



# Audit of Travel and Hospitality

December 20, 2018



Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada

Canada

The AAFC Audit Committee recommended this audit report for approval by the Deputy Minister on December 7, 2018.

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## EXECUTIVE SUMMARY

Travel and Hospitality are required to fulfil government activities and to help organizations achieve their mandates. Expenditures in these areas are often the subject of scrutiny by the public and media since Canadians are looking for assurance that public money is well spent. As such, there is a need for greater oversight over these types of expenditures and diligence in the management of public funds.

Treasury Board (TB) Directive on Travel, Hospitality, Conference and Events Expenditures came into effect on April 1, 2017, replacing the 2013 Directive. The changes increased departments' operational flexibility and reduce administrative burden for the approval of travel, hospitality, and events. This included the ability to delegate travel approval below Assistant Deputy Minister (Branch Head) level and increased hospitality and event approval thresholds. As a result, the Agriculture and Agri-Food Canada (AAFC) departmental delegation instrument was revised in August 2017.

The Audit of Travel and Hospitality was included in the 2018-19 Integrated Audit and Evaluation Plan as travel and hospitality expenditures have a high degree of sensitivity to public scrutiny and the recent policy change resulted in increased operational flexibility and approval thresholds for travel and hospitality expenditures.

The objective of this audit was to determine whether the management of travel and hospitality expenditures was in compliance with applicable policies and directives, and that the control processes are operating effectively.

Internal Audit concluded that AAFC's management of travel and hospitality expenditures is operating in compliance with applicable policies and directives, and that control processes are operating effectively. The audit identified opportunities to improve the pre-payment verification and post-payment verification and the hospitality disclosure processes.

The following strong practices were noted:

- Travel expenditures for AAFC employees and non-employees, and hospitality expenditures were compliant with applicable TB Directives, AAFC Guidelines, and the Financial Administration Act.
- CMB provides branches with adequate tools and guidance to complete the quarterly Travel, Hospitality, Conference, and Event plans.
- Adequate processes are in place for travel and hospitality budget increases.

## 1.0 INTRODUCTION

### 1.1 OVERVIEW

**1.1.1** Travel and hospitality are required to fulfil government activities and to help organizations to achieve their mandates. Expenditures in these areas are often the subject of scrutiny by the public and media since Canadians are looking for assurance that money is well spent. This leads to a greater oversight over these types of expenditures and diligence in the management of public funds

**1.1.2** Treasury Board (TB) Directive on Travel, Hospitality, Conference, and Events (THCE) Expenditures came into effect on April 1, 2017, replacing the 2013 Directive. The changes increased departments' operational flexibility and reduced administrative burden for the approval of travel, hospitality, and events. This included the ability to delegate travel approval below Assistant Deputy Minister (Branch Head) level and increased hospitality and event approval thresholds. As a result, the Agriculture and Agri-Food Canada (AAFC) revised departmental delegation instrument was published in August 2017.

**1.1.3** To provide transparency for travel and hospitality expenditures, Treasury Board requires that departments disclose on a quarterly basis all travel and hospitality expenditures for senior level employees at the deputy head, associate deputy minister, assistant deputy minister, and equivalent levels, through the Open Government portal.

**1.1.4** The Financial Administration Act outlines the controls required for the payment of expenditures (including travel and hospitality expenses) in the Public Service of Canada. Section 32 (Expenditure Initiation and Commitment of Funds) of the Financial Administration Act provides the authority to commit funds against an appropriation before an expense is incurred. Section 34 (Account Verification) certifies that work was performed and that goods were supplied or services were rendered. Section 33 (Payment Authority) ensures that the payment is a lawful charge against an appropriation and that Financial Administration Act section 34 was properly exercised.

**1.1.5** Within AAFC, Corporate Management Branch (CMB) is responsible for the development of departmental travel and hospitality policies and conducting the verification and processing of travel and hospitality expenditures. Departmental branches are responsible to initiate travel and hospitality requests and comply with applicable policies and directives. Branches are also responsible for monitoring, and reporting travel and hospitality activities to CMB through branch budgets, monthly forecasts and financial situation reports.

