Audit of Travel, Hospitality, Conference and Event Expenditures

Office of Audit and Ethics

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Canadian Nuclear Safety Commission   Commission canadienne de sûreté nucléaire

Canada

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Executive Summary

Background

The audit of travel and hospitality was included in the Canadian Nuclear Safety Commission (CNSC) *Risk-Based Audit Plan* approved for the fiscal years 2014–15 to 2016–17. Given the Treasury Board's (TB) enhanced coverage of conference and event expenditures in the governing *Directive on Travel, Hospitality, Conference and Event Expenditures* (TB directive), it was agreed with the Finance and Administration Directorate (FAD) that the scope of this audit would be expanded to include these additional areas.

The TB directive took effect on January 1, 2011 and was amended on August 1, 2013. It is a key financial management policy instrument, which requires departments to have oversight mechanisms, accountabilities and controls in place to ensure that expenditures for travel, hospitality, conferences and events are managed in an effective, efficient and economical manner. The amendment states that "It is expected that departments will focus travel expenditures on core mandate activities and where travel is required departments will maintain financial business processes that minimize expenditures."

The Finance and Administration Directorate's records show that the lead in period for implementation after TBS verbally clarified the key elements required for compliance was short (about two months) given the number of amendments. Once adopted, the CNSC took prompt actions to provide its employees with awareness sessions and training on the directive, and expedited its implementation. The new directive was presented and approved by the CNSC Management Committee on September 10, 2013.

The readers of this audit report should take into consideration the challenges faced by the CNSC in the implementation of the TB directive, especially when considering the two-month time period between the TBS's verbal clarifications of the key elements required for compliance and the effective date.

Objective, scope and approach

The audit's objective was to provide reasonable assurance to CNSC management that:

1) there is an adequate management framework governing travel, hospitality, conferences and event activities, which promotes general oversight, accountability, risk management and control

2) expenditures are in compliance with governing authority policies and directives

The audit examined compliance with external and internal governing policies, as well as the existing management control framework, roles, responsibilities, accountabilities, communication, training, risk management, monitoring and reporting. Policy compliance

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testing of approvals and expenditures covered samples from August 1, 2013 to August 7, 2014.

Audit fieldwork was conducted from May 2014 to September 2014, and included reconciliations between the CNSC's and TB's directives and guidelines, interviews with senior management responsible for the administration of the TB directive, interviews and surveys of selected users, compliance testing and analysis of information gathered, and the collection of evidence (to identify strengths and support potential opportunities for improvement).

The CNSC's executive staff hospitality expenditures, already audited by the Office of the Auditor General in 2014, were not covered in this audit to avoid duplication of effort.

Summary of observations

- *Governing directives and procedural guidance*

  The CNSC has developed policies, guidelines and instructions that cover activities for travel, hospitality, conference and event expenditures (THCEE). The suite of directives, guidelines and other reference documents in these areas should now be reviewed for currency and ease of access.

- *Roles and responsibilities*

  The staff involved in THCEE processing felt that their roles and responsibilities were understood. However, compliance testing revealed a lack of formally articulated roles and responsibilities around the verification of authorizations and claims.

- *Communication and training*

  The audit team identified the availability of mandatory and discretionary training courses on THCEE, through interviews with staff and by researching the CNSC intranet. Although several awareness-raising activities were already undertaken, there is an opportunity to further improve knowledge on the management and approval of events, and to provide refresher training or additional information to those trained in the past.

- *Risk management*

  The audit found that several proactive measures were taken to mitigate risks on policy adherence, including the development and implementation of a quality assurance monitoring framework. There is still an opportunity to increase the frequency and scope of these reviews, and to incorporate other sources of information/feedback to identify strengths and weaknesses in the control

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framework for discussion with management.

- *Control environment*

  Procedures and instructions are available and communicated through training and the CNSC intranet, however, there is an opportunity to rationalize and streamline available policy and guidance documentation.

- *Management control and reporting*

  Management receives regular reports on expenditures in these areas. Some control elements require review to ensure that all mandatory information/steps are being captured and that items are being coded to their corresponding activities.

- *Compliance*

  The CNSC has introduced controls requiring THCEE pre-approval, and has established formally approved delegations of signing authorities. The results of the compliance testing did, however, highlight opportunities to reinforce some control requirements.

The findings and recommendations have been communicated to and accepted by management. Action plans addressing the audit's recommendations are scheduled for implementation no later than June 2015.

Overall conclusion

The CNSC has an established management framework, designed to promote general oversight, accountability, risk management and control over travel, hospitality, conference and event expenditures. However, the organization has an additional opportunity to reinforce controls already in place, as well as to update, augment and streamline access to guidance materials, and to enhance the design of some of its existing processes.

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1. Introduction

1.1. Background

The Government of Canada *Directive on Travel, Hospitality, Conference and Event Expenditures* took effect on January 1, 2011 and was amended on August 1, 2013. It is a key financial management policy instrument, which requires departments to have oversight mechanisms, accountabilities and controls in place to ensure that expenditures related to travel, hospitality, conferences and events are managed in an effective, efficient and economical manner. The amendment states that "It is expected that departments will focus travel expenditures on core mandate activities and where travel is required departments will maintain financial business processes that minimize expenditures."

The Finance and Administration Directorate's records show that the lead in period for implementation after TBS verbally clarified the key elements required for compliance was short (two months) given the number of amendments. Once adopted, the CNSC took prompt actions to provide its employees with awareness sessions and training on the directive, and expedited its implementation. The new directive was presented and approved by the CNSC Management Committee on September 10, 2013.

The readers of this audit report should take into consideration the challenges faced by the CNSC in the implementation of the TB directive, especially when considering the two-month time period between the TBS's verbal clarifications of the key elements required for compliance and the effective date.

Although expenditures on travel, hospitality, conferences and events may be considered low in comparison to overall operational expenditures (representing around 3 percent), they have the potential to raise significant interest. The CNSC is required to report the total amount of expenditures for travel, hospitality and conference presenters' fees through its website.

