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Core Control Audit of the Registry of the Competition Tribunal

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**Office of the Comptroller
General**

Why This Is Important

Canadians expect the federal government to be well managed and to be accountable for the prudent stewardship of public funds, the safeguarding of public assets, and the effective, efficient and economical use of public resources. They also expect reliable and transparent reporting on how the government spends public funds to achieve results for Canadians.

The *Financial Administration Act* designates deputy heads as accounting officers for their department or agency. As accounting officers, deputy heads are accountable for ensuring that resources are organized to deliver departmental objectives in compliance with government policy and procedures; ensuring that there are effective systems of internal control; signing departmental accounts; and performing other specific duties assigned by law or regulation to the administration of their department or agency.

Core control audits are important as they provide deputy heads with assurance regarding the effectiveness of core controls over financial management in their respective organizations. By doing so, core control audits inform deputy heads of their organizations' level of compliance with key requirements contained in selected financial legislation, policies and directives.

About the Registry of the Competition Tribunal

The *Competition Tribunal Act* provides for the establishment of an administrative infrastructure in support of the workings of the Competition Tribunal, through the Registry of the Competition Tribunal (RCT). It has been designated as a department for the purposes of the *Financial Administration Act* with the Minister of Industry as its minister.

RCT provides all administrative support required by the Competition Tribunal (the Tribunal) for the hearing and disposition of all applications and ensures that the Tribunal can hold hearings across Canada, as required. RCT is the repository for filing applications, consent agreements, and documents, as well as issuing documents and orders for all cases brought before the Tribunal. RCT also responds to all requests for information by the legal community, researchers and the public on the status of cases, the rules of procedure and its case law.

RCT had spending of approximately \$1.74 million and human resources of 8.5 full-time equivalents during fiscal year 2012–13 according to its Departmental Performance Report.

Core Control Audit Objective and Scope

The objective of this audit was to ensure that core controls over financial management¹ within RCT result in compliance with key requirements contained in the selected financial legislation, policies and directives.

The scope of this audit included financial transactions, records and processes conducted by RCT. Transactions were selected from fiscal year 2012–13. The audit examined a sample of transactions for each of the selected policies and directives. The Appendix provides a complete list of policies and directives included in the scope of the audit and the overall compliance in the areas tested.

Conformance with Professional Standards

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

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Audit Findings and Conclusion

Core controls over financial management regarding the transactions tested within RCT resulted in compliance with the key requirements contained in four of the fourteen policies, directives and corresponding legislation tested² and partial compliance with six of the policies and directives. RCT was not in compliance with key requirements contained in the remaining four policies and directives tested.

Weaknesses were identified in the Delegation of Financial Signing Authorities Instrument where the signature specimen cards did not match the updated Delegation of Financial Authorities chart and authority was delegated outside the department without Minister approval. Disbursements from the standing advance fund were not appropriately recorded against the fund and the fund was not reconciled and reported on a regular basis.

It was noted that the documentation on file was insufficient to support contracting decisions. Mandatory standing offers and supply arrangements provided by Public Works and Government Services Canada were not always considered or used appropriately. For government travel, supporting justification for expenditures was not always documented, and applicable limits for reimbursement were not always respected or justified. Leave was not always approved by the appropriate delegated authority, authorized in a timely manner and accurately recorded in the leave tracking system.

1. See appendix A for a complete list of policies and directives included in the scope of this audit.
2. See appendix A for RCT's compliance in the areas tested.

Weaknesses were also identified in expenditure initiation, where approval was not always provided before the expense was incurred. For account verification, proof of execution was not always performed on a timely basis and properly supported. Payment and settlement were not consistently supported by complete documentation and performed on a timely basis. It was observed that segregation of incompatible duties did not always exist between those performing expenditure initiation or account verification and those carrying out payment.

