



Veterans Affairs  
Canada

Anciens Combattants  
Canada

**May 2013**

# AUDIT OF EARNINGS LOSS

**Canada**

### **Acknowledgements**

The audit team would like to gratefully acknowledge the staff at the Centralized Processing Centre, Finance Division, and the Service Delivery Branch. Their contributions were essential to this audit.

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## EXECUTIVE SUMMARY

The Earnings Loss benefit is one of the supports available through Veterans Affairs Canada's Financial Benefits Program. Earnings Loss is payable in recognition of the economic impact a military career-ending or service-related disability may have on the Veteran's ability to earn income following release from the Canadian Armed Forces. This income replacement ensures that the eligible Veteran's income does not fall below 75% of their gross pre-release military salary. The guaranteed minimum rate for fiscal year 2012-2013 was \$41,598. This guaranteed minimum rate is adjusted based on increases to the basic corporal's salary.

The purpose of the audit was to provide assurance that the program and financial controls were working as intended to deliver results in accordance with related authorities. In addition, the Earnings Loss benefit has not been subject to an audit since the inception of the *Canadian Forces Members and Veterans Re-establishment and Compensation Act* in 2005.

### Overall results

In the opinion of the audit team, Earnings Loss payments were accurate and issued in a timely manner. However, the audit did identify some areas for improvement, as it relates to:

- communication with Veterans regarding Earnings Loss decisions;
- annual statements of employment income;
- performance measurement; and,
- risk-based quality assurance.

Overall, the program activities related to compliance and payment were determined to be "Generally Acceptable".

### Recommendations

- R1 It is recommended that the Assistant Deputy Minister, Service Delivery Branch determine the appropriate contact point for Veterans' inquiries regarding detailed Earnings Loss calculations. (Essential)**
- R2 It is recommended that the Director General, Finance modify the current quality assurance processes and adopt a risk-based approach. (Essential)**
- R3 It is recommended that the Director General, Service Delivery and Program Management utilize a formalized tool for assessing risk as part of strategic and operational planning. (Essential)**

- R4 It is recommended that the Director General, Service Delivery and Program Management implement the Financial Benefits Performance Measurement Plan and report periodically to senior management on results. (Essential)**
- R5 It is recommended that the Assistant Deputy Minister, Service Delivery Branch institute a process to obtain and review annual income information. (Critical)**

**Chief Audit Executive's Signature**

\_\_\_\_\_  
Murielle Belliveau  
Chief Audit Executive

\_\_\_\_\_  
Date

**The Audit Team consisted of:**

Jonathan Adams, Audit and Evaluation Director  
Terrie Vessey, Audit and Evaluation Manager  
Tim Brown, Audit and Evaluation Officer

## 1.0 BACKGROUND

The Earnings Loss benefit (EL) is available through the Veterans Affairs Canada's (VACs) Financial Benefits Program. EL is payable to a Veteran<sup>1</sup> in recognition of the economic impact a service-related or military career-ending disability has on a Veteran's ability to earn income following release from the Canadian Armed Forces (CAF). This income replacement ensures that the eligible Veteran's income does not fall below 75% of their gross pre-release military salary. The guaranteed minimum rate for fiscal year 2012-2013 was \$41,598. This guaranteed minimum rate is adjusted based on increases to the basic corporal's salary.

The EL benefit consists of two types - Temporary (for individuals in the Rehabilitation Program), and Extended (for Veterans determined to be Totally and Permanently Incapacitated<sup>2</sup> or survivors). When a Veteran has been determined to be Totally and Permanently Incapacitated, the EL benefit may continue until the Veteran reaches 65 years of age. The EL benefit is also payable to survivors and orphans if the death of the CAF member or Veteran is related to service. In these circumstances, EL is payable until the CAF member or Veteran would have reached the age of 65.

The following table provides an overview of the total number of Veterans and expenditures for the EL benefit from 2009 to 2012. The numbers of Veterans are increasing as a result of legislative and regulatory enhancements. These changes mean Veterans can now receive greater monthly financial support through the Earnings Loss benefit.

