HOUSE OF ASSEMBLY MANAGEMENT COMMISSION

2015 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, 2015.

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***. It also contains a narrative of the Audit Committee's work during the year.

Pursuant to Section 22(5) of the ***House of Assembly Act***, this Report contains as Appendix 1 and 2 the Auditor General's November 6, 2015 Report on Compliance with the House of Assembly Management Commission Regulations and the November 6, 2015 Report on the Operational Effectiveness of, and the Chief Clerk's Assessment of Effectiveness of, Internal Controls of the House of Assembly for the year ending March 31, 2015. The Auditor General's Reports conclude that the House of Assembly expenditures are in compliance with the ***House of Assembly Management Commission Regulations*** for the year ending March 31, 2015 and that the Chief Clerk's assessment of the effectiveness of internal controls of the House of Assembly is fairly stated and the internal controls are operating effectively for the year ending March 31, 2015.

The House of Assembly 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 House of Assembly Management Commission, the members of the Audit Committee as well as the employees of the House of Assembly for their work during the 2015 calendar year.

Hon. Kevin Murphy

Speaker of the House of Assembly

Chair, House of Assembly Management Commission

Date: January 21, 2016

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 Management Commission to report annually its decisions and activities. This Report is the Annual Report of the decisions and activities of the Management Commission for the calendar year January 1 to December 31, 2015.

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 audit report and recommendations of the auditor and give advice about them to the Commission;

(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, FCPA, FCA (Chair), retired from KPMG and Mr Leo Gallant, FCPA, FCA, former Dean of Business at St. F.X. University, neither of these members are MLAs but are 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***. Hon. Labi Kousoulis and Hon. Chris d'Entremont, both members of the Management Commission, were selected by the Management Commission as required by clause 15(2)(a) of the ***Act*** and served on the Audit Committee for the 2015 calendar year. 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 Management Commission. The Chief Clerk is a non-voting member and secretary of the Management Commission. For the reporting period of January 1 to December 31, 2015, the voting membership of the Management Commission was:

Hon. Kevin Murphy, Speaker

Ms Margaret Miller, Deputy Speaker

Hon. Michel Samson, Government House Leader

Mr Lloyd Hines, member of the Government Caucus

Hon. Labi Kousoulis, member of the Government Caucus

Hon. Chris d'Entremont, Official Opposition House Leader

Mr Larry Harrison, member of the Official Opposition Caucus

Hon. Frank Corbett, member of the NDP Caucus for the January 15 and March 3, 2015 meetings only

Hon. David Wilson, member of the NDP Caucus for the September 10, 2015 meeting

Meetings of the House of Assembly Management Commission

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

January 15, 2015

March 3, 2015

September 10, 2015

In accordance with subsection 9(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 15, 2015

An *in camera* meeting was held during which the following decision was made by the Management Commission:

1) that three long-serving staff members receive the same salary increase that was provided to civil servants and that these employees continue to receive the same annual salary increases as are provided to civil servants moving forward until their retirement date.

September 10, 2015

An *in camera* meeting was held during which the following resolution was passed by the Management Commission:

1) effective April 1, 2015, when a Constituency Assistant is hired, the Constituency Assistant will be placed on the EC(6) salary scale and the salary range on that scale for

that Constituency Assistant will be set by the Public Service Commission (PSC) between 80%-100%;

2) that the placement of Constituency Assistants employed as of April 1, 2015, on the EC(6) pay plan, for the time period January 11, 2011 to March 31, 2015, will be amended to reflect annual pay plan increases of three compa-ratio steps rather than the one compa-ratio step increase previously awarded, to a maximum of 100%. For clarity, effective April 1, 2015 the Constituency Assistants will receive their new rate of pay based on their amended compa-ratio placement; and

3) that effective April 1, 2015, Constituency Assistants who have been re-evaluated pursuant to clause (2) will received annual adjustments on the renewal of their contracts at the same rate as any adjustments approved for EC employees in the civil service.

