



HOUSE OF ASSEMBLY MANAGEMENT COMMISSION

2011 ANNUAL REPORT

MESSAGE FROM THE SPEAKER

As Speaker of the Nova Scotia House of Assembly and Chair of the House of Assembly Management Commission, I am pleased to present the Annual Report for the House of Assembly Management Commission for the calendar year January 1 to December 31, 2011.

This Report sets out the decisions and activities of the Management Commission as required by Section 11 of the *House of Assembly Management Commission Act*.

This Report does not include the 2011 audited financial information for the House of Assembly. The Auditor General for the Province of Nova Scotia was appointed by the Management Commission on September 28, 2011 as auditor of the House of Assembly accounts and the audit process is currently underway. Once the audit is completed, I will report further for the calendar year 2011 on the financial information that will be presented to the Management Commission by the Auditor General.

The Management Commission has worked diligently to meet its mandate as set out in legislation during the past year.

I would like to thank the members of the Management Commission, the members of the Audit Committee as well as the employees of the House of Assembly for their work during the 2011 calendar year.

Hon. Gordie Gosse, Jr.

Speaker of the House of Assembly

Chair, House of Assembly Management Commission

Date: January 24th, 2012

Purpose of the House of Assembly Management Commission

The House of Assembly Management Commission (the Management Commission) was established pursuant to Section 3 of the **House of Assembly Management Commission Act** (the **Act**).

The purpose of the Management Commission is to oversee the financial operation of the House of Assembly. The duties of the Commission are set out at subsection 11(1) of the **Act**:

11 (1) The Commission is responsible for the financial stewardship of all public money that may be voted by the House of Assembly for the use and operation of the Assembly, and for all matters of financial and administrative policy affecting the Assembly and its members, offices and staff and in connection with them and, in particular, the Commission shall

- (a) monitor the expenditures of the Assembly;*
- (b) review and approve the administrative, financial, human-resource and management policies and procedures of the Assembly offices;*
- (c) implement and periodically review and update financial and management policies applicable to the Assembly offices;*
- (d) give directions with respect to matters that the Commission considers necessary for the efficient and effective operation of the Assembly offices;*
- (e) make and keep current regulations respecting the proper administration of allowances for members of the Assembly and reimbursement and payment of their expenditures;*
- (f) annually report, in writing, to the House of Assembly, through the Chair, with respect to its decisions and activities; and*
- (g) exercise other powers given to the Commission and perform other duties imposed on the Commission under this or another Act.*

Clause 11(1)(f) of the **Act** requires the Commission to report annually of its decisions and activities. This report is the annual report on the decisions and activities of the Management Commission for the calendar year January 1 to December 31, 2011.

In carrying out its duties, the Management Commission is greatly assisted by the work of its Audit Committee. The duties of the Audit Committee are set out at subsection 18(1) of the **Act**:

18 (1) *The Audit Committee shall*

(a) provide assistance to the Commission in fulfilling its oversight responsibility to the House of Assembly and the public with respect to stewardship of public money;

(b) make recommendations to the Commission respecting the choice of and terms of engagement and compensation of the auditor appointed under Section 22;

(c) review the audit plans of the auditor, including the general approach, scope and areas subject to risk of material misstatement;

(d) review the financial statements, audit report and recommendations of the auditor and give advice about them to the Commission, including, where the Committee considers it appropriate, recommending that the Commission approve and sign the financial statements;

(e) review the compliance report issued and recommendations, if any, provided by the Auditor General as a result of a compliance audit conducted under Section 23 and give advice on that report and those recommendations to the Commission;

(f) review internal audit reports and make recommendations to the Commission as required in respect of matters arising from those reports and generally make recommendations with respect to internal audit procedures of the Assembly;

(g) review with the Chief Clerk the effectiveness of internal control and other financial matters, as well as compliance with legal requirements respecting accountability, record-keeping, tendering and conflict of interest in the Assembly offices;

(h) establish procedures for the receipt and treatment of complaints regarding accounting and internal controls, and the confidential submission by staff of the Assembly offices and by members of the public service of concerns regarding questionable accounting or auditing matters;

(i) use reasonable efforts to satisfy themselves as to the integrity of the Assembly's financial information systems and the competence of accounting personnel and senior financial management responsible for accounting and financial reporting;

(j) review disclosure practices of the Commission to ensure full, plain and timely disclosure of its decisions respecting financial matters; and

(k) act on, advise and report on other matters relating to the financial affairs of the Assembly as may be required by the Commission.

The Audit Committee is established pursuant to Section 15 of the **Act**. There are four members of the Audit Committee: Mr Lauchlin McKenzie FCA (Chair) retired from KPMG and Mr Leo Gallant FCA, Dean of Business at St. F.X. University, neither of these members are MLAs but residents of Nova Scotia with demonstrated knowledge and experience in financial matters selected by the Chief Justice of Nova Scotia as required at clause 15(2)(b) of the **Act**, and Hon. Manning MacDonald and Mr Maurice Smith, both members of the Management Commission, selected by the Management Commission as required by clause 15(2)(a) of the **Act**. The Chief Clerk is the secretary of the Audit Committee as set out at Section 17 of the **Act**.