<b>Table 1: EL Benefit –Veterans and Expenditures (2009-2012)</b>						
	<b>2009/10</b>		<b>2010/11</b>		<b>2011/12</b>	
	<b>Veterans</b>	<b>Expenditures</b>	<b>Veterans</b>	<b>Expenditures</b>	<b>Veterans</b>	<b>Expenditures</b>
Temporary Earnings Loss	1,427	\$24.8M	2,019	\$34.8M	2,556	\$56.1M
Extended Earnings Loss	284	\$3.4M	401	\$5.2M	559	\$7.6M
Total <sup>3</sup>	1,711	\$28.3M	2,420	\$40.1M	3,115	\$63.8M

Source: Veterans Affairs Canada, Facts & Figures Book, March 2012, Edition

<sup>1</sup> In this report, unless otherwise specified, the term "Veteran" includes all eligible Veterans, as well as CAF members, spouses and survivors.

<sup>2</sup> Totally and Permanently Incapacitated is defined as not being capable, even after rehabilitation, of suitable and gainful employment.

<sup>3</sup> Totals may not add up due to rounding.

## 2.0 ABOUT THE AUDIT

### 2.1 Objectives

The objectives of the audit were:

- To assess compliance with policies, regulations, and procedures.
- To ensure that entitled applicants receive program benefits in the correct amounts.

The audit criteria relevant to each objective are outlined in Appendix A. The audit criteria were sourced from the *Audit Criteria related to the Management Accountability Framework: A Tool for Internal Auditors* (March 2011) published by the Treasury Board Secretariat's (TBS's) Internal Audit Sector, Office of the Comptroller General.

### 2.2 Scope

The scope of the audit covered practices for Fiscal Year (FY) 2011-12. In line with the objectives stated above, this audit examined the operational and financial controls regarding EL payments processed by VAC. The process for identification of overpayments was also examined. To assess the accuracy of payments a sample was drawn from 2011-12.

The following did not form part of the audit scope:

- Compliance with eligibility for the Rehabilitation Services and Vocational Assistance Program, as this will be covered by a future audit; and
- Overpayment activities after they are forwarded to Finance, as there is a future audit identified in this area in VAC's 2012-14 Multi-Year Audit Plan.

### 2.3 Methodology

This audit was conducted in conformance with the Internal Audit standards as outlined by the Institute for Internal Auditors, and is aligned with the Internal Audit Policy for the Government of Canada, as supported by the results of the Quality Assurance and Improvement Program.

Interviews were conducted in person and by telephone with VAC staff responsible for managing the EL benefit, processing payments and communicating information to Veterans. Four field locations were chosen for audit team visits: Winnipeg, Ottawa,

St. John's and Halifax. The interviews provided an understanding of the roles and responsibilities, key activities, the adequacy of internal controls, and the governance framework; and identified data requirements and documents for review.

A review of Departmental and TBS documentation related to the EL benefit was performed to determine compliance with TBS and VAC policies and procedures and to determine the quality and completeness of documentation used for decision making. In addition, the audit team analyzed program and financial data to obtain an understanding of the EL benefit.

The audit team conducted observation exercises with VAC staff who were responsible for determining the EL payment and with VAC Finance staff responsible for determining if EL payments are being made to the correct person and in the correct amount.

A statistical sample of 108 Veterans' files from FY 2011/2012 was reviewed to assess the internal control framework for EL (i.e., compliance) and to determine if payments to Veterans were accurate and in accordance with legislation, policies and procedures. In addition, the audit team reviewed five survivor's files (33% of the survivor population) to determine if payments were accurate and policies were followed.



## 3.0 AUDIT RESULTS

### 3.1 Governance and Risk Management

TBS's *Results Based Management Lexicon* defines governance as "the processes and structures through which decision-making authority is exercised."<sup>4</sup> In addition, TBS's *Framework for the Management of Risk* defines risk management as "a systematic approach to setting the best course of action under uncertainty by identifying, assessing, understanding, making decisions on and communicating risk issues."<sup>5</sup>

#### Organizational structure is clear

A well-defined organizational structure provides employees with a clear reporting relationship. In turn, this gives staff the proper level of responsibility and authority. This clarity allows staff to be more Veteran-focused, as they understand the flow of business processes.