Recommendations

The Deputy Head of the Registry of the Competition Tribunal should ensure that:

1. The Delegation of Financial Signing Authorities Instrument is reviewed annually, including updating signature specimen cards to reflect the authorities granted in the Delegation of Financial Signing Authorities Instrument and that employees validate their knowledge associated with their delegated responsibilities every five years. Minister approval should be received prior to delegating authorities to other departments.
2. Cardholders have acknowledged their responsibility in writing and acquisition cards are used solely for authorized business-related purchases of goods or services.
3. Disbursements are recorded against the standing advance appropriation and that the custodian of the accountable advance fund reconciles and reports on the fund on a regular basis.
4. The business processes are improved to ensure that procurement activities are consistently performed in compliance with the Treasury Board *Contracting Policy* and documentation is retained on file.
5. The business processes regarding travel expenses are improved to ensure that they are consistently performed in accordance with related directives.
6. Leave is approved by someone with the appropriate delegated authority prior to the leave being taken and leave is accurately reflected in the leave tracking system.
7. Expenditure initiation and commitment control is properly documented, performed by someone with appropriate delegated authority, prior to expenditure initiation and expenses are recorded at the value expected to be incurred.
8. Account verification is supported by complete documentation and conducted on a timely basis.
9. Payments and settlements are carried out by someone with proper delegation of authority, supported by complete documentation and conducted on a timely basis.
10. Segregation of duties exists between those performing expenditure initiation or account verification and those carrying out payment.

Extended Management Response

In Budget 2014 (*Bill C-31*), the government introduced legislation that will centralize and coordinate the provision of support services to some of its administrative tribunals through a single, integrated organization- the Administrative Tribunals Support Service of Canada (ATSSC). The consolidation of corporate, registry and all other services under the ATSSC involves twelve (12) federal administrative tribunals including the Registry of the Competition Tribunal (the Registry).

In view of this decision, the Registry is currently actively involved in various working groups to assess the current landscape of the twelve (12) tribunals and prepare options to be presented to the new Chief Administrator of the ATSSC. Working groups have been established to report on accommodation requirements, financial situation, information technology, human resources and governance.

The Registry has accepted the audit findings and has already implemented some measures to mitigate some of the risks identified as a result of the audit. The measures implemented take into consideration the close implementation date of the legislation and focus on actions that have a significant impact on improving the controls in place until the coming into force of *Bill C-31*.

Actions taken as a result of the audit:

1. Managers are validating their knowledge by taking the C451-1: Authority Delegation Training Revalidation for Managers online course provided by the Canada School of Public Service (CSPS). The last one will complete the validation by May 30th.
2. All holders of an acquisition card have acknowledged their responsibility in writing and have been reminded that these cards should be used solely for authorized business related purchases. Also, a copy of the approved request to purchase goods or services above \$100 with the card must be submitted with the invoice for processing.
3. The petty cash fund has been closed considering the low number of transactions over the last year.
4. The Manager of Financial and Corporate Services has just completed the CSPS M718: Introduction to Procurement course with a view to strengthen the controls required in the area of acquisitions and account verification. The Manager will closely monitor the procurement mechanisms chosen for our purchases.
5. A new travel authority form has been developed and implemented to reflect the new requirements of the latest Directive on travel. The form includes a section that clearly requests an employee to justify the reason for not choosing a hotel that is part of the PWGSC Accommodation Directory.
6. Employees have been reminded to always have their annual leave pre- approved and that for any other type of leave, they have to submit their leave forms on the first day they are back at the office.
7. Employees have also been reminded that overtime should always be pre-approved in writing and that the pre-approval should be attached to the timesheets submitted for payment.

The above actions will ensure that proper controls are in place until the Registry is formally amalgamated with the ATSSC.

Appendix A: Policies and Directives Tested

Policies and Directives Tested	Compliance Rating for Transactions Tested
<i>Directive on Delegation of Financial Authorities for Disbursements</i>	Not Met
<i>Policy on Financial Management Governance</i>	Met
<i>Directive on Acquisition Cards</i>	Partially Met
<i>Directive on Accountable Advances</i>	Partially Met
<i>Policy on Payables at Year-End (PAYE)</i>	Met
<i>Contracting Policy</i>	Not Met
<i>National Joint Council Travel Directive and the Directive on Travel Cards and Travellers Cheques</i>	Partially Met
<i>Directive on the Management of Expenditures of Travel, Hospitality and Conferences</i>	Partially Met
<i>Directive on Leave and Special Working Arrangements</i>	Partially Met
<i>Performance Pay Administration</i>	Met
<i>Casual Employees</i>	Met
<i>Directive on Financial Management of Pay Administration</i>	Not Met
<i>Directive on Expenditure Initiation and Commitment Control</i>	Not Met
<i>Directive on Account Verification</i>	Partially Met

Legend of Compliance Ratings³

Rating	Definition
Met	Greater than or equal to 98% compliance
Partially Met	Greater than or equal to 80% and less than 98% compliance
Not Met	Less than 80% compliance

3. Compliance thresholds for the transactions tested.