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# 5 Agencies, Boards and Commissions: Travel and Other Expenses

## Summary

We tested travel and other expenses of senior management and board members at eight entities and found weaknesses in controls over expense claims, as well as other areas for improvement. Numerous claims were paid which lacked appropriate support. Without support, such as receipts or details and purpose of the expenditure, we cannot provide assurance that the expenses claimed were appropriate. We recommended only complete expense documentation be accepted and processed for payment.

We found some claims at certain entities were not approved for payment and we recommended all claims be approved. We also found inappropriate approval processes, such as board chair claims approved by the senior executive, senior executive claims approved by subordinates, claims approved by peers, and self-approval of claims. We recommended appropriate approval relationships be established.

Improvements are needed to travel policies at some entities which do not follow government policies. We recommended these entities review and update their policies. We also identified a potential for mileage savings and recommended this be considered when entities make travel arrangements.

Although we found a few instances of inappropriate expense claims they were for insignificant amounts.

The types of weaknesses we identified at the eight entities we visited likely exist at other provincial agencies, boards and commissions. We recommended Treasury Board Office communicate with agencies, boards and commissions that they evaluate their own systems and processes in light of our observations and recommendations and make the improvements required.



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# 5 Agencies, Boards and Commissions: Travel and Other Expenses

## Background

- 5.1 Provincial agencies, boards and commissions are separate entities which operate outside the traditional government structure while providing various services to the Nova Scotia public. Such entities are commonly created through legislation, regulation, or incorporation under the Nova Scotia Companies Act.
- 5.2 There are over 50 provincial agencies, boards and commissions which were set up to provide services such as health care, education, financial assistance and support to specific economic or cultural sectors. These entities operate with some autonomy from government but are still accountable to their responsible ministers.

## Audit Objective and Scope

- 5.3 In February 2013, we completed a performance audit of travel and other expenses of senior management and board members at selected provincial agencies, boards and commissions, covering the period from April 2011 to September 2012.
- 5.4 The objective for this assignment was to determine whether travel, hospitality and other related expenses incurred by or on behalf of senior management and board members are appropriate, adequately supported, properly authorized, and in accordance with legislation, policies and guidelines.
- 5.5 The audit was conducted in accordance with Sections 18 and 21 of the Auditor General Act and auditing standards established by the Canadian Institute of Chartered Accountants.
- 5.6 Audit criteria were developed specifically for this audit and were discussed with, and accepted as appropriate by, senior management at the selected agencies, boards and commissions we visited for detailed audit work.
- 5.7 Our audit approach included examination of policies and documents, interviews with management and staff, and sample testing of expense claims.



5.8 The following entities were selected for our audit.

Film Nova Scotia (now Film and Creative Industries Nova Scotia)  
Hants Regional Development Authority  
Nova Scotia Innovation Corporation  
Nova Scotia Liquor Corporation  
Nova Scotia Primary Forest Products Marketing Board  
Strait-Highlands Regional Development Agency  
Sydney Tar Ponds Agency  
Waterfront Development Corporation

5.9 The recommendations throughout this report are applicable to certain of the entities we audited. The entities are noted in the recommendation or in brackets following the recommendation. For a summary listing of the recommendations and the entities they apply to, see Appendix 5.1 at the end of this chapter. Auditee responses follow the appendix.

## Significant Audit Observations

### Support for Expense Claims

#### Conclusions and summary of observations

We found many expense claims without appropriate support, such as receipts, evidence of payment, detailed support or purpose of the expense. We were unable to determine whether items claimed in these instances were appropriate. Making payments without receipts is a poor business practice and significantly increases the risk for reimbursement of ineligible expenses. We recommended only complete expense documentation be accepted and processed for payment.

5.10 *Unsupported expense claims* – Claims processing controls start with claimants ensuring their expenses and claims are appropriate and adequately supported. Incomplete or inadequate documentation significantly increases the risk of claiming items in error or making an inappropriate claim.

5.11 We assessed the adequacy of claims documentation submitted at the entities we audited based on good practices such as submission of original receipts, evidence of payment, and purpose of the expenditure. We found numerous instances in which support for expenses did not provide sufficient information to determine if the claim was appropriate. We noted the following inadequacies with documentation.

