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Core Control Audit of the Administrative Tribunals Support Service of Canada

Audit Report

May 2019

Office of the Comptroller General

About the Administrative Tribunals Support Service of Canada

The *Administrative Tribunals Support Service of Canada Act* established the Administrative Tribunals Support Service of Canada (ATSSC) on November 1, 2014. The ATSSC is a single, integrated organization that is responsible for providing support services and facilities to 11 federal administrative tribunals.

These services include:

- specialized services that support the mandate of each tribunal, such as registry, research and analysis and legal services, as well as other work or activities that are specific to cases and mandates
- internal services, such as human resources, financial, information management and technology, accommodation, security and communications services¹

According to ATSSC's departmental plans for 2017 to 2018 and 2018 to 2019, the ATSSC had:

- planned spending of approximately \$61 million in 2017 to 2018 and \$65 million in 2018 to 2019
- planned human resources of 704 full-time equivalents in 2017 to 2018 and 622 full-time equivalents in 2018 to 2019²

Overview of the core control audit

Objective of the core control audit

The *Financial Administration Act* designates deputy heads as accounting officers for their department or agency. As accounting officers, deputy heads are accountable for ensuring that resources are organized to deliver departmental objectives in compliance with government policies and procedures.

Core control audits provide deputy heads with assurance about the effectiveness of core controls over financial management in their organizations. Core control audits inform deputy heads about their organization's level of compliance with the requirements in relevant financial legislation, policies and directives.

Scope of the core control audit

The scope of the core control audit included financial transactions and processes conducted by ATSSC, as well as the records that the organization kept. The audit was conducted in 2 phases:

1. Phase 1, which was completed in January 2019, examined a sample of transactions from fiscal year 2016 to 2017 in the areas of contracting, management of acquisition

¹ See "Mandate and Role" in the ATSSC Departmental Plan 2017 to 2018

² See "Planned Spending" in the ATSSC departmental plans for 2017 to 2018 and 2018 to 2019

cards, governance of financial management and delegation of financial signing authorities

2. Phase 2 examined a sample of transactions from fiscal year 2017 to 2018 in the areas of hospitality, travel and pay administration. The appendix to this document provides a list of the legislation, policies and directives that were included in the scope of the audit.

Conformance with professional standards

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

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Overall conclusion

Core controls over financial management related to transactions tested in both Phase 1 and Phase 2 of the audit were generally in accordance to applicable legislation, policies and directives.

Based on the results of the transactions tested, the audit concluded that ATSSC has established a sound financial management governance structure to ensure strong financial management of public resources. In addition, sound controls were observed for travel.

Notwithstanding the above, some weaknesses were identified in the areas of contracting, documentation, approval and timeliness.

Overview of audit findings – phase 1 and phase 2

Contracting

Phase 1: The audit observed that, in some cases, sole-source justification, best-value analysis, security requirements, and proof of execution and cost³ for contracts were not on file. With respect to issuing contracts, some contracts and amendments were approved after the related work had already begun. In some cases, a pre-defined statement of work and justification for employment of former public servants were not on file. Some contracts valued at over \$10,000 were not proactively disclosed.

Why this is important

Sound contracting practices are important to ensure that they stand the test of public scrutiny of prudence and probity, facilitate access, and encourage competition and fairness in the spending of public funds.

³ Proof of execution and cost refers to documentation to support the delivery and cost of goods and/or services.

Documentation

Phase 1: For management of acquisition cards, the following documentation was generally not retained on file:

- support for issuing the card
- approval for issuing the card
- acknowledgement of responsibilities by the cardholder

In a few cases, certification authority was not properly supported with proof of execution and cost⁴. In some cases, there was no documentation on file to explain how the expense was related to ATSSC business.

In some cases of delegation of financial authorities, documentation to support the validation of employee knowledge of their professional or legal responsibilities was not on file before they started exercising delegated financial authority.

Phase 2: With respect to hospitality expenses, in some cases the justification for the provision of hospitality was not on file. Similarly, planning documentation that shows that the most economical means were used was not always on file. Furthermore, documentation pertaining to employee departures was generally not on file.

