



Health
Canada

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Final Audit Report

Audits of External Training and Conference Attendance

June 2008

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Executive Summary

As enunciated in its *Leadership in Motion Conference* of October 2007, Health Canada (HC) is committed to “creating a supportive environment for learning and development” for its employees, who currently number more than 10,000. In calendar year 2006, HC’s expenditures related to external training (training carried out by outside organizations) amounted to \$9 million. Expenditures related to conference attendance totalled \$2 million.

The audits of External Training and Conference Attendance were originally separate projects. However, because they are related areas, use similar methodologies and have some similar findings, we have combined the results of these audits in a single report. The purpose of these audits was to examine external training and conference attendance to determine whether the information on these areas was adequate for decision-making purposes and whether associated expenses were properly controlled and authorized. The audit was conducted in accordance with the Government of Canada’s *Policy on Internal Audit*.

These audits identified concerns regarding the two main information systems for external training, and HC’s conference attendance policy. They also found common weaknesses in the financial controls associated with both external training and conference attendance.

With respect to information systems, we found that Health Canada (HC) maintains two separate, non-integrated systems for external training. One is the Learning Management System (LMS), which is for the vast majority of HC employees. A key point to note regarding LMS is that its use is voluntary, not mandatory. The second system is a more specialized system—PMRA Learns—which is used only by Pest Management Regulatory Agency (PMRA) employees. Given that the use of LMS is voluntary and that the two systems are not integrated, the information on external training activities available to management out of these systems is incomplete and their usefulness for certain decision making is compromised. The audit did not focus on other means or methodologies to capture this information. We also noted technical problems that were affecting the performance of the LMS system. Finally, we note that the Treasury Board abandoned its Conference Attendance policy more than 10 years ago. The current HC policy on conference attendance now governs this area, but it is administratively burdensome and subject to misinterpretation.

With respect to controls, we observed common weaknesses when employees with delegated financial authority were exercising Section 32 and 34 of the *Financial Administration Act* (FAA). We were also unable to locate a significant number of payment files (10% of the training sample and 4% of the conference attendance sample) for testing during the audit. In addition, common weaknesses in the coding of external training activities and conference attendance were identified.

Overall, the audit findings indicate that some improvements are required to help ensure a more effective and efficient management of Training and Conference attendance at Health Canada.

Introduction

Background

On October 4, 2006 the Departmental Audit and Evaluation Committee approved HC's Multi-Year Risk-Based Audit Plan (RBAP), which is fundamental to AAB's implementation of the Government of Canada's Policy on Internal Audit. The audits of External Training, i.e., training provided by outside organizations, and Conference Attendance are included in the 2006-2007 RBAP and were originally conducted as separate projects. However, because they are related areas, use similar methodologies and have some similar findings, we have combined their results in a single report.

For calendar year 2006, the period under review, expenses for external training totalled \$9 million, while expenses related to conference attendance totalled \$2 million.

Objective

The objective of these audits was to determine whether the information on external training and conference attendance was adequate for decision-making purposes and whether expenses for these activities were properly controlled and authorized.

This objective is consistent with the Audit and Accountability Bureau's (AAB) responsibility for assessing HC's strategy and practices relating to control, risk management, and governance processes.

Scope and Approach

The scope of the audit included an examination of external training and conference attendance policies and expenses related to LMS and PMRA Learns systems. It also included examining the roles and responsibilities of departmental officials who are in charge of budgeting, authorizing and issuing payment of associated costs. The period assessed was January 1 to December 31, 2006.

The audit team carried out preliminary surveys to review and analyze policies, procedures, structures, systems and data associated with external training and conference attendance. Walk-throughs of test transactions were performed to determine the steps involved in approving and recording financial transactions. Interviews of selected regional and NCR employees were done, in addition to statistical sampling from the external training and conference attendance-related payments. We also tested judgmental samples of transactions to determine the rate of LMS usage among LMS profile-holders and to check adherence to existing conference attendance policies.

Findings, Recommendations and Management Responses

The findings relate to three areas: the information from two departmental information systems available to management on external training activities; the process for controlling, coding and authorizing expenditures for external training and conference attendance; and the policy on conference attendance.

Information Management for External Training

An assessment of financial controls relating to external training revealed that, although both manual and electronic controls are available, it was primarily manual controls that were being used. Consequently, we consider that electronic systems are not being utilized to their full potential. Currently, Health Canada has two separate information systems that support the management of external training activities. We expected to find that these systems would generate a range of information which would be useful for decision-making purposes. However, the audit results indicate that the current systems do not produce information yielding an accurate and complete picture of external training activities.

The first system, the LMS, was developed and launched as a national system to cover the vast majority of the Department's employees. Health Canada uses it to track both internal and external training activities. Among other things, information from the system can be used to monitor current training activity, plan future training, and develop new in-house courses. The second system, "PMRA Learns", is used only by the Department's 500 employees in the Pest Management Regulatory Agency (PMRA); it is a competency-based system that better serves PMRA's purposes.

For a number of reasons, the Department cannot exploit the full potential of these systems. The primary reason is that the use of the LMS is not mandatory. Data from May 2007 indicates that the system contained training profiles for only 58.6% of HC's 10,000 employees. We also noted that not all employees who have profiles in the system use it consistently to record all of their external training activities. Secondly, the two systems are not integrated. For example, data on *internal* training activities of PMRA employees can be entered through HC's Learning Programs Database (LPD) to LMS. However, data on *external* training activities reported in "PMRA Learns" cannot. As well, data from PMRA is compiled using a cumbersome manual process before being combined with LMS data. This information is only at a high level, is reported only on an annual basis and is of limited use to management in planning and assessing departmental training activities.

