



Agence spatiale  
canadienne

Canadian Space  
Agency



# FOLLOW-UP AUDIT OF TRAVEL EXPENDITURES

## AUDIT REPORT

PROJECT No. 18/19 01-03

PREPARED BY  
AUDIT AND EVALUATION DIRECTORATE

March 2019



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## 1.0 SUMMARY

### 1.1 AUDIT OBJECTIVE

The objective of the audit project was to determine whether the travel expenses of the Canadian Space Agency (CSA) are incurred in accordance with the *Treasury Board Secretariat (TBS) Directive on Travel, Hospitality, Conference and Event (THCE) Expenditures*, the *National Joint Council (NJC) Travel Directive*, and the *Financial Administration Act (FAA)*.

### 1.2 AUDIT OPINION

Overall, travel expenses are incurred in accordance with the *TBS Directive on THCE Expenditures*, the *NJC Travel Directive*, and the *FAA*.

### 1.3 STATEMENT OF ASSURANCE

As Chief Audit Executive, I am of the opinion that sufficient and appropriate audit procedures were followed and that evidence was collected to support the accuracy of the opinion provided in this report. This opinion is based on a comparison of the conditions, as they existed at the time of the audit, against pre-established audit criteria determined in consultation with management, and is applicable only to the particular entity being audited. The evidence was gathered in compliance with the Treasury Board's internal auditing policy, guidelines and standards. The procedures followed are in accordance with the professional standards of the Institute of Internal Auditors. The evidence gathered is sufficient to convince senior management of the validity of the opinion derived from the internal audit.

### 1.4 SUMMARY OF FINDINGS

The review of 22 expenses reports showed that the existing monitoring and control mechanisms are generally effective and ensure compliance with the *TBS Directive on THCE Expenditures*, the *NJC Travel Directive*, the *FAA*, and the CSA's procedures. The expenses are authorized and certified by the individuals with delegated authority, they comply with the allowances provided, and they are supported by appropriate documentation.

A few cases of non-compliance, whose impact and materiality are a limited, were found and are indicated in section 2.3 of this report.

We also identified opportunities for improvement with regard to communicating compliance guidelines and travel documentation expectations, which led us to make a recommendation around awareness for travellers, managers, and financial clerks in this regard.

Management developed an action plan in response to this recommendation.

Original signed by Dominique Breden

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**Signature of the Chief Audit Executive**

**Audit team members**

Dany Fortin Johanna Gailer
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## 2.0 AUDIT REPORT

### 2.1 BACKGROUND

TBS issued a new *Directive on THCE Expenditures* to regulate this type of activity. This directive came into effect on April 1, 2017, and replaced the *Directive on THCE Expenditures* from August 1, 2013. The purpose of the directive is to ensure effective management of Government of Canada financial resources with regard to program delivery and safeguarded of these resources through balanced controls that enable flexibility and risk management. Several domestic and international trips are taken by CSA staff and by the organizations that CSA has contracts with.

CSA travel data for April 1, 2017, to December 31, 2018 by traveller category:

Travellers Categories	2017-2018		2018-2019 (9 first months)	
	Travel Expenditures	Number of trips	Travel Expenditures	Number of trips
Public servants	\$2 922 725	2748	\$2 250 136	2053
Non-public servants	\$183 068	130	\$57 900	48
Others departments (MOU)	\$131 521	**	\$18 868	**
HRG Fees	\$2 593	N/A	\$2 821	N/A
Others	\$15 358	N/A	\$8 220	N/A
<b>Total</b>	<b>\$3 255 265</b>	<b>2878 trips</b>	<b>\$2 337 945</b>	<b>2101 trips</b>
Contracts	\$858 484	N/A	\$257 115	**
<b>Total</b>	<b>\$4 113 749</b>	<b>2878 trips</b>	<b>\$2 595 060</b>	<b>2101 trips</b>

\*\* Number of trips not available for these categories.