In developing its policy and guidelines on travel, hospitality, conference and event expenditures, the CNSC is guided by several authorities. These authorities include:

a) the *Nuclear Safety and Control Act*, which provides guidance on the CNSC's administrative authorities

b) the *Financial Administration Act*, under which travel and hospitality expenditures are controlled and processed

c) the Treasury Board's *Directive on Travel, Hospitality, Conference and Event Expenditures* (TB directive), which provides specific policy on oversight, accountability and control

The areas of travel and hospitality were subject to previous audits by the CNSC's Office

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of Audit and Ethics (OAE), resulting in a number of recommendations to help strengthen controls. Travel was audited in 2002 (with a follow-up assessment in 2005), and hospitality was audited in 2007 (with a follow-up assessment in 2009). An audit of both travel and hospitality was undertaken in 2011, which concluded that:

➢ travel and hospitality expenses were managed in accordance with legislative and policy/directive requirements

➢ the travel authorization and claims process was fully compliant with all aspects of CNSC policies and procedures

➢ risk-based controls were functioning as intended

The 2011 audit did not highlight opportunities for improvement. However, given that the organization is always exposed to the inherent operational, financial and reputational risks associated with these expenditures, and that the TB policy changes took effect in August 2013, the CNSC must ensure that governance and control processes are current and capable of mitigating the risk of misuse of funds and non-compliance with the governing policy. As a result, the President approved the audit of the CNSC's travel and hospitality expenditures as part of the CNSC's *Risk-Based Audit Plan 2014–15 to 2016–17*.

In addition to the OAE's work, the Office of the Auditor General (OAG) conducts an annual financial audit of CNSC (which includes executive compensation, travel and hospitality on a three-year rotational cycle). The OAG audit's objective is to determine if senior executives' compensation arrangements and travel and hospitality expenses comply with relevant authorities and approved CNSC policies. In 2014, the OAG examined the hospitality expenditures of CNSC's executive staff (equivalent to the EX category in the public sector) and no issues were found.

Travel overview

CNSC staff is required to travel to conduct inspections, public consultations and related licensing or regulatory activities, as well as administrative activities (such as staff training). At the international level, the CNSC is responsible for contributing to raising international safety standards, ensuring compliance with Canada's international obligations, and participating in the strengthening of global nuclear security and management of emergencies. These activities also require travel. In 2013–14, this involved the completion of nearly 4,000 travel authorizations and claims for reimbursement.

The *CNSC Travel Directive* sets out the management framework designed to ensure fair treatment and adequate compensation for employees required to travel on CNSC business.

Hospitality overview

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In terms of hospitality expenditures, the CNSC could be required to host functions providing food and beverages, either as part of regular operations, or due to courtesy or protocol. In 2013–14, the CNSC completed 270 authorizations for hospitality functions. The *Hospitality Directive* sets out criteria to help managers determine the appropriate expenditures for hospitality.

Conference and event expenditures

The TB directive has incorporated requirements around the planning, authorization and reporting of conference and event expenditures. The directive indicates that staff participation in conferences may be necessary for the organization to deliver on its core mandate activities. Conferences can provide unique opportunities for exchange, debate or discussion of specialized or professional information, including establishing or maintaining relationships necessary for the conduct of government business or delivery of core mandates.

TB defines events as "…business meetings, departmental or corporate management meetings, conferences as well as any other formal gathering of public servants or non-public servants invited to participate in these activities including prestigious ceremonies, awards and recognition ceremonies. Events do not include meetings or activities whose sole purpose is the direct delivery of core departmental mandates…".

Expenditures that must be collated for approval may include hospitality, transportation, accommodation, or professional services. The CNSC *Guideline for Identification and Management of Conference Expenditures* and *Guideline for Identification and Management of Events* were developed to further define conferences and events, and to set out the requirements governing them.

1.2. Authority

The audit of the CNSC's travel and hospitality expenditures was part of the approved CNSC *Risk-Based Audit Plan 2014–15 to 2016–17*. Considering the enhancements made to the TB directive to include directions for conference and event expenditures, the scope of this audit was expanded to include those areas. The Finance and Administration Directorate agreed to this coverage.

1.3. Objectives and scope

The objective of the audit was to provide reasonable assurance to CNSC management that:

- there is an adequate management framework governing travel, hospitality, conferences and event activities, which promotes general oversight, accountability, risk management and control

- expenditures are in compliance with governing authority policies and directives

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Based on the initial assessment of the risk areas, governing policy, and similar audits recently undertaken in the federal government, the following activities were included in the scope:

- examination and reconciliation of external and internal governing policies, as applicable to the periods under review

- examination and assessment of the management control framework (including roles, responsibilities, accountabilities, communication, training, risk management, monitoring and reporting)

- policy compliance testing, covering expenditures from August 1, 2013 to August 7, 2014 (Note: the sample transactions for compliance testing – 60 travel and 15 hospitality authorizations and claims for reimbursement – were representative of expenditures within branches, and verified to ensure high-risk transactions are represented)

The CNSC's executive staff hospitality expenditures, already audited by the OAG in 2014, were not covered in this audit to avoid duplication of effort.

1.4. Analysis of risks

During the audit's planning phase, an analysis was conducted to identify the potential risks faced by the audit entity, and to evaluate and prioritize their relevance to the audit objective. Risks were identified by reviewing governing policy, previous OAE audit working papers, as well as recent audits conducted within the federal government on similar areas.

The activities requiring travel, hospitality, conference and event expenditures (THCEE) are important for supporting CNSC objectives. At the same time, even a small number of errors (or inappropriate expenditures) may damage the reputation of the CNSC, and the probability of loss arising from the absence of any controls in this area is high. However, given the level of external scrutiny, the findings from previous audits and the maturity of the control environment, the overall residual risk is considered moderate.

The following areas of inherent risk and exposure were identified for examination during the audit:

- CNSC governing directives and guidelines might be inadequate and unreflective of the TB directive, resulting in unauthorized, inconsistent or inappropriate practices.

- Roles, responsibilities and procedures may not be effectively communicated to managers, travellers/attendees or administrators, resulting in unauthorized, inconsistent or inappropriate practices.

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- Inadequate risk management and control activities may result in errors, overpayments, underpayments, or fraudulent activities.