- Receipts were not submitted. Receipts provide evidence that the expense was incurred and appropriate.
- Evidence of payment was not included. This provides support that the expense was incurred by the claimant.



- Supporting documentation, such as detailed meal receipts, was not provided. Detailed receipts enable the approver to verify what was purchased and that no inappropriate items were claimed.
- The purpose for travel or meals claimed was not noted. This assists the approver in determining whether the expenses claimed related to approved entity business and are eligible for reimbursement.

5.12 The following table shows all the entities we tested had instances of inadequate documentation.

Entity	No Receipts	No Evidence of Payment	No Detailed Support	Purpose of Expenditure Not Noted
Film Nova Scotia	5 claims	–	20 claims	–
Hants Regional Development Authority	2 claims	1 claim	25 claims	21 claims
Nova Scotia Innovation Corporation	7 claims	1 claim	56 claims	13 claims
Nova Scotia Liquor Corporation	19 claims	21 claims	173 claims	165 claims
Nova Scotia Primary Forest Products Marketing Board	–	6 claims	1 claim	8 claim
Strait-Highlands Regional Development Agency	–	–	19 claims	223 claims
Sydney Tar Ponds Agency	–	18 claims	–	–
Waterfront Development Corporation	34 claims	5 claims	53 claims	8 claims

5.13 Proper documentation is important to both prevent inappropriate expenses and protect senior management and board members against allegations of improper expense claims. Due to the lack of appropriate documentation, we could not determine whether those items claimed were appropriate.

**Recommendation 5.1**

**Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment. [This recommendation applies to all entities tested.]**

**Approval and Payment Processes**

**Conclusions and summary of observations**

We found some claims at Waterfront Development Corporation and Nova Scotia Primary Forest Products Marketing Board were not approved for payment; we recommended all claims be approved. At several entities we found inappropriate approval processes, such as senior executive claims approved by subordinates, senior managers approving other senior



manager's claims, and self-approval of claims. We recommended appropriate approval processes be established. In some instances, other staff, such as executive assistants, may incur expenditures on behalf of senior managers. We recommended expenses claimed by senior managers be reviewed, along with related expenses incurred on their behalf, to ensure they are appropriate.

- 5.14 *Internal controls* – Appropriate controls are necessary to ensure the accuracy of claims processes and to ensure that claims paid are in compliance with policies and guidelines. Such controls include checking claims for accuracy, supporting documentation and evidence of payment. Appropriate controls also include requiring proper approval of claims prior to processing for payment.
- 5.15 At most of the entities we tested, we found claims were approved and paid. However, at Waterfront Development Corporation we noted nine instances (47% of credit card claims tested) for which there was no approval of expenses purchased through a corporate credit card. Waterfront Development Corporation does not use a claim form for credit card purchases. Senior managers submit only the credit card statement and credit card transaction receipts for approval. All expenses, whether claimed through a claim form or corporate credit card statement should be signed by an approver as indication of approval for the expense.

***Recommendation 5.2***

***Waterfront Development Corporation should develop a process to ensure all expense claims, including claims through corporate credit cards, are signed by an approver as indication of approval for the expense.***

- 5.16 At Nova Scotia Primary Forest Products Marketing Board, we found claims for board members' per diems are not reviewed and approved prior to payment. The office manager prepares the claim forms based on information provided by board members and meeting minutes. These forms are submitted for payment without review and approval by the board chair. Review and approval of claims is an important control for detecting inappropriate expenses and should always be required before payment is made.

***Recommendation 5.3***

***Nova Scotia Primary Forest Products Marketing Board should implement a process whereby per diem claims for board members are reviewed and approved by the board chair prior to submission for payment.***

- 5.17 *Approval processes* – Approval of expense claims can be an effective control when a person in a senior position approves the expenses of a subordinate. At certain entities, the approval processes were not appropriate.
- Board chair expense claims were approved by the senior executive, not by a Minister or other board member.

- Senior executive expense claims were approved by management subordinates.
- Senior managers approved claims of their peers.
- Corporate card expense claims were self-approved by the senior executive, not the board chair.

5.18 These approval processes are not appropriate and increase the risk that expense claims will not be adequately scrutinized and inappropriate expenses may be paid.