**1.1.6** In fiscal 2017-18, travel and hospitality expenditures accounted for \$11,674,000 (0.6%) of the \$2,096,848,000 departmental expenditures. Travel expenditures accounted for \$11,232,000 and hospitality expenditures for \$442,000.<sup>1</sup>

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<sup>1</sup> 2017-18 AAFC Proactive Disclosure Report on Travel, Hospitality, and Conference Expenditure

## 1.2 AUDIT OBJECTIVE

**1.2.1** The objective of this audit was to determine whether the management of travel and hospitality expenditures are in compliance with applicable policies and directives, and that the control processes are operating effectively.

## 1.3 AUDIT SCOPE

**1.3.1** The audit examined travel and hospitality transactions from January 1, 2018 to May 31, 2018 and controls in place as at October 31, 2018.

**1.3.2** The following risk-based lines of enquiry were identified:

- **Expenditure Management:** Travel and hospitality expenditures are in compliance with applicable directives and acts.
- **Planning and Monitoring:** Adequate planning and monitoring processes are in place to support compliance with applicable directives and acts.
- **Reporting:** Reporting is conducted in compliance with applicable directives and acts.

**1.3.3** The following control areas were not assessed in this audit:

- **Physical Security:** The physical safeguards in place are a joint responsibility of AAFC employees and departmental security. The protection of AAFC employees on travel status is an important control.
- **Contracting Related Travel:** Contracting falls under the procurement process that is managed by the Corporate Material Management Centre.
- **Travel and Hospitality Training:** Preliminary assessment of training material noted significant information for employees on travel and hospitality. This includes Shared Travel Services Portal training and security training on travel to foreign location.
- **Internal Controls of the Departmental Financial System:** Since March 2012, AAFC has undertaken annual testing of key internal controls over financial reporting by an external consulting firm. In addition, Internal Audit completed an audit of departmental financial management and accounting system in 2015.
- **Shared Travel Services Portal:** This online travel management solution is used by the Government of Canada for the booking, approval, and expense management of travel expenditures. This is an external system and the controls are not within AAFC's authority.

## 1.4 AUDIT APPROACH

**1.4.1** The audit approach and methodology were risk-based and consistent with the *International Standards for the Professional Practice of Internal Auditing* and the Treasury Board *Policy on Internal Audit*. These standards require that the audit be planned and performed so as to conclude against the objective. The audit was conducted in accordance with an audit program that defined audit tasks to be performed in the assessment of each line of enquiry.

**1.4.2** Audit evidence was gathered through various methods including review and analysis of relevant documentation, interviews, and testing of a sample of travel and hospitality expenditures.

## 1.5 CONCLUSION

**1.5.1** Internal Audit concluded that AAFC's management of travel and hospitality expenditures is operating in compliance with applicable policies and directives, and that control processes are operating effectively. The audit identified opportunities to improve the pre-payment verification and post-payment verification and the hospitality disclosure processes.

**1.5.2** The following strong practices were noted:

- Travel expenditures for AAFC employees and non-employees, and hospitality expenditures were compliant with applicable TB Directives, AAFC Guidelines, and the Financial Administration Act.
- CMB provides branches with adequate tools and guidance to complete the quarterly THCE plans.
- Adequate processes are in place for travel and hospitality budget increases.

## 1.6 STATEMENT OF CONFORMANCE

**1.6.1** In the professional judgment of the Chief Audit Executive, sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the conclusion provided and contained in this report. The conclusion is based on a comparison of the conditions, as they existed at the time of the audit, against pre-established lines of enquiry that were shared with management prior to the conduct of the audit. The conclusion is applicable only to the entity examined.

**1.6.2** This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, as supported by the results of the Quality Assurance and Improvement Program.

