



HOUSE OF ASSEMBLY MANAGEMENT COMMISSION

2018 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, 2018.

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 subsection 22(5) of the ***House of Assembly Management Commission Act***, this Report contains as an Appendix the Auditor General's "Annual Audit Results" for the House of Assembly for the year ending March 31, 2018. The Auditor General's Report provides two opinions as follows:

- (a) the Chief Clerk's assessment of the operating effectiveness of internal controls of the House of Assembly is fairly stated for the year ending March 31, 2018; and
- (b) the House of Assembly's expenditures were, in all material respects, made in accordance with the policies of the House of Assembly, and, where applicable, the policies of the public service of the Province of Nova Scotia per clause 22(5)(b) of the ***House of Assembly Management Commission Act*** for the year ending March 31, 2018.

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 2018 calendar year. I want to particularly thank Mr Lauchlin McKenzie and Mr Leo Gallant for their tireless service to the Audit Committee over the last 8 years as their terms of service ended in 2018 and I want to welcome the two new members of the Audit Committee Ms Susan McIsaac and Mr Gordon Moore.

Hon. Kevin Murphy
Speaker of the House of Assembly
Chair, House of Assembly Management Commission

Date: January 22, 2019

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, 2018.

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. The lay membership of the Audit Committee changed during the year when terms of office were completed. In January 2018 the members were: 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**.

Effective February 1, 2018 Chief Justice Michael MacDonald appointed Ms Susan J. McIsaac, FCPA, FCA, from Amherst, a partner with McIsaac, Darragh Chartered Accountants; Executive Officer of the AC Group of Independent Accounting Firms Ltd and former president of the Institute of Chartered Accountants of Nova Scotia to replace Mr Leo Gallant.

Effective August 18, 2018 the Chief Justice appointed Mr Gordon D. Moore, FCPA, FCA, from Halifax, a consultant with the Chartered Professional Accountants of Nova Scotia (CPA Nova Scotia) on audit and public accounting matters; former CEO & Executive Director of the Institute of Chartered Accountants of Nova Scotia and a retired audit partner with KPMG to replace Mr Lauchlin McKenzie.

The Management Commission at its' meeting of November 13, 2013 appointed Mr Gordon D. Moore as Chair of the Audit Committee pursuant to Section 16 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 2018 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, 2018, the voting membership of the Management Commission was:

Hon. Kevin Murphy, Speaker

Mr Chuck Porter, Deputy Speaker (January 23, 2018 meeting)

Ms Suzanne Lohnes-Croft, Deputy Speaker (November 13, 2018)

Hon. Geoff MacLellan, Government House Leader

Mr Gordon Wilson, member of the Government Caucus (January 23 and June 12, 2018 meeting)

Mr Ben Jessome, member of Government Caucus (substituting for Mr Gordon Wilson, November 13, 2018 meeting)

Hon. Labi Kousoulis, member of the Government Caucus

Hon. Chris d'Entremont, Official Opposition House Leader

Mr Tim Halman, member of the Official Opposition Caucus

Hon. David Wilson, member of the NDP Caucus (resigned as an MLA on November 16, 2018)

Ms Claudia Chender, member of the NDP Caucus (effective December 7, 2018)

Meetings of the House of Assembly Management Commission

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

January 23, 2018

June 12, 2018

November 13, 2018

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>

Meetings of the Audit Committee

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

January 23, 2018

March 20, 2018

May 22, 2018

September 11, 2018

November 20, 2018

As required by subsection 18(3) of the **Act**, the Audit Committee reported formally on January 22, 2019, to the Management Commission as follows:

- 1) At the January 23, 2018 meeting, the Committee recommended to the Management Commission that the Auditor General be appointed to conduct the April 1, 2017 to March 31, 2018 audit of the House of Assembly.

The Committee recommended that the Management Commission approve the Annual Audit Results for the fiscal year ending March 31, 2017 as presented.

The Committee was informed that 30 individuals had completed the online Fraud Policy module and that the deadline for completion was March 31, 2018.

The 2017-18 3rd quarter financials were reviewed. It was noted that there were two categories that showed increases and therefore the forecast was adjusted, these were: a) transition allowance payments made after the most recent general election and b) an increase in the number of MLAs in both the PC and the NDP caucus following the general election thereby increasing the amounts available to the caucus.

Communication was received advising that the Chief Justice of Nova Scotia had appointed Ms Susan McIsaac as a new member of the Committee to replace Mr Leo Gallant effective February 1, 2018 and appointed Mr Gordon D. Moore as a new member of the Committee to replace Mr Lauchlin McKenzie effective August 18, 2018.

