Audit of expenditure management and controls

Final report

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List of acronyms and abbreviations

AAFC	Agriculture and Agri-Food Canada
AVDAC	Account Verification and Data Analytics Centre
BPO	Business process owner
CFO	Chief Financial Officer
COAD	Corporate and Operational Accounting Division
CoE	Centre of Expertise
COSO	Committee of Sponsoring Organizations
CSFB	Corporate Services and Finance Branch
CSPS	Canada School of Public Service
DAC	Departmental Audit Committee
DDR	Departmental designated resources
ECCC	Environment and Climate Change Canada
FAA	*Financial Administration Act*
FPSC	Financial Policy, Systems and Controls
GAC	Government acquisition cards
HR	Human Resources
ICFR	Internal Control over Financial Reporting
MDMS	Master Data Management Services
NCR	National Capital Region
PACD	Procurement, Accounting and Controls Directorate
SAP	Systems, Applications and Products
SFT	Salary Forecasting Tool
SSR	Specimen signature record
TB	Treasury Board
TBS	Treasury Board Secretariat

Executive summary

The objectives of the Audit of expenditure management and controls were to determine whether:

- Environment and Climate Change Canada's (ECCC) expenditure management framework is effective
- ECCC's expenditures are in compliance with the central agency and departmental policies and directives pertaining to accounts payable transactions

Why it is important

Parliament and Canadians expect the government to be well managed and accountable, to ensure the prudent stewardship of public funds, the safeguarding of public assets and the effective, efficient and economical use of allocated public resources. The Government of Canada is committed to making sure that public funds are managed in a way that respects sound stewardship and the highest level of integrity, transparency and accountability. Expenditure management and the proper exercise of controls are an important aspect in ensuring that ECCC spends public funds with prudence and probity, and receives proper value for the money spent.

What we found

Based on the audit findings, ECCC has an adequate management control framework in place to support expenditure management and compliance with applicable central agency and departmental policies for the period under review. Specifically, the audit found that:

- Roles and responsibilities are defined, documented and communicated.
- Training is offered and delivered on a regular basis to allow employees to meet their training obligations and carry out their duties.
- There is a process in place to verify that specimen signature records are adequately maintained and reviewed regularly.
- Tools are generally in place to assist employees in performing account verification.
- There exists a proper segregation of duties.
- Quality assurance reviews are systematically conducted on a quarterly basis and results are communicated to senior management for information and decision making.

The audit also identified the need for management to take necessary measures to reduce the critical error rates in the low-risk and medium-risk categories to within the maximum tolerable error rate.
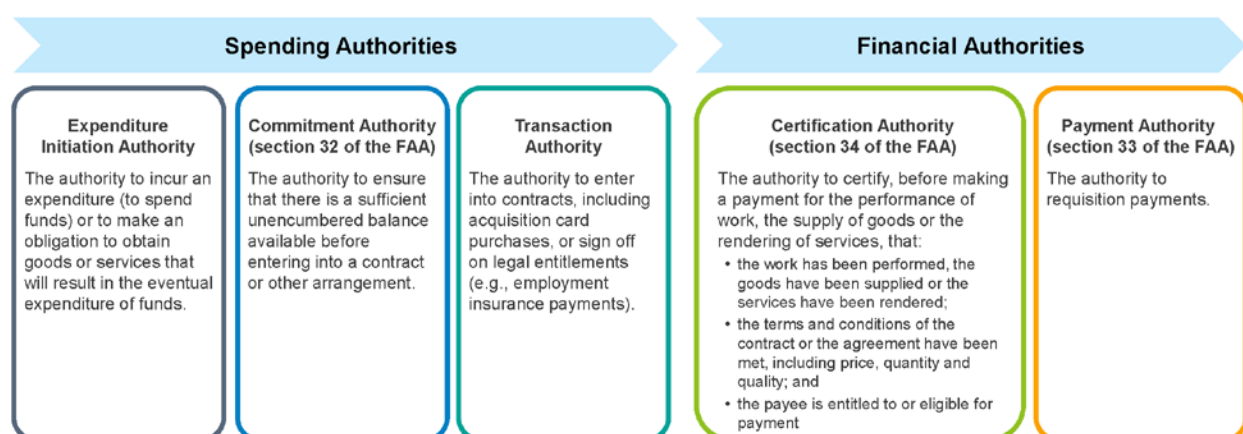
1.   Context

A sound and effective system for managing spending is central to the government's ability to carry out its fiscal responsibilities, fund its programs, control spending and report financial and performance information to Parliament and the public. A system that works well promotes efficient, responsive and accountable government.

