



Audit of Senate Expenses – Audit Report

Client Name: The Senate of Canada

Date: July 21, 2020

THE PURPLE PAGE

AUDIT OF SENATE EXPENSES

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KEY MESSAGES

MESSAGE 1

New financial systems and tools, specifically e-Claims and Unit4, have been designed and implemented to enable a more effective and efficient procure-to-pay process and control environment affecting both Senators and the Senate Administration.

MESSAGE 2

Testing results noted a 99.5% compliance rate for Senator Expenses and 100% compliance rate for Senate Administration expenses.

MESSAGE 3

Although documentation was provided to support sample testing conclusions, opportunities for improvement to information management and the procurement policy were noted.



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July 21, 2020

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The Senate of Canada

Ms. Nathalie Charpentier
Comptroller and Deputy Chief Financial Officer

Dear Ms. Charpentier

Subject: Audit of Senate Expenses

We are pleased to submit to you our report on the Audit of Senate Expenses.

This report has been prepared for The Senate of Canada. Our team at Raymond Chabot Grant Thornton Consulting Inc. (hereinafter "RCGT") would like to acknowledge the excellent cooperation from all staff and management involved throughout the engagement.

For more information, please feel free to contact the undersigned at 613-760-3520.

Yours truly

Joseph Carpinone, CIA, CISA, CRMA
Vice President & Partner

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From Status Quo to
Status Go.

Welcome to *Status Go.*

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1. Restrictions and Limitations

The Senate of Canada (the Senate) has engaged Raymond Chabot Grant Thornton Consulting Inc. (RCGT) to perform an Audit of Senate Expenses.

This report was prepared for the Senate based on information and representations that were provided to us by management. This report is not to be used for any other purpose, and RCGT specifically disclaims any responsibility for losses or damages incurred through the use of this report for a purpose other than as described in this paragraph. It should not be reproduced in whole or in part without RCGT's expressed written permission.

This report, and the supporting work performed by RCGT, does not serve as an affirmation that financial processes and controls and/or technologies of the Senate are without defect and does not guarantee that such financial processes, controls and/or technologies are immune from fraud, abuse, or misstatement. None of the work performed by RCGT or the contents of this report constitute any legal opinion or advice.

RCGT reserves the right, but will be under no obligation, to review and/or revise the contents of this report in light of information which becomes known to us after the date of this report.

2. Executive Summary

2.1. BACKGROUND AND CONTEXT

The Senate of Canada

The Senate of Canada (the Senate) is the legislative Upper House of Canada's bicameral parliamentary system. It is composed of 105 Senators, appointed by the Governor General on the recommendation of the Prime Minister. As parliamentarians, Senators critically examine a wide variety of legislative issues. Their role includes:

- Scrutinizing, amending, rejecting or approving bills;
- Proposing new legislation; and
- Generating debate and conduct in-depth studies on public policy issues.

Senators are provided with budgets to employ staff, hire contractors and purchase goods and services to operate their office. The Senate also reimburses Senators for travel, accommodation and other related expenses incurred while carrying out their parliamentary functions. The Senate Administrative Rules, the Senators Office Management Policy (SOMP) and other policies (e.g.: Senate Procurement Policy) govern Senators in their use of Senate resources.

In addition to expenses incurred by Senators, the Senate incurs expenses related to administrative and procedural support. The Senate Administration provides services that allow Senators to accomplish their work by offering support in procedure, security, financial administration, human resources, communications, building maintenance, asset management and information technology. Senator expenses and Senate Administration Executive Committee members' expenses are proactively disclosed within 60 days of the end of each fiscal quarter.

2.2. OBJECTIVES AND SCOPE

Objectives

The audit consisted of the review of Senator and Senate Administration expenses, excluding salaries, with the objectives to validate that:

- Expenses incurred by Senators and the Senate Administration were supported by the required documentation, and based on the details included in the documentation, were made in accordance with established policies and procedures, including procurement activities; and
- Controls and practices were applied in the processing, recording and payment of the expenses as per Senate designed processes.

Scope

The scope of the audit included all types of expenses, excluding salaries and benefits, for both the Senate Administration and Senators travel, hospitality, communications, professional services, equipment, repairs, maintenance, material, supplies and licenses incurred between April 1st, 2018

and March 31st, 2019. Expenses incurred by Senators were also part of the scope of the audit, including both new and retired Senators.

Two (2) samples of transactions were selected for testing:

1. Senator expenses; and
2. Senate Administration expenses.

Further details on the audit are provided in Sections 3 and 4 of this report.

