

Office of the Auditor General of Canada

Internal Audit Report

Hospitality Expenses

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1.0 Executive Summary

Introduction

The Internal Audit of Hospitality Expenses conducted by the Strategic Planning and Professional Practices group forms part of the Office's annual internal audit plan for 2004-05 that was recommended by the Audit Committee and approved by the Auditor General.

Conclusion

This audit was conducted at a time when the external and internal hospitality policies were being reformed. However, we found that the approval process for hospitality transactions and related documentation needs to be strengthened. We also found cases where Office policy and practice need to be improved. These opportunities for improvement are discussed below.

Background

The unique role of the Office of the Auditor General and its work in conducting audits of government departments and agencies necessarily involves incurring hospitality expenses. It is government policy to extend hospitality in an economical, consistent and appropriate way when it will facilitate government business or is considered desirable as a matter of courtesy. The Office is subject to the Treasury Board Hospitality Policy since it is listed in Schedule I.1 of the Financial Administration Act. The Office should be able to assure Parliament and itself that it is in compliance with this Policy, as appropriate.

Audit Objectives and Scope

The overall objective of this internal audit of hospitality is to provide assurance to the Auditor General that the Office is in compliance with the Treasury Board Hospitality Policy and with its own policy and that there are adequate controls to ensure that hospitality expenditures are made with due regard for these policies. The scope of the audit includes hospitality expenditures for the 12 month period October 1, 2003 to September 30, 2004. We selected a sample of 50 transactions for testing, covering 65% of the dollar value of total hospitality expenditures for the period.

Opportunities for Improvement

The audit found that the internal approval process was a mix of formal and informal and not as rigorous as it should be. Despite this, the most senior levels in the Office were aware of planned hospitality for significant dollar amounts. In addition, the Office needs to ensure that its hospitality policy and guidelines are clearly explained, consistent and adhered to.

Management Response

The Office will continue to ensure that hospitality expenses respect Treasury Board policy, as appropriate to the Office's status as an independent agent of Parliament.

We accept the Opportunities for Improvement identified by internal audit. Effective immediately we will improve the documentation pertaining to the approval of hospitality expenses, and ensure hospitality guidelines are clearly communicated and exceptions properly approved and documented.