- 2) At the March 20, 2018 meeting, the Committee discussed the letter dated February 21, 2018, received from the Auditor General informing the Committee that senior officials of the House of Assembly such as the Speaker, Chief Clerk and Chief Legislative Counsel were not disclosing travel and hospitality expenses in accordance with the September 2016 Administrative Directive issued by the Treasury and Policy Board retroactive to April 1, 2016. The Committee members were informed that Treasury and Policy Board had not notified the House of Assembly of the existence or the applicability of the Directive.

On becoming aware of the Auditor General's letter, the Director of Administration of the Speaker's Office immediately put in place measures for her office to review on a quarterly basis the Treasury Board website to identify the issuance of any new policies and directives. She also requested that the House of Assembly be placed on the Treasury Board distribution list for new policies and directives.

Hospitality expenses are defined in 7.12 Hospitality Policy as: "Expenses incurred while hosting individuals from outside government for reasons outlined above including receptions, ceremonies, conferences, performance or other group events. Allowable expenses may include meals, beverages or other approved items."

The policy is not to be used to report expenses associated with employee only events such as retirement ceremonies or office social events. Those events are either employee-funded or may qualify as a meeting expense. The serving of alcohol may be an acceptable expense for reasons of diplomacy, protocol, business development or promotional advocacy.

Additionally, the Policy provides that gifts for individuals outside government cannot exceed \$40.00 in value.

The Speaker's Christmas party was specifically identified by the Auditor General for reporting purposes and the Committee members discussed how the event could be recorded as it does not meet the policy's definition of "hospitality" (hosting individuals from outside government) and currently there is no clear definition of "meeting expenses." The Committee requested clarification of the word "hospitality" and "meeting expenses" as well as the distinction between the two, from the Department of Finance and Treasury Board.

The Committee directed that disclosure reports to be posted on the website by March 31, 2018 setting out the following:

- (a) the Travel and Hospitality expenses posted in chronological order;
- (b) the House of Assembly "hospitality" events in a separate report; and
- (c) gifts absent a detailed description of the gift provided.

The Committee was informed that the Public Service Commission reported that 46% of all MLAs and 67% of all staff had completed the online Fraud Policy module.

3) At the May 22, 2018 meeting, representatives from the Auditor General's Office confirmed that the Auditor General's 2017-18 Audit Report would contain two unmodified auditor's opinions as follows:

- (a) for the House of Assembly on the Chief Clerk's assessment of the effectiveness of internal controls and that the internal controls of the House of Assembly are operating effectively; and
- (b) that the House of Assembly's expenditures were made in accordance with the House of Assembly Management Commission policies and the policies of the public service, for the year ending March 31, 2018.

The Auditor General's Office informed the Committee that the audit is risk based and that during the audit period an election had been held therefore a larger number of new MLA expense claims were be audited.

The Auditor General made the following recommendation that did not affect the unmodified opinions: that the Speaker's Office enforce timelines for updating the inventory system. The Auditor General was satisfied that a process has been put in place by the Director of Administration to insure the Speaker's Office is up-to-date on a go-forward basis of Public Service Commission and Finance policies that apply to the Management Commission. The travel and hospitality expenses were posted online for the period from April 1, 2016 to March 31, 2018.

The Chair of the Committee indicated that both he and the committee were unaware of any fraud or non-compliance that should be brought to the attention of the Auditor General.

The Auditor General requested that the Committee explore whether MLA telecom costs could be reduced by allowing access to Government rates from Bell by MLAs.

The Committee discussed the 2018-19 Audit Plan and the audit cost for 2017-18 is \$18,000.00 – this amount is less than in the past years.

The Committee was informed that as part of the risk management process a back-up power source is being explored for the House of Assembly; radon testing is being carried out in offices and an additional portal and router out of the building is being considered for data transmission back-up.

The Committee was informed that as of March 31, 2018 13 MLAs and 7 Constituency Assistants had not completed the online Fraud Policy module.

The preliminary 4th quarter financials to March 31, 2018 were reviewed.

- 4) At the September 11, 2018 meeting, the Assistant Auditor General advised that in the Auditor General's 2018 Financial Report to be issued October 2, 2018, reference would be made to the non-disclosure of the expenses for the Speaker's Christmas party as required by the Province of Nova Scotia Hospitality Policy. Mr. Spicer did acknowledge that the Department of Finance is working on a definition of the term "meeting expense" as presently that would be the only heading under which the Speaker's Christmas party could be reported as the event does not meet the "hospitality" expense definition in the Policy. Notwithstanding this, the report to be issued on October 2, 2018 would contain the reference to the non-disclosure of the expense.