2.3. AUDIT RESULTS

A sample was deemed non-compliant if one (1) or more policy requirements could not be reasonably tested through the documentation provided. The summarized audit results are outlined in tables 1 and 2 below:

Table 1: Senator Expense Testing Results

Key Information	Population and Sample	Testing Results	
Population Value	\$7,790,603	Compliant	Non-Compliant
Tested Amount (\$)	\$738,651	\$736,959	\$1,692
Number of Transactions Tested (%)	202	201 (99.5%)	1 (0.5%)

Table 2: Senate Administration Expense Testing Results

Key Information	Population and Sample	Testing Results	
Population Value	\$7,624,886	Compliant	Non-Compliant
Tested Amount (\$)	\$ 2,043,034	\$2,043,034	-
Number of Transactions Tested (%)	85	85 (100%)	-

2.4. AUDIT CONCLUSION

Compliance testing results indicated that expenses incurred by Senators and the Senate Administration were generally supported by the required documentation and were made in accordance with established policies and procedures, including procurement activities.

Additionally, controls and practices were applied in the processing, recording and payment of the expenses as per Senate designed processes. However, opportunities for improvements were noted in the area of information management and procurement policy clarification. Senate management should continue enhancing information management practices by ensuring that all documentation to support compliance is maintained electronically in corporate systems. Additionally, the Senate should clarify the Senate Procurement Policy by establishing thresholds pertaining to the Committee's requirement to approve major amendments to terms and conditions of contracts.

3. SENATOR EXPENSES

3.1. Background / Context

Parliament, through the *Parliament of Canada Act* and appropriation acts, provides resources to the Senate which in turn allocates resources to Senators such as office space, furnishings and equipment and gives Senators budgets so they can employ staff, hire contractors and purchase office supplies. The Senate also reimburses Senators for travel, accommodation and other related approved expenses incurred while carrying out their parliamentary functions¹.

Additionally, the Senate Administration provides services that allow Senators to accomplish their work by offering support in procedure, security, financial administration, human resources, communications, building maintenance, asset management and information technology; the expenses are divided into three categories of expenses:

- Hospitality Expenses;
- Travel Expenses (including conference fees); and
- Contract(s) Awarded.

Information related to Senator Expenses is expected to be included in the Senate's eClaims system, including travel claims submitted by Senators and supporting documentation (e.g.: receipts, airline tickets or itinerary, invoices, etc.).

3.2. Scope

The scope of the audit included all expenses incurred between April 1st, 2018 and March 31st, 2019 in the following categories: Transportation and Telecommunications, Professional and Special Services, Rentals and Licenses, Equipment, Materials and Supplies, Purchase Repair and Maintenance and Information and Publication. The audit excluded testing of salary and benefit expenses.

The audit tested compliance of expenses with the following policies:

- Senators' Office Management Policy;
- Senators' Office Management Policy Funding Rates; and
- Senate Procurement Policy.

Compliance was assessed based on information and records maintained within the financial systems of record (Unit4 and e-Claims) and additional documentation provided by the Senate. As such, the following testing procedures were not performed as part of this audit as the overarching

¹ Parliamentary functions are defined in the *Senate Administrative Rules* as "duties and activities related to the position of a senator, wherever performed, including public and official business and partisan matters, but excluding activities related to the election of a member of the House of Commons during an election under the Canada Elections Act; or the private business interests of a senator or a member of a senator's family or household."

purpose of the audit was to determine whether the information maintained was sufficient to validate compliance with applicable policies and procedures:

- **Mode of Transportation:** The SOMP indicates when a mode of transportation is selected, considerations to cost, travel time and convenience should be taken. The audit did not conclude whether mode of travel was chosen on the basis of cost, travel time and convenience. However, the audit did assess the reasonability of the mode of transportation with respect to the aforementioned factors;
- **Validation of Attendance:** Senators often travel for parliamentary business, which includes, but is not limited to conferences, events, and meetings. Procedures were designed to assess whether expenses were supported by the required documentation (i.e. hotel folios and flight itineraries). However, the audit did not validate Senators' attendance at the event for which the travel was booked or that the Senator completed the travel for which travel expenses were incurred; and
- **Points for Travel:** Senators are allocated 64 points to apply to travel. A return trip ticket represents a 1-point deduction from the total points available for travel. In the instance where a sampled expense was for a flight or a train ticket, the audit assessed the eligibility of the fare class of the selected ticket and validated that the expense was supported with the required documentation. A reconciliation against the Senators' allocation of points was not performed.