In the Government of Canada, all expenditures of public funds must be incurred for the purpose of achieving the mandates of the departments and agencies. These expenditures must be made in compliance with the *Financial and Administration Act* (FAA), all applicable statutes and regulations, the Treasury Board of Canada Policy on Financial Management and the Directive on Delegation of Spending and Financial Authorities, departmental policies, related directives and guidance.

The process for managing expenditures is controlled through a set of spending authorities and financial authorities (see Figure 1).

Figure 1: authorities in the expenditure management process

Spending Authorities			Financial Authorities	
Expenditure Initiation Authority	**Commitment Authority (section 32 of the FAA)**	**Transaction Authority**	**Certification Authority (section 34 of the FAA)**	**Payment Authority (section 33 of the FAA)**
The authority to incur an expenditure (to spend funds) or to make an obligation to obtain goods or services that will result in the eventual expenditure of funds.	The authority to ensure that there is a sufficient unencumbered balance available before entering into a contract or other arrangement.	The authority to enter into contracts, including acquisition card purchases, or sign off on legal entitlements (e.g., employment insurance payments).	The authority to certify, before making a payment for the performance of work, the supply of goods or the rendering of services, that: • the work has been performed, the goods have been supplied or the services have been rendered; • the terms and conditions of the contract or the agreement have been met, including price, quantity and quality; and • the payee is entitled to or eligible for payment	The authority to requisition payments.

Source: Treasury Board Secretariat – Guide to Delegating and Applying Spending and Financial Authorities (May 2018)

The spending of public money requires that integrity, accountability and transparency be maintained to a high standard. This calls for the establishment of responsible account verification processes that maintain sound stewardship of financial resources. These processes include the periodic review of transactions to ensure that:

- the work has been performed, the goods supplied or the services rendered

- the terms and conditions of relevant contracts or agreements have been met

- the transactions are accurate

- there is compliance with all legal authorities

Table 1 provides a summary of the volume of accounts payable transactions at ECCC in terms of numbers and dollars for fiscal year (FY) 2016 to 2017.

Table 1: volume of accounts payable transactions at ECCC for FY 2016 to 2017, by risk category

Risk Category	Count		Amount	
	Number	**%**	**$**	**%**
High-Risk Category				
Regular payments	7,435	5.6%	$276,837,618	49.0%
Transfer payments	1,689	1.3%	$144,434,932	25.6%
Travel claims	2,212	1.7%	$4,747,739	0.8%
GAC transactions	5,524	4.2%	$9,998,784	1.8%
Low and Medium-Risk Categories				
Regular payments	38,089	28.7%	$97,409,191	17.2%
Travel claims	21,979	16.5%	$13,329,353	2.3%
GAC transactions	55,660	42.0%	$18,422,891	3.3%
Total	**132,588**	**100.0%**	**$565,180,508**	**100.0%**

Source: Corporate Services and Finance Branch FY 2016 to 2017 Quarterly Account Verification Operational Effectiveness Results Report

Expenditure management and the proper exercise of controls are a shared responsibility and an important aspect in ensuring that ECCC spends public funds with prudence and probity, and receives proper value for the money spent.

At ECCC, managers with financial delegation are responsible for the application of FAA Section 32 (commitment of funds against an appropriation before an expense is incurred) and FAA Section 34 (confirmation that work has been performed, goods supplied or services rendered). The Corporate Services and Finance Branch (CSFB) is responsible for payment authorization under FAA Section 33.

Corporate Services and Finance Branch

CSFB is responsible for providing services related to financial management, corporate planning and reporting, and for information management and information technology services, inventory management and the tracking of assets, procurement, security and workplace services.

In FY 2013 to 2014, ECCC initiated the transformation and renewal of the Departmental Financial Management System. At the same time, the organizational structure was reviewed, to adapt to these changes and gain efficiencies.

The Corporate and Operational Accounting Division (COAD) provides the full range of accounting services, including corporate accounting functions. Accounting offices in Edmonton and Gatineau (NCR) report to the COAD. They operate as centralized processing centres for accounts payable, transfer payments and travel claims.

