



Alberta Treasury Board and Finance Various Departments

Travel, Meal and Hospitality Expenses of the Premier,
Ministers and Their Staff

February 2018

About This Audit

Public servants may incur expenses for travel, meals and hospitality related to government business and can claim expense reimbursements and certain allowances. They have to follow government policies on these types of expenses,¹ as well as policies on procurement cards and credit cards.

We established an annual rotational audit of departments' systems for verifying that the expenses of the premier, ministers, associate ministers and their staff comply with policies and to support the Treasury Board Committee oversight process. Our May 2017 report² describes the new Treasury Board Committee oversight process of the premier's, ministers' and associate ministers' travel, meal and hospitality expenses, and also includes the results from the first year of our rotational audit. This is the second year of our rotational audit.

Our Assessment of the Results from the First Two Years of Our Rotational Audit of Departments' Expense Systems

Over two years, we have audited the expense systems at 13 departments. Given that these systems relate to basic expense processes, training, guidance, forms, checklists and internal controls, we expect that departments would have effective systems. Despite this, we continue to find deficiencies in departments' processes for these expenses. The effectiveness of the Treasury Board Committee's oversight process depends on departments having effective systems.

The government is working toward implementing a new enterprise resource planning system and developing standardized processes that departments must implement. In the short term, we encourage Treasury Board and Finance to share with all departments and ministers' offices the good practices that we identified so that they can implement effective and efficient processes. In the longer term as the new enterprise resource planning system is being implemented, we encourage Treasury Board and Finance to incorporate these good practices into standardized processes that all departments must implement.

Why This Conclusion Matters to Albertans

Albertans expect ministers and public servants to spend taxpayers' dollars responsibly and prudently when conducting government business. Effective systems are needed to ensure that people are complying with the expense policies. Albertans need the assurance that these systems are well-designed and working effectively.

¹ <http://www.finance.alberta.ca/business/planning-accountability/accountability/expenses-policies.html>.

² *Report of the Auditor General of Alberta—May 2017*, page 53.




Conclusion













The table summarizes our conclusions on the departments' systems.

Except for the findings described below related to the departments of Community and Social Services, Indigenous Relations, and Seniors and Housing, we conclude that the selected departments had effective systems, for the period from:

- November 2015³ to June 30, 2017, to verify that the travel, meal and hospitality expenses of ministers, associate ministers and their staff comply with policies
- December 2016⁴ to June 30, 2017, to support the new Treasury Board Committee process to oversee these expenses for the premier, ministers and associate ministers

Legend:

-  Significant improvements needed to systems.
-  Improvements are needed to systems, but not to the same extent as red items.
-  We have not identified any significant weaknesses in the systems.

Department	Systems to verify that expenses are in compliance with directives and policies	Systems to publicly disclose expenses and to support the new Treasury Board Committee oversight process
Children's Services		
Community and Social Services		
Indigenous Relations		
Labour		
Seniors and Housing		
Treasury Board and Finance		

Where Significant Improvements Are Needed to Departments' Systems

The Department of Indigenous Relations has systems to verify that expenses comply with policies and are publicly disclosed, but these systems are not well designed and are not applied consistently. Details of the findings are included in a recommendation below.

Where Other Improvements Are Needed to Departments' Systems

We provided the Department of Community and Social Services with some observations to improve its processes. The nature of those observations did not warrant a recommendation.

³ The new policy was effective from November 18, 2015.

⁴ The Treasury Board Committee reviewed the first oversight report in December 2016.

The Department of Seniors and Housing has systems to verify that expenses comply with policies and are publicly disclosed. However, improvements are needed specifically in the documentation of expenses. Management at the department had already begun to implement changes to processes as a result of our prior-year audit of ministers' expenses, and we saw fewer deviations in the more recent samples. Because of the progress made before we began our audit, we have not made a recommendation.