Meetings of the Audit Committee

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

March 12, 2015 November 30, 2015

June 2, 2015

As required by subsection 18(3) of the ***Act***, the Audit Committee reported formally on January 21, 2015, to the Management Commission as follows:

1) At the March 12, 2015 meeting the Auditor General's observations for improvement, as identified in the audit management letter for the fiscal year 2013-14 as well as the 2014-15 audit plan, were discussed. The Committee was informed that the 2014-15 internal control review was almost complete.

   Progress on each of the five risk areas identified in the risk assessment document was reviewed by the committee.

   The MLA 3 year summary statements and the 2014-15 3rd quarter financials were reviewed.

   The March 3, 2015 change to the Franking and Travel allowance was discussed – the Committee recommended, to the Management Commission, that in order to mitigate any possible risks that could arise from changing the nature of the Franking and Travel allowance to a discretionary allowance, that the Management Commission consider

amendments to the ***House of Assembly Management Commission Regulations*** (the ***Regulations***) to provide that the allowance be paid in a monthly amount not exceeding one-twelfth of the total annual amount.

2) At the June 2, 2015 meeting the Committee received an update and discussed the progress on the risk areas identified in the risk assessment. In particular, the committee stated it would welcome any request for assistance and for consultation from the Management Commission, on proposed changes to the ***Regulations*** that are financial in nature.

The 2014-15 4th quarter financials were reviewed.

3) At the November 30, 2015 meeting the Auditor General's observations as set out in the November 13, 2015 audit opinion letter to the Chair of the Committee and in the November 13, 2015 Management letter to the Chief Clerk (attached hereto as Appendix 3 and Appendix 4), for improvement resulting from the audit for the fiscal year ending March 31, 2015 were discussed.

With regard to the audit opinion, the Committee was informed that the current form of Constituency Assistant contract was problematic as it contained a yearly end date and this does not reflect the current reality as most assistants are employed for a term coinciding with the MLA's term of office. The Committee did not find this concern to be a financial oversight issue, but was further informed that a new form of contract was being drafted for the Management Commission's future consideration.

The Auditor General noted in the audit opinion a delay in the filing of the first non-outside MLA overnight stay report and a lack of explanatory reasons in the report for the overnight stays. Lastly, it was noted that the rate for overnight hotel stays in several of the ***Regulations*** were inconsistent and the Committee will recommend that the Management Commission amend the ***Regulations*** to state at the relevant provisions that the hotel stay rate not exceed the government rate for the establishment where the member stays overnight.

The Committee reviewed the three recommendations contained in the Auditor General's management letter. They were:

a) to collect an MLA expense that had been reimbursed in error;

b) to reviewing with staff verifying asset inventory reports the importance of being as accurate as possible to insure all assets are entered and there are no duplicate entries; and

c) to maintain signed copies of Constituency Assistant letters in the Speaker's Administration Office as well as in the Public Service Commission HR Office.

The Committee determined that the comparative information prepared regarding MLA accommodation costs for apartments and hotels was to be provided to the Management Commission for its consideration.

The 2015-16 2nd quarter financial were reviewed and found to be in order.

Activities and Decisions of the House of Assembly Management Commission

At the January 15, 2015 meeting, the Management Commission:

a) advised that Presidia Security Consulting from Ottawa had been retained to conduct the Province House security review;

b) advised that the Management Commission would await the release of the House of Commons model regarding sexual harassment policy before proposing a model for this jurisdiction;

c) waived non-compliance with the barrier free requirements of constituency offices for six MLAs on the basis that the non-compliance were technical in nature;

d) adopted the 2014 House of Assembly Management Commission Annual Report and directed the Speaker to table the report in the House of Assembly;

e) received the risk assessment report prepared by the Internal Audit Centre of the Department of Finance;

f) adopted the 2013-14 Office of the Auditor General audit update;

g) adopted the 2013-14 Internal Control review;

h) adopted the 1st, 2nd and 3rd quarter financials for 2014-15;

i) approved amendments to Directive #1 relative to the ***Regulations***;

j) approved amendments to subsection 8(2) and 23(11) of the ***Regulations***;

k) agreed to request that the Treasury Board reimburse NDP caucus relocation expenses following the October 2013 General Election in the amount of $22,185.03; and

l) approved the removal of all frames (certificate, photo, etc.) purchased by MLAs from the asset inventory management system and exempt all future frame purchases from entry on the system.

