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HOUSE OF ASSEMBLY MANAGEMENT COMMISSION

Tuesday, January 29, 2013

Committee Room 1

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**HOUSE OF ASSEMBLY
MANAGEMENT COMMISSION**

Hon. Gordon Gosse (Chairman)
Hon. Frank Corbett
Ms. Pam Birdsall
Mr. Maurice Smith
Ms. Becky Kent
Hon. Michel Samson
Mr. Andrew Younger
Hon. Christopher d'Entremont
Mr. Neil Ferguson, Chief Clerk of the House of Assembly
(Non-Voting Member)

In Attendance:

Speaker's Office Adviser
Ms. Deborah Lusby
Director of Administration
Speaker's Office

Ms. Annette Boucher
Assistant Clerk
House of Assembly

Mr. Lauchlin McKenzie
Chairman,
HAMC Audit Committee



House of Assembly
Nova Scotia

HALIFAX, TUESDAY, JANUARY 29, 2013

HOUSE OF ASSEMBLY MANAGEMENT COMMISSION

3:00 P.M.

CHAIRMAN
Hon. Gordon Gosse

MR. CHAIRMAN: Order, please. As I said earlier on your regular business, the last item on the agenda is the Annual Report of the Audit Committee for the House of Assembly Management Commission. I'm going to move that up to the top and we'll start off with Lauchlin McKenzie and he can give us his report.

MR. LAUHLIN MCKENZIE: Thank you. I'm Lauchlin McKenzie, Chairman of the Audit Committee for the HAMC. The report has been distributed and basically outlines our activities since our last annual report, which was back in September 2011. I'm not really going to go through the report, but I would like to make a couple of comments just to outline what has been happening.

Briefly, our activities have been focusing mostly on having the House's accounts audited, pursuant to Section 22 of the House of Assembly Management Commission Act. The good news is we're almost there - I think all of the detail work has been done. We've met with the auditors and I think it's just a case now of incorporating it into the report. When it does come, it's going to include both the audit for March 31, 2011, which they didn't finish up. They ran out of time and had other commitments and couldn't finish it up last year, so they basically finished that audit off when they were doing the March 31, 2012 audit. But we're just about there.

Section 22 requires the House to have a financial statement audit and those are key words. Having to do that it has to be in accordance with the Canadian Institute of Chartered Accountants' Generally Accepted Auditing Standards and it really doesn't matter whether you're a big entity or a small entity. The same rules would apply if the Auditor General was doing the audit of the province as a whole, as opposed to, say, doing the audit of the House of Assembly, which is obviously a much smaller entity.

There are a number of differences; however, one of which would apply to materiality. Obviously auditors can't look at every transaction so they select a threshold for various things and the smaller you are, the smaller the threshold. I'll subsequently indicate whereby that's relevant.

One key thing is that the House of Assembly - the Speaker's Office is not sort of a self-contained entity, from a financial reporting situation. They do some of the financial processes, specifically and for our interest, relating to, say, MLA expenses that are done out of the Speaker's Office, which I'll refer to as the House. But there are many of the other activities - they can vouch those expenditures and ensure that they're in order and ensure that they comply. Once they approve it, the application to get a reimbursement, say, goes off into the general accounting systems of the Department of Finance or the Government of Nova Scotia and a lot of the functions that are really part and parcel of the financial activity of the House are basically carried on by other government departments.

The first thing we encountered as an Audit Committee, when we appointed the auditor to do our financial statements, was that we basically realized that we really don't have a set of financial statements because we're not a self-contained entity. We have a number of accounts that we're responsible for and that we carry out within the House but our expenses just go out and they get paid, as a general matter, with many of the other province's expenditures by various entities that might be responsible. So "pay" things like payroll, we might ensure that the pay levels are right and do all of the groundwork but then it flows out of the department and is basically handled by other government departments.

The result was that there is no sort of general ledger or set of accounts that represents the House. There are a few accounts but to create this financial statement, we basically had to go to the Department of Finance and say, we need some assistance because we just don't have the resources in the House to do the work that was required to pull together this set of financial statements.

So largely through the efforts of the Director of Administration and operations for the Speaker's Office and the finance officer, together with some really creative people from the Department of Finance, we basically created a set of financial statements. This, as I say, was not a small matter because some of the numbers we needed were spread out in other government departments and they were, in effect, buried within large general accounts, of which somebody had to go out and say, well, which ones of these apply to the House?