In addition, Centres of Expertise (CoE) provide support with the following:

- Government acquisition cards (GAC) – Montreal

- Departmental financial delegations – Gatineau

- Shared travel services/Hogg Robinson Group – Gatineau

- Interdepartmental settlements – Gatineau

- Government vehicle credit cards - payments – Edmonton

In April 2015, ECCC implemented the Systems, Applications and Products (SAP) solution and modified business processes pertaining to the department's financial operations. The system provides ECCC with a common standardized and integrated approach to financial, materiel and asset management. This improves productivity and efficiency gains through streamlined and standardized business practices. SAP is hosted by Agriculture and Agri-Food Canada (AAFC), which shares the administration of training with ECCC.

A service delivery model was also implemented in April 2015 to respond to the new organizational structure. This tool defines the services offered and the delivery structure in place after the renewal initiative. It includes responsibilities, contacts and specific financial tools pertaining to departmental financial delegations, accounts payable, travel claims, relocations, isolated posts, acquisition cards, accounts receivable and other services.

CSFB made other significant progress with the implementation of the Policy on Internal Control[1] and the ECCC's monitoring strategy. ECCC has developed an Internal Control over Financial Reporting (ICFR) program where internal controls for key business processes are documented and tested. The Department has adopted the Committee of Sponsorship Organizations (COSO) Framework, a widely recognized framework in the area of internal controls, as a basis for its system of internal control. ECCC's monitoring strategy describes the Department's ongoing system of testing, remediation and monitoring of its internal controls, with the objective of ensuring that key controls are working as intended. This includes prepayment and post-payment verification in accordance with TBS Directive on Account Verification[2] and reporting to the Deputy Minister, TBS and ECCC's Departmental Audit Committee regarding the Internal Control Monitoring Strategy, including the ICFR.

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[1] The Policy on Internal Conytrol was in effect while the audit was bein conducted. It was rescinded on April 1, 2017 and was replaced by the Policy on Financial Management.

[2] The Directive on Account Verification was in effect at the time of the audit. It was rescinded on April 1, 2017.

2.   Objectives, scope and methodology

Objectives and scope

The objectives of this audit were to determine whether:

- ECCC's expenditure management framework is effective
- ECCC's expenditures are in compliance with the central agency and departmental policies and directives pertaining to accounts payable transactions

The audit covered the period from April 1, 2016, to March 31, 2017. It focused on governance, risk management and internal controls, namely roles and responsibilities, training, monitoring and oversight, segregation of duties and compliance with relevant policy requirements. Given their unique nature, complexities and risks, payroll, salary advances and transfer payments were excluded from the audit.

Methodology

The audit criteria (see Appendix A) were developed using TB and departmental policies and directives, with a particular focus on the TB Policy on Financial Management and the TBS Directive on Delegation of Spending and Financial Authorities.

The audit approach included the following:

- a review of relevant documentation, including policies, guidelines and procedures
- interviews and walkthroughs with key CSFB and other ECCC personnel in the National Capital Region and other selected regions
- testing of a judgmental and random sample of high, medium and low-risk transactions for compliance with TB and ECCC policy and guidance requirements, including the application of expenditure controls pertaining to Sections 32, 34 and 33 of the FAA

Statement of conformance

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing.

3. Findings, recommendations and management responses

3.1 Roles and responsibilities

> **Findings:** Roles and responsibilities are defined, documented and communicated.

Clearly defined, documented and well-communicated roles and responsibilities are essential for an effective and efficient expenditure management and proper exercise of controls.

TBS directives, such as the [Directive on Delegation of Spending and Financial Authorities](#), include broad statements of responsibilities related to expenditure management. The audit found that the Departmental Directive on Acquisition Cards and the Guide to Commitment Accounting provide similar statements. Furthermore roles and responsibilities are documented and communicated through the internal departmental website and various documents such as the National Framework Quality Assurance on Account Verification, the Internal Control Framework, ICFR business processes and various standardized checklists.

3.2 Training

> **Findings:** Training is offered and delivered on a regular basis, to allow employees to meet their training obligations and carry out their duties.

Training is a key element of the management expenditure framework. It allows employees to acquire the knowledge needed to carry out their duties. The audit focused on two types of training: required and mandatory training and SAP training.

Required and mandatory training

ECCC's mandatory and systems training table sets out the required (as per TBS) and mandatory (as per ECCC) training for each employee category such as managers, casuals, students, indeterminate employees and directors. This document is an internal document available only on the ECCC intranet page.