***Recommendation 5.4***

***Appropriate approval processes should be established in approving expense claims. [This recommendation applies to Film Nova Scotia, Hants Regional Development Authority, Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation.]***

5.19 *Expenditures by other individuals* – The approval process is not an effective control if members of senior management approve their own expenses. We found instances in which subordinates made expenditures on behalf of senior managers and then submitted the expense claim for approval to the senior manager for whom the expenditure was made. When expenditures are made by another individual on behalf of senior management, approval for that expenditure should be obtained from someone other than the person for whom the expenditure was made.

***Recommendation 5.5***

***Expenses incurred by other individuals on behalf of senior management should be approved by a person other than the senior manager for whom the expenditure was made. [This recommendation applies to Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation.]***

5.20 *Related travel expenses* – The effectiveness of the approval process is reduced if all related travel expenses for a business trip are not included on the claim. We found determining the appropriateness of expenditures more challenging for entities at which another individual incurred and claimed expenditures on behalf of senior management. We found one instance in which such a situation resulted in a claim discrepancy which was not detected until our audit. Expenses incurred by another individual on behalf of a senior manager should be reviewed along with the senior manager's claim for related expenses.

***Recommendation 5.6***

***Senior management expense claims should be reviewed together with related expenses incurred by other individuals on their behalf prior to making payments. [This recommendation applies to Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation.]***



5.21 *Personal expenses* – Senior management and board members may travel on behalf of the entities they represent and claim all business-related expenses in accordance with their policies. Additional expenses, such as costs for a spouse to travel with the employee or board member are not eligible. While it may be practical and convenient for the travel arrangements for an accompanying spouse to be made at the same time as the employee, it is important that the additional costs are removed and not included on the employee's claim. This is best accomplished if there are clear rules, guidelines and processes on identifying and deducting these expenses. We found claim discrepancies at Nova Scotia Liquor Corporation in which incomplete or incorrect amounts were deducted for non-employee travel expenses.

***Recommendation 5.7***

***The Nova Scotia Liquor Corporation should establish rules, guidelines and processes for identifying and deducting non-eligible travel expenses from employee and board member claims.***

5.22 *Timeliness* – Our detailed testing identified instances in which expenses were not claimed in a timely manner. Specifically, the following issues were identified.

- Mileage incurred over several months was claimed on one claim. Mileage claims should be submitted with related travel expenses on a timely basis in order for the approver to determine if the mileage and related expenses claimed are appropriate.
- Credit card claims were submitted one to three months late. Credit card claims should be submitted in a timely manner to provide proper support for the expenditures made.

***Recommendation 5.8***

***Claims for mileage should be submitted with related expenses in a timely manner. [This recommendation applies to Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation.]***

***Recommendation 5.9***

***Credit card expense claims should be submitted in a timely manner. [This recommendation applies to Waterfront Development Corporation.]***

## Appropriate Expenses

### Conclusions and summary of observations

Some senior managers made claims for ineligible travel expenses and items previously claimed. Although the circumstances and nature of the expenses were not of concern, we have recommended all such amounts be recovered. We also identified a potential for



significant savings if travel arrangements by senior management were coordinated and we recommended this be considered.

- 5.23 *Assessing appropriateness* – We referred to the policies and guidelines in effect at each entity to assess the appropriateness of senior management and board member expenditures. While most expense items were within the established rules, we noted instances in which claimed expenditures were not in accordance with policies.
- 5.24 *Ineligible expenses* – Government travel policies outline the conditions when an employee is considered in travel status for work and when meal expenses can be claimed. For entities following government travel policies this means, for example, employees who return home after 6:30 pm when travelling for work may claim for a supper meal. Likewise, if travelling for business more than an hour before the normal time to arrive at work, an employee may claim for breakfast. We noted 25 instances totaling \$356 in which meals were claimed when the person did not meet the criteria to claim meal expenses.
- 5.25 At some entities which follow their own travel policies, we could not determine whether certain claims for meal expenses were appropriate or not because their policies do not clearly state the timeframes and conditions within which meal expenses can be claimed. Recommendation 5.13 later in this chapter addresses this issue.
- 5.26 *Double payments* – A double payment occurs when a person receives reimbursement for an expense which had previously been claimed. We examined a sample of expense claims for the period from April 2011 to September 2012 for double payments. The number of claims for double payments was low. For the eight entities included in the audit, we identified nine duplicate claims totaling \$354.
- 5.27 Although the circumstances and nature of the expenses were not of concern, expenses previously claimed and paid are not eligible for reimbursement a second time and therefore should be recovered.