- A lack of timely and accurate reporting on expenditures and exceptions to management has the potential to adversely affect the quality of planning and decision making.

- Expenditures may not be pre-authorized to ensure compliance with CNSC and TB directives, and may not be adequately supported to ensure compliance with the *Financial Administration Act* (FAA).

1.5. Audit criteria

Appendix A provides the lines of enquiry and related audit criteria used to achieve the audit objectives.

1.6. Approach and methodology

The audit was conducted from May 2014 to September 2014.

During the audit's examination phase, the audit team:

- reviewed CNSC directives and guidelines, and assessed alignment with the TB directive and the FAA

- conducted interviews with senior management within the Finance and Administration Directorate and key staff in the Accounting, Controls and Contract Management Division to obtain information on processes, procedures, documentation, training, advice, reporting and any areas of current concern

- conducted interviews with selected users to obtain perspectives on the effectiveness of guidance materials, training and support

- analyzed information gathered and collected evidence to identify potential opportunities for improvement

- sampled transactions to assess compliance with CNSC and TB directives and guidelines and the relevant requirements of the FAA, including pre-authorization, eligibility of expenditures and proactive disclosure

The audit findings represent the processes and practices in place between August 2013 and August 2014. Audit findings were discussed with CNSC management prior to their finalization.

1.7. Statement of conformance

This audit conforms to the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the OAE quality assurance and improvement program.

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2. Audit Observations and Recommendations

2.1. Line of enquiry 1 - Management control framework

To assess the management control framework, the audit examined governing directives and procedural guidelines, roles and responsibilities, communication and training, risk management, control environment, and management control and reporting.

2.1.1. Governing directives and procedural guidelines

The audit examined the extent to which governing directives and guidelines are in place, are adequate, and function as intended (or properly implemented). The audit identified relevant sources of legislation, TB-mandated directives, CNSC directives, guidelines, instructions, procedures and flowcharts on travel, hospitality, conference and event expenditures (THCEE). CNSC directives and guidelines were examined to assess whether they had been appropriately approved, reviewed and updated on a timely basis. TB-mandated directives were compared to CNSC directives and guidelines, to assess alignment. Procedures were reviewed to ensure adequate coverage of pre- and post-authorizations, reimbursement, review, substantiation and quality assurance.

CNSC directives and guidelines

The CNSC has developed directives, guidelines and instructions that cover THCEE-related activities. The CNSC is mandated to follow the TB directive on THCEE. CNSC staff made significant efforts to ensure compliance with the TB directive issued in August 2013 (such as presentations to Management Committee, managers and administrative professionals fora, intranet articles, the introduction of travel plans and presenting changes to specific groups within CNSC). However, the audit found opportunities for closer alignment with the TB directive:

- The CNSC *Hospitality Directive* has not yet been updated to reflect that CNSC attendees at hospitality events may not sign authorization forms, nor does it yet reflect the recommended level of approval for hospitality rates that exceed standard and maximum costs.

- The CNSC *Delegation of Financial and Contract Signing Authorities* matrix was not yet updated to reflect the requirement for conference attendance to be approved at the senior departmental manager level.

- The definition of "events" has not been updated in the CNSC *Guideline on the Identification and Management of Event Expenditures,* to reflect changes made by the TB directive.

- The current training and conference approval form does not contain a section to certify that the conference directly relates to the CNSC's core mandate.

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The review of internal guidance and information communication documents also highlighted opportunities to ensure that

    a) the content is complete and up to date, and that
    b) documents are easy to find on the CNSC intranet

For example, the audit discovered within presentations or instructions mentions of policy and guidance that are not reflected in the CNSC's THCEE directives. It also found that guidelines and information added over the years on the intranet were not checked for accuracy or changes in practice, nor for outdated guidance or versions which increases the risk of confusion and the application of inappropriate practices.

Periodic review of CNSC directives and guidelines

The audit found that, in some instances, the version-control boxes (e.g., effective date, approval date, next revision date) on THCEE directives and guidelines are not being consistently completed, reviewed and approved by management. This increases the risk of confusion, and does not provide assurance as to whether the document is the final approved document.

The CNSC's THCEE-related directives, guidelines and other available guidance require rationalization, to streamline the process and ensure management's agreement on content.

Reviews of event expenditures

The TB directive dictates the use of appropriate internal controls and an associated monitoring system to support periodic departmental reviews of event expenditures. The CNSC *Guideline on Identification and Management of Events* requires each CNSC branch to annually report events over $5,000 to the Finance and Administration Directorate (FAD), to facilitate the President's approval. Mid-year call-outs include plan reviews and updates on planned events. There is no direction, however, on the periodic review of events under $5,000, and the Accounting, Controls and Contract Management Division (ACCMD) – responsible for financial quality assurance and risk management – has not yet included reviews of event expenditures in the quality assurance monitoring (QAM) process.

Recommendation 1

It is recommended that governing directives and procedural guidelines be strengthened by:

    a) reviewing the sources of guidance on THCEE-related activities, to consolidate and update information as appropriate, and ensure all points of policy are captured and accurately reflect TB requirements; a schedule for the review and a

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communications strategy should be established to support this process

b) introducing a formal, approved process for the periodic review, update and approval of directives and guidelines

c) incorporating reviews of event expenditures within the QAM activities conducted by ACCMD

d) developing guidance on the expectations for branch monitoring of actual event expenditures versus planned amounts

Management response and action plan

1 (a), (b) Management concurs, and will complete the review and alignment of internal guidance documents for THCEE activities with TB requirements. The refresh cycle (including timelines) will be formalized and documented.

Completion date: May 2015

Work is already underway on updating the CNSC *Hospitality Directive*, supporting templates and communication/training products.

Completion date: January 2015

1 (c), (d) Event expenditures were reviewed in part through the 2013–14 hospitality QAM work, and these activities will continue.

For events, FAD will conduct a new comprehensive review of the directive, along with supporting definitions, tools, templates and monitoring/reporting requirements (including the development of guidance for branch monitoring of actual expenditures versus planned amounts).

The action plan also encompasses recommendations 3(c) and 5(a).