At the March 3, 2015, meeting, the Management Commission:

a) approved amendments to subsections 42(1), 43(3) and Section 52 and added a new Section 43A of the ***Regulations***;

b) repealed subsections 42(2) and (4) of the ***Regulations***; and

c) subject to a motion of approval being adopted by the House of Assembly, approved the creation of one summer student position in each of the 51 MLA constituency offices for the summer of 2015 upon transfer of $290,000 from the Department of Economic and Rural Development and Tourism to the Management Commission.

At the September 10, 2015, meeting, the Management Commission:

a) approved an amendment to Section 43A of the ***Regulations***;

b) approved the reimbursement of $3205.00 for retraining services to former MLA Gary Ramey under Section 40A of the ***House of Assembly Act***;

c) deferred to a future meeting a motion requiring the Management Commission meet annually in January, in March, in September and in December;

d) waived the CPI increases under Section 52 of the ***Regulations*** for the 2015-16 fiscal year; and

e) received and accepted an update audit progress: the 2014-15 4th quarter financials and the 2015-16 1st quarter financials.

Auditor General's Audit

Attached to this Annual Report are the following Appendices:

Appendix 1 – Auditor's Report on Compliance with the House of Assembly Management Commission Regulations

Appendix 2 – Auditor's Report on the Operational Effectiveness of, and the Chief Clerk's Assessment of Effectiveness of, Internal Controls of the House of Assembly

Appendix 3 – Audit Opinion

Appendix 4 – Management

5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Auditor General of Nova Scotia

AUDITOR'S REPORT ON COMPLIANCE WITH THE HOUSE OF ASSEMBLY MANAGEMENT COMMISSION REGULATIONS

To the Chair of the House of Assembly Management Commission:

In accordance with Section 22(5)(c) of the House of Assembly Management Commission Act, I have audited the House of Assembly's expenditures for the year ended March 31, 2015 to determine whether the expenses incurred by the House were made in accordance with the House of Assembly Management Commission Regulations and, where applicable, the policies of the public service of the Province of Nova Scotia.

Management's Responsibility

Management of the House of Assembly is responsible for ensuring compliance with these regulations and policies.

Auditor's Responsibility

My responsibility is to express an opinion on whether the expenses incurred by the House were made in accordance with the House of Assembly Management Commission Regulations and, where applicable, the policies of the public service of the Province of Nova Scotia.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the House of Assembly complied with the criteria established by the provisions of the regulations and policies referred to above. Such an audit includes examining, on a test basis, evidence supporting compliance, and evaluating the overall compliance with these criteria.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the House of Assembly's expenditures are in compliance, in all material respects, with the Regulations established in Sections 1 to 58 of the House of Assembly Management Commission Regulations, and with the policies of the public service of the Province of Nova Scotia, where applicable, for the year ended March 31, 2015.

Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia

November 6, 2015
Halifax, Nova Scotia

902 424 4016 tel
902 424 4350 fax
www.oag.ns.ca
Michael.Pickup@novascotia.ca

5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Auditor General of Nova Scotia

AUDITOR'S REPORT ON THE OPERATIONAL EFFECTIVENESS OF, AND THE CHIEF CLERK'S ASSESSMENT OF EFFECTIVENESS OF, INTERNAL CONTROLS OF THE HOUSE OF ASSEMBLY

To the Chair of the House of Assembly Management Commission:

In accordance with Section 22(5)(c) of the House of Assembly Management Commission Act, I have audited the Chief Clerk's assessment of the operating effectiveness of the House of Assembly's internal controls for the year ended March 31, 2015. I have also conducted an audit of the operating effectiveness of these controls for this period.

Management's Responsibility

Management of the House of Assembly is responsible for maintaining effective internal controls, and preparing the Chief Clerk's assessment of the effectiveness of internal controls.

