

# **HANSARD**

**NOVA SCOTIA HOUSE OF ASSEMBLY**

## **HOUSE OF ASSEMBLY MANAGEMENT COMMISSION**

**Thursday, February 27, 2014**

**Red Room, Province House**

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**HOUSE OF ASSEMBLY  
MANAGEMENT COMMISSION**

Hon. Kevin Murphy (Chairman)  
Hon. Michel Samson  
Ms. Margaret Miller  
Hon. Labi Kousoulis  
Mr. Lloyd Hines  
Hon. Christopher d'Entremont  
Mr. Chuck Porter  
Hon. Frank Corbett  
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. Gordon Hebb  
Chief Legislative Counsel



House of Assembly  
Nova Scotia

**HALIFAX, THURSDAY, FEBRUARY 27, 2014**

**HOUSE OF ASSEMBLY MANAGEMENT COMMISSION**

2:00 P.M.

CHAIRMAN  
Hon. Kevin Murphy

MR. CHAIRMAN: I think without further ado - the clock has struck 2:00 p.m. - we'll commence the meeting of the House of Assembly Management Commission for today, February 27<sup>th</sup>. Welcome everybody. Perhaps for the record we could just go around and state our name, who we are and why we're here - starting with Margaret.

[The committee members introduced themselves.]

MR. CHAIRMAN: Thank you, everybody. Just before we go, is it possible to turn the audio down a little bit? It's really hard to hear in here, it's almost too loud.

I will move on. Has everybody got all the materials in advance? Are there any additions to the agenda? We're good to go? Okay, we'll move on to Item No. 1 and for that I'll pass this over to the Chief Clerk, Neil Ferguson.

MR. NEIL FERGUSON: Thank you, Mr. Chairman. I've discussed this with the Chair and all the House Leaders and apprised them of a mistake in the minutes that were previously (Interruption) A minor error, as Mr. Corbett says.

In the minutes for May 30<sup>th</sup>, just before adjournment was moved, a motion was carried. That appears clearly in Hansard but the word "carried" is just missing above the line indicating adjournment, so it's simply to add the word "carried" immediately above the line that says "The meeting adjourned at 2:09 p.m."

MR. CHAIRMAN: Moved by Mr. Hines, seconded by Mr. d'Entremont.

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

The motion is carried.

We'll move on to Item No. 2, approval of the December 19, 2013 minutes. Chief Clerk Ferguson.

MR. FERGUSON: Thank you, Mr. Chairman; hopefully there are no errors in these ones that have been circulated to all the members. If the members are satisfied, then a motion would be appropriate at this time for approval of the December 19, 2013 minutes.

MR. CHAIRMAN: Moved by Mr. d'Entremont, seconded by Mr. Samson.

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

The motion is carried.

We'll move on to Item No. 3 which is clarification of when a member becomes a member. Mr. Ferguson.

MR. FERGUSON: Mr. Chairman, it became apparent after the last election that there is a slight technical problem with us reimbursing members after they are elected, but before they are declared elected. A member is declared elected by the completion of the return on the writ, pursuant to subsection 159(1) of the Elections Act, which takes place 10 days after ordinary polling day or, in some cases, 14 days. So technically, even though they've been elected - there has been an election - they are not declared a member.

Our regulations say that for the purpose of reimbursing people, they are members. We were stuck in the position where people were quite validly called to things like caucus meetings after their election but because legally they weren't members, for audit purposes, we weren't able to reimburse them the normal sort of travel expenses and so on.

It's staff's recommendation, my recommendation as Chief Clerk, that the regulations be clarified so that people, once they are members, are able to claim their expenses incurred during that time when, for all intents and purposes, the entire world has viewed them as being members and they have reasonably incurred relatively minor expenses. They should not be out-of-pocket for those, in my opinion. It also puts staff in a position where you have, say, new members whose first experience in dealing with your administration office is being told that they can't have money for something they are out-of-pocket for. It's not a very nice welcome to the world of the House of Assembly.

It's my recommendation that if somebody would care to move the motion that has been circulated - I'll just read it:

Be it resolved that Section 7 of the House of Assembly Management Commission Regulations be amended by adding the following subsection; Subject to Sections 1 and 3, a claim for payment of travel expenses may include the period between the date of the election at which the member was elected and the date the member became a member.