Audit Objective and Scope

The audit objectives were to assess whether departments have effective systems to:

- verify that the travel, meal and hospitality expenses of ministers, associate ministers and their staff comply with policies⁵
- support the new Treasury Board Committee process to oversee these expenses of the premier, ministers and associate ministers

We follow a rotational approach, so that we audit each department once every three years. This year, we audited the systems at the following departments:

- Children's Services
- Community and Social Services
- Indigenous Relations
- Labour
- Seniors and Housing
- Treasury Board and Finance

We developed the audit criteria based on departments' responsibilities and applicable expense policies, as well as policies on procurement cards and credit cards.

Audit Responsibilities

Management of Treasury Board and Finance has certain administrative responsibility for government expense policies, so we report our overall audit results to that department. Management of each department is responsible for creating and sustaining systems to comply with policies. Our responsibility is to express an independent conclusion on whether departments have effective systems to:

- verify that the travel, meal and hospitality expenses of ministers, associate ministers and their staff comply with policies
- support the new Treasury Board Committee process to oversee these expenses of the premier, ministers and associate ministers

We conducted our audit in accordance with Canadian Standard on Assurance Engagements 3001 issued by the Auditing and Assurance Standards Board (Canada). The Office of the Auditor General applies Canadian Standard on Quality Control 1 and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The Office complies with the independence and other ethical requirements of the Chartered Professional Accountants of Alberta Rules of Professional Conduct, which are founded on fundamental principles of integrity and due care, objectivity, professional competence, confidentiality and professional behaviour.

⁵ Travel, Meal and Hospitality Expenses Policy, Public Disclosure of Travel and Expenses Policy, Procurement Card Policy and Credit Card Policy.

What We Examined

We examined a sample of travel, meal and hospitality expenses incurred between November 19, 2015 and June 30, 2017 at each department included in our scope. Our work included reviewing documents and interviewing staff. We did not examine remuneration, employment and termination benefits, or other office expenses, such as office supplies. The detailed testing procedures we performed were consistent with the testing we executed in the prior year. We conducted our field work between August and October 2017, and substantially completed the audit on October 30, 2017.

Findings and Recommendations

Department of Indigenous Relations

Improve the processes for preparing, reviewing and publicly disclosing travel, meal and hospitality expenses.

Summary of Findings

Key Findings

- There were significant delays in processing, reviewing and approving expenses paid through procurement card and expense reimbursements.
- Review processes did not identify deviations from policy and instances of insufficient documentation.
- Review processes did not identify incomplete and incorrect public disclosure of expenses.

The department has inadequate processes to verify that the minister and his staff's expenses comply with policies and to support the Treasury Board Committee oversight process. The inadequacy of these processes, along with significant delays in processing, reviewing and approving expenses paid through procurement card and expense reimbursements, resulted in non-compliance with policies and incomplete and incorrect public disclosure of expenses.

The department needs to do a comprehensive review of its procurement card and expense processes. Once the review has been completed, the department needs to provide training to ensure staff understand the processes and the applicable policies and procedures thoroughly.

Deviations from policy and documentation concerns

The procurement card policy requires cardholders to reconcile their transactions within 28 days of the billing date. In the minister's office, they did not always comply with the policy and procurement cards were often not reconciled for several months.

The Travel, Meal and Hospitality Expenses Directive requires that claimants properly explain and document claims, and approvers must document their rationale when they use discretion to approve expenses. The level of information describing the business purpose or discretion used was not always sufficient, or required documents were missing.

Public disclosure

The Public Disclosure of Travel and Expenses Directive requires that disclosed expenses be automatically extracted from the financial systems. If the financial system information is not accurate, the output from the automated extraction will be incorrect. The department's review processes did not identify transactions that:

- were publicly disclosed without appropriate descriptions or receipts
- had incorrect descriptions or receipts in the public disclosure
- were not publicly disclosed but should have been
- were publicly disclosed under the names of incorrect individuals

RECOMMENDATION:

Improve processes for preparing, reviewing and publicly disclosing travel, meal and hospitality expenses

We recommend that the Department of Indigenous Relations improve its processes to prepare, review and publicly disclose travel, meal and hospitality expenses.

Consequences of not taking action

If the department does not properly review expenses, then errors and non-compliance with policies could go undetected. There would be a risk that taxpayers could be subsidizing expenses that are not related to government business. There would also be a risk that the public disclosure is not complete or accurate.