



# **Core Control Audit of the Veterans Review and Appeal Board**

## **Audit Report**

**December 2020**

**Office of the Comptroller General**

## About the Veterans Review and Appeal Board

The Veterans Review and Appeal Board (VRAB) was created in 1995 as an independent, administrative tribunal. Its mandate is set out in the *Veterans Review and Appeal Board Act*.

VRAB's mandate and role includes:

- Full and exclusive jurisdiction to hear, determine and deal with all applications for review and appeal made under the Pension Act, Veterans Well-being Act, the War Veterans Allowance Act and other Acts of Parliament.
- Adjudication of duty-related pension applications under the authority of the Royal Canadian Mounted Police Pension Continuation Act and the Royal Canadian Mounted Police Superannuation Act.<sup>1</sup>

Based on VRAB's departmental plans for 2018-19, 2019-20 to 2020-21, VRAB had:

- Planned spending of approximately \$10.9 million
- Planned human resources of 101<sup>2</sup>

Internal Services to support VRAB's operations are provided by Veterans Affairs Canada (VAC) under a Memorandum of Understanding.

## Core Control Audit

### Overview and Objective

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 policies and procedures. Core control audits provide deputy heads with assurance<sup>3</sup> on the effectiveness of core controls over financial management in their organization.

The objective of this core control audit is to examine and assess whether key controls over financial management within VRAB result in compliance with requirements and expected results of corresponding legislation, Treasury Board (TB) policies, and directives.

### Scope of the Core Control Audit

The scope of the core control audit included financial transactions and processes conducted by VRAB, as well as the records that the organization had on file. The audit examined a sample of transactions from fiscal year April 1, 2018 to March 31, 2019 in the areas of contracting, acquisition cards, delegation of spending and financial authorities,

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<sup>1</sup> See [mandate and role in VRAB's Departmental Results Report 2018-19](#)

<sup>2</sup> See Planned Spending in the VRAB Departmental Plans for [2018-19](#), [2019-20](#), [2020-21](#)

<sup>3</sup> An audit is designed to provide a reasonable but not absolute assurance over its findings and conclusions.

hospitality and travel. The appendix to this document provides a list of the legislation, policies and directives that were included in the scope of the audit.

### **Conformance with Professional Standards**

This audit engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

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### **Overall Conclusion**

Overall, the audit found that, based on transactions tested, key controls over financial management were generally in accordance with the requirements of applicable legislation, policies and directives.

VRAB had established a sound financial management governance structure to ensure strong financial management of public resources. Overall, effective controls were observed in the area of travel.

Areas of improvement were observed with respect to contracting, approvals, documentation and timeliness.

### **Overview of Audit Findings**

#### **Contracting**

With respect to contracting, it was noted that, justification for non-competitive procurement contracts and best value analysis were not always sufficiently documented and substantiated. The audit also found the following: a transaction indicating potential contract splitting; an instance where a sole source contract greater than \$25,000 was issued when a longer-term competitive procurement strategy could have been considered, and instances where contracts valued over \$10,000 were not proactively disclosed.

Why this is important

*Sound contracting practices are important to ensure that they stand the test of public scrutiny of prudence and probity, facilitate access, and encourage competition and fairness in the spending of public funds and achieve better value.*

#### **Approvals**

For delegation of spending and financial authorities, individuals who were granted delegated spending and financial authorities, generally completed the required training prior to exercising their authorities; however, in some instances, individuals with delegated

authority had not always revalidated their knowledge at least every five years in order to maintain their delegated authorities.

There were a few instances, where the expenditure initiation and commitment authority were either not documented or performed by appropriate delegated authority in the areas of acquisition cards and travel.

Instances were found where certification authority was not always performed by the appropriate delegated authority in the areas of hospitality and acquisition cards.

Why this is important

*Approvals are a key control in ensuring that funds are available and used prudently and that transactions are authorized, complete, accurate and valid. In addition, controls in delegation are important to ensure transparency and accountability in the exercise of spending and financial authorities and provides assurance of sound stewardship.*

### **Documentation**

The management of acquisition cards was performed by VAC on behalf of VRAB, as part of the Memorandum of Understanding between the two departments. To confirm that controls are in place, supporting documents were requested from VAC such as: the fund center manager's approval for employees obtaining an acquisition card with a prescribed card limit; acknowledgement of responsibilities by the cardholder; and, justification of cardholder credit card limit increase. VAC was unable to provide the requested documentation for 2 out of 3 acquisition cardholders tested. The criteria related to acquisition card attribution and cardholders' acknowledgement of responsibility was therefore scoped out.

For one instance, certification authority for an acquisition card expense was not properly supported with proof of execution and cost, and there was a lack of documentation on file.

With respect to hospitality expenses, in one instance, there was no documentation that supports that the most economical and efficient means was considered.

Why this is important

*Maintaining sufficient and appropriate documentation to support transactions and justify decisions made is essential in demonstrating due diligence and sound stewardship.*

### **Timeliness**

There were several instances where expenditure initiation, commitment authority and certification authority were not performed in a timely manner in areas of hospitality, acquisition card and contracting.

Why this is important

*Timeliness is important as part of the payment process to ensure efficiency and minimize costs associated with late payments.*

## Recommendations

### Recommendation 1

In the area of **delegation**, VRAB should ensure that:

- Individuals who are granted delegated spending and financial authorities complete the required training and revalidate their knowledge as required by the Directive.

### Recommendation 2

In the area of **contracting**, VRAB should ensure that:

- Sufficient documentation is retained on file to ensure that non-competitive contract files contain justification for sole-source contracting in accordance with section 6 of the Government Contracts Regulations and best-value analysis is documented and performed prior to contract award.
- Through confirmation with VAC, that controls are in place to reduce the risk of non-compliance with the policy requirement on contract splitting.
- Contracts including amendments, valued at over \$10,000 are always proactively disclosed.

### Recommendation 3

In the area of **acquisition cards**, VRAB should ensure that:

- Through confirmation with VAC, that controls are in place, consistently applied and align with the Directive on Payments Appendix B.2.2 (Standard on Acquisition Card Payments).
- Funds commitments be certified prior to the expenditure at the value expected to be incurred.
- Certification authority (FAA section 34) be performed in a timely manner by individual with appropriate delegated authority.

### Recommendation 4

In the area of **hospitality**, VRAB should ensure that:

- Certification authority is properly documented and performed by an individual with the appropriate delegated authority in a timely manner.

## Management response

The findings and recommendations of this audit were presented to the management of VRAB.

Management has accepted the audit findings in this report and has developed an action plan to address the recommendations.

It is expected that the management action plan will be fully implemented by the 2<sup>nd</sup> quarter of FY 2021-22.

The results of the audit and the management action plan have been discussed with the Chair of VRAB 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: Legislation, Policies and Directives

The following are applicable legislation, policies, and directives tested in the scope of the audit based on applicability and risk assessment conducted in the planning phase.

### **Legislation**

- *Financial Administration Act*

### **Policies**

- *Contracting Policy*
- *Policy on Financial Management*
- *Policy on Government Security*
- *Policy on Learning, Training and Development*

### **Directives**

- *Directive on Delegation of Spending and Financial Authorities*
- *Directive on Payments*
- *Directive on Travel, Hospitality, Conference and Event Expenditures*
- *National Joint Council Travel Directive*
- *Government Contract Regulations*
- *Guidelines on the Proactive Disclosure of Contracts*
- *Special Travel Authorities*