In this case it would have been October 8<sup>th</sup> to October 18<sup>th</sup> last year.

We'll have another election in the future and I think we should deal with it while it's fresh and on the table.

MR. CHAIRMAN: With that I'll open the floor to comments or questions.

HON. MICHEL SAMSON: I move the motion.

MR. CHAIRMAN: Okay, moved by Michel, seconded by Frank.

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

The motion is carried.

We'll move on to Item No. 4, the House of Assembly Management Commission Annual Report. Mr. Ferguson.

MR. FERGUSON: Mr. Chairman, this draft has been circulated, it's the annual report that is required by clause 11(1)(f) of the House of Assembly Management Commission Act which sets out its decisions and activities for the preceding year. It is in the same format as the reports of the last two years. The draft was prepared by Annette, who gets credit for it. If people are satisfied with the draft as circulated, all we need is a motion to approve it. Later it gets submitted to the House of Assembly under the Statute by you, as Chair.

MR. CHAIRMAN: Moved by Mr. Hines, seconded by Ms. Margaret Miller.

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

The motion is carried.

We'd like to ask the Chair of the Audit Committee to come forward and present his findings and report. It's No. 5 on the agenda.

MR. LAUHLIN MCKENZIE: I think the report of the Audit Committee for 2013 has been circulated and I don't really propose to spend a lot of time talking to it point by point. There's just a quick overview and one issue that I'd like to speak to. Generally speaking, the Audit Committee is mandated in Section 18 of the House of Assembly Management Commission Act to provide assistance to the commission in fulfilling its oversight responsibility to the House and the public with respect to stewardship of public money.

Generally speaking, the Audit Committee meetings would cover items such as monitoring quarterly operating results including MLA expenses, matters involving the annual audit, the planning, the progress and ultimately the results and such other matters relating to the oversight of financial matters that should relate to the House.

Under the Act, the Audit Committee is supposed to meet four times a year. In 2013 the committee met only twice with a full quorum and one other time with less than a quorum. For the most part, this was due to the availability of the 2013 audit report. It wasn't until January 2014 that we met to finalize the 2013 report.

Regarding the annual audit, considerable focus of the committee and the Speaker's Office has been related to aspects of the audit which, frankly, do not necessarily contribute to the oversight and compliance objectives of the Act. I'd like to speak to that for a few minutes.

First, before I do that, I'd like to express my appreciation to Maurice Smith and Michel Samson for their contribution over the past couple of years - with the election, we've had some turnover - and welcome Labi Kousoulis and Christopher d'Entremont to our committee. I'm sure they're in for an exciting experience.

Section 22 of the House of Assembly Management Commission Act requires the House of Assembly to have its accounts audited annually. Subsection 22(5)(a) of the Act requires the audit to consist of a financial statement audit conducted in accordance with the Canadian Institute of Chartered Accountants Generally Accepted Accounting Principles and Generally Accepted Auditing Standards.

Section 22(5)(b) requires the Auditor General, or our auditor, to express an opinion on whether expenses are in accordance with the policies of the commission and the Public Service of the province. Section 22(5)(c) requires the auditor to express an opinion on whether the Chief Clerk's assessment of the internal controls of the House is accurate and effective. Thus, there are three aspects to subsection 22(5). Subsection 22(5)(a) requires an audit of the House of Assembly's financial statements in accordance with Generally Accepted Auditing Standards. Section 22(5) requires an audit of the House expenses, including MLA expenses; Section 22(5)(c) requires a review of the effectiveness of the internal controls of the House.

In addition, Section 23 of the Act requires the Auditor General to conduct a compliance audit of the accounts of the House of Assembly at least once during every General Assembly. The compliance audit requires the Auditor General to determine whether the disbursements of such public monies is in accordance with the appropriate authority or law, to determine that the accounts are being properly kept, assets are safeguarded and that accounting and management control systems relating to such matters are adequate and are being followed.

The appropriateness of parts (b) and (c) of Section 22 - the expense audit and the review of internal controls, and of Section 23, the compliance audit, would seem quite obvious, given the events that gave rise to the current version of the Act. If the prime purpose is to create assurance that MLA expenses are proper and that the appropriate controls and safeguards exist to ensure ongoing compliance, Section 22(5)(b), Section 22(5)(c) and Section 23 accomplish this. However, the necessity and appropriateness of Section 22(5)(a), requiring a financial statement audit, in achieving this purpose is less apparent.