The Auditable Financial Statements project created a document entitled the *Earnings Loss Process Flow*. This workflow document outlines the various stages of an EL claim from application by the Veteran until the final decision. This document, as well as observations and interviews conducted by the audit team, confirmed that the organizational structure is clear and suitably documented for Case Managers, the Centralized Processing Centre Unit, Finance Division and the Overpayments Unit. Each step in the decision-making process was tracked and the segregation of duties was appropriate.

#### Income Support Committee has been established

A working group, the Income Support Committee, has been established and a Terms of Reference (TOR) has been created which states the role of each member and area. The mandate of the committee is to ensure appropriate coordination, integration and communication with respect to the Income Support Programs, which includes the EL benefit. The committee provides a forum for discussion and resolution of issues and contributes to the programs' improvement.

The Committee either escalates issues to the Inter-Branch Directors' Committee or refers them to Legal Services when required. Although the working group had meetings in 2011, there was no evidence of meetings during the 2012 calendar year despite the

<sup>4</sup> TBS – Results Based Management Lexicon

<sup>5</sup> TBS – Framework for the Management of Risk, 27 August 2010

TOR which states they will meet at least once per month and also on an “as-required” basis.

### **Roles and Responsibilities require clarification**

In order for staff to effectively perform their roles and functions, it is important to provide them with a clear definition and ensure they have a good understanding of the tasks they are to perform. Clear roles and responsibilities also provide information on each staff members’ standing within the organization and help to avoid disputes and/or misunderstandings over authority.

During fieldwork, field staff indicated that the delegated authority for decision making is not being used appropriately. The Centralized Processing Centre makes the decision regarding payment amounts but the Case Managers are expected to explain decisions to Veterans for which they do not have the delegated authority. For example, when a Veteran has a question regarding their EL payment, often the first means of acquiring an answer is to call the Case Manager or visit the local area office. In many cases, Case Managers do not possess the expertise to explain detailed calculations nor do they have access to all of the pertinent documents (e.g., pay stubs, EL Client Service Delivery Network (CSDN) screens, Centralized Processing Centre hard-copy files) which were used in making the decision. On the other hand, staff in the Centralized Processing Centre (located in Head Office) have the knowledge and possess all of the necessary information but are currently not set up to receive incoming calls.

Management stated that the roles for Case Managers were clearly defined but not agreeable to field staff. This disagreement in roles may be due to a lack of communication or training. Interviews with all staff noted the importance of training; however, many Case Managers commented that they had not received enough training to be able to respond to questions from Veterans about EL calculations. Due to the complexity of many EL calculations, comprehensive training for all Case Managers across the country may not be feasible or cost-effective.

### **Recommendation 1**

**It is recommended that the Assistant Deputy Minister, Service Delivery Branch determine the appropriate contact point for Veterans’ inquiries regarding detailed earnings loss calculations. (Essential)**

## **Management Response**

*Management agrees with this recommendation. Since 2011, over 500 VAC staff have participated in a Financial Benefits Course. This course provides information such that Case Managers are equipped to respond to general inquiries. Program Management will continue to actively promote this course. Additionally, to improve support for Case Managers and to better respond to inquiries on more complex EL Benefit calculations, subject experts will be available to respond to Veterans as required. This will be fully implemented by May 2013.*

### **Further training is needed**

Employee training is a long-term investment in staff and in the organization. It is a process that provides information, clarity and consistency to an employee's tasks. It promotes understanding of roles and demonstrates a commitment to ensuring the job is done properly.

Interviews noted the importance of training; however, Case Managers commented that they had not received EL training beyond the initial package which was rolled-out upon the 2006 release of the New Veterans Charter. To be able to respond to questions from Veterans about EL calculations, Case Managers stated that they need more detailed training on the financial aspects of the program.