Completion date: May 2015

2.1.2.   Roles and responsibilities

The audit examined the extent to which roles and responsibilities are in place, approved and communicated to staff. The directives, guidelines and instructions (identified earlier in the report) were reviewed to assess whether roles, responsibilities and accountabilities – covering authorization, reimbursement and payment processing – have been documented and communicated to all stakeholders. The audit also assessed whether documents are logically located and accessible. The segregation of duties between authorization, processing and payment release was determined and reviewed

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for clear demarcation. Participants in interviews and surveys (e.g., authorizers, administrators and users) were asked about their understanding of their role and responsibilities as they relate to THCEE.

Understanding of roles

The responses from surveys and interviews with those involved in THCEE approval and administration processes revealed that they understood their roles in the completion of forms and the approval and monitoring processes. That said, further compliance tests and walkthrough exercises conducted by the audit team uncovered opportunities to formally document and approve expectation guidelines for the verification of authorizations and claims for reimbursement. During this testing, some omissions/errors were noted with respect to justifications for non-standard expenditures (hotel rates, class of vehicle rental, rail and air travel), completion of some sections of the forms, and evidence of quotes for hospitality services.

Given the number of levels of review that may be applied to the THCEE forms – which include (in addition to management) reviews by planners, administrative assistants and financial services specialists – the audit team believes that improvements and clarifications to approved policies and procedures for verification processes could reduce the risk of unsupported expenditures.

Managers are notified of their responsibilities for reviewing and approving travel claims as part of the mandatory "Management Fundamentals" course. However, refresher training and access to the most up-to-date manual were not being provided at the time of the audit. Refer to recommendations 3(a) and (b) for more details.

Segregation of duties

The organizational structure for financial processing was reviewed, and it was determined that it facilitates an adequate segregation of duties for the approval, input and payment processes.

Recommendation 2

It is recommended that policies and procedures, roles and responsibilities and tools to support the verification process should be formally developed, reviewed, approved and communicated to staff. The definition of the roles of ACCMD, branch management, planners and administrative assistants in quality assurance verification processes are required, to ensure the consistent application of the processes by all related parties. This should include referencing the specific checks required by each party.

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Management response and action plan

Management concurs, and will review and complete the relevant documentation, as well as communicate guidelines, roles and responsibilities for account verification and compliance testing, which cover the authorization and claims processing of THCEE transactions.

Completion date: May 2015

2.1.3.   Communication and training

The audit examined the extent to which communication and training guidelines are in place, adequate and communicated to staff.

The audit team identified the provision of mandatory and discretionary training courses on THCEE, through interviews with staff and by researching the CNSC intranet. Surveys and interviews with select users, administrators and authorizers were undertaken, to understand whether the current training is considered effective and guidance is deemed readily accessible. These surveys and interviews, along with reviews of the CNSC intranet, were also used to identify awareness-raising activities and communication to staff on changes in THCEE policy and processes.

Communication

The audit identified many examples of communication activities, presentations and awareness-raising initiatives such as:

- presentations to the CNSC Management Committee, Managers Forum and Administrative Assistants Forum, on changes to policy and processes in 2013
- dedicated sections on the intranet for each of the THCEE elements
- intranet articles
- readily available information sessions on travel and hospitality

The survey and interview feedback provided positive results regarding the availability of support, guidance and awareness of policies and procedures; some concerns were expressed, however, on the clarity of the identification, approval and monitoring processes for "events". Research on CNSC's intranet indicates that the number of awareness-raising activities undertaken specifically for "events" is more limited compared to "travel and hospitality", and the audit team believes there is an opportunity to provide additional awareness in this area.

Training

Staff travelling on behalf of the CNSC or completing forms for travel and hospitality can use the internal training registration system to request training in these areas. At the same time, through the "Management Fundamentals - Financial Signing and Contracting Authorities" training (mandatory for those in managerial positions), the

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CNSC provides managers with instructions on how to fulfill their responsibilities for authorizing these expenditures. The audit team believes that periodic refresher training and access to the most up-to-date version of the *Management Fundamentals Training Program Manual* would be beneficial for managers who attended training prior to significant changes in policies and processes.

Overall, surveys and interviews did not highlight any significant concerns over the availability of guidance and effectiveness of training. Surveys indicated that 96 percent of respondents believe that they had adequate access to guidance on processes, and 89 percent felt they had adequate access to guidance on policies. However, as noted in the subsection on understanding roles, staff would benefit from additional guidance on the specifics of verification; this is addressed in recommendation 2.

Recommendation 3

It is recommended that consideration should be given to:

a) providing periodic mandatory "Management Fundamentals" refresher training to staff with financial signing and contracting authorities

b) maintaining a copy of the most recent version of the *Management Fundamentals Training Program Manual* on the CNSC intranet

c) providing training and awareness sessions on the definition of an event, and expectations for event identification, approval and monitoring processes

Management response and action plan

3 (a) Management concurs and FAD will consider – in consultation with the Human Resources Directorate – introducing periodic refresher training on specific topics (e.g., *CNSC Travel Directive*) to staff with delegated financial and contract authorities, based on the approach outlined in 4(a) and (b).
Completion date: May 2015

3 (b) FAD, in consultation with Human Resources, will ensure CNSC employees are aware of – and have online access to – the *Management Fundamentals Training Program Manual*.
Completion date: March 2015

3 (c) Recommendation is covered under management actions 1(c) and (d), and 3(a).
Completion date: May 2015

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2.1.4   Risk management

The audit examined the extent to which a risk management framework has been established, and its adequacy. The risk management framework was documented to identify roles and responsibilities, as well as the processes put in place to identify, record, communicate, manage and report on risks.

An Internal Control and Policies Unit exists within ACCMD, whose mandate is to establish and strengthen the management of significant risks to the CNSC's financial operations. The audit found that several proactive measures were taken to mitigate risks relating to policy adherence. These include the development of a QAM framework (which includes annual verification exercises), as well as dedicated channels of communication with staff, documented guidance, and other preventative exercises – such as mandatory pre-authorization requirements, planning activities (travel plans, international conference attendance), electronic forms management, and training and awareness-raising activities. Although there is no formal risk profile documenting individual policy area risk assessments, the unit makes recommendations (and tracks their implementation) for control improvements.