Composition of the House of Assembly Management Commission

The composition of the Management Commission, as set out at subsection 3(2) of the **Act** is: The Speaker (the Chair), the Deputy Speaker, the Government House Leader, two additional members of the Government Caucus (of whom only one may be a member of the Executive Council), the official opposition house leader, one additional member of the official opposition caucus and one member of the caucus of each other recognized party.

At present there are eight members of the Commission. The Chief Clerk is a non-voting member and secretary of the Management Commission. For the reporting period the membership of the Management Commission included:

- Hon. Charlie Parker, Speaker (for January meeting)
- Hon. Gordie Gosse, Jr., Speaker
- Ms. Becky Kent, Deputy Speaker
- Hon. Frank Corbett, Government House Leader
- Ms. Pam Birdsall, member of the Government Caucus
- Mr. Maurice Smith, member of the Government Caucus
- Hon. Manning MacDonald, Official Opposition house leader
- Mr. Andrew Younger, member of the Official Opposition Caucus
- Hon. Chris d'Entremont, member of the PC Caucus

Meetings of the House of Assembly Management Commission

The Management Commission met on the following dates during the reporting period.

January 11, 2011

March 29, 2011

April 27, 2011

September 28, 2011

In accordance with subsection 8(3) of the **Act**, following each meeting the Chief Clerk prepares for consideration and approval by the Management Commission at its next meeting, the minutes containing the substance of all decisions of the Management Commission. The minutes as approved by the Management Commission along with the Hansard transcribed recordings of the meetings are posted on the House of Assembly website. The address is: <http://nslegislature.ca>

The Management Commission held *in camera* meetings as provided for by subsection 9(1) of the **Act** to discuss personnel matters, potential litigation, legal advice and matters protected by privacy and data protection law as follows:

January 11, 2011

A thirty-six minute *in camera* meeting was held during which the following three decisions were made by the Management Commission:

- 1) approval for the Constituency Assistants' salary ratings on the Province's EC6 scale;
- 2) approval of a settlement representing one month's salary on the termination of a Constituency Assistant's employment contract; and
- 3) declining to move ahead with enhanced long-term disability benefits for MLAs.

April 27, 2011

A five minute *in camera* meeting was held to approve the revised standard form of Contract of Service for Constituency Assistants.

Meetings of the Audit Committee

The Audit Committee met on the following dates during the reporting period.

January 11, 2011

July 27, 2011

September 20, 2011

October 27, 2011

November 23, 2011

As required by subsection 18(3) of the **Act**, the Audit Committee reported formally on September 28, 2011, to the Management Commission as follows:

1) At the January 11, 2011 meeting, the Chair of the Audit Committee informed the members of his November 8th, 2010 meeting with the Auditor General and his unsuccessful efforts to obtain the Auditor General's acceptance as auditor for the Management Commission. The members asked the Chair to request the Auditor General reconsider the request.

The members also discussed the requirement that the Chief Clerk provide an opinion as to his assessment of the effectiveness of the internal controls as part of the audit process.

It was noted that legislation requires MLA expenses to be placed online once every six months, however, the expenses are being and will continue to be posted monthly. These expenses do not include the leader, premier's office or executive office expenses.

2) At the July 27, 2011 meeting, the Chair informed the members of the Audit Committee of the following:

- a further meeting with the Auditor General took place on June 29, 2011 and the Auditor General wrote to the Chair on July 13, 2011 accepting, subject to certain conditions, his appointment as auditor for the Management Commission;
- he requested that the Internal Audit Centre of the Province include the Management Commission as one of their internal audit engagements; and
- the Internal Audit Centre conducted a limited review of the Management Commission operations, specifically the procedures for processing MLA expense claims and reported on July 5, 2011 that the processes were operating efficiently and working as intended with two minor

exceptions which needed to be rectified. Changes were immediately made to address the two exceptions.

The committee reviewed the MLA expenses posted online and agreed that the committee should monitor this report at each meeting.

The following decisions were made by the Audit Committee at the July 27, 2011 meeting:

- to recommend to the Management Commission the appointment of the Auditor General as auditor for the Management Commission;
- to seek the assistance of the Department of Finance's chief accountant to produce an independent set of financial records for the Auditor General to review;
- to explore the audit requirement that the Chief Clerk comment on the effectiveness of the internal controls with the Department of Finance; and
- to alert the Management Commission that the requirement at clause 11(3)(c) of the **Act** that the Management Commission's audited financial statements be completed by September 1st will not be met for 2011 as the Auditor General has not yet been appointed by the Management Commission and the preliminary work required for the audit has not be completed.

3) At the September 20, 2011 meeting, the Chair informed the members of the Audit Committee that as a result of meetings with the Department of Finance it was clear that the nature and scope of the audit had not yet been fully determined and that the requirement that the Chief Clerk comment on the effectiveness of the internal controls may require the engagement of outside auditors.