The Department has Financial Benefits training related to EL. Recent training sessions have been well attended<sup>6</sup> and Program Management has been actively promoting the course within the Department. The course provides high-level information on the EL program to enable Case Managers to respond to basic questions on the program and benefits. It does not equip Case Managers with the knowledge to discuss detailed EL benefit calculations with Veterans.

Finance staff also require additional training. At the time of the audit, there was a recent turnover of Finance staff who are responsible for processing the payments. As a result, Finance staff indicated that they understood the high-level financial authorities but specifics of the EL benefit were less known.

### **Risk Management is informal**

Risk Management allows management to prepare for the unexpected, estimate the impact, and develop mitigation strategies. Risk is inherent within every program and should be continually ranked and assessed. Interviews with management and staff

<sup>6</sup> Program Management estimates 500 individuals attended the various sessions during the last 18 months.

demonstrated that risks associated with the EL benefit had been identified. However, Program Management did not have a formal risk management document which listed, outlined, and ranked the identified risks.

Finance Division completed a divisional risk assessment in February 2011. The resulting Financial Services Risk document indicated potential issues within Finance Division in providing EL payments due to a lack of resources. Yet, from February 2012 to June 2012, the error rate for EL payments ranged from 0.4% to 2.7%<sup>7</sup> which is well within TBS's tolerable error limit of 4%. However, Finance Division continues to require 100% quality assurance on EL payments. Risk is not considered. High-dollar and complicated claims are treated the same as low-dollar and standard claims. There is a need to adopt a risk-based approach to quality assurance.

### **Recommendation 2**

**It is recommended that the Director General, Finance modify the current quality assurance and pre-payment verification processes and adopt a risk-based approach. (Essential)**

### **Management Response**

*Management agrees with the recommendation that transactions should be verified in a cost-effective and efficient manner while maintaining the required level of control. At this time, a full assessment of the Earnings Loss payment process is being undertaken with the objective of ensuring a level of effort that is reflective of the inherent financial risks. By October 2013, a risk-based quality assurance approach will be implemented.*

### **Recommendation 3**

**It is recommended that the Director General, Service Delivery and Program Management utilize a formalized tool for assessing risk as part of strategic and operational planning. (Essential)**

### **Management Response**

*Management agrees with this recommendation. Service Delivery and Program Management Division uses the Department's Corporate Risk & Opportunity Assessment tool as part of its strategic and operational planning. The last risk assessment was completed in April 2013 and it is updated quarterly.*

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<sup>7</sup> It should be noted that Finance has not regularly produced EL error rate reports and the reports noted above were created following a request from the audit team.

## Performance reporting is insufficient

Performance reporting involves planning and reporting for the purpose of achieving results and allowing for the best possible decisions. It is designed to monitor progress and provide information about the program. Reporting on performance is an important part of good management and accountability.

Staff noted that the current reports received were inadequate to properly manage the program. The current reports consisted mainly of detailed claim-by-claim listings and lacked sufficient data for analysis. In addition, the Reporting Database did not allow program staff to query data.

A Logic Model and Performance Measurement Plan (PMP) were developed in the spring of 2011. A report template was created to provide quarterly and annual performance updates. However, the reports do not contain all the performance data required for staff to manage the program.

### **Recommendation 4**

**It is recommended that the Director General, Service Delivery and Program Management implement the Financial Benefits Performance Measurement Plan and report periodically to Senior Management on results. (Essential)**

### **Management Response**

*Management agrees with this recommendation. The Financial Benefits Performance Measurement Strategy, including the Performance Measurement Plan, has been approved. Since the completion of the audit, data collection for the Earnings Loss benefit has commenced. Quarterly snapshot results, as well as an annual profile, have been shared with program managers. By June 2013, the Program Director will share the results of the 2012/13 annual profile with Senior Management.*

## 3.2 Compliance

Published by the Institute of Internal Auditors (IIA), the *International Professional Practices Framework* defines compliance as “adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.”

### Policies and procedures are generally followed

Staff in the area offices and Centralized Processing Centre has access to policies and business processes in the Veterans Services Toolbox. The Veterans Services Toolbox is a one-stop shop internal tool for VAC employees to search for program-related policies, directives, acts, business processes and guidelines. Interviews with staff indicated that the policies, processes, and desk-top procedures were in place, easy to follow and covered a wide range of circumstances. In addition, the VAC Wiki has an income calculator for staff to use with Veterans and survivors to assist in estimating EL payment amounts.