As part of the QAM framework annual expenditure transaction testing is undertaken. For travel, the testing focuses on comparing planned expenditures versus actual certifications (e.g., number of expected meals versus actual claimed), looking for supporting documentation, procedural errors, and administrative errors. For hospitality, the focus is on reviewing approvals for FAA sections 32 and 34, and verifying amounts and supporting documents. There is an opportunity to expand the scope of testing (e.g., checking hotel and car hire rates against the Government of Canada *Accommodation and Car Rental Directory*, identifying incomplete information or lack of rationale/explanations for overspending/underspending, reconciliations of receipt dates, etc.). There is also an opportunity to include the monitoring of events in the QAM process, which is addressed in recommendation 1(c).

An annual QAM review results in an increased risk that errors and abuse of policy may go unchecked for a significant period of time. Some non-compliances/errors were found in this audit's detailed transaction testing of 60 travel and 15 hospitality authorizations and reimbursements. Most non-compliances were due to incomplete information, or the lack of documented justification for non-standard expenditures, as well as differences between the original authorization and claim. This presented some difficulties in assessing the appropriateness of all expenditures, although it was noted that 96 percent of forms were subject to the appropriate level of authorization. Detailed results have been provided to ACCMD for information, and a small number of claims (five in total) were identified for follow-up by ACCMD, to discuss atypical practices with the relevant signatories.

It would be beneficial to increase the frequency of testing activities, to curtail errors or policy abuse at the earliest opportunity, and to reduce the sample size necessary to facilitate an increased level of scrutiny for each transaction. There is also an opportunity to combine the findings of the testing exercises and areas of concern noted from any

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other source of risk identification (i.e., policy questions sent through emails to ACCMD, and errors detected by financial services specialists) and to produce results that can be conveyed at forums or quarterly finance monitoring meetings, to raise awareness.

Recommendation 4

It is recommended that consideration be given to:

a) increasing the frequency of QAM testing activities, to curtail errors or abuse of the policy and to reduce the sample size (if necessary) to facilitate an increase in the level of scrutiny for each transaction

b) combining the findings of QAM testing exercises and areas of concern noted from any other source of risk identification (i.e., policy questions sent through emails to ACCMD and errors detected by financial services specialists), to produce results that can be reported to management

Management response and action plan

4 (a), (b) Management concurs and will strengthen its risk management framework to comply with the new Treasury Board *Directive on Account Verification* (June 2014) by reviewing its pre-and post-transaction quality assurance and compliance testing activities.

The progressive implementation of the Shared Travel Services online travel management system (starting December 2014) will help reduce both policy and administrative non-compliance errors when travel authorization and expense claims are completed.

Further, FAD will consider introducing an approach to identify recurring instances of policy and administrative non-compliance, and to deliver remedial training and awareness to responsibility centre managers on a case-by-case basis.

Completion date: June 2015

2.1.5   Control environment

Documented guidance for travellers, authorizers and administrators was collated and reviewed to assess the coverage of policy and procedures for pre- and post-authorizations, reimbursement, review, substantiation and quality assurance activities. Interviews and surveys were used to solicit feedback on the guidance's adequacy.

Walkthroughs and interviews with management and staff involved in the processing and payment of claims were also used to identify specific checks undertaken prior to inputting the pre-approved claims in the financial system, as well as the expectations for detection and reporting of non-compliances.

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The documentation and update of procedures/instructions for travellers, authorizers and administrators that cover pre- and post- authorizations, reimbursement, review, substantiation and quality assurance, is essential to the control environment.

Procedures and instructions are available on the CNSC intranet, although they are stored in various locations on the site. As discussed in earlier sections, some policy and guidance documents would benefit from being reviewed and updated, to reflect changes in policy and to ensure all policy elements are captured. It was noted that, among all the internal policy documents reviewed, only the *CNSC Travel Directive* has a specific requirement for formal periodic review.

Surveys and interviews indicated that users were generally satisfied with the guidance available to them. However, walkthroughs and interviews indicated a lack of understanding of the responsibilities for detailed verification activities on authorizations and claims. The ACCMD procedures on detailed verification for authorizations and the processing of claims were not up to date or formally approved by management. At the same time, the roles and specific review expectations of others in verifying travel authorizations and claims for compliance (including administrative assistants and planners) is not defined in the directive.

Recommendations 1(a) and (b) address these findings.

2.1.6   *Management control and reporting*

The audit examined the extent to which management control and reporting mechanisms are in place and function as intended. Interviews were used to establish user satisfaction of the timeliness and usefulness of financial reports that enable them to review THCEE. The timeliness of pre-authorization of expenditures was assessed as part of the compliance testing of authorizations and expenditures.

The most recent (2012–13) website posting of travel, hospitality and conference expenditures was reviewed to ensure compliance with Treasury Board requirements (i.e., that there is a brief description of main variances from previous years' actuals, and that they were tabled at the same time as departmental performance reports).

Internal reports are generated at least quarterly for management review, and ad-hoc reports are generated as requested. Managers have access to financial system summary information to generate their own budgetary reports. Interviews with budget holders did not identify any significant areas of concern on the quality and regularity of financial reporting. Travel, hospitality and conference expenditures are incorporated within these financial management reports, and are subject to review and monitoring as part of the established budget monitoring processes.

As noted in recommendation 1(c), there is an opportunity to enhance the review of event expenditures.

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Planning attendance at conferences and events

The CNSC requires that all travel, hospitality, conferences and events are subject to pre-approval. It has developed processes and standard forms that can contribute to effective planning and approval processes.

As part of the planning process, the TB directive requires the number of employees attending a conference on behalf of any particular department to be the minimum necessary to achieve the departmental goal. As in the case of events, the appropriate maximum should be rationalized and identified. The interviews revealed that there appears to be a clear awareness of the need to control attendance at conferences, and discussions on attendance may occur at Executive Committee, Operations Management Committee, and between branch planners. Proactive measures are taken by the Regulatory Affairs Branch's Strategic Planning Directorate to identify the larger domestic and international conferences that would be attended by CNSC staff. They cannot, however, identify all conferences (or other events, such as pre-retirement training). Therefore, it is the responsibility of the individual branches to communicate and track attendances. These practices are not captured in a formally documented procedure, and a risk remains that some attendances may be planned without a full CNSC appraisal.

