>Consequences of not taking action: Without effective internal controls, institutions increase exposure to financial errors, financial loss, and reputational damage. The Board of Governors may not get the information from management it requires to exercise proper oversight.</p>	<p>December 2019, p. 7</p>	<p>Not Ready for Assessment</p>
<p>NORTHWESTERN POLYTECHNIC REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Improve internal controls over information technology environment</p> <p>We again recommend that Northwestern Polytechnic consistently enforce its IT policies, which set out internal controls to protect its IT systems, applications and data.</p> <p>Consequences of not taking action: NWP may not be able to deliver essential services and programs promptly in a disaster. In addition, NWP may not be able to effectively safeguard its IT systems, application and data against unauthorized access and disclosure of its sensitive data.</p>	<p>Originally reported December 2019 p. 9</p> <p>› Repeated March 2023, p. 10</p>	<p>Not Ready for Assessment</p>

Recommendation	When	Status
<p>OLDS COLLEGE</p> <p>REPORT ON POST-SECONDARY INSTITUTIONS:</p> <p>Implement processes for testing and monitoring the effectiveness of internal controls</p> <p>We recommend that Olds College test and monitor the effectiveness of its internal controls to ensure key risks are mitigated.</p> <div style="border: 1px dashed black; padding: 5px;"> <p>Consequences of not taking action: Without effective internal controls, institutions increase exposure to financial errors, financial loss, and reputational damage. The Board of Governors may not get the information from management it requires to exercise proper oversight.</p> </div>	<p>December 2019, p. 7</p>	<p>Not Ready for Assessment</p>



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