***Recommendation 5.10***

***Payments made for ineligible expenses or expenses already claimed should be recovered.***

***[This recommendation applies to Nova Scotia Innovation Corporation, Nova Scotia Primary Forest Products Marketing Board, Strait-Highlands Regional Development Agency, Sydney Tar Ponds Agency.]***

- 5.28 *Late fees* – Businesses often charge late fees when payment for goods or services is not timely, generally after 30 days. In our sample, we identified payments for late fees totaling \$272 for 17 claims as a result of untimely payment. While the total amount may not seem significant, reimbursement for late fees does not reflect best practices or best use of funds.

**Recommendation 5.11*****Late fees and other such avoidable expenses should not be eligible for reimbursement.******[This recommendation applies to Nova Scotia Innovation Corporation.]***

5.29 *Travel savings* – One way an entity can reduce travel-related costs is to consider having those attending the same meetings or conferences travel together in one vehicle, where appropriate, to reduce the mileage claimed. We noted a number of instances in which two or three members of senior management travelled on the same day to attend the same meeting. In all cases, each individual attending the meeting travelled separately and claimed mileage for the trip. We determined there were nine trips with a potential savings of \$3,416 in mileage claims by the senior managers attending these meetings. We believe cost savings are possible if senior management gives due consideration to coordinating travel arrangements to reduce unnecessary mileage claims.

**Recommendation 5.12*****Senior management should consider coordinating travel arrangements to reduce unnecessary mileage claims. [This recommendation applies to Sydney Tar Ponds Agency.]***

## Policy Framework

### Conclusions and summary of observations

We found no significant differences between government travel policies and those followed by some of the entities we tested. However, we identified policy weaknesses related to travel status and mileage rates at those entities that did not follow government travel policies. We recommended policies be reviewed and updated to provide guidance in those areas. We found policies were not adequately communicated at some entities and we recommended this be addressed.

5.30 *Policies* – Government travel and other policies are included in Management Manuals 100 to 500 and provide a framework for government employees. Government departments and offices are required to follow these policies, which are available on the government website. Crown corporations, agencies, boards and commissions are to use government policies to the extent there is no conflict with their legislation or contracts. Where possible and appropriate, they are asked to embrace the intent of the government policies.

5.31 To assess the appropriateness of expenditures by senior management and board members at the eight entities we selected, we relied on each entity's policies and guidelines over our audit period. Three entities follow the government travel policies while five have developed their own. Although we found no significant differences

between government travel policies and those established by the five entities, we did note the following deficiencies in some policies.

- No minimum travel distance specified before meal expenses can be claimed
- Standard class for air travel not specified
- Approval process for board member claims not outlined
- Itemized receipts not required with claims
- No guidance on when staff may claim for meals when not on travel status
- Mileage rates not updated for several years

5.32 Policies provide a framework for staff to know when expenses can be incurred and claimed for reimbursement. To be effective, policies should be comprehensive, covering relevant types of expenditures and general circumstances in which they may be incurred.

***Recommendation 5.13***

***Policies should be reviewed and updated, including guidance on minimum travel distances and claiming staff meal expenses, standard class for airfare, approval process for board member claims, and requirement for itemized receipts. [This recommendation applies to Hants Regional Development Authority, Nova Scotia Innovation Corporation, Nova Scotia Liquor Corporation, Strait-Highlands Regional Development Agency.]***

5.33 *Communication of policies* – To provide guidance on eligible travel and other expenses, policies should be communicated in sufficient detail to applicable staff and board members. At some entities, policies were not provided to board members or communication of policies lacked important details to ensure compliance. This lack of complete policy information may be a contributing factor to the number of discrepancies we found in those entities' claims.