I mentioned in terms of thresholds, for instance, the government's threshold for capitalizing assets is \$50,000. As a small entity, the Auditor General determined that the threshold for the House is \$1,000, but all of these expenditures are handled by the province. So the province expensed all these but in order to pull together our financial statement, one of the accounts we needed were the assets, which would basically be the various assets or items that were purchased by, say, MLAs for constituency offices and such, but they're all buried in expense accounts in the province. You can't press a button on a computer and pull that number out. So basically the Director of Administration and operations and her staff had to manually sit down and go back through, in effect, two years' entries and sort of pull all these numbers out. These kinds of things are the kinds of stuff that we've been focusing on in the Audit Committee for the past year. It certainly wasn't something that I would have anticipated when I agreed to do this.

The other thing in creating these financial statements is because you have a balance sheet, one side has to - they call it a balance sheet because one side has to equal the other. Well, we don't have all those accounts so we had to create some accounts. For instance, we had to create a revenue account because financial statements have to have a revenue account. Well, we don't have revenue accounts. We just put in a submission for an expense and it gets paid. We also had to create some "due to" and "due from" accounts.

So we have a set of financial statements and they will eventually come from the Auditor General and they will look like financial statements, but to some extent we've spent an awful lot of time on these things and the question that the Audit Committee has started to kick around a bit is, how much do these financial statements really contribute because, obviously, included in these financial statements is the matter of MLA expenses. Clearly as part of the audit they would all be looked at, and so that's all part and parcel of it. But the creation of these financial statements, which really has consumed an awful lot of effort - really that's not contributing a lot to the assurance that, in fact, the whole purpose of the revised Act concerning the expenses. So whether you needed a set of financial statements to actually confirm that question, that's a question that in terms of whether the way we're doing it is the most effective and efficient way to do it.

One of the other things that was required, because it was a set of financial statements and because of the audit standards is that the Chief Clerk had to give an assessment of internal control. Well, the Chief Clerk, like most CEOs - and that's part of the process of an audit today is that CEOs have to give this assessment. It goes back to the Enron thing and things like that where they wanted to ensure that the person that was ultimately responsible for the financial statement assured that, in fact, everything was in order. The way that that's done is because most CEOs and our Clerk - they're not experts on internal controls so we go out and we hire somebody on behalf of the Chief Clerk or on behalf of a CEO in a corporate setting, to give him something he can rely on independent of our regular auditors, that he can sign off and say, yes, these things are all in order.

Again, ordinarily that would have been a relatively straightforward process and that they would come up and look at what goes on in the House, but in fact, in order to really assess internal controls they have to go out and look at what's happening in a lot of other government departments because we don't handle all of the accounting processes that the internal controls would address within the House itself. So it became an extended process that in hindsight - largely because the Act used the words "auditing financial statements" - it became an exercise where you really wonder whether it's really adding anything to it.

When we get our report from the Auditor General, the Audit Committee believes that the House will get high marks for dealing with the recommendations of the Auditor General coming out of the February 2010 report, no question about that. How much of those high marks are attributable to the fact that we also required this audit remains to be seen. One of the things that the Audit Committee will consider in our next going forward is whether or not we may have some suggestions as to how to be a little more efficient and effective in how we deal with this.

So that's a little bit of an overview of what went on in those various meetings. Are there any questions?

MR. CHAIRMAN: Are there any questions? No questions.

MR. MCKENZIE: Thank you, Mr. Chairman, for moving me up on the agenda.

MR. CHAIRMAN: Personally, I'd just like to say it's a lot of work over the last couple of years and it has been a great help to us with your expertise in this field. We really appreciate all your hard work on this, both yourself and Leo Gallant. Thank you very much.

MR. MCKENZIE: We appreciate that and I can't depart without expressing our appreciation to Deborah and Neil for the assistance they gave to Leo and myself, because we were somewhat neophytes in the operation of government when we arrived. Thank you.

MR. CHAIRMAN: Thank you.

So we will go back to item No. 1 on the agenda which is the approval of December 19, 2012 minutes. Mr. Ferguson, are there omissions or anything in this?

MR. NEIL FERGUSON: The minutes have been circulated and unless anyone has any errors, omissions or any other changes, it would be appropriate to have a motion for the approval of those minutes.

MR. CHAIRMAN: It is moved by Ms. Pam Birdsall, seconded by Ms. Becky Kent.

Would all those in favour of the motion please say Aye. Contrary minded, Nay.

The motion is carried.

Next on the agenda is direct payments to select vendors for MLAs. I will ask Deborah to now weigh in on this one.

MS. DEBORAH LUSBY: This was brought up at the last commission meeting and we did some homework and decided that we could make this happen. We sent out a memo to - oh, maybe we didn't send this out to MLAs yet. Anyhow, it's here at the commission meeting for discussion. I can go through it or we could just go direct to comments and questions.

