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Canada

Core Control Audit of the National Film Board of Canada

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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 organization. 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 National Film Board of Canada

The National Film Board of Canada (NFB) is a federal cultural department within the Government of Canada. Founded in 1939, it plays the role of a public producer and distributor of audiovisual works that present an authentically Canadian point of view and reflect the country's linguistic and cultural diversity.

The NFB explores contemporary social issues through documentaries, auteur animation and new-media content. Over the years, the NFB has played an important role in marking the major changes and events taking place in Canadian society. Its mission is to provide perspectives that are not provided by anyone else and that serve Canadian and global audiences by an imaginative exploration of who we are and what we may be.

The NFB has produced more than 13,000 works and received more than 5,000 awards, inspiring and influencing generations of filmmakers in Canada and across the globe. Its audiovisual works offer special insight into the diversity and vitality of our culture and are an essential part of our national heritage.

The NFB is governed by the National Film Act and a series of other statutes, including the Official Languages Act and the Canadian Multiculturalism Act.

According to its 2014-15 Departmental Performance Report, the NFB had spending of approximately \$62 million and human resources of 390 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 NFB 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 NFB. Transactions were selected from the period of April 1 to December 31, 2015. 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.

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Audit Findings and Conclusion

Core controls over financial management regarding the transactions tested within the NFB resulted in full compliance with key requirements contained in one of the ten policies, directives and corresponding legislation tested². The NFB was not in compliance with the key requirements contained in the remaining nine policies and directives tested.

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

Contracting

The audit observed that documentation to support contracting methods used (competitive and non-competitive) was not always on file. In particular, a best-value analysis, evidence of security clearance and justification for amendments were not consistently prepared. Moreover, the procurement methods chosen were not always used in compliance with their terms and conditions. With respect to contract issuance, some contracts were not issued before the related

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

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

goods or services were received. Lastly, not all contract amendments were properly justified and substantiated, or issued before contract expiry date.

Documentation

For acquisition cards, documentation to support their issuance, approval, modification, and acknowledgement of responsibilities by the cardholder was not always retained on file. In the area of travel, justification for the post-authorization of travel requests was not present. Supporting justification for meal reimbursement and accommodation costs above the approved limit was also not on file. In addition, travel advances were provided to contractors without appropriate justification, and were sometimes used for non-travel related expenses. With respect to hospitality expenses, justification for the provision of hospitality was not on file. Similarly, planning documentation to substantiate that the most economical means were used was not prepared. For receivables, credit assessments were not performed, activity reports were not consistently prepared and distributed to management, and receivables did not always contain a complete audit trail. For pay administration, signed departure checklists were not used. Lastly, expenditure initiation was not always supported by complete documentation in the area of hospitality. For account verification, proof of execution and cost was not always on file for the areas of acquisition cards and contracting.

Approval

For delegation of financial authorities for disbursements, the delegation of financial signing authorities chart did not reflect the August 2013 changes in relation to approving travel found in the Directive on Travel, Hospitality, Conference and Event Expenditures and therefore, travel was approved by an individual without proper delegated authority. Furthermore, many employees with delegated financial authorities had not obtained mandatory training. With respect to acquisition cards, incompatible duties were performed whereby account verification was frequently performed by the cardholder. For hospitality, the participant sometimes performed expenditure initiation or account verification. With regards to receivables, incompatible duties were noted between collections, maintenance of accounting records, and the deposit of funds duties.

Timeliness

Pre-approval was not always obtained prior to the expenditure initiation, especially in the areas of contracting and hospitality amongst other areas. Similarly, account verification was not generally performed on a timely basis, or timeliness could not be determined because transactions were not dated by the appropriate authority.

Recommendations

The Chairperson of the National Film Board of Canada should ensure that:

1. The NFB continues working with stakeholders to resolve the outstanding legal issue and to ensure that the Delegated Financial Signing Authorities Chart is current.

2. Delegation business processes are improved and are consistently performed in compliance with the Treasury Board Directive on Delegation of Financial Authorities for Disbursements, and that sufficient documentation is retained on file.
3. Sufficient documentation is retained on file for acquisition cards to substantiate their issuance, approval, modification, and acknowledgment of responsibilities by the cardholder.
4. Contracting business processes are improved and are consistently performed in compliance with the Treasury Board Contracting Policy, and that sufficient documentation is retained on file.
5. Travel business processes are improved and are consistently performed in compliance with the National Joint Council Travel Directive, and that sufficient documentation is retained on file.
6. Hospitality business processes are improved and are consistently performed in compliance with the Treasury Board Directive on Travel, Hospitality, Conference and Event Expenditures, and that sufficient documentation is retained on file.
7. Departure forms are completed by all applicable authorities and kept on file.
8. Receivables business processes are improved and are consistently performed in compliance with the Treasury Board Directive on Receivables Management, and that sufficient documentation is retained on file.
9. Expenditure initiation (pre-approval and commitment) is properly documented and performed by an individual who has the appropriate delegated authority before expenses are incurred, specifically in relation to acquisition card purchases, contracting, travel and hospitality expenditures.
10. Account verification is performed by an individual with the appropriate delegated authority on a timely basis, and is supported with proof of execution and cost, specifically in relation to acquisition card purchases, contracting, travel, hospitality expenditures and pay administration actions.
11. Payment and settlement is carried out for the correct dollar amount and to the right vendor on a timely basis, specifically in relation to contracting.

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 June 2018.

The results of the audit and the management action plan have been discussed with the Chairperson of the National Film 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
Directive on Delegation of Financial Authorities for Disbursements	Not Met
Policy on Financial Management Governance	Met
Directive on Acquisition Cards	Not Met
Contracting Policy	Not Met
National Joint Council Travel Directive	Not Met
Directive on Travel, Hospitality, Conference and Event Expenditures	Not Met
Directive on Financial Management of Pay Administration	Not Met
Directive on Receivables Management	Not Met
Directive on Expenditure Initiation and Commitment Control	Not Met
Directive on Account Verification	Not Met

Legend of Compliance Thresholds ³	
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.