The committee reviewed the detailed MLA expense reports for the months since the last meeting plus the summary year to date expense reports for each MLA to September, 2011 and also reviewed the 2011-12 Legislative Services and Office of the Ombudsman – Quarterly Report for the first quarter.

The following decision was made by the Audit Committee at the September 20, 2011 meeting:

- recommended to the Management Commission that the Speaker be authorized to approve an additional expenditure should it become necessary to engage outside auditors to provide services to support the Chief Clerk's assurances on the effectiveness of internal controls as required by the Auditor General.

4) At the October 27, 2011 meeting, the Chair informed the members of the Audit Committee of the following:

- a meeting was held on September 23, 2011 with the Auditor General and the Internal Audit Centre which resulted in the Department of Finance making available a small group of employees to prepare the financial statements for the Audit Committee; and
- on October 4, 2011 a meeting was held with the Internal Audit Centre and it was agreed that the Management Commission would indeed require the assistance of outside auditors regarding the Chief Clerk's opinion on the effectiveness of the internal controls and on October 17, 2011 a draft document was forwarded to the Audit Committee setting out the terms of engagement for the hiring of external auditors.

The Department of Finance employees preparing the ground work for the production of the financial statements provided the committee members with a progress report.

The committee reviewed the quarterly reports to the end of September 2011.

5) At the November 23, 2011 meeting, the Chair informed the members of the Audit Committee of the following:

- the completed financial statements being prepared by the Internal Audit Centre staff for the Management Commission are expected by mid-December; and
- the Internal Audit Centre has reported that the corrective measures taken in response to the July 5, 2011 report by the Management Commission are satisfactory.

The following decisions were made by the Audit Committee at the November 23, 2011 meeting:

- following a review of the two proposals received for the external review of the internal controls, the committee awarded the contract to Ernst & Young at a total cost of \$15,800.00; and
- it is desirable that the Management Commission make amendments to the **Act** to incorporate a complaint resolution process as contemplated at clause 18(1)(h) of the **Act**:

18 (1) The Audit Committee shall

(h) establish procedures for the receipt and treatment of complaints regarding accounting and internal controls, and the confidential submission by staff of the Assembly offices and by members of the public service of concerns regarding questionable accounting or auditing matters;

- given the possibility that the legislative amending process may be lengthy, the Audit Committee requested that the Chief Clerk prepare a draft procedure for their consideration at the next committee meeting.

Activities and Decisions of the House of Assembly Management Commission

At the January 11, 2011 meeting, the Management Commission:

- a) clarified the criteria for MLA reimbursement for event tickets;
- b) adopted transitional regulations for the three month period from January 1 to March 31, 2011; and
- c) adopted the following definition of “year” for the on-going Commission regulations: April 1 to March 31 yearly.

At the March 29, 2011 meeting, the Management Commission:

- a) amended the *House of Assembly Management Commission Fiscal Year Transition Regulations* to
 - (i) clarify that where a caucus loses an MLA during the transition period (January 1 to March 31, 2011) funding for that member ceased on April 1, 2011; and
 - (ii) clarify that where a caucus gained an MLA during the transition period, the caucus office would not receive any additional funding for that member until April 1, 2012.

At the April 27, 2011 meeting, the Management Commission:

- a) directed that the review and assessment of the amounts pertaining to postage and travel pursuant to Section 42 of the *House of Assembly Management Commission Regulations* (the “Regulations”), be carried out within three months of the end of the 2011-12 fiscal year;
- b) reduced caucus budgets by amending subsection 33(2) of the Regulations as follows:
 - (i) for the fiscal year 2011-12, \$449,595.00 plus \$44,287.29 times the number of caucus members at the beginning of the year;
 - (ii) for the fiscal year 2012-13, \$445,099.05 plus \$43,844.42 times the number of caucus members at the beginning of the year; and

(ii) for the fiscal year 2013-14 and subsequent fiscal years, \$440,648.06 plus \$43,405.98 times the number of caucus members at the beginning of the year.

For clarity, where a caucus gains a member during the fiscal year, a pro-rated member amount for the remainder of the year will be paid to the caucus for that member;

c) directed that the fixed amounts in the Regulations with the exception of mileage, be increased yearly on April 1st, commencing on April 1st, 2012, by the increase in the Consumer Price Index for Nova Scotia or the core Consumer Price Index for Canada, whichever is lower, for the previous year.

At the September 28, 2011 meeting, the Management Commission:

a) approved the recommendation of the Commission's Audit Committee and appointed the Nova Scotia Auditor General as the auditor of the House of Assembly accounts pursuant to Section 22 of the **Act**; and

b) authorized the Chair of the Commission to procure such external audit consulting services as the Commission's Audit Committee considers advisable to support an assessment by the Chief Clerk of the effectiveness of the internal controls of the House of Assembly for the purpose of clause 22(5)(c) of the **Act**.