***Recommendation 5.14***

***Policies should be communicated in sufficient detail to staff and board members to provide guidance on eligible travel and other expenses. [This recommendation applies to Nova Scotia Innovation Corporation, Nova Scotia Primary Forest Products Marketing Board, Waterfront Development Corporation.]***

## Overall Observations

5.34 While we found few instances of inappropriate expense claims, such as double payments or ineligible expenses, we identified numerous instances of inadequate documentation to support expenses claimed. We also found approval relationships



which were not appropriate and other process controls which could be improved. We found expenditures made on corporate credit cards at the Waterfront Development Corporation were not appropriately approved for payment. This represents the breakdown of a fundamental key control which exposes the Corporation to an unnecessary level of risk related to the payment of inappropriate expenditures.

- 5.35 We tested a sample of claims at eight of the numerous provincial agencies, boards and commissions. The types of weaknesses we identified at these entities are likely to be found at some of the entities we did not audit. Other agencies, boards and commissions should evaluate their own systems and processes in light of our observations and recommendations and make any improvements required.

***Recommendation 5.15***

***Treasury Board Office should communicate to all provincial agencies, boards and commissions that they use the observations and recommendations in this chapter to evaluate their own systems and processes for travel and other expenses, by and on behalf of, senior management and board members, and make improvements as required.***

Recommendations by Entity								
Recommendation	Film Nova Scotia	Hants Regional Development Authority	Nova Scotia Innovation Corporation	Nova Scotia Liquor Corporation	Nova Scotia Primary Forest Products Marketing Board	Strait-Highlands Regional Development Agency	Sydney Tar Ponds Agency	Waterfront Development Corporation
Recommendation 5.1 Complete documentation	X	X	X	X	X	X	X	X
Recommendation 5.2 Approval of credit card claims								X
Recommendation 5.3 Approval of per diem claims					X			
Recommendation 5.4 Approval process	X	X	X	X				
Recommendation 5.5 Approval of expenses made on behalf of senior managers/board			X	X				
Recommendation 5.6 Review related expenses			X	X				
Recommendation 5.7 Reimbursement guidelines and processes				X				
Recommendation 5.8 Timely submission of mileage claims			X	X				
Recommendation 5.9 Timely submission of credit card expense claims								X
Recommendation 5.10 Recover ineligible expenses			X		X	X	X	
Recommendation 5.11 Late fees not eligible			X					
Recommendation 5.12 Coordinate travel arrangements							X	
Recommendation 5.13 Update policies		X	X	X		X		
Recommendation 5.14 Communicate policies			X		X			X



#### Film Nova Scotia Response

***Recommendation 5.1***

***Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment.***

Agreed. Claims for reimbursement will not be processed for payment without complete documentation.

***Recommendation 5.4***

***Appropriate approval processes should be established in approving expense claims.***

Agreed. Board chair expense claims will be approved by an executive of the board of directors effective April 1, 2013.

#### Hants Regional Development Authority Response

***Recommendation 5.1***

***Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment.***

In some instances expenses had been approved without the appropriate itemized receipt.

Moving forward, care will be taken to ensure the appropriate itemized receipt is attached to the expense claim prior to approval.

As a “best practice”, in the future an itemized receipt will be required with each expense along with proof of payment. Policies will be revised to reflect the need for the submission to include itemized receipts as proof of expense and where applicable debit/credit card receipts will be attached as proof of payment. All expense claims will continue to require approval before payout as outlined in the Hants RDA Bylaw, Policies and Procedures.

***Recommendation 5.4***

***Appropriate approval processes should be established in approving expense claims.***

The importance of having an appropriate approval process for sign-off on any expenses is recognized. Under the current Hants RDA Bylaws, Policies and Procedures (Ministerial approved May 2008), board members submit expense claims to the Executive Director for approval. The Executive Director expense claims require the approval of the Chair, or

Hants Regional Development Authority Response (continued)

in the Chair's absence, another Executive Officer. It has always been the responsibility of both the Board member and the Executive Director to ensure that accurate information is provided on the Statement of Travel Expenses.

Following the recommendations from the Auditor's office, all expense claims submitted by board members as well as the Executive Director's will now require two Executive Officer's signatures for approval for payment.