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## 2.0 DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

The following sections present the key observations, based on the evidence and analysis associated with the audit. For observations that include an opportunity for improvement, recommendations have been provided with management responses that comprise:

- an action plan to address each recommendation;
- a lead responsible for implementation of the action plan; and
- a target date for completion of the implementation of the action plan.

### EXPENDITURE MANAGEMENT

**Line of Enquiry:** Travel and hospitality expenditures are in compliance with applicable directives and acts.

**Audit Work Conducted:** To assess the compliance of AAFC's travel and hospitality expenditures, Internal Audit reviewed a sample of transactions against the requirements of the Financial Administration Act, the TB Directive on THCE Expenditures, the National Joint Council Travel Directive, and AAFC Guidelines for THCE Expenditures.

#### 2.1 TRAVEL EXPENDITURE COMPLIANCE

**2.1.1** AAFC Guidelines for THCE Expenditures detail travel standards and authorization requirements. Internal Audit confirmed that the AAFC Guidelines aligned with the TB Directive on THCE Expenditures.

**2.1.2** Internal Audit reviewed a random sample of 10 AAFC employee travel claims from a population of 4,326 and 10 non-employee travel claims from a population of 206 that were reimbursed between January 1, 2018 and May 31, 2018.

**2.1.3** For the sampled travel claims, appropriate delegated authority approvals were obtained for expenditure initiation (section 32) prior to travel that aligned to respective THCE plans. The sampled travel claims aligned with the pre-approved travel requests, included supporting documentation and receipts, and amounts aligned with the National Joint Council Travel Directive. All claims had been reviewed and approved by delegated authorities per section 34 of the Financial Administration Act.

**2.1.4** Internal Audit concluded that, based on the samples reviewed, travel expenditures for AAFC employees and non-employees were compliant with the Financial Administration Act, the TB Directive on THCE Expenditures, the National Joint Council Travel Directive and AAFC Guidelines.

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## 2.2 BLANKET TRAVEL AUTHORITY COMPLIANCE

**2.2.1** To determine whether the travel claims associated with a Blanket Travel Authority were compliant with the requirements of the TB Directive on THCE Expenditures, the Financial Administration Act, the National Joint Council Travel Directive, AAFC Guidelines for THCE Expenditures and Guide on Blanket Travel Authority and Blanket Travel Requests, Internal Audit selected a random sample of four employee travel claims from a population of 4,326 that were associated with a Blanket Travel Authority that were reimbursed between January 1, 2018 and May 31, 2018.

**2.2.2** Blanket Travel Authorities are a mechanism to provide authorization for travel which is continuous or repetitive in nature, with no variation in the specific terms and conditions of trips and where it is not practical or administratively efficient to obtain prior approval from the employer for each individual trip.

**2.2.3** Internal Audit concluded that, based on the review of the four samples, AAFC use of Blanket Travel Authorities is compliant with the Financial Administration Act, the TB Directive on THCE Expenditures, the National Joint Council Travel Directive, AAFC Guidelines and Guide on Blanket Travel Authority and Blanket Travel Request.

## 2.3 HOSPITALITY EXPENDITURE COMPLIANCE

**2.3.1** The TB Directive on THCE Expenditures requires senior departmental managers and delegated managers to ensure hospitality expenditures are used only to support the departmental mandate, operational activities, objectives or priorities. Delegated managers are expected to ensure that hospitality expenditures comply with the standards as defined in the TB Directive on THCE Expenditures.

**2.3.2** Internal Audit selected a random sample of five hospitality claims from a population of 137 claims processed between January 1, 2018 and May 31, 2018.

**2.3.3** AAFC Guidelines for THCE Expenditures details the hospitality standards and authorization requirements at AAFC. Internal Audit confirmed that the AAFC Guidelines aligned with the TB Directive on THCE Expenditures.