Flowcharting processes

The CNSC *Guideline on Identification and Management of Events* provides staff with a flowchart to guide them through the approval process. Flowcharts provide single-glance, effective visualizations, and there is an opportunity to develop these for the travel, hospitality and conference expenditures to help further clarify the planning process. Flowcharts could also present an opportunity to highlight the need to consider whether the plans for travel and conferences (or provision of hospitality) may also require an event approval. This idea has been discussed with management, for their consideration.

Travel plans

Regulatory Operations Branch and Technical Services Branch staff travel the most, and have introduced the use of detailed travel plans to capture known trips for mass authorization by the Vice-President. The TB directive allows fund center managers to authorize trips that are within the plan. If there are significant changes to trips, Treasury Board requires these to be subject to re-authorization. The CNSC allows for reallocations:

- between categories within the same responsibility centre, so that the total for all categories remains unchanged and branch category totals do not change significantly
- within the same category between responsibility centres or directorates, so that branch totals (by category) remain unchanged

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Although totals would not change significantly, there could be significant changes to the trips themselves – without an established definition of "significant", this is difficult to assess.

Reporting

The CNSC is required to proactively disclose expenditures for travel, hospitality and conferences on its website. The summary of the most recent expenditures were posted in line with Treasury Board requirements.

The review revealed a lack of clarity in the responsibilities for verifying that the disclosure of senior executive travel and hospitality on the CNSC website matches the requested and approved disclosure. A technical failure resulted in at least one missed disclosure.

Recommendation 5

a) To capture the results of discussions that already occur around attendances at conferences, consideration should be given to adding a section to the training and conference approval form. In this section, the participant and approving manager should attest to whether they discussed participation at this conference with other sections of CNSC (providing details of these interactions), and that they have considered whether or not the activity (conference or training) should be considered an event. Similarly, the hospitality approval form should require the approver to ascertain whether the planned function may constitute an event.

b) The CNSC should review its procedures for verifying that the disclosure of senior executive travel and hospitality on the CNSC website matches the requested and approved disclosure.

c) The meaning of "significant" – as it concerns the need to have travel plans re-approved – should be established.

Management response and action plan

5 (a) Recommendation is covered under management actions 1(c) and (d).

Completion date: May 2015

5 (b) Management concurs, and will implement the necessary monitoring activities to ensure executive travel and hospitality is disclosed on the CNSC website (as per the requested and approved disclosure).

Completion date: January 2015

5 (c) Additional guidance will be established, to determine under what conditions travel authorization requires re-approval.

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Completion date: May 2015

2.2 Line of enquiry 2 – Compliance with Treasury Board and CNSC directives and guidelines, as well as the Financial Administration Act

60 travel and 15 hospitality authorizations and claims for reimbursement were reviewed to assess the level of compliance with Treasury Board and CNSC directives and guidelines, as well as the *Financial Administration Act*.

Nine (9) conference approvals and samples of rolled-up branch event approvals were also reviewed.

2.2.1 Pre-authorization, certification, verification and appropriateness of expenditures

Authorizing signatures were verified against signing authorities and the travel and hospitality authorization forms, and sampled claims were reviewed in detail, to assess the appropriateness of the expenditures against policy, procedure and reasonability.

The CNSC has introduced controls that require the pre-approval of THCEE and has established formally approved delegations of signing authorities. The CNSC has also developed guidance and training sessions for managers, travellers and administrators, and established lines of communication for disseminating guidance and raising awareness. The results of the compliance testing did, however, highlight opportunities to reinforce some control requirements. Some areas were subject to more common error/omission, for example:

- incomplete information boxes

- lack of justification for using non-standard travel options and accommodation

- use of outdated allowance rates

- lack of justification for differences between claims and authorizations and extended travel

- lack of evidence of supplier quotes for hospitality-related activities

- under-estimates of allowances for international trips due to the pre-population of rates in Canadian dollars, as opposed to the international rate that would apply

Recommendation 6

CNSC staff should be reminded that, in accordance with the *CNSC Travel Directive* and the "Management Fundamentals" training, all boxes on the travel authority (TA) and claim forms must be completed in full, and that the requirement for documented and authorized justification on (or accompanying) the TA or claim, is reinforced for the following items:

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- non-standard expenditures (hotels, car rental, business-class travel)

- notable differences between the authorization and claims

- number of travellers in excess of one

- extended stays (including clarity around personal/business days, consideration of operational impact and evidence of cost savings as appropriate)

Staff should also be reminded that:

- allowance rates are subject to change, and should always be checked prior to submitting a claim

- authorizing signatures should be dated, signed and names printed legibly to enable efficient verification

- guest lists must be attached to hospitality authorizations

Consideration should be given to including the following in the policy:

- In addition to all relevant receipts and supporting documentation, travel itineraries and boarding passes should also be attached to claims to enable accurate verification of claimed expenses and allowances.

- It is the responsibility of the traveller to ensure that if meals are provided (either through hospitality, on flights, or as part of hotel booking) meal allowances are not also claimed. This should be certified on the expense claim.

- Clarification on CNSC's acceptability of the use of hotels listed in the Government of Canada *Accommodation and Car Rental Directory* that are above city rates (as advised in the directory).

- The requirement to justify mileage to and from airport (i.e., starting and ending locations).

- The requirement to obtain quotes for catering and facilities (as appropriate).

- International allowance rates are used for the estimation of expenditures recorded on the TA.

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Management response and action plan

Management concurs and will incorporate the audit observations into its action items 1(a) and (b), along with 4(a) and (b), on a risk-informed basis.

The CNSC also plans to implement the Shared Travel Services (STS) online travel management system. The STS software helps reduce both policy and administrative non-compliance errors when travel authorization and expense claims are completed.