***Recommendation 5.13***

***Policies should be reviewed and updated, including guidance on minimum travel distances and claiming staff meal expenses, standard class for airfare, approval process for board member claims, and requirement for itemized receipts.***

The current Bylaws, Policies and Procedures indicate that mileage is compensated at the provincial rate. As noted in the OAG Audit, mileage paid to Board of Directors and Hants RDA staff was at a rate other than the provincial rate. The mileage rate used by the organization did not reflect the changing provincial rate, but remained at a constant rate of 40.92 over the three year period.

The Auditor's recommendation is recognized and moving forward closer attention will be given to the change in the provincial rate and reimbursement will reflect the rate change. Bylaws, Policies and Procedures will be reviewed with Board and staff to ensure that all are aware of the policies for reimbursement of expenses.

***Conclusion***

The report by the auditors is recognized as an opportunity to improve the current policies and procedures or "best practices" within our organization and steps will be taken to ensure the changes to Bylaws, Policies and Procedures are adjusted and implemented to reflect the Office Auditor General Audit recommendations in the time remaining.

**Nova Scotia Innovation Corporation Response**

Innovacorp appreciates the thorough review by the Auditor General of the travel and other expenses of its senior management and board members. We agree with the Auditor General's findings with respect to expenses reviewed covering the period from April 2011 to September 2012. During the first quarter of the 2013-14 fiscal year, Innovacorp will develop and implement enhanced controls and expense management policy improvements to address the findings contained in this report.

Editor's note: The following recommendations apply to this entity.

***Recommendation 5.1***

***Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment.***

***Recommendation 5.4***

***Appropriate approval processes should be established in approving expense claims.***

***Recommendation 5.5***

***Expenses incurred by other individuals on behalf of senior management should be approved by a person other than the senior manager for whom the expenditure was made.***

***Recommendation 5.6***

***Senior management expense claims should be reviewed together with related expenses incurred by other individuals on their behalf prior to making payments.***

***Recommendation 5.8***

***Claims for mileage should be submitted with related expenses in a timely manner.***

***Recommendation 5.10***

***Payments made for ineligible expenses or expenses already claimed should be recovered.***

***Recommendation 5.11***

***Late fees and other such avoidable expenses should not be eligible for reimbursement.***

***Recommendation 5.13***

***Policies should be reviewed and updated, including guidance on minimum travel distances and claiming staff meal expenses, standard class for airfare, approval process for board member claims, and requirement for itemized receipts.***

***Recommendation 5.14***

***Policies should be communicated in sufficient detail to staff and board members to provide guidance on eligible travel and other expenses.***

### Nova Scotia Liquor Corporation Response

The NSLC is pleased to accept the performance audit report of senior management and Board travel and other expenses that found no inappropriate expenses or significant variations from policy were identified. The NSLC accepts that improvements in our documentation, processes, and related policies can be made and we will have implemented all recommendations by the publishing date of the report, with communication to appropriate levels within the organization.

In connection with your performance audit of senior management and board members travel and other expenses at Nova Scotia Liquor Corporation, please note our responses below:

***Recommendation 5.1***

***Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment.***

***Recommendation 5.13***

***Policies should be reviewed and updated, including guidance on minimum travel distances and claiming staff meal expenses, standard class for airfare, approval process for board member claims, and requirement for itemized receipts.***

The NSLC will revise their travel policy to clarify that both itemized receipts and evidence of payment are required for all meal and entertainment expenses. The accounts payable staff will perform additional pre-approval procedures in advance of payment to ensure that all claims are fully supported with the appropriate receipts, notations on purpose of expenditure, and names of all individuals in attendance. Claims lacking complete support will not be processed.

***Recommendation 5.4***

***Appropriate approval processes should be established in approving expense claims.***

***Recommendation 5.5***

***Expenses incurred by other individuals on behalf of senior management should be approved by a person other than the senior manager for whom the expenditure was made.***

The NSLC will modify their travel approval policy to require that:

- Board Chair expenses require approval of the Audit Committee Chair.
- All expenses incurred on behalf of senior executives require approval of the CEO (or the Board Chair in the case of the CEO expense), regardless of which corporate credit holder incurred the expense.