The audit team noted that certain information which LMS generates was inaccurate, and that discrepancies existed in the information it reports. The discrepancies were due to technical problems. Management is aware of the system-related issues involved. Although these problems are not considered a high priority area, management has acknowledged the importance of correcting them in a timely manner. Accordingly, an action plan has been developed to ensure

that all technical problems will be addressed during the 2007-2008 and 2008-2009 fiscal years.

We have concluded that as a result of the voluntary nature of LMS and the lack of integration between LMS and the PMRA learning system, these systems do not provide complete training-related information for management.

Various options are available to management to address the issues that we have noted in this report. One is to electronically integrate the two existing systems. Another is to develop a new system for all HC employees understanding that a permanent system may eventually be recommended in the context of Treasury Board's Shared Services initiative. Either option would provide HC with the advantage of a smooth transition to a new system when the time comes.

Recommendation No. 1

The Assistant Deputy Minister Corporate Services Branch (CSB) should make mandatory the use of a common system to manage and track training activities at Health Canada and ensure on-going maintenance and monitoring of the system to address any potential technical problems.

Management Response

Management accepted the recommendation.

The existing HR Advantage System, of which LMS is a part, is deficient in the area of training and conference attendance. Health Canada is investigating the move to a new human resource management system, such as People Soft.

Human Resources Services Directorate will investigate the options for an integrated Learning Management System and develop a strategy to move forward on implementation of the most viable option.

The deliverables will be options for an integrated Learning Management System and an implementation strategy on or before June 2009.

Delegation of Authority under Sections 32 and 34 of the FAA

Section 32 of the Financial Administration Act (FAA) and TBS and Department Policies, emphasize the importance of ensuring that commitments are controlled, and of maintaining proper records that provide an adequate audit trail back to the originator. Furthermore, the TB Account Verification Policy and Health Canada's Delegation of Financial Signing Authorities instrument requires that the signatures of individuals exercising their authority under the FAA, be identifiable and that they provide a proper audit trail. We thereby expected to see evidence of Section 32 authority filed with the documents supporting the payment of all training and conference

attendance expenses.

We found, however, that the provisions of Section 32 had not been consistently applied. For external training, evidence of Section 32 authority was found in only 27 of the 58 training payments (47%) examined. For conference attendance, there was evidence in 58 of the 91 conference attendance payments (64%) examined.

For both external training and conference attendance there were also instances where the signatures of employees committing funds under Section 32 of the FAA and certifying under Section 34 were illegible. In other cases, we could not find signature cards matching names.

We also expected to find complete payment files to support the payments made. However, in the case of external training, 6 files in our sample of 58 (10%) were missing. For conference attendance, 4 files out of 91 (4%) were missing. We found no evidence that the documentation in the missing files had ever been reviewed in processing those payments. This situation has the potential for significant abuse and/or defalcation of government funds.

Recommendation No. 2

The Chief Financial Officer Branch should consider taking action to ensure that the audit trail relating to Sections 32, and 34 of the FAA is complete.

Management Response

Management accepted the recommendation.

This recommendation will be addressed through the conformance with the Accounts Verification Policy which details the verification procedures and section 34 certification requirements for all payment transactions. The policy was approved by DEC-FEA on April 15, 2008 and will be communicated to the department shortly.

Conference-Attendance controls and policy

We note that the Treasury Board Secretariat rescinded its policy on conference attendance more than 10 years ago. Health Canada has maintained its Conference Attendance policy and that the Delegation of Financial Signing Authorities document describes special controls regarding Conference Attendance.

We found that administering and co-ordinating the policy imposes a significant burden for management and administrative support staff. This includes frequent involvement by senior managers (RDGs, DGs, etc) in clarifying mundane conference matters and ensuring administrative support staff monitor conference attendance. Current controls associated with the policy provide little or no benefit in terms of mitigating risk, given that other controls already exist. For example the Deputy Minister's International Approval Process, Cabinet Directive #47,

the Departmental Travel Policy and Delegation of Financial Signing Authorities all provide controls on international conference attendance.

For non-international conferences, managers exercise control by using their discretion in determining the appropriateness for staff to attend conferences which represent a common vehicle to acquire knowledge that is considered useful in the performance of their responsibilities and which is often reflected in the employees learning/training plans.. When approving specific learning events managers ensure special controls described in the Delegation of Financial Signing Authority document are respected but the need to distinguish between learning provided in the context of conferences versus other types of learning/training does not appear to add any value to decisions managers have to make regarding learning investments. Thus, the coding requirements within the existing Policy do not serve any useful purpose and represent an unnecessary administrative burden. There is often uncertainty surrounding the categorizing of external training and conference attendance expenses, thereby providing ample opportunities to miscode expenses related to those activities.

The combined coding error rate with respect to external training and conference attendance was established at approximately 20%. Combining training and conference attendance under the same coding will create efficiencies in the management of learning activities and simplify accounting.

Recommendation No. 3

The Chief Financial Officer Branch should eliminate the current conference-attendance policy as enunciated in section 4.2 of the DFSA and reclassify conference-attendance costs under Training and ensure proper coding.

Management Response

Management accepted the recommendation.

The Financial Delegation Instrument document will be updated to eliminate the conference section, and the training section will be modified.

The HC Account Verification policy prescribes that coding is the responsibility of the account verification/Section 34 process. The policy was approved by DEC-FEA on April 15, 2008 and will be communicated to the department shortly.