#### CSA TRAVEL DATA FOR APRIL 1, 2017, TO DECEMBER 31, 2018, BY DESTINATION:

Year	Canada	United States	International	Others	Total
2017 -2018 (April 1, 2017 to March 31, 2018)	\$1 097 372	\$701 133	\$1 312 857	\$143 903	\$3 255 265
	2306 trips	299 trips	273 trips	N/A	2878 trips
Year	Canada	United States	International	Others	Total
2018-2019 (April 1, 2018 to December 31, 2018)	\$819 359	\$480 433	\$1 008 261	\$29 892	\$2 337 945
	1697 trips	201 trips	203 trips	N/A	2101 trips

## 2.2 JUSTIFICATION, SCOPE AND AUDIT APPROACH

### JUSTIFICATION

This audit project was part of the 2018-2019 Risk-Based Audit Plan (RBAP) approved by the Audit Committee.

Following the last audit of travel expenditures completed in 2016-2017, a follow-up audit was planned to determine the effectiveness of the action plan that was implemented. In addition, a new *TBS Directive on THCE Expenditures* took effect on April 1, 2017.



**SCOPE**

The audit covered travel expenditures incurred between April 1, 2018, and December 31, 2018, to validate compliance of the current processes.

**APPROACH**

The audit criteria were established based on requirements set out in the acts, regulations and policies. The criteria and sub-criteria are listed in Appendix A. The audit involved various processes, including interviews and reviews of documents.

A sample of the 22 trips was selected and reviewed. The selection was made based on the auditor’s judgement and considered the amounts, destinations and distribution between the branches.

It should be noted that the audit objective and criteria were discussed with the audited entity.

**2.3 FINDINGS, RECOMMENDATIONS AND MANAGEMENT REACTIONS**

**Expected results:**

**Criterion 1**

To determine whether the travel expenditures comply with the *TBS Directive on THCE Expenditures*, the *NJC Travel Directive*, and the *FAA*, we expected to find the following items:

- Travel authorization requests were pre-approved by an individual with delegated authority (section 32 of the *FAA*, at least at the director level or equivalent to a Level 2).
- The most economical travel option was selected or was supported with an explanation when required.
- Expenditures claimed are consistent with the pre-authorized expenditures.
- Expenditures are eligible in accordance with the *Directive on THCE Expenditures*.
- Expenditures are substantiated by the proper supporting documentation.
- An account verification is performed as planned.
- Payment request is certified by an individual with delegated financial authority (section 34 of the *FAA*).
- Payment approval is certified by an individual with delegated financial authority (section 33 of the *FAA*).

**2.3.1 Travel expenses**

<b>Audit Objectives</b>	The objective of the audit project was to determine whether the travel expenses are incurred in accordance with the <i>TBS Directive on THCE Expenditures</i> , the <i>NJC Travel Directive</i> , and the <i>FAA</i> .	
<b>FINDINGS</b>	Criterion 1	Travel expenditures monitoring and control mechanisms ensure compliance with the applicable laws and directives.
	Condition	<b>Conclusion about the criterion:</b> The review of 22 travel expense reports demonstrated that the existing monitoring and controls are generally effective and ensure compliance with the <i>Directive on THCE Expenditures</i> and the <i>FAA</i> . A