**2.3.4** Internal Audit concluded that, based on the review of the five samples, hospitality expenditures meet the requirements for hospitality as defined in the Financial Administration Act, the TB Directive on THCE Expenditures, and AAFC Guidelines.

## PLANNING AND MONITORING

**Line of Enquiry:** Adequate planning and monitoring processes are in place to support compliance with applicable directives and acts.

**Audit Work Conducted:** To assess the above criterion, Internal Audit reviewed the following areas:

- Whether adequate tools for planning travel and hospitality are in place to support compliance with applicable directives and acts;
- Whether adequate tools for monitoring are in place to support compliance with applicable directives and acts, by reviewing the following:
  - Whether AAFC has adequate and clearly defined processes in place for budget reallocations;
  - Whether gating and sampling activities provide adequate coverage; and
  - Whether the results of gating and sampling activities are conducted and communicated in a timely manner.

## 2.4 TOOLS FOR PLANNING

**2.4.1** To assess whether adequate tools for planning of travel and hospitality expenditures are in place to support compliance with applicable directives and acts, Internal Audit conducted interviews and reviewed supporting documentation. Internal Audit also assessed the practices in place at the branch and departmental level to challenge and minimize travel and hospitality costs to the Department.

**2.4.2** Based on interviews conducted with CMB and AAFC branches and review of supporting documentation, Internal Audit determined that tools and guidance are provided to branches to complete quarterly THCE Plans. CMB provides a planning template along with instructions and an approval decision tree for the various thresholds of THCE. Internal Audit observed that all branches use the provided templates for quarterly THCE Plans. Outside of the quarterly plan, branches may submit off-cycle requests to obtain approval by the required delegated manager.

**2.4.3** AAFC Branches prepare their branch quarterly plan for THCE that requires ADM approval. For THCE requests that require Deputy Minister or Minister approval, as required by the delegations established by the Department, CMB consolidates the applicable travel request from the branch quarterly THCE plans into a departmental quarterly THCE plan.

**2.4.4** Internal Audit noted evidence of challenge and review of branch quarterly THCE plans by AAFC branch heads. The Deputy Minister performs a challenge function on the departmental quarterly THCE plans as the examples reviewed included comments and suggestions from the Deputy Minister for revised costs and/or activities.

**2.4.5** Internal Audit concluded that AAFC has in place adequate tools for planning of travel and hospitality expenditures to support compliance with applicable directives and acts.

## 2.5 MONITORING

### BUDGET FORECASTING

**2.5.1** Internal Audit assessed whether adequate and clearly defined processes are in place for travel and hospitality budget forecasting. To assess the criterion, Internal Audit conducted interviews and reviewed supporting documentation.

**2.5.2** Internal Audit expected travel and hospitality budget reallocation to follow the departmental budget reallocation procedures and determined that the AAFC has a monthly departmental Financial Status Report which, as noted above, is used to monitor budgets and usage including THCE expenses.

**2.5.3** Budget adjustment requests are presented to the Departmental Management Committee, chaired by the Deputy Minister. Approved adjustments, including reallocations, are reflected in future Financial Status Reports for tracking and reporting.

**2.5.4** For additional oversight, the departmental Financial Status Report is presented to the Departmental Audit Committee twice per year (period six and year end) for information and discussion.

**2.5.5** Internal Audit concluded that an adequate process is in place for travel and hospitality budget changes or adjustments.

### GATING AND SAMPLING FOR TRAVEL AND HOSPITALITY EXPENDITURES

**2.5.6** Internal Audit confirmed that gating is used by CMB as a control mechanism in the departmental financial management and accounting system to stop high-risk expenses prior to payment, enabling section 33 officers to verify that the transactions have met the requirements of the Financial Administration Act Certification Authority (section 34). Thresholds for gating expenditures are established for each type of expenditure based on AAFC's assessment of what amount is deemed to be high-risk.