Auditor's Responsibility

My responsibility is to express an opinion on whether the Chief Clerk's assessment of the effectiveness of internal controls of the House of Assembly is fairly stated, and whether the internal controls are operating effectively.

I conducted my audit in accordance with the standard for audits of internal control set out in Section 5025 of the CPA Canada Assurance Handbook - *Standards for assurance engagements other than audits of financial statements and other historical financial information.* This standard requires that I obtain evidence to support that the Chief Clerk's assessment of internal controls is fairly stated, including tests of the evaluations to support that assessment. This standard also requires that I plan and perform the audit to obtain reasonable assurance about whether internal controls are operating effectively in all material respects. My audit of internal controls included obtaining an understanding of internal controls, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as I considered necessary in the circumstances.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Because of its inherent limitations, internal controls may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In my opinion, the Chief Clerk's assessment of the effectiveness of internal controls of the House of Assembly is fairly stated, and the internal controls of the House of Assembly are operating effectively for the year ended March 31, 2015.

Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia

November 6, 2015
Halifax, Nova Scotia

902-424-4046 tel
902-424-4350 fax
www.oag-ns.ca
Michael.Pickup@novascotia.ca

5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Auditor General of Nova Scotia

December 2, 2015

Mr. Lauchie McKenzie, FCPA, FCA
Chair, Audit Committee
House of Assembly Management Commission
Province House
1726 Hollis Street
Halifax, NS B3J 2Y3

Dear Mr. McKenzie:

I was appointed auditor of the House of Assembly's internal control and compliance audits for the year ended March 31, 2015. The purpose of this letter is to bring to your attention matters that we believe should be communicated with you as Chair of the Audit Committee, including issues arising from the audit that are of sufficient importance to merit your attention.

Section 22 Audit Results

Summary – Our Office has been engaged to audit the operating effectiveness of internal controls and to assess the Chief Clerk's assessment of those controls. We have also been engaged to determine compliance with House of Assembly Management Commission Regulations and policies of the Commission and the public service (where applicable).

Our audits of internal controls and their operating effectiveness, and of the Chief Clerk's assessment of these controls, as well as our audit on compliance, were designed to provide reasonable assurance that controls were operating effectively and that transactions were in compliance with relevant regulations and policies. Our audits included identifying and assessing controls; identifying relevant regulations and policies; and testing transactions to meet each audit objective.

Based upon our audit, we concluded the following:

- controls were operating effectively for the year ended March 31, 2015;
- we concur with the Chief Clerk's assessment of the operating effectiveness of those controls; and
- transactions incurred for the year ended March 31, 2015 were in compliance with regulations and policies.

Auditor and Management Responsibilities

The responsibilities of the House of Assembly Management Commission and my Office concerning these audits, along with the audit approach used, were noted in the engagement letter dated September 14, 2015. The engagement letter also included information on our independence. We confirm that the Office of the Auditor General of Nova Scotia remained independent of the Province throughout the audit. No new matters have arisen since the preparation of the engagement letter that could reasonably be thought to bear on our independence. In addition, we communicate the following.

902 424 4046 tel
902 424 4350 fax
www.oag-ns.ca
Michael.Pickup@novascotia.ca

Matter to be communicated	Results of our audit
Significant difficulties encountered in performing the audits	We did not encounter any difficulties or disagreements with the House of Assembly's management while performing our audits that would require the attention of the Commission.
Management representations	We have received certain written representations from management. The signed letter is included as Appendix 1.

Findings and recommendations

Audits are not designed to identify all matters that may be of interest to the Commission or management in the discharge of their responsibilities. We have provided a separate communication to the Chief Clerk and his staff on certain audit findings, and have made recommendations impacting operations of the House of Assembly. However, we consider the following matters to be of interest to the Commission.