MR. FERGUSON: I guess just to summarize, a number of common vendors that most people seemed to have used were identified and those are the ones that make sense to provide the service on. I believe they are outlined in your material.

MS. LUSBY: Common across Nova Scotia, so everywhere. I also did talk to the Department of Finance and they're not interested in clogging up the system by setting up a bunch of minor vendors or vendors relative to a certain constituency or area, but to do this for common vendors, it's not a great deal of effort in setting up anything new. We could manage this and see where it goes. Hopefully it will be of better service to the MLAs.

MR. CHAIRMAN: Some of those common vendors that were sent out were like Bell Mobility, Rogers, EastLink, TELUS, Transcontinental, and other utilities - Nova Scotia Power and so on. I think Becky has a question.

MS. BECKY KENT: Just on the issue of Internet billing, for instance the Bell bill - would you be looking for us to print off the invoice section of the bill or all of the attachments that go with it? On the Internet it comes differently than it does in the mail, it includes a whole slew of ways and options to receive your bill. I was just wondering, would you be looking for that - similar to the invoice pages that we send now, would you be looking for that?

MS. LUSBY: We need to see the details that make up the many charges, but we're not interested in seeing all the details of the phone calls. But we are not allowed to pay late fees, so often that's on a second page, so we need to see that second page that breaks up the charges.

MS. KENT: But you're looking for it in a paper version?

MS. LUSBY: Oh definitely because you have to sign it off and mail it to us.

MS. KENT: Yes, good enough.

MS. LUSBY: There could be some confusion like if you folks are paying it on direct debit to your bank account or credit card right now, then we have to make sure that if you're cancelling that the process is smooth, so if there's any double payment - you paying, us paying - we should watch for those types of instances, as well, when we get it started. Maybe we should have a couple of volunteers and get rolling with a few MLAs, too, who might be most keen, or we can just roll it out to everybody.

HON. FRANK CORBETT: Certainly we can run it by our caucus tomorrow if anyone wants to be the guinea pigs.

MR. CHAIRMAN: We'll get one from each caucus to volunteer, to give this a hook, to see if we can get this started. Can we do that - approach each caucus and ask them to submit a name to Deborah? Well, we won't call them guinea pigs (Laughter). I'll ask them if they would like to give a trial basis on this to see if we can get this direct payment.

MS. LUSBY: More than one is fine, too - like a few from each. This needs to be improving service to you folks, as well, because you may find it just as cumbersome to receive the bill, open it, sign it off, mail it in to us, as it is to actually put it on your expense claim and look after it yourself.

HON. MAURICE SMITH: I think Chris was keen on this, wasn't he? He wanted to have this go forward.

MR. CHAIRMAN: Andrew.

MR. SMITH: Oh, Andrew was.

MS. LUSBY: Andrew is usually a keener. (Interruptions)

MR. CHAIRMAN: Okay, is there anything else or any other questions on this? No. Okay, Deborah, so we'll look to be getting some names submitted and we'll go forward from there.

Next up on the agenda is "New Process for Asset Additions and Disposals". Deborah.

MS. LUSBY: Sorry to be taking up so much time today. Andrew Younger actually had some feedback on this. He's not here today - Michel, did he give it to you?

This was sent out to everybody basically with the audits and the recommendations that we had received, and you also just heard from the chairman of our Audit Committee - assets and capital asset management is one of the areas that we need to focus on in order to get the big gold star from our audit reports. So basically this was sent out to everybody, the only person I heard back from was Andrew Younger with some questions. It's not going to

be that much more work, you are already filling the information out on the ARCHIBUS form. Instead, we're now having an asset addition form that will attach to the invoice for us to better track assets.

There hasn't been much for disposals so far, you know the odd broken piece of equipment that I usually receive an e-mail, what do I do now? Instead, the process is documented, there's a form that we're going to attach and put in your inventory file so that everything is very easily tracked. Once we get rolling, I think it will just become second nature to everybody.

One of Andrew's concerns was the removal of the hard drive from the computer. In the regulations it does say that the MLAs should remove the hard drive first, before disposing of a piece of equipment. The CIO office has implemented this policy across the board, so it's not just MLAs, it's also our divisions and divisions across government. What they are going to do is, when you are disposing of a computer or a BlackBerry or some kind of mobile device, they want to come and pick it up and remove whatever the hard drive or the memory card are from those pieces of equipment and make sure that it is properly disposed of. That's new across government, as opposed to you removing it.

Andrew had some concerns - I feel badly speaking for him but he's not here - that he wanted to make sure that his hard drive was secure and he wanted to remove it on his own and dispose of it. For most of you I think, it would be a service for CIO to come and do that for you because not everybody knows how to do that. If someone felt strongly about it, then we could work something out, I'm sure, with CIO and how that would be managed. This actually should make your life easier, not harder.