The business processes in place are ensuring that recipients are receiving timely EL benefits. VAC’s service standard commitment for processing EL applications is “*you will be advised in writing of our decision within four weeks of determination of your eligibility for the VAC Rehabilitation Program or upon receiving all information in support of your application*”. As of the 2011/12 fiscal year-end, performance was 85% (1,318 of 1,549 decisions completed within four weeks) against the service standard. The audit team’s file review also indicated that payments were issued in a timely manner, on average within seven days of the creation of the decision letter.

For staff in Finance Division, financial management policies are accessible on the Veterans Services Toolbox and on the TBS Website. When asked about business processes, Finance staff indicated they used a checklist to process EL payments. As noted above, frequent change-over of staff in the Finance Division has resulted in many finance staff undertaking new positions and therefore had to learn the requirements. Business processes and desktop procedures are available and should be redistributed to staff to facilitate learning.

### Documentation is adequate

Proper supporting documentation on files is necessary to document how the final decision was made. According to the Centralized Processing Centre’s desktop procedures for an EL application, the hard-copy file for a claim should contain:

- Signed VAC 634 Application Form
- Social Insurance Number

- Rehabilitation Record of Decision (RROD)
- Verification of Income Offsets
- Service Verification
- Proof of Gross Monthly Salary upon release
- CSDN Benefits Tab (printed copy)

The audit team conducted a file review of 108 EL hard-copy Veterans' files and the results are contained in Table 2.

<b>Table 2 – File Review Findings</b>		
<b>Documentation Reviewed</b>	<b>Number of Files Containing Documentation</b>	<b>Percentage of Total Paper Files</b>
Signed VAC 634 Application Form	108	100 %
Social Insurance Number	107	99 %
Rehabilitation Record of Decision	107	99 %
Correct Income Offsets	106	98 %
Service Verification on CSDN*	97	90 %
Proof of Gross Monthly Salary upon release	97	90 %
Printed Copy of CSDN Benefits Tab	35	32 %

\* 76% (82/108) of files reviewed contained a printed copy of service verification as requested in the desk top procedures.

In addition to the review of 108 Veterans' files, the audit team reviewed five of the total 15 survivor claims in pay (33%). According to the review of the five files, all survivor claims had survivors' signatures, verification of offsets and the payee was correct.

For the most part, all decisions were adequately documented. Items that were not present on certain files, such as the printed copy of the CSDN Benefits Tab, were either non-critical or not required. This is further discussed in Opportunities for Improvement on page 13. Additionally, it is important to note that the EL application checklist had not been recently updated and certain documents are identified which are available in electronic format on the CSDN. Please see section 3.3, regarding improvements to business processes, policies and guidelines.

This finding is further supported by a recent report released by KPMG for VAC in January 2012 which stated "An opportunity for improvement was identified with respect to the consistency of documentation retained on file to support claims for earnings loss coverage. For one of the 25 claims examined, the verification of release from service of the applicant was not retained on file. For another one of the 25 claims examined, a death certificate was not retained on file for the Veteran to support payments for earning loss to the surviving spouse, though the certificate was available through a separate file

for the Veteran. Though these discrepancies were not considered to be indicative of control deficiencies, they would have an adverse impact on the ability of a financial statement auditor to test the operating effectiveness of internal controls over financial reporting.”<sup>8</sup>

### **Payments are accurate**

Accurate EL payments are important, both individually, from a Veteran’s perspective, and collectively, from the Department’s perspective. As a result, it is important for VAC to ensure that the payment process is reliable and that payments are correct.

The CSDN is used to calculate EL payments based on dollar figures and dates entered into the system by staff in the Centralized Processing Centre. The system output is a dollar amount for the cheque based on tax rates for the Veteran’s province. Tax rates are typically updated twice annually on January 1st and July 1st based on information on the Canada Revenue Agency (CRA) Website. A spreadsheet of tax information is prepared by Finance Division and the new tax information is input into the CSDN and tested. Individual cases are adjudicated in the test environment and the resulting taxes are verified by using the Payroll Deductions Online Calculator application on the CRA Website.