**2.5.7** In addition to gating, as a post-payment verification control mechanism, CMB performs sampling of 200 medium- to low-risk expenditure transactions, including travel and hospitality, every six months to ensure the requirements of the Financial Administration Act Certification Authority (section 34) have been met. Sampling includes randomly selecting transactions, from a defined population, for review. Gated transactions (including both travel and hospitality) are not subject to sampling.

**2.5.8** For travel and hospitality, the established departmental gating thresholds are defined as follows:

- Travel for Public Servants equals and exceeds \$10,000
- Travel for non-Public Servants equals and exceeds \$5,000
- Hospitality equals and exceeds \$750

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**2.5.9** Internal Audit assessed whether gating thresholds for travel and hospitality expenditures were adequate and reviewed on a regular basis to enable flexibility and manage risks. To assess the criterion, Internal Audit conducted interviews with CMB and reviewed documentation.

## GATING TRAVEL EXPENDITURES

**2.5.10** Internal Audit was advised through interviews with CMB that the gating thresholds were last updated in October, 2005. CMB noted that periodic reviews had been conducted since then, including when the Government of Canada initiated the use of the online travel management solution in 2014-15, however, the reviews were not documented.

**2.5.11** While CMB confirmed that the gating thresholds should be reviewed due to the implementation of the 2017 TB Directive on THCE Expenditures that resulted in lower travel delegations within AAFC, there are no confirmed plans to conduct the review.

**2.5.12** At AAFC, travel expense claims submitted through the online travel management solution are reimbursed as two separate transactions; Travel expenditures other than airfare/train fare are reimbursed to the traveller directly and, airfare/train fare is paid by the Department through a monthly Bank of Montreal invoice.

**2.5.13** With the existing gating threshold for employee travel of \$10,000 and that travel claims submitted through the online travel management solution are being reimbursed in two payments, it is unlikely that travel claims will be selected for gating.

**2.5.14** Internal Audit reviewed the past two travel gating reports to confirm this observation and was unable to assess the adequacy of the gating coverage of travel expenditures as the gating reports did not identify the population of travel expenditures. Internal Audit did observe that the majority of the travel expenditures identified as being gated in the report related to the Bank of Montreal invoices as the amounts of these invoices exceed the gating threshold of \$10,000.

Gating Report	Total Gated Travel Expenditures	Bank of Montreal Invoices	Travel Expenditures
2015-16	\$2,113,749 (100%)	\$2,089,840 (98.9%)	\$23,909 (1.1%)
2016-17	\$2,681,321 (100%)	\$2,635,766 (98.3%)	\$45,555 (1.7%)

**2.5.15** Through the review of documentation and interviews with CMB, Internal Audit determined that the Bank of Montreal invoices do not receive section 33 verification when they are stopped prior to payment but rather receive a reasonableness assessment on the amount of the invoices. Internal Audit determined that the Bank of Montreal invoices should not be included in the report as section 33 verification is not performed.

**2.5.16** Given that the gating thresholds for travel have not been updated since 2005, the changes to the delegation approvals defined in the TB Directive on THCE Expenditures, and that travel expenses are reimbursed in two payments reducing the probability of being

gated, Internal Audit concluded that the thresholds should be reassessed to ensure they provide appropriate coverage.

## **GATING HOSPITALITY EXPENDITURES**

**2.5.17** The implementation of the 2017 TB Directive on THCE Expenditures resulted in the hospitality approval authority increasing within AAFC with senior management below the Minister authorized to approve higher valued hospitality expenditures than with the previous TB Directive.

**2.5.18** As noted above, the hospitality gating threshold was last updated in 2005 and is set for hospitality expenditures that equal and exceed \$750.

**2.5.19** To assess the adequacy of gating coverage for hospitality expenditures, Internal Audit compared the hospitality expenses gated in 2015-16 and 2016-17 in the gating reports to the hospitality expenses disclosed by AAFC and determined that a large majority of the hospitality expenses were gated. In 2015-16, \$187,741 (83%) and in 2016-17, \$363,437 (99%) of total hospitality expenditures were gated.