Within two months of appointment, all new employees must register for the training required by TBS by completing the Required Training Form and registering with the Canada School of Public Service (CSPS) for the specified courses. The purpose of required training is to develop the knowledge, skills and behaviours that an employee needs to effectively perform his or her work in the public service, having regard for the nature of the work to be performed, as determined by the employer.

Within their first year of employment, all new ECCC employees must also take the mandatory training required by ECCC. Most training is available online, but some is delivered via WebEx (an Internet videoconferencing application) or in a classroom setting. An analysis of the ECCC Learning Calendar reveals that these courses are offered frequently throughout the year. Mandatory training

is for all employees where TB and ECCC have determined it to be in the best interests of the public service (for example, Security Awareness).

Authority delegation training

The TBS [Directive on Delegation of Spending and Financial Authorities](#) states that individuals can be granted delegated authority when they have "completed the required training, and subsequently revalidated his or her knowledge at least every five years". Departmental employees must complete authority delegation training and an online knowledge assessment before they can be given financial delegation. This training is provided by CSPS.

Compliance with this specific training requirement was verified as part of the specimen signature records audit test (see section 3.3).

SAP training

Employees requiring access to SAP, such as managers with FAA Section 34 delegated authority, administrative assistants and finance officers with FAA Section 33 delegated authority, must follow SAP orientation training before access is granted. To obtain access to more advanced modules and functionalities such as the commitment of funds, additional focused training is required. Access is granted by AAFC, which hosts the system and provides the required training in collaboration with ECCC.

All employees who have access to one or more of the system's functionalities have received training on SAP. Since the implementation of SAP, 3,431 participants have received training on the various modules. Training was generally provided on a timely basis.

Overall, training is offered and delivered on a regular basis, to allow employees to meet their training obligations and carry out their duties.

3.3   Financial delegations

> **Findings:** ECCC has established financial authorities. There is an adequate process to regularly review and maintain specimen signature records. There exists a proper segregation of duties.

ECCC establishes financial authorities through the use of the Delegation of spending and financial signing authorities. The Minister and Deputy Minister use this legal document to delegate and communicate the signing authority to be exercised by ECCC officers, empowering others to act on their behalf concerning financial matters. The delegation instrument is available on ECCC's intranet website.

Within the Department, the delegation of financial authorities is the responsibility of the Centre of Expertise (CoE) – Financial delegations. Its responsibilities consist of coordinating, processing and monitoring the delegation of signing authorities. ECCC employees must complete authority delegation training and an online knowledge assessment before they can be provided with a financial delegation.

Delegation of spending and financial signing authorities

To ensure compliance with the TBS Directive on Delegation of Spending and Financial Authorities, ECCC has established financial authorities through the use of a Delegation of spending and financial signing authorities. It consists of a delegation matrix, signed by the Minister in accordance with the requirements of the Directive, accompanying notes, specimen signature records (SSR) and departmental procedures for the review of the delegation of spending and financial signing authorities.

The departmental procedure for the review of the delegation of spending and financial signing authorities states that, at a minimum, an annual review is to be conducted on the delegated authorities at ECCC, to ensure that the delegation matrix complies with the latest policy instruments of the Government of Canada and that delegated authorities within the department are still valid. The last review of the Delegation of spending and financial signing authorities occurred at the time of the Minister's appointment in 2016.

Specimen signature records

Financial delegated authorities are granted to employees at various management levels by creating and activating SSRs. Since July 2017, the SSRs are maintained in SAP. During the audit period, there were about 899 active SSRs in the database.

In 2016, CSFB implemented a new annual operational effectiveness testing of operational positions SSRs. The testing, as documented in the Annual SSR Validation Project Charter, consists of reviewing SSR key controls for active permanent operational positions, using a judgment based sampling of 46 high-risk SSRs and a statistical sampling of 25 low and medium-risk SSRs. The Account Verification and Data Analysis Centre (AVDAC) performs the SSR review and reports the results and recommendations to the Centre of Expertise (CoE) for corrective actions, as appropriate. In December 2016, the AVDAC performed the testing as intended and concluded that the CoE validated the SSRs properly and the main key controls performed by the staff were effective.

The audit reviewed a sample of SSRs and found that there is a process in place at ECCC to create the SSRs, assign delegated authority and ensure that the SSRs are maintained and reviewed on a regular basis. Furthermore, the audit found that the delegated managers took the mandatory training and their training had not expired.

