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Core Control Audit of the Canadian Centre for Occupational Health and Safety

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**Office of the Comptroller
General**

Why this is important

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.

Core control audits 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 requirements contained in selected financial legislation, policies and directives.

About the Canadian Centre for Occupational Health and Safety

The Canadian Centre for Occupational Health and Safety (CCOHS) was founded by an Act of Parliament in 1978 with a mandate to promote health and safety in the workplace and to enhance the physical and mental health of working people.

CCOHS functions as an independent departmental corporation under Schedule II of the *Financial Administration Act*. The organization reports to the Minister of Labour, who is accountable to Parliament for the activities of the Centre. CCOHS was established by, and operates within, the legislative authority of the Canadian Centre for Occupational Health and Safety Act S.C., 1977-78, c. 29.

According to its Departmental Performance Report, CCOHS had spending of approximately \$5.5 million and human resources of 81 full-time equivalents during fiscal year 2012-2013. Total expenses, including above noted spending of authorities used and revenues, represented approximately \$10.2 million.

Core Control Audit Objective and Scope

The objective of this audit was to ensure that core controls over financial management¹ within the CCOHS 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 the CCOHS. Transactions were selected from fiscal year 2012-2013. 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.

¹ See Appendix for a complete list of policies and directives included in the scope of this audit.

Conformance with Professional Standards

This audit engagement conforms with 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 the CCOHS resulted in partial compliance with the key requirements contained in one of the thirteen policies, directives² and corresponding legislation tested. The CCOHS was not in compliance with key requirements contained in the remaining twelve policies and directives tested.

Weaknesses were identified in the Delegation of Financial Signing Authorities Instrument and related controls. Delegations of financial authorities were not reviewed annually and managers did not always receive or validate the requisite financial management and human resources training.

There was no documentation on file to demonstrate budget approval by the Chief Financial Officer and the Deputy Head. Credit assessments were not performed and receivables were not always accompanied by a complete audit trail.

The documentation on file was often insufficient to support contracting decisions. Mandatory standing offers provided by Public Works and Government Services Canada were not always considered or used appropriately. For government travel and hospitality, supporting justification for expenditures was not always documented, and applicable limits for reimbursement were not always respected or justified. Acquisition cards were used to prepay travel arrangements, where travel cards should have been used.

For performance pay transactions, evidence to support the timely establishment of pre-set performance objectives was not on file. For pay administration, departmental departure procedures were not always documented.

Weaknesses were also identified in expenditure initiation. Approval was not always provided by an individual with adequate delegated authority or before the expense was incurred. Account verification was not always properly exercised by an individual with adequate delegated authority, in a timely manner and proof of execution to corroborate expenditures was often not documented. Payment and settlement was not consistently carried out by an individual with adequate delegated authority and on a timely basis.

² See appendix for the CCOHS's compliance in the areas tested.

Recommendations

The Deputy Head of the Canadian Centre for Occupational Health and Safety should ensure:

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. In addition, CCOHS should ensure that all managers receive mandatory training before they exercise their delegation of authority and validate their knowledge to maintain their delegated authority.
2. Proper documentation is retained on file for budget approval by the CFO and the President.
3. Credit assessments are considered in order to minimize credit risk and that receivables are accurately recorded and accompanied by a complete audit trail.
4. Proper documentation is retained on file for all acquisition cards to substantiate their issuance, their credit limits and that cards are used solely for authorized business-related government purchases with supporting documentation kept on file.
5. PWGSC confirmation is sought for the accountable advance and the fund is used for intended purposes as well as reconciled and reported on a monthly basis.
6. Expenses are properly identified as payables at Year-End.
7. Business processes are improved to consistently perform in compliance with the Treasury Board *Contracting Policy* and documentation is retained on file.
8. Business processes are improved to consistently perform in compliance with the Treasury Board *Travel Directive* and documentation is retained on file.
9. Documentation supporting the hospitality events is retained on file, hospitality expenses for senior level employees are proactively disclosed and annual hospitality expenditures are disclosed and include a brief description of the main variances from the previous year's actual expenditures.
10. Employee leave is approved in a timely manner.
11. Annual performance reviews (and subsequent performance pay) are based on pre-set performance objectives, which are completed and documented at the start of the performance period and that departure forms are properly completed.
12. Funds commitment availability is certified by an individual with appropriate delegated authority, prior to the expenditure initiation and recorded at the value expected to be incurred.
13. The performance of account verification is completed by an individual with delegated authority, is accomplished on a timely basis and verifies the correctness of the payment requested.

14. The payment requisition is completed by an individual with delegated authority, for the correct amount and completed on a timely basis.

Management Response

CCOHS takes the findings of this report very seriously and welcomes the recommendations. Since the period covered by the audit, strengthened financial control measures and process changes were implemented for the identified areas of improvement. Better documentation of controls will significantly improve future compliance. To fully address the report's recommendations, the CCOHS has planned a robust set of follow-up actions in 2014-2015 and subsequent years, as outlined in the Management Action Plan. The Management Action Plan is expected to be fully implemented by June 30, 2015. CCOHS thanks the Office of the Comptroller General for its audit and report.

The results of the audit and the Management Action Plan have been discussed with the Deputy Head of the Canadian Centre for Occupational Health and Safety and with the Small Departments Audit Committee. The Office of the Comptroller General will follow-up on the implementation of the Management Action Plan.

Appendix A: Policies and Directives Tested

| Policies and Directives Tested | Compliance |
|--|---------------|
| Directive on Delegation of Financial Authorities for Disbursements | Not Met |
| Policy on Financial Management Governance | Not Met |
| Directive on Receivables Management | Not Met |
| Directive on Acquisition Cards | Not Met |
| Directive on Accountable Advances | Not Met |
| Policy on Payables at Year-End (PAYE) | Not Met |
| Contracting Policy | Not Met |
| National Joint Council Travel Directive | Not Met |
| Directive on the Management of Expenditures on Travel, Hospitality and Conferences (formerly Hospitality Policy) | Not Met |
| Directive on Leave and Special Working Arrangements | Partially Met |
| Directive on Financial Management of Pay Administration | Not Met |
| Directive on Expenditure Initiation and Commitment Control | Not Met |
| Directive on Account Verification | Not Met |

| Legend of Compliance Thresholds ³ | |
|--|--|
| 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.