Non-outside member overnight stay reports - House of Assembly Management Commission Regulations allow non-outside members, under certain circumstances, to claim reimbursement for overnight hotel stays in Halifax. The member may claim reimbursement because of inclement weather, the time of day, or for another reason which results in the member being unable to return to their ordinary residence. The member is required to table a report in the House of Assembly setting out the dates and reasons for these overnight stays. One expense item tested included a non-outside member claim for reimbursement of 15 overnight stays at a Halifax hotel during the month of October 2014 when the House was sitting. As required, the member provided a report setting out the dates and reasons for the overnight stays. Although the House was sitting, the report was filed with the Clerk of the House contrary to Section 28(2) of the House of Assembly Management Commission Regulations - it should have been tabled in the House of Assembly as the House was sitting on the day it was filed with the Clerk. In addition, the reason stated for the overnight stay was "House Sitting". This does not adequately provide the reason to explain why the member was unable to return to their ordinary residence.

Recommendation 1
The House of Assembly Management Commission should ensure the requirements for overnight stays by non-outside members are well understood and communicated. Management should ensure non-outside members comply with those requirements.

Rate for overnight stays – There are four different sections in the Regulations under the House of Assembly Management Commission Act which allow members to claim reimbursement for overnight stays in Halifax. The maximum amount that can be claimed varies by section as noted below.

26A(1) Outside member allowance when House sitting – maximum of $153 a night
28(1)(c) Overnight hotel stay for non-outside member – no maximum
30(2)(c) Committee expenses and 34(4)(b) Caucus and task force meetings – not to exceed the government rate

We believe the rates or maximums established in the Regulations for overnight stays in Halifax should be consistent and consider both the effective and economical use of resources.

Recommendation 2
The House of Assembly Management Commission should determine a single rate or maximum for overnight stays in Halifax that provides for an effective and economical use of resources and update Regulations accordingly.

****

Information included in this letter may be referred to in other reporting by our Office.

We would like to express our appreciation to the staff of the Speaker's Administration Office for their courtesy and assistance during the audit.

If you have any questions or comments regarding the audit, we would be pleased to meet with you.

Yours truly,

Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia

Attachment - Appendix 1 Management representation letter

cc: Neil Ferguson
Chief Clerk

Deborah Lusby
Director of Administration and Operations

mp

The Speaker
House of Assembly
Nova Scotia

November 6, 2015

Michael A. Pickup, CPA, CA
Auditor General of Nova Scotia
5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Dear Mr. Pickup:

This representation letter is provided in connection with your audits of the Nova Scotia House of Assembly for the year ended March 31, 2015. Under Section 22 of the House of Assembly Management Commission Act, we have appointed the Auditor General of Nova Scotia to provide:

- an opinion on whether the expenses incurred by the Assembly are in accordance with the policies of the Commission as included in the House of Assembly Management Commission's Regulations (hereafter referred to as the policies of the Commission) and, where applicable, the policies of the public service of the Province, and;
- an opinion on whether the Chief Clerk's assessment of the effectiveness of internal controls of the House of Assembly is fairly stated and whether the internal controls are operating effectively.

We confirm that, to the best of our belief:

Compliance of Expenses
We acknowledge our responsibility to ensure expenses incurred by the House are in compliance with policies of the Commission and the public service of the Province.

Chief Clerk's Assessment, and the overall effectiveness of, Internal Control
We have fulfilled our responsibilities, as set out in the terms of the engagement letter dated September 14, 2015, and have provided you with the Chief Clerk's assessment of the effectiveness of internal control.

Specifically, we

- acknowledge responsibility for establishing and maintaining effective internal controls of the House of Assembly;
- have performed an evaluation and made an assessment of these controls; and
- have concluded as to the effectiveness of the internal controls based on identified control criteria.

PO Box 1617, Halifax
Nova Scotia, Canada B3J 2Y3
Bus 902-424-5707 *Fax* 902-424-0526

Information Provided

- We have provided you with:
  - access to all information of which we are aware that is relevant to the preparation of your audit opinions, such as records, documentation and other matters;
  - additional information that you requested from us for the purpose of the audit; and
  - unrestricted access to persons within the entity from whom you have determined it necessary to obtain audit evidence.

- All transactions have been recorded in the accounting records.

- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - management;
  - employees who have significant roles in internal control; or
  - others.

- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations.

- We have disclosed to you all policies of the Commission and applicable policies of the public service.

- We have provided you with all documentation used to support the Chief Clerk's assessment on the effectiveness of internal controls.