3.3. Audit Procedures Performed

Senator expenses have been categorized as either Senator travel or Senator non-travel expenses. The following audit procedures were performed:

Senator Travel

- Validated that Senator expense claims were received by the Finance and Procurement Directorate within 60 calendar days from the last date of travel or otherwise justified;
- Validated that Senator expense claims were supported by required documentation such as invoices, receipts or proof of payment, purchase orders (if applicable) and description of purpose of travel;
- Validated that a claim form was completed and signed by the Senator; and
- Validated that the purpose of the Senator's trip could be reasonably concluded as parliamentary business based on documentation provided.

Senator Non-Travel

- Validated that the expense was incurred and supported by one (1) of the five (5) approved purchase methods:
 - Request for purchase order;
 - Request service contract;
 - Enter into contracts under \$2,500 and have the vendor submit the invoice directly to the Senate Administration;
 - Use the Approved office supply vendor; or
 - Use personal funds and request reimbursement (under \$2,500).

- Validated that Senator expense claims were received by the Finance and Procurement Directorate within 60 days from one of the following as applicable:
 - Purchase date of goods or services;
 - Last date of an event; or
 - After notification of successful completion (in the case of reimbursement for education or training).
- Validated that Senator expense claims were supported by required documentation such as invoices, receipts or proof of payment and purchase orders (if applicable);
- Validated that a claim form was completed and signed by the Senator; and
- Validated that Purchase Orders were approved by Finance and Procurement in accordance with the delegation of authority.

3.4. Sample

To conduct the audit, samples of Senator expenses were selected. Proportional samples were selected based on expense categories included in the Senate's chart of accounts. The total amount sampled for Senator expenses was equal to 20%² of total Senator expenses. Individual sample items within the proportional sample were randomly selected from the General Ledger.

Table 3 below provides a summary of the sample of Senator expenses compared to the total population is provided in the table below:

Table 3: Senator Expenses Population and Sample

Expense Category	Population		Sample		
	Total Expenses ³	Percentage of Total Expenses	Total Sampled Expenses	Percentage of Total Sampled Expenses	Number of Samples
Transportation & Telecommunications	\$6,481,429	83.2%	\$1,302,394	82.9%	118
Professional and Special Services	\$877,018	11.3%	\$175,556	11.2%	23
Rentals & Licenses	\$144,769	1.9%	\$32,411	2.1%	11
Equipment	\$58,044	0.7%	\$13,327	0.8%	3
Materials & Supplies	\$143,384	1.8%	\$29,041	1.8%	34
Purchase Repair & Maintenance	\$10,937	0.1%	\$2,915	0.2%	3
Information & Publications	\$75,022	1.0%	\$15,599	1.0%	10
Total	\$7,790,603	100%	\$1,571,243	100%	202

² GL Line items selected include AMEX transactions, which in fact contain multiple expenditure summing to the total GL line item value. In the instance that an AMEX total was selected, a sub-sample was drawn. RCGT selected one (1) of the highest dollar value expense in the corresponding expense category (i.e. Travel and Telecommunications). The selection of a sub-sample resulted in a reduction in the overall materiality tested.

³ Total expenses were calculated based on the General Ledger extract provided to RCGT by the Senate on October 18, 2019.

3.5. Audit Results

The audit testing phase occurred between November 4th, 2019 and November 15th, 2019. A sample was deemed non-compliant if one (1) or more policy requirements could not be reasonably validated through the documentation within the system of record and the supplementary information provided.

During our testing, we observed good practices resulting in a high rate of compliance. In particular, the Senate has recently implemented the Unit4 system, which has strengthened controls related to workflows, approvals and document retention to demonstrate compliance with policy requirements.

It was also found that Senators generally submitted expense claims within 60 calendar days from the purchase date of goods or services, last day of travel, last day of an event, or notification of successful completion. Tables 4 and 4.1 below provide the results of our compliance testing and details on the non-compliance observation noted.

Table 4: Senator Expense Testing Results

Key Information	Population and Sample	Testing Results	
Population Value	\$7,790,603	Compliant	Non-Compliant
Tested Amount (\$)	\$738,651	\$736,959	\$1,692
Number of Transactions Tested (%)	202	201 (99.5%)	1 (0.5%)

Table 4.1: Details of Non-Compliant Testing Observations

Test Results / Nature of Non-Compliant Observations	Number of Non-Compliant Samples	Value of Sample Tested
An expense claim was not signed by the Senator who submitted the claim.	1	\$1,692
Total	1	\$1,692

Management Response

The Senate Administration agrees with the observation and has since obtained the Senator's signature for the identified expense claim.