In conclusion, there is a process in place so that SSRs are adequately maintained and reviewed regularly.

Segregation of duties

Segregation of duties is a critical internal control to effectively safeguard ECCC's assets, reduce the risk of error, and minimize the potential for fraud. According to subsections 4.1.11.1 and 4.1.11.2 of the TBS [Directive on Delegation of Spending and Financial Authorities](#), the same individual cannot exercise the following:

- both transaction authority to enter into a contract and certification authority (FAA Section 34) on the same transaction, unless the transaction has been designated by a department as a low-risk and low-value transaction
- both certification (FAA Section 34) and payment authority (FAA Section 33) on the same transaction

The audit examined compliance for 96 transactions with FAA requirements for appropriateness of segregation of duties and concluded that the person with the delegated authority to certify goods and services received (FAA Section 34) did not provide payment authority for these transactions (FAA Section 33).

Overall, the audit concludes that there exists a proper segregation of duties.

3.4   Account verification

Findings: A risk-based quality assurance review is performed over FAA Section 34 transactions. Accounting offices perform prepayment verifications for high-risk transactions. There are quarterly post-payment validations for medium-low risk transactions. Errors found in the pre-payment and post-payment verification are summarized in a quarterly report and communicated regularly to senior management. The FY 2016 to 2017 report indicates that the critical error rate for transactions in the high-risk category was generally within the maximum tolerable error rate (MTER) of 7%. However, it exceeded this threshold for transactions in the low-risk and medium-risk categories.

A well-functioning quality assurance process is a key control for ensuring that a high standard of integrity and accountability is maintained in the spending of public money and for supporting sound stewardship of financial resources.

In accordance with the TBS [Directive on Delegation of Spending and Financial Authorities](#), ECCC uses a risk-based approach to performing the quality assurance review over FAA Section 34 account verification when exercising payment authority for payments, pursuant to FAA Section 33. The objective of the quality assurance process is to confirm that FAA Section 34 certification is properly and consistently performed. This provides assurance that transactions are valid, accurate and properly authorized.

There are two types of quality assurance reviews at ECCC: repayment verification and post-payment validation.

Prepayment verification

For high-risk transactions, payment verification acts as a main control to ensure that the transactions are accurate and valid and that detected errors are corrected prior to payment. This includes verifying whether the backup documentation provided supports the payment request, the financial coding is appropriate, the claimed amounts are in accordance with the corresponding contract or funding agreement, and procurement documents and payment request comply with TBS and departmental policies. Examples of high-risk transactions include payments of $25,000 or more and transactions of a sensitive nature, such as hospitality, membership fees, non-public servants travel and travel of $5,000 or more. The accounting offices in Gatineau and Edmonton are responsible for conducting this review.

Post-payment validation

Transactions identified as medium and low-risk are entered in the financial system and paid after the basic review is performed. The basic review focuses on verifying the appropriateness of FAA Section 34 authorization, the financial coding and vendor information. In addition, a sample of these transactions is selected on a quarterly basis, to undergo a post-payment validation. The quarterly sampling results provide insight into the effectiveness of the FAA Section 34 certification. Examples of medium-low risk transactions include regular payments of less than $25,000 and non-sensitive transactions, as well as travel claims of less than $5,000. In addition, government acquisition card (GAC) transactions are also subject to verification after payment.

The responsibilities for post-payment validation are shared as follows:

- the AVDAC, part of the Financial Policy, Systems and Controls Division (FPSC), is responsible for the post-payment validation of medium and low-risk regular payments and medium-risk travel claims

- the CoE - GAC (Montreal office) is responsible for the post-payment verification of high, medium and low-risk GAC transactions.

Reporting errors identified through quality assurance reviews

The audit observed that there are four main tools in place to help employees perform account verifications:

- the critical supporting documentation - requirements for payment

- the account verification checklists

- the Guide to Commitment Accounting

- Departmental Delegation of Financial Signing Authorities

Guidance provided to employees performing account verification states that only one category (that is, critical) and one type of error per transaction should be chosen from among the choices provided, even if a transaction involves several types or categories of errors. If there is a critical

and a non-critical error for the same transaction, only the critical error is logged into the error log during the account verification process. If two or more critical errors are detected on a single transaction, one critical error is recorded using the following priority sequence (same order as Section 33 and Section 34 checklists):

- C1 – Incorrect Payee (because of the potential loss of funds)

