



Treasury Board of Canada
Secrétariat

Secrétariat du Conseil du Trésor
du Canada

Better government: with partners, for Canadians



Core Control Audit of the Copyright Board of Canada

October 2015

**Office of the Comptroller
General**



Canada

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 on 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 Copyright Board of Canada

The Copyright Board (CB) is an economic regulatory body empowered to establish, either mandatorily or at the request of an interested party, the royalties to be paid for the use of copyrighted works, when the administration of such copyright is entrusted to a collective-administration society. The CB also has the right to supervise agreements between users and licensing bodies and issues licences when the copyright owner cannot be located.

The CB exercises its powers through its members, who are selected by the Governor-in-Council (GIC). As of March 31, 2014, the CB had one appointed full-time GIC member and two part-time members.

According to its *Departmental Performance Report*, the CB had spending of approximately \$2.8 million and human resources of 16 full-time equivalents during fiscal year 2013-14.

Core Control Audit Objective and Scope

The objective of this audit was to ensure that core controls over financial management¹ within the CB 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 CB. Transactions were selected from fiscal year 2013-14. 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.

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.

Anthea English, CPA, CA
Assistant Comptroller General
Internal Audit Sector, Office of the Comptroller General of Canada

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

Audit Findings and Conclusion

Core controls over financial management regarding the transactions tested within the CB resulted in full compliance with key requirements contained in two of the twelve policies, directives² and corresponding legislation tested, and partial compliance in one. The CB was not in compliance with the key requirements contained in the remaining nine policies and directives tested.

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

Documentation

Weaknesses were identified in regards to acquisition cards, as documentation was not consistently retained on file to substantiate their issuance, credit limits and conditions of use. With respect to contracting, documentation such as statements of work, justification for non-competitive contracts and best-value analysis were not always on file. Additionally, contracting amendments were not always justified.

Planning documentation to substantiate whether the most economical means to avoid or minimize hospitality costs was not always on file. In addition, annual performance reviews were not always documented or based on pre-set objectives, which should be completed and documented at the start of the performance period. Furthermore, expenditure initiation and account verification were not always supported by complete documentation.

Approval

Account verification for accountable advances was at times performed by the fund custodian.

Appropriate procurement vehicles were not always chosen and amendments were not always approved by an authorized officer. For government travel, applicable limits for reimbursement were not always respected and approvals were not consistently kept on file for accommodation exceeding the city limit rates.

Timeliness

Contracts and amendments were not consistently approved prior to receipt of goods and services or issued before contract expiry date. Additionally, employee leave was not always authorized in a timely manner. Departure procedures were not always followed prior to the employee leaving the department.

Pre-approval was not always obtained prior to the expenditure initiation, or timeliness could not be determined. Similarly, account verification was not always performed on a timely basis, or timeliness could not always be confirmed.

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

Recommendations

The Deputy Head of the Copyright Board of Canada should ensure that

1. Proper documentation is retained on file for all acquisition cards to substantiate their issuance, credit limits and condition of use. Additionally, the CB should ensure that cards are used solely for authorized business-related government purchases.
2. Proper documentation is retained on file pertaining to the reconciliation and reporting of the accountable advance, and account verification is not performed by the fund custodian.
3. Expenses are properly identified as payables at year-end.
4. Business processes are improved and consistently performed in compliance with the Treasury Board *Contracting Policy* and that documentation is retained on file.
5. Business processes are improved and consistently performed in compliance with the *Travel Directive* and that documentation is retained on file.
6. Documentation supporting hospitality events is retained on file, hospitality expenses for designated senior level employees are proactively disclosed and total annual hospitality expenditures disclosed include a brief description of the main variances from the previous year's actual expenditures.
7. Employee leave is authorized in a timely manner.
8. Annual performance reviews are documented and based on pre-set performance objectives which are completed and documented at the start of the performance period and that departure procedures are followed prior to the employee leaving.
9. Fund commitment availability is documented, properly dated, performed prior to the expenditure initiation and recorded.
10. The performance of account verification is documented, supported with proof of execution and cost and accomplished on a timely basis.

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 2016.

The results of the audit and the management action plan have been discussed with the Vice-Chairman and Chief Executive Officer of the Copyright Board of Canada 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>	Met
<i>Policy on Financial Management Governance</i>	Met
<i>Directive on Expenditure Initiation and Commitment Control</i>	Not Met
<i>Directive on Account Verification</i>	Not Met
<i>Directive on Acquisition Cards</i>	Not Met
<i>Directive on Accountable Advances</i>	Partially Met
<i>Policy on Payables at Year-End (PAYE)</i>	Not Met
<i>Contracting Policy</i>	Not Met
<i>National Joint Council Travel Directive</i>	Not Met
<i>Directive on Travel, Hospitality, Conference and Event Expenditures</i>	Not Met
<i>Directive on Leave and Special Working Arrangements</i>	Not Met
<i>Directive on Financial Management of Pay Administration</i>	Not 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.