3.6. Recommendations

Recommendation 1: Information Management

It is recommended that as the Senate continues the transition to the new systems of records (Unit4 and eClaims), that it makes greater use of the document storage functionalities instead of paper files or saving documents to the network to ensure that the systems of record (i.e.: Unit4 and e-Claims) contain all required documentation, such as:

- Invoices;
- Purchase orders;
- Rental agreements;
- Approvals; and
- Evidence of competitive procurement process or exemptions to the competitive process approved by the Clerk of the Senate and the Standing Senate Committee on Internal Economy, Budget and Administration.

Management Action Plan

The Senate Administration agrees with the recommendation. The 2018-2019 fiscal year was a transition year for Finance as it was migrating to a paperless environment and leverage the use of corporate systems to improve document management.

4. SENATE ADMINISTRATION EXPENSES

4.1. Background / Context

Senate Administration expenses are expenses incurred by Senate employees (non-senators) and include hospitality, petty cash and procurement expenses. Information related to Senate Administration expenses is expected to be stored in the Senate's Unit4 system, including documentation relating to the contracting process, good and services receipt and payment.

4.2. Scope

The scope of the audit included all expenses incurred in the period between April 1st, 2018 and March 31st, 2019 in the following categories: Transportation and Telecommunications, Professional and Special Services, Rentals and Licenses, Equipment, Materials and Supplies, Purchase Repair and Maintenance and Information and Publication. The audit excluded testing of salary and benefit expenses.

The audit tested compliance of expenses with the following policies:

- Senate Administration Policy on Extending Hospitality;
- Petty Cash Policy;
- Senate Administration Policy on Travel; and
- Senate Procurement Policy.

It should be noted that the following requirements of the Senate Procurement Policy were not tested as these procurement requirements had not been fully implemented at the time of the audit scope period:

- Inclusion of socio-economic objectives during procurement processes; and
- Inclusion of environmental clauses within Requests for Proposals.

4.3. Audit Procedures Performed

The following audit procedures were performed:

- Validated that the Senate Procurement Policy was adhered to when purchasing goods or services. Specifically, reviewing whether:
 - Contracts for goods or services were entered into by persons occupying positions with specific delegated contracting authority.
 - Approval was obtained from the Standing Senate Committee on Internal Economy, Budget and Administration (the Committee):

- Prior to initiating any procurement action for goods or services that exceed \$100,000.
 - For amendments that will bring the original contract value above \$100,000.
 - For major amendments of terms and conditions of contracts, previously approved by the Committee, prior to final changes to the contract.
 - For requests, regardless of value, that the Chief Financial Officer and Procurement may judge as improper use of public funds.
- Competitive sourcing processes were held for goods and services when contract values for services exceed \$35,000 for a fiscal year or contracts for goods exceed \$25,000.
- Competitive sourcing processes included time limits for bids or proposals.
- Exceptions to the competitive sourcing process were approved by the Standing Senate Committee on Internal Economy, Budget and Administration for transactions greater than \$25,000 for goods and \$35,000 for services.
- Contracts for goods specify technical requirements in terms of performance criteria rather than design or descriptive characteristics, describe the work to be carried out, the objectives to be obtained and the contractor's responsibilities.
- Contracts were awarded to suppliers that complied with all mandatory requirements stated in the competitive document, whom the evaluation committee considered able to fulfill its bid obligations and was determined to be the most advantageous in terms of overall value based on the evaluation criteria contained in the competition document.
- Validated that Senate Administration expenses were approved by delegated financial signing authorities.
- Validated that Senate Administration expense claims were supported by required documentation.
 - Specifically, for the selected expense, validated that the following supporting documentation was included in the claim:
 - Invoices;
 - Receipts/proof of payment;
 - Written justification for goods and services provided; and
 - Written justification of the purpose and need for the expense, with supporting documentation.

4.4. Sample

To conduct the audit, samples of Senate Administration expenses were selected. Proportional samples were selected based on expense categories included in the Senate's chart of accounts. The total amount sampled for Senate Administration expenses was equal to 27% of total expenses. Individual sample items within the proportional sample were randomly selected from the General Ledger.

Table 5 below provides a summary of the sample of Senate Administration expenses compared to the total population is provided in the table below:

Table 5: Senate Administration Expenses Population and Sample

Expense Category	Population		Sample		
	Total Expenses ⁴	Percentage of Expenses	Total Sampled Expenses	Percentage of Total Sampled Expenses	Number of Samples
Transportation & Telecommunications	\$639,896	8.4%	\$128,493	6.3%	14
Professional and Special Services	\$2,826,646	37.1%	\$573,980	28.1%	22
Rentals & Licenses	\$944,552	12.4%	\$190,217	9.3%	5
Equipment	\$1,230,414	16.1%	\$249,058	12.2%	7
Materials & Supplies	\$754,068	9.9%	\$163,287	8.0%	33
Purchase Repair & Maintenance	\$765,758	10.0%	\$305,000	14.9%	2
Information & Publications	\$463,552	6.1%	\$433,000	21.2%	2
Total	\$7,624,886	100%	\$2,043,035	100%	85

4.5. Audit Results

The summarized audit results are outlined in tables 6 and 6.1 below. A sample was deemed non-compliant if one (1) or more policy requirements could not be reasonably tested through the documentation within the system of record and the supplementary information provided.