On rare occasions, the CSDN does not calculate the numbers properly (due to de-escalation/escalation issues with back-pay). However, a “work-around” has been implemented to identify and correct any errors. Audit fieldwork confirmed that this process was effective.

The Directive on Account Verification outlines a number of requirements that must be met, including:

- payee is entitled;
- payee information is correct; and
- financial coding is accurate and complete.

The file review demonstrated that 98% of all Veterans and survivors currently receiving Financial Benefits payments had the correct income offsets entered into the CSDN as well as the proper payee name. In addition, the calculations for tax amounts were correct on all applicable files. The file review also confirmed that Finance’s reconciliations were correct with appropriate supporting documentation.

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<sup>8</sup> KPMG Report – Auditable Financial Statements – Summary of Findings and Testing Plan – January 31, 2012



## Annual statement of income is not being requested

According to the *Canadian Forces Members and Veterans Re-establishment and Compensation Regulations* (25(1)(a)(ii)), “a person who is in receipt of an earnings loss benefit shall, in the case of a Veteran, provide the Minister with an annual statement of employment earnings.” Section (25(1) (c) of the regulations relates to the provision of annual statements of benefits from other income sources. However, the file review identified that this is not happening as only 11% of the files had information which could be classified as an annual statement of employment earnings or income. In these cases, VAC requested the information from the Veteran. In addition, the *EL Benefit – Suspension or Cancellation* policy states EL benefits may be suspended if the Veteran fails to provide an annual statement of employment earnings or other income. Staff have been examining opportunities to obtain this information from Veterans or other sources on a regular basis but have yet to implement a process.

An annual statement of employment earnings or income to VAC from the Veteran or earnings information from Human Resources and Skills Development Canada or Canada Revenue Agency would ensure that cheques are being released in the proper amount. These sources of information would assist in reducing the number of overpayments and ensure Veterans are reporting all of their earned income.

### **Recommendation 5**

**It is recommended that the Assistant Deputy Minister, Service Delivery Branch, in consultation with the Assistant Deputy Minister, Policy, Communications and Commemoration, institute a process to obtain and review annual income information. (Critical)**

### **Management Response**

*Management agrees with this recommendation. Program Management will work with the Centralized Processing Centre to develop and implement an annual process for verifying clients' income used in the calculation of the Earnings Loss benefit. A new process to annually verify income will be implemented by January 2014.*

## Overpayments are a concern

During the planning phase of the audit, management noted that overpayments were a concern. As Audit and Evaluation Division has planned a comprehensive audit of overpayments for the 2013/2014 fiscal year, this audit focussed on the process for identification of EL overpayments. The planned audit of overpayments will assess the process for management and collection.

If an overpayment is identified, there are policies and business processes to address the issue. For example, the *EL Benefit - Overpayments: Recovery, Remission and Write Off* policy defines an EL overpayment and provides a general description of the three methods which may be used to address the overpayment; recovery, remission and write off.

During fieldwork, the audit team noted that more training was needed to advise field staff of the importance of ensuring Veterans are aware of timely reporting of their employment income to VAC. A delay in the receipt of the information could result in underpayments/overpayments to Veterans. In addition, employment information was not always forwarded by Veterans to the applicable areas in a timely manner.

### 3.3 Opportunities for Improvement

The results of the audit team's work indicate that the following activities would have the potential of allowing VAC to further improve its delivery of EL benefits.