Honourable Kevin Murphy
Chair, House of Assembly Management Commission

Mr. Noel Ferguson
Chief Clerk, House of Assembly

Ms. Deborah Lusby
Director of Administration

5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Office of the Auditor General
Nova Scotia

December 2, 2015

Mr. Neil Ferguson
Chief Clerk of the House of Assembly
Province of Nova Scotia
Office of the Speaker
1726 Hollis Street
Halifax, NS B3J 2Y3

Dear Mr. Ferguson:

The purpose of this letter is to bring to your attention the results of audits we conducted under Section 22 of the House of Assembly Management Commission Act.

In addition to the more formal findings noted below, we are attaching other matters identified during the audit in Appendix 1 some of which we understand have already been assessed and addressed by your staff. None of the findings noted below or the items detailed in the Appendix affected our opinions on the effectiveness of controls or compliance with regulations and policies.

Audit findings

Supporting evidence – During the audit, we noted two instances where the details on invoices supporting certain expense claims were not verified fully, resulting in the following.

- A member was reimbursed for the cost of two movies charged on a cable bill
- A member was reimbursed for 15 nights' claimed accommodation without proof of payment having been provided.

In both situations, payments made contravened House of Assembly Management Commission Regulations. In the first instance, Section 4(1)(d) of the House of Assembly Management Commission Regulations states that members shall not be reimbursed for expenses that "*give or relate to a personal benefit to any member or an associated person of a member*". In the second instance, Section 15 (4) requires a signed receipt or other evidence of payment. Although neither instance was significant enough to impact our opinion, each indicates additional care is needed when verifying documentation supporting travel and other claims.

Recommendation 1
House of Assembly staff should carefully inspect invoices and other supporting documentation to ensure each complies with regulations prior to payments being issued.

With respect to the first deviation noted above, reimbursement of these amounts was not requested as the member had retired by the time this deviation was brought to management's attention. Management indicated reimbursement has subsequently been requested.

Asset verification - Twice a year, the Asset Administrator sends inventory reports to MLA and division offices to have the member or staff review and note changes, updates or corrections as necessary. Our testing of this control showed that it was operating as described. When conducting other asset testing, we encountered two instances in which we identified errors that had not been identified and noted by the MLA or division office when verifying the inventory report. In one instance, the division office had not noted a duplicate record for a laptop. In the other instance, the MLA had not noted an iPad which had been purchased two months earlier.

902 424 4046 tel
902 424 4350 fax
www.oag-ns.ca

Recommendation 2
Management should communicate to MLA and division offices the importance of a careful review of the inventory reports presented to them for verification. Management should provide guidance on how to perform a thorough review of the inventory report.

If you have any questions or comments regarding the audit, we would be pleased to meet with you. We would like to take this opportunity to thank you and your staff for the courtesy and assistance we received during this engagement.

Yours truly,

Ann McDonald, CPA, CA
Assistant Auditor General

Attachment – Appendix 1 Matters Relevant to Management's Responsibilities

cc: Deborah Lusby
Director of Administration and Operations

Lauchie McKenzie, FCPA, FCA
Chair, Audit Committee

DRAFT

Appendix 1

Matters Relevant to Management's Responsibilities

	Item	Details
1.	Missing support for rent increase	Section 15(7) of the House of Assembly Management Commission Regulations requires members to submit proof of any change in rental rate. We found one instance in which a rental rate increase of $100 was not accompanied by supporting documentation. In response to our audit finding, management requested and obtained a copy of the notice of rent increase.
2.	Delay in Employee Performance Evaluations	Annual performance evaluations had not been completed as of September 9, 2015 (five months after the end of the evaluation period). The annual evaluation process is the formal process for evaluating employee performance and is typically tied in to pay increases. Management indicated that employee performance is informally evaluated throughout the year with regular discussions and includes internal control review feedback. There has been a delay in completing formal performance reviews this year but management still intends to carry out the evaluations. The fact that performance reviews had not been completed at the time of our fieldwork does not present a significant human resource risk at this time.

DRAFT