<p><b>Audit Objectives</b></p>	<p>The objective of the audit project was to determine whether the travel expenses are incurred in accordance with the <i>TBS Directive on THCE Expenditures</i>, the <i>NJC Travel Directive</i>, and the <i>FAA</i>.</p>	
		<p>few cases of non-compliance with limited impact and materiality were found.</p> <p><i>Compliance with the Directive on THCE Expenditures and the FAA</i></p> <p><b>Travel authorization</b></p> <p>According to the <i>Directive on THCE Expenditures</i>, a travel authorization for expenditure initiation must be completed by the traveller and approved by a delegated authority before each trip. This travel authorization must indicate the purpose and the estimated costs of the trip. The CSA, like a number of other federal government departments, uses the Hogg Robinson Group (HRG) Shared Travel Services Portal to manage travel for public servants and non-public servants. In addition, a letter of agreement must be completed and signed by the traveller, the contract officer, and the manager for non-public servants. For contractors whose travel costs are reimbursed by the CSA, travel is generally provided for under their contracts and subsequently subject to individual travel authorizations in the form of email exchanges with the CSA.</p> <p>We found that:</p> <p>Public servants and non-public servants (18 trips were reviewed):</p> <ul style="list-style-type: none"> <li>• For 18 trips, travel authorizations were completed and pre-approved by individuals with the delegated authority required under section 32 of the <i>FAA</i>.</li> <li>• For one trip, a change to one part of the trip resulted in additional costs that were not pre-approved by the manager. In addition, the explanation of this change was not documented in the file.</li> <li>• According to the <i>Directive on THCE Expenditures</i>, for each trip, the employee must include a justification explaining why virtual attendance was not an alternative to travel. However, in one of the cases reviewed, the reason selected was “Cost saving for alternatives is marginal or nil” although this case involved a trip to United States.</li> </ul> <p>Contracts (4 trips were reviewed):</p> <ul style="list-style-type: none"> <li>• For two trips, an email travel authorization was completed by the traveller and pre-approved by an individual with delegated authority.</li> <li>• For one trip, the authorization was approved by an employee with no delegated authority.</li> <li>• For one trip, the authorization was not available.</li> </ul>



<p><b>Audit Objectives</b></p>	<p>The objective of the audit project was to determine whether the travel expenses are incurred in accordance with the <i>TBS Directive on THCE Expenditures</i>, the <i>NJC Travel Directive</i>, and the <i>FAA</i>.</p>	
		<p><b>Eligibility of travel expenditures</b></p> <p>Expenditures claimed in expense reports must comply with the <i>NJC Travel Directive</i> with respect to meals and incidentals, kilometric rates, and authorized maximums for accommodation. In addition, there are specific parameters governing the use of transportation for travel. Furthermore, the <i>Directive on THCE Expenditures</i> states that the most economical solution must be selected, based on the nature of the trip, when booking transportation and accommodation.</p> <p>Following the review of the 22 trips, we found that the CSA is compliant with the directive regarding eligibility of claimed travel expenditures. These results show that the travel expenditure monitoring and control system in place at CSA is effective. That said, a few cases of non-compliances with the <i>Directive on THCE Expenditures</i> and the <i>NJC Travel Directive</i> were observed.</p> <p>Specifically:</p> <ul style="list-style-type: none"> <li>• For four trips, some incidentals and meals were claimed in an inappropriate city and/or country. For one trip, there was a meal allowance claim while the traveller was ineligible according to the time of his arrival in Canada. The existing account verification control process did not bring these irregularities to light. These irregularities have minor financial impact, as the overpayments for meals or incidentals are of low materiality.</li> <li>• A contractor claimed a rate per kilometer higher than the eligible amount according to the <i>NJC Travel Directive</i>.</li> </ul> <p>We have also identified opportunities for improvement with regard to the documentation in some travelling situations:</p> <ul style="list-style-type: none"> <li>• Five travellers, including one contractor, claimed accommodation fees that were more than the limit proposed in the <i>Public Services and Procurement Canada</i> guide. Some travellers provided a valid explanation, while for others, the explanation was missing or was poorly developed.</li> <li>• Six travellers, including two contractors and one non-public servant, combined their work stay with personal vacation days. These situations are not a problem as such, but it is difficult to validate that these travel situations did not incur additional transportation costs for the organization. In fact, the travel</li> </ul>

