



Treasury Board of Canada
Secretariat

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Canada

Core Control Audit of the Military Grievances External Review Committee

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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 organization's level of compliance with requirements contained in selected financial legislation, policies and directives.

About the Military Grievances External Review Committee

The Military Grievances External Review Committee (MGERC) is an administrative tribunal with quasi-judicial powers, independent from the Department of National Defence and the Canadian Forces (CF). The MGERC was created on March 1, 2000, in accordance with legislation enacted in December 1998 that contained amendments to the *National Defence Act*.

The MGERC conducts objective and transparent reviews of grievances with due respect to fairness and equity for each individual member of the CF, regardless of rank or position. It plays a unique role within the military grievance review process because it ensures that the rights of CF personnel are considered fairly and impartially in the best interests of both parties concerned, thus balancing the rights of the grievor against the legal and operational requirements of the CF. Only the MGERC has the statutory mandate to submit findings and recommendations to the Chief of the Defence Staff.

According to its 2014–15 *Departmental Performance Report*, the MGERC had spending of approximately \$6.25 million and human resources of 40 full-time equivalents in fiscal year 2014–15.

Core Control Audit Objective and Scope

The objective of this audit was to ensure that core controls over financial management¹ within the MGERC 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 MGERC. Transactions were selected from fiscal year 2014–15. 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 MGERC resulted in full compliance with key requirements contained in 2 of the 12 policies, directives and corresponding legislation tested,² and partial compliance in 5. The MGERC was not in compliance with the key requirements contained in the remaining five policies and directives tested.

The MGERC has instituted a sound financial management governance structure by establishing an integrated budgeting process, using a salary forecasting tool effectively and considering relevant risks in their planning processes. In the area of travel and hospitality, expenses for designated senior-level employees, as well as the total annual expenses for the MGERC were proactively disclosed. Leave with pay for most employees was approved and administered appropriately. The payment of expenses in accordance with section 33 of the *Financial Administration Act* was generally completed accurately and in a timely manner by an individual with the appropriate delegated authority.

Weaknesses were identified in the areas of contracting, documentation and approval.

Contracting

Justification for non-competitive contracts, statements of work, best value analysis, bid evaluation criteria and evaluations of bids for competitive contracts were not consistently prepared or retained on file. Moreover, some of the contracts and contract amendments were not always approved by individuals with the proper delegated authority, and adequate justification for contract amendments was not always present in the contracting files. The procurement vehicles selected were not always used in compliance with their terms and conditions. Furthermore, authorization from the Department of Justice was not obtained prior to contracting for legal services. There is disagreement between the legal opinion provided by TBS Legal Services and the MGERC's understanding of their enabling legislation. Moreover, a number of contracts valued at over \$10,000 were not publicly disclosed.

Documentation

For travel expenses, justification for post-authorization of travel requests was not always documented. In addition, an explanation was not always present when accommodations were not selected from the government suppliers list and the cost exceeded the approved rate limit. With respect to hospitality expenses, documentation to justify the provision of hospitality to federal

² See the Appendix for the MGERC's compliance in the areas tested.

employees was not always on file. Likewise, planning documentation to show that the most economic and efficient alternatives were considered for hospitality expenses was not consistently prepared. Account verification was sometimes not supported by adequate proof of execution and cost in some of the audit areas.

Approval

For delegation for financial authorities for disbursements, appropriate travel authorities were not reflected on the specimen signature cards, and some employees on acting assignments did not obtain the mandatory delegation of authorities training. In the area of financial management of pay administration, authorization for overtime pay with respect to expenditure initiation was not on file. In addition, expenditure initiation was not always authorized by an appropriate delegated authority in the areas of travel and hospitality. Funds were not always promptly committed as part of the expenditure initiation process.

Recommendations

The Chairperson of the Military Grievances External Review Committee should ensure that:

1. Appropriate approval authorities for travel in accordance with the Treasury Board *Directive on Travel, Hospitality, Conference and Event Expenditures* are stated on the specimen signature cards and reflect the travel authorities in the Financial Delegation Chart. Moreover, employees who are on acting assignments and who have been delegated financial authorities receive mandatory training before they exercise their delegated authority.
2. Business processes are improved and consistently performed in compliance with the Treasury Board *Contracting Policy*, and documentation is retained on file.
3. Business processes are improved and consistently performed in compliance with the National Joint Council *Travel Directive*, and documentation is retained on file.
4. Documentation supporting hospitality events is retained on file, particularly with respect to justification for the operational need of the hospitality expense when it is extended to a gathering of public servants. Additionally, documentation to support consideration for the most economical and efficient alternatives for hospitality events is kept on file.
5. Funds commitment availability is documented, performed prior to expenditure initiation and recorded in a timely manner. Additionally, for overtime pay, funds commitment availability is certified by someone with the proper delegated authority, prior to the expenditure initiation and at the value expected to be incurred.
6. The performance of account verification is always supported with proof of execution and cost.

Management Response

Management has accepted the audit findings and has developed an action plan to address the recommendations. It is expected that the management action plan will be fully implemented by March 31st, 2017.

The results of the audit and the management action plan have been discussed with the Chairperson of the Military Grievances External Review Committee and with the Small Departments Audit Committee. The Office of the Comptroller General of Canada will follow up on the implementation of the management action plan.

Appendix: Policies and Directives Tested

Policies and Directives Tested	Compliance
<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>Directive on Year-End Recording of Payables</i>	Met
<i>Contracting Policy</i>	Not Met
<i>National Joint Council Travel Directive</i>	Partially Met
<i>Directive on Travel, Hospitality, Conference and Event Expenditures</i>	Not Met
<i>Directive on Leave and Special Working Arrangements</i>	Partially 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 Thresholds³	
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.