From a financial reporting perspective, the House is not a separate entity and consequently, does not require or keep financial records sufficient to produce financial statements as contemplated by the Canadian Institute of Chartered Accountants Accounting Principles and Auditing Standards.

The House is basically a cost centre, dependent on other government departments for funding and for much of the processing of financial matters impacting on its operations. Typically the focus of the financial management of a cost centre is principally on the expenditure of funds. The requirement for financial statements in accordance with Generally Accepted Accounting Principles requires balance sheets or, as they are referred to in the public sector, statements of financial position, revenue and expense statements, statements of net debt and cash flow statements, with the prescribed notes thereto, including fixed asset schedules with amortization, et cetera, all of which must be audited.

The time and effort and cost of complying with the requirements of Section 22(5)(a) producing the statements are significant. The required information to produce a full set of financial statements as contemplated is spread among several government departments and buried in a multitude of large general accounts of the province. Extracting this financial information is time-consuming and, in the circumstances, gives rise to audit issues not present in an independent financial entity.

While the Act doesn't require that the commission auditor be the Auditor General, we did appoint the Auditor General. In that case it requires him to audit the House as a separate body and not part of his audit of the general accounts of the province. This has an impact because it impacts the materiality of the items he must look at. This materiality requirement creates considerable challenges; due to its size, the accounting policy of the province requires it to capitalize only assets purchased in excess of \$50,000. As a much

smaller entity, audit standards require the House to capitalize and categorize assets purchased over \$1,000, and remembering that all of these purchases are recorded in the accounts of the province.

Accounting records will generally contain more information on items that are capitalized than items that are expensed. It requires the administration staff to manually identify the purchase of assets and to verify their existence and condition. For the years reported to date, this has consumed extensive time and effort of the Speaker's Office staff and, in some instances, required the assistance of several staff from the Department of Finance.

The House has received high marks on how matters and recommendations arriving out of the Auditor General's Report of February 2010 have been dealt with. This is primarily attributable to the policies, practices and procedures introduced by the Speaker's Administration Office and are internal to the House of Assembly operations. The Audit Committee believes that the requirement of Section 22(5)(b) and 22(5)(c) and Section 23 of the Act adequately ensure the ongoing accountability of expenditures made by the House. The committee further believes that the financial statement preparation and audit adds little to this process. As a result, the Audit Committee requested the Auditor General's Office to make a recommendation on whether the preparation of financial statements and their audit is necessary, not only from a value for money perspective but what impact the discontinuance would have on the overall oversight and compliance objectives of the Act.

On January 14, 2014, the Audit Committee met with the Auditor General, Mr. Jacques Lapointe, and several of his audit team in connection with the finalization of the March 31, 2013 audit findings and recommendations, including the issue of the requirement for the annual audited financial statements.

In the view of the Auditor General, the annual expense audit and review of internal controls, Section 22(5)(b) and Section 22(5)(c) and the required compliance audit every General Assembly, Section 23, is very effective, adds value and should continue.

The preparation of audited financial statements adds minimal value to the accountability process while requiring considerable time and effort and should be removed from legislation. Consequently, the House of Assembly Management Commission Audit Committee recommends to the House of Assembly Management Commission that the preparation of annual financial statements, in accordance with GAAP and the annual audit of these financial statements no longer be a requirement. If agreed, the appropriate language can be drafted and amend Section 22(5)(a) of the House of Assembly Management Commission Act. Thank you. Any questions?

MR. CHAIRMAN: Any questions for the Chair of the Audit Committee? Chief Clerk Ferguson.



MR. FERGUSON: Another item that is on our agenda, Mr. Chairman of the Audit Committee, is the change of the date for completion of the audit from September 1<sup>st</sup>, which has proved problematic, to either November 1<sup>st</sup> or November 30<sup>th</sup>.

MR. MCKENZIE: Yes, we ran into that problem where statements were not available in time to beat the deadline prescribed by the Act. I think there is a recommendation that that date be reviewed and possibly extended for a further 30 days or so.

MR. FERGUSON: So then, Mr. Chairman, I guess that if the members have any questions, they could pose them. Otherwise, what would probably be appropriate would be a motion to accept the Audit Committee's recommendation to remove the requirement of a financial statement audit and to change the date for the completion of the audit to, say, November 30<sup>th</sup>, annually.