MR. CHAIRMAN: Chris d'Entremont.

HON. CHRISTOPHER D'ENTREMONT: And even to a point a lot of us have laptops. I mean it's easy to open up a big computer but it's a completely different story when it comes to opening up a laptop, so I think if somebody can offer that service, it would be good.

MR. CHAIRMAN: Any questions? Neil.

MR. FERGUSON: This will probably result in us having to make a slight change to the regulations so that we're in keeping with the new policy. The regulations were drafted at a time when that was the old policy, to remove it, so we want to fix that maybe at a future meeting.

MR. CHAIRMAN: Okay, thank you. The next item on the agenda is "Living Allowance annualization." Deborah again.

MS. LUSBY: No, Neil.

MR. CHAIRMAN: Neil is going to take this one.

MR. FERGUSON: I'll start anyway. This arose out of Mr. d'Entremont's comments at the end of our last meeting about getting hit with a bi-monthly bill and it being more than your maximum for that month when, had you been allowed to use the room remaining on a previous month, you would have been able to cover all the expenses within the allowance.

What you have is a draft resolution which suggests that if you haven't used the total of the housing allowance in one month, then you're able to - well, I'll read what it says, "Where the maximum amount that may be claimed pursuant to subsection (1) is not claimed in any month, the unclaimed balance may be claimed in a subsequent month." This will flatten out the effect of some bills coming for two-month periods.

There's a little-known provision in the House of Assembly Management Commission Act that says we can't pass any regulations that increase the level - "A change may not be made to the level of amounts of allowances and resources provided to members except in accordance with a regulation and, notwithstanding Section 27, that regulation is not effective unless first laid before the House of Assembly and a resolution adopting it passed." It is my opinion that this is not changing the levels. Year over year they're the same so this is permissible within the Act.

MR. D'ENTREMONT: I move that.

MR. CHAIRMAN: Chris, you'll move that?

MR. CORBETT: I'll second it.

MR. CHAIRMAN: Frank will second it. Next on the agenda, Item No. 5 is "Update on proposed regulation changes re: advertising and late fees." Mr. Ferguson.

MR. FERGUSON: At the last meeting, we deferred those issues for discussion at this meeting. In the interim, it became clear that both of these items are things that were the subject of the 2010 Auditor General Report. We thought we were going to get that before this meeting. It is now, I expect, the 12th?

MR. CHAIRMAN: No, February 6th at 9:00 a.m. to the Speaker, and after that to the caucuses and 11:00 to the media - February 6th on Wednesday, for all those media people that are here today.

MR. FERGUSON: So it is in the future and it just seems to me that it would be prudent to wait to see what the Auditor General has to say before we go changing regulations we might then have to change again.

MR. CHAIRMAN: So are we clear with that one?

MR. CORBETT: Stand this item?

MR. CHAIRMAN: We'll stand this item until after the Auditor General's Report on February 6th at 9:00 a.m. to the Speaker. You guys will get it later.

The next item, Item No. 6 on the agenda, "2012-13 Qtr 3 Financial Review". Deborah.

MS. LUSBY: The last page on your document, the usual quarterly submission - if you have any questions, please let me know. There is nothing to update; everything is fine. Nothing to highlight, I should say.

MR. CHAIRMAN: Just for information, that's all. Is everybody fine with that? Okay.

The next item and the last item on the agenda is the "Annual Report - House of Assembly Management Commission." Neil.

MR. CORBETT: The motion is for the Speaker to read this into the record.

MR. CHAIRMAN: It's quite a lengthy one. Everybody has received a copy of that before today's meeting?

MR. FERGUSON: This is the report that is required by Clause 11(1)(f) of the House of Assembly Management Commission Act. It is the same format as last year and the draft was prepared by Annette who gets the credit for this and she did the work on the Audit Committee Annual Report as well. All we need is a motion to approve the draft annual report and it will then later be submitted to the House through the Chair.

MR. CHAIRMAN: The Speaker will table it when we sit. It will be the first item on his agenda. Do we have a motion?

Moved by Chris d'Entremont. Seconded by Pam Birdsall.

Is there any other business before we shut down for the afternoon? You all heard me earlier that on February 6th at 9:00 a.m. Auditor General Jacques Lapointe will be delivering his financial audit of the House of Assembly. All three caucuses will receive the copy shortly after 9:00 a.m. and then Jacques is holding a media briefing at 11:00 a.m. at the media room in One Government Place.

I now call the meeting adjourned.

[The committee adjourned at 3:39 p.m.]