- C2 – Incorrect Amount – ECCC has overpaid by $10 or more (because of the potential loss of funds)

- C3 – Not compliant with expenditure initiation authorities and Section 32(1) Funds Availability

- C4 – Not compliant with Section 32(2) commitment authority

- C5 – Not compliant with transaction authorities (Contracting Authorities and Other Transaction Authorities)

- C6 – Not compliant with Section 34 certification authority

- C7 – Not compliant with policy instruments

- C8 – Missing critical supporting documentation for payment

Management indicated that the definition of "critical error" and an error that is "not critical" was based on a risk analysis and the quality assurance review results from previous yearsé The definition was established in a collaborative manner with the accounting office managers and the centres of expertise.

The audit conducted re-performance testing of prepayment verification and post-payment validation assurance reviews using CSFB's quality assurance team approach. The audit selected a judgmental sample of 96 transactions covering the period from April 1, 2016 to March 31, 2017. The 96 transactions included 21 high-risk and sensitive transactions, 31 medium and low-risk transactions and 44 GAC transactions.

The audit found seven transactions with a critical error that were not identified in the quality assurance review. The audit noted as well that FAA Section 32(1) transactions that have a procurement component were not reviewed by the AVDAC and the accounting offices because management indicated that this process had been undertaken by the Procurement and Contracting Division. The results of these reviews are not captured in the quarterly quality assurance review.

The results of critical and non-critical errors found in the prepayment and post-payment verifications are summarized in the Quarterly Account Verification Operational Effectiveness Results Report. The report is provided to the Chief Financial Officer and senior management in CSFB, along with staff in the accounting offices, GAC and AVDAC. This detailed report provides extensive analysis and information, with the purpose of providing recommendations to reduce frequently detected errors and improving the account verification process.

ECCC has established the maximum tolerable error rate (MTER) at 7%. That is the maximum rate of non-compliance that management will accept while still relying on the prescribed controls of the

process. This refers to the rate of non-compliance with a control procedure (that is, the number of deviations) that can occur, while still leading management to believe that the control procedures are working as planned.

The audit reviewed the Quarterly Account Verification Operational Effectiveness Results Reports for FY 2016 to 2017 (see Table 2) and concluded that improvements are required to reduce the critical errors rate (see Recommendation 1). Results in the reports indicate that the MTER was exceeded in FY 2016 to 2017 in all risk categories, as follows: high-risk regular payments in Q1, high-risk GAC transactions in Q1 and Q3 and low and medium-risk categories for all four quarters.

Table 2: results of critical errors rates from quality assurance reviews in FY 2016 to 2017, by quarter

Risk Category	FY 2016 to 2017 Critical Error Rate									
	Q1		Q2		Q3		Q4		Total	
	#	%	#	%	#	%	#	%	#	%
High-Risk Category										
High-risk regular payments	11	8.33%	7	2.77%	2	0.60%	12	1.70%	32	2.25%
Highly sensitive payments	56	5.26%	42	2.55%	51	3.36%	58	3.07%	207	3.38%
High-risk GAC transactions	64	7.74%	36	3.07%	101	8.48%	127	5.44%	328	5.94%
Low and Medium-Risk Category (critical error rate extrapolated on the population)*										
Regular payments	19	15.33%	21	16.68%	16	13.29%	17	13.97%	73	14.63%
Travel claims	12	10.53%	25	19.36%	35	25.96%	27	20.69%	99	19.64%
GAC transactions	39	28.57%	44	31.83%	53	37.68%	36	26.62%	172	30.96%

*Note: The critical error rate percentage is calculated as per the approved National Quality Assurance Framework sampling method.

Source: CSFB FY 2016 to 2017 Quarterly Account Verification Operational Effectiveness Results Report

The AVDAC also prepares an Account Verification Quarterly Results and Awareness Program Deck[3] to summarize the most frequent account verification errors detected, and promote quality assurance tools that will educate and reduce the risk of future non-compliance. This presentation

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[3] Information presented in the deck is taken from the Quarterly Account Verification Operational Effectiveness Results Reports.

deck is provided to administrative officers and assistants, targeted GAC cardholders and delegated managers.

The audit also found evidence of communications to inform people submitting transactions and delegated managers that errors have been detected. However, at the time of the audit, the auditors found no evidence of a comprehensive register of all critical errors[4] identified during the account verification. ECCC would benefit from having such a register as a tool for improving the effectiveness of the awareness program.