The problem has been that the Auditor General and staff are doing a number of audits, including the audit of the province. They dedicate a lot of time to ours as well but just making that September date has proven not possible. We modelled the legislation on legislation from Newfoundland and Labrador and I believe that was the date provided in theirs.

Also, I should say for the benefit of the newer members to the commission, the requirement for a financial statement audit is in our legislation because we modelled our legislation on the Newfoundland legislation. The Newfoundland legislation, in turn, was I believe almost a word-for-word adoption of model legislation provided by Justice Green in his report after the spending scandal there.

The feeling was we're going to adopt what Justice Green recommended. He used the term "financial statement audit" and it has proven to us and to the Audit Committee not to be the right type of audit and now we have the recommendation of the Auditor General of the province that it's not the right type. It's the sort of audit you'd see if you had a public company that people are going to invest in and you wanted the financial statements. It isn't going to what our issues were, which were internal controls and compliance.

MR. SAMSON: I so move the motion as read by the Clerk.

HON. FRANK CORBETT: I have a question for the Government House Leader. If we pass this today, you're saying that we'd be expecting legislation this Spring to change the Act?

MR. SAMSON: Well that would have to come before the legislation committee but it concerns such a minor change I would presume that it would probably get done this Spring.

MR. CORBETT: Thank you, I just wanted more clarity for the table here. So we agree with it and then we will hopefully see it in a document form in the House and we will deal with it there. Thank you.

MR. CHAIRMAN: Chief Clerk Ferguson.

MR. FERGUSON: I should have been clearer, this will require a legislative change. It is beyond the capacity of the commission, it is purely a recommendation to the government for a change.

MR. CHAIRMAN: So perhaps just for clarification, can you reread the motion?

MR. FERGUSON: The motion would be a recommendation to the government that the House of Assembly Management Commission Act be amended to remove the requirement for a financial statement audit, wherever that is necessary to have that change made. Also, to amend the Act - I believe it's Section 11(3)(c) but I could be wrong on that - to change the date set out there from September 1<sup>st</sup> to November 30<sup>th</sup>.

MR. CHAIRMAN: Are there any questions on that?

It is moved by Mr. Samson, seconded by Mr. Corbett.

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

The motion is carried.

MR. FERGUSON: I should mention that when I asked if we could have Mr. McKenzie come up, it resulted in us jumping over item No. 5, which I thought we might include in there, and that is the letter that we did receive from the Auditor General, which has been circulated, dated January 20<sup>th</sup>. It has the results of our 2012-13 audit as well as the General Assembly compliance audit and it sets out their findings.

The most significant item contained in it, to me, was the recommendation to remove the financial statement audit; that being said, it has been circulated. I don't think it requires any motions but I just wanted to mention it since we skipped over item No. 5.

MR. CHAIRMAN: Are there any questions on that? So we're moving on to item No. 7 - oh, sorry. Lauchlin, you had a question?

MR. MCKENZIE: No, I'm just waiting to be excused. (Laughter)

MR. CHAIRMAN: For sure. Thank you, Lauchlin, for your contributions and we appreciate your time.

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We'll move on to item No. 7, the 2013-14 third quarter financial review.

MS. DEBORAH LUSBY: It's the last page in your package. I'll hold it up a little bit because it's a legal-size document. This is the third quarter review as at December 31, 2013. You will notice that some of the amounts have exceeded the 75 per cent budget as at December 31<sup>st</sup>. That is due to the additional cost of the election, and as advised by the Treasury Board, we haven't increased our individual forecasts for each account. Instead, we had estimated the cost of the election to Legislative Services at that time to be \$2.562 million - so \$2.5 million.

That is made up mostly of, for example, the transition allowance for MLAs who were not re-elected or did not reoffer - that's the largest amount - but there's an overlap for MLAs who weren't re-elected. They have three months to close up their offices and their apartments if they're outside members, so there are duplicate MLA expenses happening at that time and it adds up to about \$2.5 million.

At this point we're estimating that to be about \$2.2 million and we're working with the Treasury Board as we adjust the numbers in our forecasts to year end. It's quite a detailed document, so if you have any individual questions you can call me anytime.

MR. CHAIRMAN: Are there any questions on that report for Deborah? Thank you.

[The public session of the commission adjourned at 2:29 p.m.]