

April 7, 2008

Province to improve royalty system evaluation and public reporting

Edmonton... The Government of Alberta will implement 13 recommendations to enhance how the performance of the royalty regime is measured and how that performance is reported back to Albertans.

The recommendations were included by former provincial Auditor General Peter Valentine in his report *Building Confidence: Improving Accountability and Transparency in Alberta's Royalty System*.

"I appreciate the thoughtful analysis and the very specific recommendations that Mr. Valentine has included in his report," said Energy Minister Mel Knight. "As Alberta shifts to the New Royalty Framework, this is an ideal time to implement these recommendations and enhance the way we monitor the ongoing performance of the system and report that information to Albertans."

Valentine's review was announced in October 2007 as part of the New Royalty Framework. The scope of the review included: an analysis of the systems in place to ensure accountability in royalty revenue collection; providing clarity on the goals of the royalty regime; ensuring the government has the systems in place to assess the performance of the regime; and ensuring complete and timely reporting to Albertans.

"I'm pleased Mr. Valentine has recognized the quality of the work done by Alberta Energy's staff and their efforts to administer the province's royalty regime on behalf of all Albertans," Knight added. "Those staff and I are eager to move forward with his recommendations related to processes, organization, and providing clear and easy to understand information to Albertans."

In accepting the report, the government has also committed to the 30-, 60- and 90-day time frames identified by Valentine to begin work and establish plans for the implementation of the recommendations related to oversight, business processes and controls, and reporting.

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Note: A copy of the report is posted at www.energy.gov.ab.ca [click on "*Building Confidence* (Valentine Report)"]

Background: Summary of recommendations from the *Building Confidence* Report

Media inquiries may be directed to:

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Summary of recommendations from the *Building Confidence* Report

In his report, *Building Confidence: Improving Accountability and Transparency in Alberta's Royalty System*, former Auditor General Peter Valentine made 13 recommendations in four categories. The following is a summary of those recommendations.

Oversight of the Royalty System

Recommendation #1—organizational review of the Department of Energy to identify changes to the current organizational structure related to royalty collection and the evaluation of the system.

Recommendation #2—establish a formal inter-ministry committee to consult on the impact of the royalty system. Committee to be chaired by Alberta Energy and include representatives from Finance and Enterprise, Environment and Sustainable Resource Development.

Recommendation #3— the Minister of Energy should consult with Cabinet on major policy changes and the principles that underlie the negotiation of Crown agreements.

Business Processes and Controls

Recommendation #4—establish standards related to technical analysis, control activities and key operating reports that support the royalty system.

Recommendation #5—implement formal internal communications processes to ensure all policy decisions are documented and communicated to all effected staff.

Recommendation #6—develop procedures around the provision of ad hoc (such as one-time) information requests to ensure that data provided are accurate and validated.

Recommendation #7—review the operations of the Audit and Compliance Group and audit plan.

External Reporting

Recommendation #8—improve the clarity and understanding of the government's goals with respect to the royalty system through Alberta Energy's business plan and annual report.

Recommendation #9—develop new products designed to help Albertans find the information they need to understand the royalty system.

Recommendation #10—conduct an audit of currently available information about the royalty system.

Benchmarking and Performance Measures

Recommendation #11—report year-over-year comparisons on the distribution of industry revenue between royalties, bonus bids, rental fees, corporate taxes, costs and return on investment.

Recommendation #12—provide an additional internal benchmark on the effectiveness of the collection of royalty revenue.

Recommendation #13—conduct regular reviews to benchmark Alberta's royalty system against other jurisdictions.

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