Why this is important

Maintaining appropriate documentation to support transactions and justify decisions made is essential in demonstrating due diligence and sound stewardship.

Approval

Phase 1: In some cases, expenditure initiation and commitment authority for acquisition cards were not documented.

Phase 2: For hospitality and pay administration, expenditure initiation and commitment authority were not always documented or performed by the appropriate delegated authority. Similarly, for hospitality, certification authority was not always performed by the appropriate delegated authority.

Why this is important

Approvals are a key control in ensuring that funds are available and used prudently and that transactions are authorized, complete, accurate and valid.

Timeliness

Phase 1: In some cases, for contracting, certification authority and payment authority were not performed in a timely manner.

⁴ Proof of execution and cost refers to documentation to support the delivery and cost of goods and/or services.

Why this is important

Timeliness is important as part of the payment process to ensure efficiency and minimize costs associated with late payments.

Recommendations – phase 1

Recommendation 1

For the **delegation of financial authorities** for disbursements, the ATSSC should ensure that all employees who have functional delegated authority have completed training and validated the knowledge associated with their professional or legal responsibilities before they exercise their delegated financial authority.

Recommendation 2

To better manage **acquisition cards**, the ATSSC should ensure that:

- proper documentation is retained on file for all acquisition cards in order to substantiate:
 - the issuing of the cards
 - the credit limits of the cards
 - that cards are used solely for authorized purchases that are related to government business and supported by documentation that is kept on file
- pre-approval (expenditure initiation and commitment authority) and certification authority are properly documented and performed by an individual with the appropriate delegated authority in a timely manner

Recommendation 3

In the area of **contracting**, the ATSSC should ensure that:

- the selected procurement vehicles are used in accordance with their terms and conditions
- there is a statement of work, sole-source justification, best-value analysis and justification for employing a former public servant
- security requirements are addressed before work starts
- contracts and amendments are issued before goods and services are received
- certification authority and payment authority are properly documented and performed in a timely manner by an individual who has appropriate delegated authority
- contracts valued at over \$10,000 are proactively disclosed

Recommendations – phase 2

Recommendation 1

For **hospitality**, the ATSSC should ensure that:

- the operational need for the hospitality expenditures is reasonably justified
- the most efficient and economical alternatives to hospitality expenditures have been considered and appropriately documented in the approval process
- pre-approval (expenditure initiation and commitment authority) and certification authority are properly documented and performed in a timely manner by an individual who has appropriate delegated authority

Recommendation 2

For **pay administration**, the ATSSC should ensure that:

- individuals who have access to government information and assets undergo appropriate security screening before they start work
- overtime transactions are pre-approved by an individual who has the appropriate delegated authority before the overtime occurs
- departmental departure procedures are followed, documented and completed before the end of an employee's work term

Management response

The findings and recommendations of this audit were presented to the management of ATSSC.

Management has agreed with the findings in this report and will take action to address the recommendations.

Management has developed an action plan to address the recommendations. It is expected that the management action plan will be fully implemented by December 2019.

The results of the audit and the management action plan have been discussed with the Chief Administrator of the ATSSC and with the Small Departments Audit Committee. The Office of the Comptroller General will follow up on the implementation of the management action plan.

Appendix: legislation, policies and directives

The following is a list of the legislation, policies and directives that were included in the scope of the audit.

Legislation

- *Financial Administration Act*
- *Public Service Employment Act*

Policies

- *Contracting Policy*
- *Policy on Financial Management*
- *Policy on Government Security*
- *Policy on Learning, Training and Development*
- *Policy on the Management of Executives*
- *Term Employment Policy*

Directives

- *Directive on Delegation of Spending and Financial Authorities*
- *Directive on Executive Compensation*
- *Directive on Payments*
- *Directive on Public Money and Receivables*
- *Directive on Terms and Conditions of Employment*
- *Directive on Terms and Conditions of Employment for Certain Excluded or Unrepresented Employees*
- *Directive on Travel, Hospitality, Conference and Event Expenditures*
- *National Joint Council Travel Directive*
- *Government Contract Regulations*
- *Guidelines on the Proactive Disclosure of Contracts*
- *Special Travel Authorities*