Completion date: June 2015

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3. Overall conclusion

The CNSC has an established management framework designed to promote general oversight, accountability, risk management and control over travel, hospitality, conference and event expenditures. However, the organization has an additional opportunity to reinforce the controls that are already in place, as well as to update, augment and streamline access to guidance materials, and to enhance the design of some of its existing processes.

The authors would like to acknowledge and thank management for their support throughout the conduct of this audit.

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Appendix A: Audit Criteria

Line of enquiry 1: Management control framework

1.1 Governing directives and procedural guidelines

CNSC directives and guidelines on travel, hospitality, conference and event expenditures are clear and consistent with the related Treasury Board (TB) *Directive on Travel, Hospitality, Conference and Event Expenditures* (TB directive) and guidelines.

Procedures for authorization, claims for reimbursement, processing and management control are adequately documented.

1.2 Roles, responsibilities and accountabilities

Roles, responsibilities and accountabilities have been clearly defined and communicated.

1.3 Communication and training

Direction is effectively communicated to employees, resulting in consistent application and appropriate expenditures.

1.4 Risk management

The systems and processes for expenditures are subject to routine risk-based review, to ensure risks are identified, assessed, managed and monitored.

1.5 Control environment

Effective risk-based administrative controls and monitoring activities result in the ability to prevent and detect both unintentional and intentional actions (such as non-compliance, errors, omissions and fraudulent activities).

1.6 Management control and reporting

Management is provided with adequate and timely information on THCEE, to facilitate planning, decision making and reporting on expenditures, as required.

Appropriate planning of activities maximizes effectiveness in meeting the CNSC's mandate and minimizing costs.

External reporting on travel, hospitality and conference fees is in accordance with the TB directive.

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Line of enquiry 2: Compliance with TB and CNSC directives and guidelines, as well as the *Financial Administration Act*

2.1   Pre-authorization of expenditure

Expenditures are pre-authorized in compliance with TB and CNSC policies and directives, as well as the *Financial Administration Act* (FAA).

2.2   Appropriate spending

Actual expenditures are in accordance with TB and CNSC policies and directives.

2.3   Certification and verification

Claims for reimbursement are adequately detailed and supported, to enable certification and verification in accordance with the FAA.

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Appendix B: Audit Recommendations and Management Action Plan

The following table presents a summary of the recommendations and management action plans raised in section 2 of the report (which covers observations and recommendations):

Action owner (office of primary interest)	Management response and action plan	Timeline
Recommendation 1. It is recommended that governing directives and procedural guidelines be strengthened by: a) reviewing the sources of guidance on travel, hospitality, conference and event expenditures (THCEE), to consolidate and update information as appropriate, and ensure all points of policy are captured and accurately reflect Treasury Board (TB) requirements; a schedule for the review and a communications strategy should be established to support this process b) introducing a formal, approved process for the periodic review, update and approval of directives and guidelines c) incorporating reviews of event expenditures within the quality assurance monitoring (QAM) activities conducted by the Accounting, Controls and Contract Management Division (ACCMD) d) developing guidance on the expectations around branch monitoring of actual event expenditures versus planned amounts		
Finance and Administration Directorate (FAD)	*1 (a), (b)* Management concurs, and will complete the review and alignment of internal guidance documents for THCEE activities with TB requirements. The refresh cycle (including timelines) will be formalized and documented. Work is already underway on updating the CNSC *Hospitality Directive*, supporting templates and communication/training products. *1 (c), (d)* Event expenditures were reviewed in part through the 2013–14 hospitality QAM work, and these activities will continue. For events, FAD will conduct a new	*May 2015* *January 2015* *May 2015*

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Action owner (office of primary interest)	Management response and action plan	Timeline
	comprehensive review of the directive, along with supporting definitions, tools, templates and monitoring/reporting requirements (including the development of guidance for branch monitoring of actual expenditures versus planned amounts). The action plan also encompasses recommendations 3(c) and 5(a).	

Recommendation 2.

It is recommended that policies and procedures (along with proper roles, responsibilities and tools to support the verification process) should be formally developed, reviewed, approved and communicated to staff. The definition of the roles of ACCMD, branch management, planners and administrative assistants are required in quality assurance verification processes to ensure the consistent application of the process by all parties. This should include referencing the specific checks required by each party.

| Finance and Administration Directorate (FAD) | Management concurs, and will review and complete the relevant documentation, as well as communicate guidelines, roles and responsibilities for account verification and compliance testing, which cover the authorization and claims processing of THCEE transactions. | *May 2015* |

Recommendation 3.
It is recommended that consideration should be given to:

a) providing periodic mandatory "Management Fundamentals" refresher training to staff with financial signing and contracting authorities

b) maintaining a copy of the most recent version of the *Management Fundamentals Training Program Manual* on the CNSC intranet

c) providing training and awareness sessions on the definition of an event, and expectations for event identification, approval and monitoring processes

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Action owner (office of primary interest)	Management response and action plan	Timeline
a & b) Finance and Administration Directorate (FAD), in consultation with the Human Resources Directorate c) Finance and Administration Directorate (FAD)	*3 (a)* Management concurs and FAD will consider – in consultation with Human Resources – introducing periodic refresher training on specific topics (e.g., *CNSC Travel Directive*) to staff with delegated financial and contracting authorities, based on the approach outlined in 4(a) and (b). *3 (b)* FAD, in consultation with Human Resources, will ensure CNSC employees are aware of – and have online access to – the *Management Fundamentals Training Program Manual.* *3 (c)* Recommendation is covered under management actions 1(c) and (d), and 3(a).	*May 2015* *March 2015* *May 2015*
Recommendation 4. It is recommended that consideration be given to: a) increasing the frequency of QAM testing activities, to curtail errors or abuse of the policy and to reduce the sample size (if necessary) to facilitate an increase in the level of scrutiny for each transaction b) combining the findings of QAM testing exercises and areas of concern noted from any other source of risk identification (i.e., policy questions sent through emails to ACCMD and errors detected by financial services specialists), to produce results that can be reported to management		
Finance and Administration Directorate (FAD)	*4 (a), (b)* Management concurs and will strengthen its risk management framework to comply with the new Treasury Board *Directive on Account Verification* (June 2014) by reviewing its pre- and post-transaction quality assurance and compliance testing activities. The progressive implementation of the Shared Travel Services online travel management system (starting December 2014) will help reduce both policy and administrative non-compliance errors when travel authorization and expense claims are completed.	*June 2015*