#### Nova Scotia Liquor Corporation Response (continued)

##### ***Recommendation 5.6***

***Senior management expense claims should be reviewed together with related expenses incurred by other individuals on their behalf prior to making payments.***

##### ***Recommendation 5.8***

***Claims for mileage should be submitted with related expenses in a timely manner.***

The NSLC will revise their travel policy to clarify that all out of pocket expenses (including mileage) related to a particular trip must be claimed on a single submission.

##### ***Recommendation 5.7***

***The Nova Scotia Liquor Corporation should establish rules, guidelines and processes for identifying and deducting non-eligible travel expenses from employee and board member claims.***

The NSLC will modify the travel policy to clarify that personal portion of travel expenses must be processed in advance of travel under the individuals' own credit card. We will discontinue the process of seeking employee reimbursement subsequent to the trip.

##### ***Timelines:***

The NSLC will fully implement and communicate the changes to the travel policy by May 15, 2013.

#### Nova Scotia Primary Forest Products Marketing Board Response

As the current Chairman of the Primary Forest Products Marketing Board (the "Board"), I recognize my responsibility to ensure the Board's practices in dealing with travel and other expense claims by members and staff are in compliance with accepted practice. While I was not directly involved with the audit, my instructions to staff were that the Auditor General should be accommodated in every way possible. I have been assured by the Auditor General's staff that they received full cooperation from Board staff in the course of the audit.

Upon reviewing the Auditor General's "Confidential Draft" Report I acknowledge that there are obvious improvements which can be made in the manner in which the Board deals with its expense claims. I can confirm that the Final Report will be brought to the attention of the full Board at our next meeting with the intention of implementing the recommendations made therein insofar as such recommendations apply to the Board. Regarding those items that applied specifically to the PFMB which are 5.1, 5.3, 5.10 and 5.14:

Nova Scotia Primary Forest Products Marketing Board Response (continued)

**Recommendation 5.1**

***Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment.***

I/we will to the best of our ability require complete documentation; including detailed receipts etc. and those claims without such complete support will not be forwarded for processing.

**Recommendation 5.3**

***Nova Scotia Primary Forest Products Marketing Board should implement a process whereby per diem claims for board members are reviewed and approved by the board chair prior to submission for payment.***

I accept the recommendation regarding this item and have recently implemented such.

**Recommendation 5.10**

***Payments made for ineligible expenses or expenses already claimed should be recovered.***

This matter will be reviewed and your recommendation will be taken under advisement.

**Recommendation 5.14**

***Policies should be communicated in sufficient detail to staff and board members to provide guidance on eligible travel and other expenses.***

Regarding this recommendation, the Chair has already instructed me to obtain an updated policy on eligible travel and other expenses to be made available to the members at our next board meeting sometime in the near future.

Strait-Highlands Regional Development Agency Response

Of the fourteen (14) recommendations contained in the draft Audit Report there are two (2) recommendations that apply specifically to Strait-Highlands Regional Development Agency (S-HRDA), 5.1 and 5.13.

**Recommendation 5.1**

***Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment.***



### Strait-Highlands Regional Development Agency Response (continued)

In reference to the seventeen (17) claims identified under “No Detailed Support”, the majority of these refer to meals at hotels which were added to the room without attaching the detailed meal receipt to the Travel Expense Claim. Corrective Action – All meals charged to a hotel room will require the detailed meal receipt being attached to the Expense Claim. Generally, S-HRDA’s meal allowance is a per diem.

In reference the 225 claims under “Purpose of Expenditure Not Noted”, the majority (222) of these claims refer to the purpose of travel. All of these claims were created from our electronic calendar (Lotus Notes program) which shows details of meetings (date, time, duration, purpose). Corrective Action – S-HRDA will either (1) print and attach calendar information to S-HRDA’s existing Travel Claim, or (2) revise Travel Expense Claim and provide both “Destination” and “Purpose” of trip. S-HRDA correction action is to implement the second (2) option starting April 1, 2013.

#### **Recommendation 5.13**

***Policies should be reviewed and updated, including guidance on minimum travel distances and claiming staff meal expenses, standard class for airfare, approval process for board member claims, and requirement for itemized receipts.***

We will conduct a partial review of the S-HRDA Travel Policy due to S-HRDA’s impending closure (July 22, 2013). Corrective action – Suggested improvements will be implemented where practical for the four remaining months of operation.