- The mandate of the Income Support Committee is to ensure appropriate coordination, integration, and communication with respect to the Income Support Programs, which includes the EL benefit. This committee provides a forum for discussion and resolution of issues and contributes to program improvement. Resumption of regular committee meetings would assist in dealing with current issues such as the clarification of roles and responsibilities. (page 4/5)
- VAC Finance should provide staff with refresher training on the EL benefit and Section 34 and 33 authorizations under the *Financial Administration Act*. (page 6)
- Formal processes and guidelines exist to ensure EL decisions are adequately documented. Business processes, policies and checklists indicate a number of hard copy documents must be maintained on file. The file review found that a number of non-critical documents were not contained on file. Staff noted that these documents are easily accessible on CSDN and thus are not copied. Documentation guidelines should be updated to reflect requirements and the current practice. (page10-11)

### **3.4 Audit Opinion**

In the opinion of the audit team, Earnings Loss payments were accurate and issued in a timely manner. However, the audit did identify some areas for improvement, as it relates to:

- communication with Veterans regarding Earnings Loss decisions;
- obtaining annual statements of employment income;
- performance measurement; and,
- risk-based quality assurance.

Overall, the program activities related to compliance and payment were determined to be “Generally Acceptable”.

## 4.0 DISTRIBUTION

Deputy Minister

Associate Deputy Minister

Assistant Deputy Minister, Human Resources and Corporate Services

Assistant Deputy Minister, Policy, Communications and Commemoration

Assistant Deputy Minister, Service Delivery

Director General, Integrated Corporate Management

Director General, Communications

Director General, Centralized Operations

Director General, Finance

Director General, Human Resources

Director General, Service Delivery and Program Management

Director General, Transformation

Executive Director and General Counsel, Legal Services Unit

Executive Director, Bureau of Pension Advocates

Executive Director, Ste. Anne's Hospital

Director General, Field Operations

Area Directors

Director, Integrated Planning and Performance, Corporate Planning

Director, Statistics

Strategic Advisor to the Deputy Minister

Senior Communications Advisor

Access to Information and Privacy

Office of the Comptroller General of Canada

Office of the Auditor General of Canada

## Appendix A - Audit Criteria

<b>Objective 1: Assess compliance with policies, regulations, and procedures</b>	
<b>Audit Criteria</b>	<b>Result</b>
A clear and effective organizational structure is established and documented	Met
Decisions are adequately documented and recorded to ensure rationale for payment	Partially Met
Appropriate roles, responsibilities and performance standards have been clearly defined and communicated	Partially Met
The oversight bodies request and receive sufficient, complete timely and accurate information	Partially Met
Management identifies and assesses the existing controls that are in place to manage its risks	Met
Management assesses the risks it has identified	Partially Met
Planning and resource allocations consider risk information	Unmet
Financial and program management policies and authorities are established and communicated	Partially Met
Compliance with financial and program management laws, policies and authorities is monitored regularly	Partially Met
Controls described are applied as intended	Met
The organization provides employees with the necessary training, tools, resources, and information to support the discharge of their responsibilities	Partially Met

<b>Objective 2: Ensure entitled applicants receive program benefits in correct amounts</b>	
<b>Audit Criteria</b>	<b>Result</b>
Transactions are coded and recorded accurately and in a timely manner to support accurate and timely information processing	Met
Financial and non-financial reporting is reviewed and approved	Unmet
Pay the appropriate benefit amount	Partially Met
Payments are issued in a timely manner	Met
Payments are in compliance with the Directive on Account Verification	Partially Met
Effective processes exist to rectify incorrect payments or errors	Partially Met

## Appendix B - Risk Ranking of Recommendations and Audit Opinion

The following definitions are used to classify the ranking of recommendations and the audit opinion presented in this report.

### Audit Recommendations

**Critical** Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a high level of risk.

**Essential** Relates to one or more significant weaknesses for which no adequate compensating controls exist. The weakness results in a moderate level of risk.

### Audit Opinion

**Well Controlled** Only insignificant weaknesses relating to the control objectives or sound management of the audited activity are identified.

**Generally Acceptable** Identified weaknesses, when taken individually or together, are not significant or are compensated by mechanisms in place. The control objectives or sound management of the audited activity are not compromised.

**Requires Improvement** Identified weaknesses, when taken individually or together, are significant and may compromise the control objectives or sound management of the audited activity.

**Unsatisfactory** The resources allocated to the audited activity are managed without due regard to most of the criteria for efficiency, effectiveness and economy.