**2.5.20** Given the changes to delegation approvals defined in the TB Directive on THCE Expenditures, the gating threshold for hospitality has not been updated since 2005, and that a significant percentage of hospitality expenditures are being gated, Internal Audit concluded that the thresholds should be reassessed to ensure appropriate coverage.

## **TIMELY GATING REPORTING**

**2.5.21** Gating reports are prepared by CMB on the results of the pre-payment verification processes that are conducted each fiscal year. Finalized reports are provided to CMB management for information and awareness of the observations identified.

**2.5.22** CMB confirmed that at the time transactions are reviewed, individual transaction observations are communicated to the individuals responsible for section 34 certification and their supervisors. When necessary, CMB requests missing documents and/or completes appropriate corrective action.

**2.5.23** Internal audit was informed that the draft report on the results of the 2016-17 pre-payment verification was being finalized in November 2018. The preparation of this report is 19 months following the period of review and deemed to be untimely, as the observations in the report would provide little value to CMB management.

## **SAMPLING**

**2.5.24** Internal Audit assessed whether sampling for non-gated travel and hospitality claims provided adequate coverage to ensure that the requirements of the Financial Administration Act Certification Authority (section 34) have been met. To assess the criterion, Internal Audit conducted interviews with CMB and reviewed documentation.

**2.5.25** As per the TB Directive on Delegation of Spending and Financial Authorities, Chief Financial Officers are responsible for:

- The approval and periodic review of sampling plans that details the level of quality assurance and the verification responsibilities of individuals with delegated payment authority (Financial Administration Act, section 33); and
- Reviewing a sample of medium- and low-risk transactions to ensure that the requirements of the Financial Administration Act Certification Authority (section 34) have been met.

**2.5.26** Internal Audit obtained the sampling results for fiscal year 2016-17 which included 41 travel and four hospitality transactions from a sample population of 400 expenditures. The expenditures sampled totaled \$33,491. Internal Audit was unable to assess whether the coverage of travel and hospitality transactions sampled provided adequate coverage as the report did not include details on the methodology used, including total travel and hospitality populations from which the samples were selected or when the report was finalized.

**2.5.27** CMB advised Internal Audit that the review of the sample for 2017-18 will be completed in the last quarter of fiscal 2018-19.

**2.5.28** Internal Audit concluded that without a documented approach and supporting information on methodology used for the sampling, it is difficult to assess whether the Financial Administration Act Certification Authority (section 34) has been adequately conducted for medium- to low-risk transactions as required in the Directive on Delegation of Spending and Financial Authorities.

**2.5.29** Without timely reporting on sampling results, management is not provided with relevant information as to whether section 34 has been adequately completed for medium- to low-risk transactions.

## RISK-BASED PRE-PAYMENT AND POST-PAYMENT VERIFICATION PLAN

**2.5.30** The TB Guide to Delegating and Applying Spending and Financial Authorities notes that it is a good practice for departments to document the risk-based approach to pre-payment and post-payment verification.

**2.5.31** A risk-based pre-payment and post-payment verification plan should include a description of the approach, methodology used and the reasoning behind the treatment of payments that are being reviewed as part of the pre-payment (gating) and post-payment (sampling) verification.

**2.5.32** The risk-based plan should be periodically reviewed and updated according to the Department's operating environment and system of internal controls. With the results of the pre-payment and post-payment account verification periodically reported to management and the Chief Financial Officer to identify systemic errors and track error rates.

**2.5.33** Internal Audit concluded that AAFC does not have a risk-based pre-payment and post-payment verification plan that consolidates and documents the risk-based payment review approach for both pre-payment and post-payment verification activities.

**2.5.34** Without a documented approach to pre-payment verification and post-payment verification that is updated on a regular basis, there is a risk that gating thresholds may not provide appropriate coverage to the level of risk, a lack of clarity in terms of roles and responsibilities, and the potential for untimely reporting.