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Action owner (office of primary interest)	Management response and action plan	Timeline
	Further, FAD will consider introducing an approach to identify recurring instances of policy and administrative non-compliance, and to deliver remedial training and awareness to responsibility centre managers on a case-by-case basis.	
Recommendation 5. a) To capture the results of discussions that already occur around attendances at conferences, consideration should be given to adding a section to the training and conference approval form. In this section, the participant and approving manager should attest to whether they discussed participation at this conference with other sections of CNSC (providing details of these interactions), and that they have considered whether or not the activity (conference or training) should be considered an event. Similarly, the hospitality approval form should require the approver to ascertain whether the planned function may constitute an event. b) The CNSC should review its procedures for verifying that the disclosure of senior executive travel and hospitality on the CNSC website matches the requested and approved disclosure. c) The meaning of "significant" – as it concerns the need to have travel plans re-approved – should be established.		
a) Finance and Administration Directorate (FAD), in consultation with the Human Resources Directorate b & c) Finance and Administration Directorate (FAD)	*5 (a)* Recommendation is covered under management action 1(c) and (d). *5 (b)* Management concurs, and will implement the necessary monitoring activities to ensure executive travel and hospitality is duly disclosed on the CNSC website. *5 (c)* Additional guidance will be established, to determine under what conditions travel authorization requires re-approval.	*May 2015* *January 2015* *May 2015*
Recommendation 6. CNSC staff should be reminded that, in accordance with the *CNSC Travel Directive* and the "Management Fundamentals" training, all boxes on the travel authority (TA) and claim forms must be completed in full, and that the requirement for documented and authorized justification on (or accompanying) the TA or claim is reinforced for the following items:		

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Action owner (office of primary interest)	Management response and action plan	Timeline
	• non-standard expenditures (hotels, car rental, business-class travel) • notable differences between the authorization and claims • number of travellers in excess of one • extended stays (including clarity around personal/business days, consideration of operational impact and evidence of cost savings, as appropriate) Staff should also be reminded that: • allowance rates are subject to change, and should always be checked prior to submitting a claim • authorizing signatures should be dated, signed and names printed legibly to enable efficient verification • guest lists must be attached to hospitality authorizations Consideration should be given to including the following in the policy: • In addition to all relevant receipts and supporting documentation, travel itineraries and boarding passes should also be attached to claims to enable accurate verification of claimed expenses and allowances. • It is the responsibility of the traveller to ensure that if meals are provided (either through hospitality, on flights, or as part of hotel booking) meal allowances are not also claimed. This should be certified on the expense claim. • Clarification on CNSC's acceptability of the use of hotels listed in the Government of Canada *Accommodation and Car Rental Directory* that are above city rates (as advised in the directory). • The requirement to justify mileage to and from airport (i.e., starting and ending locations). • The requirement to obtain quotes for catering and facilities (as appropriate). • International allowance rates are used for the estimation of expenditures recorded on the TA form.	

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Action owner (office of primary interest)	Management response and action plan	Timeline
Finance and Administration Directorate (FAD)	Management concurs and will incorporate audit observations as noted above into its action items 1(a) and (b), along with 4(a) and (b), on a risk-informed basis. The CNSC also plans to implement the Shared Travel Services (STS) online travel management system. The STS software helps reduce both policy and administrative non-compliance errors when travel authorization and expense claims are completed.	June 2015

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Appendix C: Acronyms

ACCMD	Accounting, Controls and Contract Management Division
CNSC	Canadian Nuclear Safety Commission
FAA	Financial Administration Act
FAD	Finance and Administration Directorate
MAP	Management Action Plan
OAG	Office of the Auditor General of Canada
QA	Quality Assurance
QAM	Quality Assurance Monitoring
RC	Responsibility Centre
RBAP	Risk Based Audit Plan
TA	Travel Authority
TB	Treasury Board
TBS	Treasury Board Secretariat
THCEE	Travel, Hospitality, Conferences, and Event Expenditures
TSB	Technical Support Branch
VP	Vice-President

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Appendix D: Treasury Board Definitions

The following definitions are directly quoted from the Treasury Board *Directive on Travel, Hospitality, Conference and Event Expenditures*:

Conferences – refers to a congress, convention, seminar, symposium or other formal gathering, which are usually organized by a third party external to government, where participants debate or are informed of the status of a discipline (e.g., sciences, economics, technology, management). (This definition is based on the object of expenditure 0823 Conference Fees of the Receiver General Chart of Accounts). Guest speakers are often part of such conferences that involve employees and/or non-public servants. Retreats, work-planning meetings and training seminars or courses that provide training are not considered as conferences.

Events – include business meetings, departmental or corporate management meetings, conferences as well as any other formal gathering of public servants or non-public servants invited to participate in these activities including prestigious ceremonies, awards and recognition ceremonies. Events do not include meetings or activities whose sole purpose is the direct delivery of core departmental mandates, including examples such as inspections of food processing plants, the conduct of military exercises, or undertaking regulatory or quasi-judicial proceedings which may involve participants from other levels of government or foreign governments, foreign or political dignitaries, national or international organizations, industry representatives and public interest groups.

Hospitality – consists of the provision of meals, beverages or refreshments to non-public servants in events which are necessary for the effective conduct of government business and for courtesy, diplomacy or protocol purposes. In some circumstances and within restrictions defined in this directive, hospitality can also be provided to employees. Exceptionally, in situations involving non-public servants, it may also include entertainment, local transportation to and from events as well as other reasonable measures deemed appropriate for reasons of courtesy, diplomacy or protocol. Hospitality does not include expenditures for employees or individuals on travel status subject to the National Joint Council Travel Directive; local transportation to and from events or activities for employees; rental of facilities and associated costs; and bottled water or water coolers provided to employees on on-going basis above and beyond an event as defined in this Directive.