

Office of the Auditor General of Canada

**Internal Audit of
Hospitality Spending**

Fiscal years 2009–10 to 2011–12

December 2010

Practice Review and Internal Audit

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Introduction

1. The Office of the Auditor General of Canada (OAG) policy on hospitality expenses is to follow the Treasury Board Hospitality Policy, as adapted to the Auditor General's particular circumstances as an Officer of Parliament. It is OAG policy to extend hospitality in an economical, consistent, and appropriate way when it will facilitate government business or is desirable as a courtesy.
2. Hospitality expenses are normally incurred when senior OAG officials meet with parliamentarians; senior officials of other government departments, agencies, and Crown corporations; international colleagues; and external advisers to discuss OAG work. In addition, the OAG incurs hospitality expenses for events such as professional development symposiums, conferences, strategic planning sessions, and report tabling days.

Audit Objective, Scope, and Approach

3. This internal audit on hospitality expenses was undertaken in accordance with the approved internal audit plan for fiscal years 2009–10 to 2011–12. In the course of this project, we also followed up on the actions management has taken on the recommendations reported in our 2005 OAG internal audit of hospitality expenses.
4. The objective of this internal audit is to provide assurance to the Auditor General of Canada that the OAG is in compliance with its Hospitality Policy while adhering to the spirit of Treasury Board policy and that there is adequate control to ensure that hospitality expenditures are made with due regard for these policies.
5. The internal audit covered hospitality expenses from 1 April 2008 to 30 June 2009. Due to other pressing priorities, the audit was delayed, and the period was extended to cover hospitality expenses from 1 July 2009 to 31 August 2010.
6. We selected a sample of 100 transactions for testing, covering more than 45 percent of the dollar value of total hospitality expenditures for the period. The Appendix includes details on the audit objective, scope, approach, and criteria. The criteria were accepted by the OAG's Comptroller's Group.

Observations and Recommendations

Action was taken in response to the 2005 internal audit on hospitality

7. We found that management took actions in response to the observations and recommendations made in the internal audit report of 2005. In summary, management

- took steps to improve documentation on approvals of hospitality expenses;
- revised and adopted the OAG Hospitality Policy, including setting authority levels and guidelines governing hospitality;
- clarified with the Treasury Board of Canada Secretariat that the Auditor General, as an independent Officer of Parliament, has authority to approve hospitality over \$5,000; and
- introduced the requirement that hospitality transactions between \$1,500 and \$5,000 must be formally approved by the Deputy Auditor General.

Spending complied with OAG Hospitality Policy and guidelines

8. We found that the hospitality expenses examined were approved and processed in accordance with OAG policy.

9. We noted that OAG hospitality events are categorized as “work-related events” or “formal work-related events.” When reviewing the transactions selected for examination, we noted that the OAG policy and related guidelines could be improved to clarify which types of events fall within each category. This is important because the applicable OAG hospitality rates are lower than the approved Treasury Board rates for work-related events. OAG hospitality rates for formal work-related events are within Treasury Board rates. While each transaction reviewed was approved, it was not always clear when transactions should have fallen into the “formal work-related events” category.

OAG hospitality spending is publicly disclosed

10. All hospitality expenditures charged to the office budget of a senior executive must be disclosed. There is a process in place for making public disclosure of hospitality every three months.

11. Our tests indicated that transactions that had to be publicly reported were properly reported. We conclude that the disclosures were timely, complete, and accurate.

Conclusion

12. A control framework is in place and working for OAG hospitality spending. Overall, we found that spending complied with the OAG Hospitality Policy and related guidance and the intent of Treasury Board policy and guidance on hospitality. There is opportunity to review and update the OAG policy and guidelines in light of the findings of this audit. Moreover, since the end of our examination period, the Treasury Board issued a new Directive on the Management of Expenditures on Travel, Hospitality and Conferences, effective January 2011. When updating its policy, the OAG should evaluate whether additional changes would be needed to respect the spirit of the new Treasury Board policy and directive.

13. **Recommendation.** The Comptroller's Group should update the OAG Hospitality Policy and associated guidelines and procedures. These documents should clarify the nature of work-related events vs. formal work-related events.

Management response. *Agreed. The Comptroller's Group will update the OAG Hospitality Policy to reflect the recently approved Treasury Board of Canada Secretariat Directive on the Management of Expenditures on Travel, Hospitality and Conferences. In addition, we will clarify the policy where required, including the nature of work-related events vs. formal work-related events. We will complete this by 31 March 2011.*

Appendix—Audit Objective, Scope, and Criteria

Objective

The objective is to provide assurance to the Auditor General of Canada that the OAG is in compliance with its Hospitality Policy while adhering to the spirit of Treasury Board policy and that there is adequate control to ensure that hospitality expenditures are made with due regard for these policies.

Scope and approach

Our testing was done in two parts: transactions over \$1,500 and transactions under \$1,500. We examined all transactions over \$1,500 for the period covering 1 April 2008 to 30 June 2009 and a sample of transactions for the period covering 1 July 2009 to 30 August 2010. We also examined a random selection of transactions under \$1,500.

We examined

- how management addressed the observations and recommendations of the 2005 internal audit of OAG hospitality;
- how transactions selected complied with OAG hospitality policy, guidelines, and procedures;
- how OAG policies, guidelines, and procedures adhered to Treasury Board policy while taking into consideration the specifics of the Auditor General as an Officer of Parliament; and
- whether the hospitality transactions were properly disclosed.

Our audit work consisted primarily of interviews and document reviews.

Criteria

The following criteria were developed from OAG policy, guidance, and the Code of Values, Ethics and Professional Conduct.

- The OAG has a policy, guidelines, and procedures for hospitality, and these are within the spirit of Treasury Board policy and guidance.

- Appropriate controls are in place and working to deliver and manage hospitality expenditures in compliance with OAG requirements.
- Hospitality provided by the OAG is given complete, timely, and accurate public disclosure.

Period covered by the audit

The period of the audit is for OAG hospitality activity between 1 April 2008 and 30 June 2009 (a period of 15 months). However, due to other pressing priorities, the audit was delayed, and the period was extended to 31 August 2010.

Audit team

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