**2.5.35** As a part of the recommendation below, the documentation of the risk-based pre-payment and post-payment verification plan should include a reassessment of the gating thresholds to ensure they provide appropriate coverage.

#### **Recommendation 1 – Risk-Based Verification Plan**

The Assistant Deputy Minister, Corporate Management Branch should ensure a risk-based pre-payment and post-payment verification plan is documented, reviewed and updated on a regular basis.

#### **Management Response and Action Plan**

Agreed. CMB will review and update our current pre & post payment verification approach and processes while ensuring to document the updates.

**Lead Responsible:** CFO and DCFO

**Target Date for Completion:** August 2019

## **REPORTING**

**Line of Enquiry:** Reporting was conducted in compliance with applicable directives and acts.

**Audit Work Conducted:** Internal Audit reviewed the hospitality disclosure on the Open Government portal, AAFC hospitality expenditure data, other relevant documentation and conducted interviews with CMB and other AAFC branches.

## **2.6 HOSPITALITY DISCLOSURE**

**2.6.1** The TB Directive on THCE Expenditures includes the requirement for departments to disclose, on a quarterly basis, all departmental hospitality expenses for senior level employees at the deputy head, associate deputy minister, assistant deputy minister, and equivalent levels.

**2.6.2** AAFC does not have a documented process and there is limited guidance for branches on hospitality disclosure. Internal Audit determined through interviews with CMB and AAFC branch travel coordinators, that there are inconsistencies in the understanding of when hospitality expenditures need to be disclosed.

**2.6.3** Interviews with CMB confirmed that while senior level employees are responsible to ensure that all hospitality expenses are submitted for disclosure, a verification process is conducted by CMB to ensure that disclosure information is complete. CMB advised that there was no documentation to support the verification that is being conducted.

**2.6.4** For the two disclosure reporting periods within the audit scope, December 2, 2017 to March 1, 2018 and March 2, 2018 to June 1, 2018, Internal Audit confirmed that the three hospitality expenditures that were disclosed for AAFC's senior level employees on the Open Government portal aligned with the TB Directive on THCE disclosure requirements.

**2.6.5** To assess the completeness of AAFC's senior level employees hospitality disclosure for the two reporting periods, the hospitality expenses paid out of AAFC's senior level employees' cost centres were compared to those disclosed. The review identified eight additional hospitality expenditures that should have been included on the Open Government portal.

**2.6.6** Internal Audit concluded that the controls for hospitality disclosure are not adequate to ensure reporting is compliant with the TB Directive on THCE Expenditures. There is an opportunity to provide guidance to employees to help clarify and reinforce the requirements for hospitality disclosure within AAFC.

## Recommendation 2 – Hospitality Disclosure

The Assistant Deputy Minister, Corporate Management Branch should develop and communicate guidance on the requirements for hospitality disclosure and document the verification process conducted to ensure that disclosure information is complete and in compliance with AAFC guidance and TB requirements.

## Management Response and Action Plan

Agreed. CMB will develop and document the process of the quarterly disclosure of hospitality expenditures as follows:

1. Ensure the process is communicated by CMB to Branch coordinators; and
2. Develop and implement the use of an internal checklist for CMB to ensure completeness prior to the quarterly publication onto Open Government.

**Lead Responsible:** CFO and DCFO

**Target Date for Completion:** 1. March 2019    2. February 2019

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## ANNEX A: LINES OF ENQUIRY

- **Expenditure Management:** Travel and hospitality expenditures are in compliance with applicable directives and acts.
- **Planning and Monitoring:** Adequate planning and monitoring processes are in place to support the compliance with applicable directives and acts.
- **Reporting:** Reporting is conducted in compliance with applicable directives and acts.

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## ANNEX B: ACRONYMS

AAFC	Agriculture and Agri-Food Canada
CMB	Corporate Management Branch
TB	Treasury Board
THCE	Travel, Hospitality, Conference, and Event