In conclusion, quality assurance review over FAA Section 34 account verification is performed and key information is communicated to senior management.

Recommendation 1
The Assistant Deputy Minister, Corporate Services and Finance Branch, should take the necessary measures to reduce the critical error rates in the low-risk and medium-risk categories to within the maximum tolerable error rate.
Management response
Management agrees with the recommendation. Critical errors rates in the low and medium-risk category have already significantly decreased since FY 2016 to 2017. Corporate Services and Finance Branch (CSFB) will continue to monitor transactions in order to take the necessary measures to support ECCC delegated managers in reducing these critical errors rates within the maximum tolerable error rate.   These measures include CSFB's quarterly awareness program started in the third quarter of FY 2016 to 2017. Through this program, all detected errors (for high, medium and low-risk transactions) are the basis for a reporting to administrative staff, delegated managers that had two errors or more during the reporting period, and, since May 2018, branch heads, financial management advisors and finance senior management (directors, Deputy Chief Financial Officer and Chief Financial Officer).

FAA Section 33 payment authority

The audit also tested compliance with FAA Section 33 and found that 94 of the 96 transactions tested were compliant. It found two invalid delegated authorities for low-risk and medium-risk GAC transactions.

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[4] All errors, including when there are two or more errors for a single transaction.

Appendix A: audit criteria

Audit criteria	Sources of criteria
Line of enquiry 1: expenditure management framework	
1.1 Roles and responsibilities are developed, communicated and understood.	– COSO Internal Control - Integrated Framework Principles – TB Directive on Delegation of Spending and Financial Authorities – ICFR Process Maps
1.2 Training is delivered on a regular basis.	– COSO Internal Control - Integrated Framework Principles – TB Policy on Learning, Training and Development – TB Directive on the Administration of Required Training – EC Learning Policy
1.3 Financial controls are designed in accordance with TB and ECCC policy requirements.	– ICFR Process Maps – TB Directive on Delegation of Spending and Financial Authorities – EC Section 33 Statistical Sampling Directive – National Framework Quality Assurance on Account Verification – Delegation of Financial Signing Authorities – TB Policy on Financial Management
1.4 Monitoring and oversight is conducted and reported appropriately.	– ICFR Process Maps – TB Directive on Delegation of Spending and Financial Authorities – TB Policy on Financial Management – National Framework Quality Assurance on Account Verification – Delegation of Financial Signing Authorities
Line of enquiry 2: ECCC's expenditures comply with the central agency and departmental policies and directives	
2.1 Accounts payable transactions meet TB and ECCC requirements.	– Financial Administration Act (FAA) – ICFR Process Maps – TB Directive on Delegation of Spending and Financial Authorities – TB Directive on Travel, Hospitality, Conference and Event Expenditures (2017) – Delegation of Financial Signing Authorities – EC Directive on Acquisition Cards – EC Section 33 Statistical Sampling Directive – Critical Supporting Documentation Requirements for Payment – National Framework Quality Assurance on Account Verification

Appendix B: definitions

Taken from the *[Financial Administration Act](#)*

Expenditure initiation: This is the authority to incur expenditure or make an obligation to obtain goods or services that will result in the eventual expenditure of funds. This includes the decision to hire staff, to order supplies or services, to authorize travel, relocation or hospitality or to enter into some other arrangement for program purposes.

Section 32 - Transaction initiation and commitment authority: This is the authority delegated by the minister to management, to certify that a sufficient unencumbered balance of funds remains in the appropriation to discharge the commitment.

Section 34 - Certification of work performance: This is delegated by the minister to various levels of management, to enable them to administer programs and manage expenditures under their jurisdiction. Managers are responsible for certifying that work, goods or services have been received for the payment requested, that the charge is reasonable and correct and that the payee is entitled to payment.

Section 33 - Payment authority: Certification, by a financial officer, that management has carried out its duties as appropriate under Section 34. Section 33 is the authority to requisition payments that are charged to appropriation.

Account verification

Sensitive transactions: The following are considered to be sensitive transactions; therefore, they are subject to a full pre-payment verification:

- relocation
- hospitality
- membership fees SFT (HR) and non-HR
- conference fees
- claims against the Crown
- ex-gratia payment
- isolated post travel assistance benefits
- refunds of previous year revenues
- participation and consultation fees (honorarium)
- public servant international travel
- non-public servants travel
- award