<p><b>Audit Objectives</b></p>	<p>The objective of the audit project was to determine whether the travel expenses are incurred in accordance with the <i>TBS Directive on THCE Expenditures</i>, the <i>NJC Travel Directive</i>, and the <i>FAA</i>.</p>	
		<p>alternatives when the reservations were made are seldom documented.</p> <p><b>Certification of expenditures in accordance with sections 33 and 34 of the FAA</b></p> <p>The <i>TBS Directive on Account Verification</i> stipulates that employees responsible for confirming and certifying travel expenditure payments in accordance with section 34 of the <i>FAA</i> must ensure that payment recipients are entitled to or eligible for reimbursement of their travel costs. They must also ensure that the documentation supporting the claim is complete, i.e., that the claim is supported by the proper documentation. The directive states that financial officers with the authority to reimburse travel costs under section 33 of the <i>FAA</i> must ensure that there is auditable evidence demonstrating that the account verification has taken place and has been certified pursuant to section 34 of the <i>FAA</i>.</p> <p>We found that, for all the trips:</p> <ul style="list-style-type: none"> <li>• The travel expense reports are certified by an individual with required delegated financial authority in accordance to section 34 of the <i>FAA</i>;</li> <li>• The travel expense reports are certified by an individual with delegated financial authority under section 33 of the <i>FAA</i>; and</li> <li>• Expenditures in the travel expense reports are adequately supported by documentation.</li> </ul>
<p><b>RECOMMENDATION</b></p>	<p>1. Remind travellers, managers and financial clerks about the expectations to comply with the travel expense directives and documentation of travel expenses, especially with regard to the following:</p> <ul style="list-style-type: none"> <li>• For trips taken by contractors, a travel authorization must be completed prior to any travel and this must be kept on file.</li> <li>• Pre-approval and the justifying documentation must be added to the file when changes are made to trips after the authorization.</li> <li>• The purpose of the trip and the reason explaining that virtual presence is not an alternative option must be properly indicated on the travel authorization.</li> <li>• Meals must be claimed in accordance with the rate of the place visited, unless for a specific reason, accompanied by a receipt for the replacement meal.</li> <li>• Kilometric must be claimed in accordance with the directive.</li> <li>• Accommodation costs that exceed the proposed limit must be explained.</li> <li>• Personal trips must be properly documented to show that these trips do not increase the CSA’s travel expenditures.</li> </ul>	



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<b>RESPONSIBILITY IDENTIFIED</b>	Organization	Finance Directorate
	Function	Manager, Accounting, Policies and Financial Systems
<b>MANAGEMENT RESPONSE</b>	We agree with the recommendation.	
<b>MANAGEMENT ACTION PLAN</b>	Details of the Action Plan	Deadline
	We will send the appropriate reminders to travellers, trip organizers, managers, and financial clerks, with attention to document the trips appropriately, specifically business trips combined with a personal trip.	June 30, 2019

**APPENDIX A – TERMS OF REFERENCE**

<b>Audit objective</b>	The objective of the audit project was to determine whether the travel expenses are incurred in accordance with the <i>TBS Directive on THCE Expenditures</i> , the <i>NJC Travel Directive</i> , and the <i>FAA</i> .		
<b>Audit criteria</b>	<b>Audit sub-criteria</b>	Sub-criterion met Sub-criterion partially met Sub-criterion not met	● ● ●
<b>Criterion 1:</b> Travel expense monitoring and control mechanisms ensure compliance with the applicable laws and directives.	<b>Sub-criterion 1.1:</b> Travel authorizations are completed and pre-approved prior to each trip.		●
	<b>Sub-criterion 1.2:</b> Travel authorizations are approved by an individual with the delegated authority required under section 32 of the <i>FAA</i> .		●
	<b>Sub-criterion 1.3:</b> The more economical travel solution has been selected or is supported by an explanation when required.		●
	<b>Sub-criterion 1.4:</b> Expenditures claimed in expense reports are consistent with pre-approved expenses.		●
	<b>Sub-criterion 1.5:</b> Expenditures claimed in expense reports comply with the <i>NJC Travel Directive</i> with respect to meals and incidentals kilometric rates and authorized maximums for accommodation.		●
	<b>Sub-criterion 1.6:</b> Expenditures claimed in expense reports are supported by the proper documentation, when required.		●
	<b>Sub-criterion 1.7:</b> Account verification is completed as planned in internal controls.		●
	<b>Sub-criterion 1.8:</b> Travel expense reports are certified by an individual with the delegated financial authority required under section 34 of the <i>FAA</i> .		●
	<b>Sub-criterion 1.9:</b> Travel expense reports are certified by an individual with delegated financial authority required under section 33 of the <i>FAA</i> .		●