**OAG Comment:** There is a third recommendation which applies to this entity. [Recommendation 5.1 – Payments made for ineligible expenses or expenses already claimed should be recovered.] We understand the entity addressed this recommendation during the audit.

#### **Overall Comments:**

After review of the Provincial Bill C-10 that established the RDAs, and the contract from NS Economic and Rural Development and Tourism pertaining to the annual core funding, there are no references to the Office of the Auditor General having authority to conduct audits. We believe that it does have such authority, but suggest that in future Acts and in annual contracts, this information be included as a clause in the Act or contract.

Further, most small agencies, boards and/or commissions do not have professional accountants on staff. It would be helpful if the Province were to develop a practical “Tool Kit” regarding Travel Expense Policy, Procedures, Claim Forms, etc., for such organizations as a guide. The Provincial Travel Expense Policy Guide is somewhat cumbersome for a small organization.

Sydney Tar Ponds Agency Response

***Recommendation 5.1***

***Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment.***

We agree. The items documented as 18 claims without evidence of payment relate to one individual's expense claims which would have generated 9 payment receipts. In each case, detailed receipts of the related expense were provided and it was clear the individual would have incurred and settled the related amount.

All Agency employees have been reminded that payment receipts are required to receive reimbursement for expenses. Subsequent to the date of this document, the Agency will not approve any expenses without receiving a related proof of payment receipt.

***Recommendation 5.10***

***Payments made for ineligible expenses or expenses already claimed should be recovered.***

We agree. The Agency will recover, where practical, the small amount related to per diems claimed for evening meals in advance of 6:30 PM. The evening meal policy has been communicated to all Agency employees. Subsequent to the date of this document, no evening meal claims will be approved unless it is clear the individual was still traveling at 6:30 p.m.

***Recommendation 5.12***

***Senior management should consider coordinating travel arrangements to reduce unnecessary mileage claims.***

We agree with the desired outcome of this recommendation; however, often times this is difficult to implement because of varied business and personal obligations of the senior managers. It will likely be necessary for the Province to consider a policy statement in this area to encourage the suggested car pooling practice.

**Treasury Board Office Response*****Recommendation 5.15***

***Treasury Board Office should communicate to all provincial agencies, boards and commissions that they use the observations and recommendations in this chapter to evaluate their own systems and processes for travel and other expenses, by and on behalf of, senior management and board members, and make improvements as required.***

Treasury Board Office agrees with this recommendation and will send a communication to the provincial agencies, boards and commissions that fall within the Government Reporting Entity.

**Waterfront Development Corporation Response**

The Office of the Auditor General's review of our processes regarding travel and other expenses resulted in good recommendations, which we are implementing.

***Recommendation 5.1***

***Complete documentation, including detailed receipts, evidence of payment and purpose for the expenditure, should be provided to support claims for reimbursement. Claims without complete support should not be processed for payment.***

We shall add the requirements for including itemized receipts and evidence of payment in our claims process.

***Recommendation 5.2***

***Waterfront Development Corporation should develop a process to ensure all expense claims, including claims through corporate credit cards, are signed by an approver as indication of approval for the expense.***

We agree with the recommendation to add one more approval process for our credit card payments. We wish to clarify, however, that our credit card is used for purchases of goods and services under \$1000 for the entire organization. The process for approving these expenses falls under our Internal Control policy and these expenses were approved; this category of expenses was also outside the scope of this audit. As a result, we believe the number of instances and amounts for travel expenses cited in the Report is overstated.

***Recommendation 5.9***

***Credit card expense claims should be submitted in a timely manner.***

We shall ensure credit card expenses are submitted in a timely manner.



Waterfront Development Corporation Response (continued)

***Recommendation 5.14***

***Policies should be communicated in sufficient detail to staff and board members to provide guidance on eligible travel and other expenses.***

We shall ensure all employees are routinely provided details on these policies to provide guidance on eligible travel and other expenses.

These recommendations will lead to improvements that will strengthen our system of internal controls, reduce our exposure to risk, and enable our staff and board to work effectively in carrying out our organizational mandate.