During our testing, we observed numerous good practices resulting in a high rate of compliance. The audit found Senate Administration expenses were approved by delegated financial signing authorities and expenses were generally supported by required documentation. It was also found that when creating contracts for goods, the technical specifications included objective and measurable performance criteria.

The summarized audit results are outlined in table 6 below.

Table 6: Senate Administration Expenses Testing Results

Key Information	Population and Sample	Testing Results	
Population Value	\$7,624,886	Compliant	Non-Compliant
Tested Amount (\$)	\$ 2,043,034	\$2,043,034	-
Number of Transactions Tested (%)	85	85 (100%)	-

While it was found that all transactions sampled complied with Senate policies, it was observed that for one (1) transaction sampled, the Standing Committee on Internal Economy, Budgets and Administration (the Committee) approved a non-competitive procurement process for services exceeding \$100,000, as well as the renewal of the contract. While this is compliant with the Senate

⁴ Total expenses were calculated based on the General Ledger extract provided to RCGT by the Senate on October 18, 2019.

Procurement Policy, it was noted that the annual value of the contract increased from the amount that was initially approved by the Committee.

The contract is summarized in table 6.1 below.

Table 6.1: Details of Contract Approved by the Committee

Contract Purpose	Date of Approval	Approved Value	Current Value	Increase in Value
Support and Maintenance of Senate Owned Multimedia	March 24, 2016	\$250,000	\$300,000	\$50,000

4.6. Recommendations

Recommendation 2: Clarify Policy Requirements

Within the Senate Procurement Policy, it is stated that end users must seek and obtain approval from the Committee for major amendments of terms and conditions of contracts, previously approved by the Committee, prior to final changes made on the contract. For the contract noted in table 6.1, Committee approval to increase the value of the annual contract amount could not be demonstrated by the Senate.

It is recommended that the Senate clarify the Senate Procurement Policy by establishing thresholds pertaining to the Committee's requirement to approve major amendments of terms and conditions of contracts (e.g. dollar value of amendment.).

Management Action Plan

The Standing Committee on Internal Economy, Budgets and Administration (CIBA) approved the contract for Support and Maintenance of Senate Owned Multimedia on March 24, 2016 for the fiscal year 2016-17 and for future fiscal years. CIBA's decision states that the SLA for services between the Senate and the House of Commons multimedia support group be renewed at \$250,000 and be renewed automatically at the beginning of each fiscal year, as long as it can be established that the arrangements continues to be beneficial to the Senate. Therefore, the Senate Administration did not seek another approval by CIBA since the arrangement continued to be beneficial to the Senate.

However, the Senate Administration agrees that the Procurement Policy should be clarified to better define what constitutes a major amendment of the terms and conditions of a contract requiring a new approval by CIBA. The Senate Administration is currently reviewing its Procurement Policy and will take this recommendation into consideration during the revision.

Appendix A – Audit Criteria

The risk-based criteria were developed by determining the expected controls related to non-salary expenses, including controls during procurement processes for goods and services, as well as expected controls throughout the expense processes.

Audit Criteria and Sub-Criteria	
1. Senator expenses were made in accordance with established policies and procedures, including procurement activities.	
1.1	Senator expenses were approved by delegated financial signing authorities.
1.2	Senator expense claims were received by the Finance and Procurement Directorate within 60 days of occurrence.
1.3	Senator expense claims were supported by required documentation.
1.4	The Senate Procurement Policy and/or Senators' Office Management Policy was adhered to when purchasing goods or services.
2. Senate Administration expenses were made in accordance with established policies and procedures, including procurement activities.	
2.1	Senate Administration expenses were approved by delegated financial signing authorities.
2.2	Senate Administration expenses were supported by required documentation.
2.3	The Senate Procurement Policy was adhered to when purchasing goods or services.
3. Controls and practices were applied in the processing and recording of expenses as per Senate designed processes.	
3.1	The Senate has designed and documented controls for the processing and recording of expenses.
3.2	Controls for the processing, recording and payment of expenses have been implemented and are operating effectively.



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