The 2018-19 Audit Plan was presented to the Committee and it indicated that the management override risk would be included as that is standard to all audits and it relates to journal entries and internal controls. There is a new timetable for the audit and the cost will be \$18,500.

In response to inquiries it was confirmed that the Bell Government rate for cell phones and landlines are available to MLAs. There is no Government rate for cable or internet services available to MLAs.

The Committee was informed that a) travel and hospitality reports up to June 30, 2018 were posted on the website and to date the Department of Finance has not provided a definition of “meeting expenses” to assist in reporting these expenses; and b) all MLAs, Constituency Assistants and House of Assembly staff had completed the Fraud Policy online module.

The following reports were reviewed:

- (a) 4th QTR 2017-2018 at March 31, 2018 (updated on July 12, 2018);
- (b) 1st QTR 2018-19;
- (c) 2017-2018 MLA Summary Expenses; and
- (d) 2017-2018 Member Actual Spent vs. Allowance.

It was noted that the extra expenses related to the 2017 election and the 3 additional months of office rental expenses the out-going MLAs are entitled to pursuant to the *Regulations*.

The Committee forwarded two recommendations to the Management Commission:

- (a) that the Management Commission appoint the Auditor General to conduct the April 1, 2018 to March 31, 2019 audit of the House of Assembly; and
 - (b) that the Management Commission appoint Mr Gordon Moore as Chair of the Audit Committee pursuant to Section 16 of the **Act**.
- 5) At the November 20, 2018 meeting the Committee was informed that Government is preparing a Non-Disclosure Agreement that MLAs will be required to sign prior to accessing the Bell Government rate for telecom expenses.

The Chair requested that Committee members identify risks related to the audit itself by reflecting on the specific responsibilities of the Committee, following which the Committee could focus on mitigating the specific risks related to internal controls and beyond.

The Committee was informed that the Management Commission accepted both recommendations put forward regarding the appointment of the Auditor General to conduct the April 1, 2018 to March 31, 2019 audit and the appointment of Mr Gordon Moore as the Chair of the Committee.

A draft Journal Entry Process Narrative was reviewed and comments and suggestions made regarding the final draft of the document.

The Committee reviewed the 2n QTR 2018-2019 financial reports.

Activities and Decisions of the House of Assembly Management Commission

At the January 23, 2018 meeting, the Management Commission:

- (a) appointed the Auditor General as the auditor for the House of Assembly for the fiscal year ending March 31, 2018;
- (b) adopted the 2017 House of Assembly Management Commission Annual Report and directed the Speaker to table the report in the House of Assembly;
- (c) adopted the 2017 Audit Committee Annual Report;
- (d) reviewed the 2017-18 3rd quarter financials; and
- (e) received a request to conduct a jurisdictional scan on maternity leave policies for elected officials in Canada.

At the June 12, 2018 meeting, the Management Commission:

- (a) approved a budget in the amount of \$17,000.00 for the Select Committee to Establish an Electoral Boundaries Commission;
- (b) authorized the Speaker's Office to commence reimbursements and expenditures necessary to support the work of the Electoral Boundaries Commission with the understanding that a formal budget would be submitted to the Management Commission for approval and that all the expenses would be submitted to the Treasury Board for payment;
- (c) approved the Auditor General's 2017-2018 Audit Report;
- (d) waived the CPI increases under Section 52 of the *House of Assembly Management Commission Regulations* for the 2018-19 fiscal year;
- (e) received a request to explore current accommodation rental amounts being paid by MLAs to determine if that allowance should be increased to meet the increase costs for rentals; and
- (f) approved a waiver for an MLA for barrier free non-compliance of the constituency office and requested the MLA explore options to pave the parking lot of the constituency office within 12 months.

At the November 13, 2018 meeting, the Management Commission:

- (a) appointed Mr Gordon D. Moore as Chair of the Audit Committee;
- (b) appointed the Auditor General as auditor of the accounts of the House of Assembly for the year ending March 31, 2018;
- (c) reviewed the 4th QTR 2017-2018 report as of March 31, 2018, Final and the 1st and 2nd QTR 2018-2019 report;
- (d) approved an amendment to subsections 21(1) of the *House of Assembly Management Commission Regulations*;
- (e) approved amendments to Directive # 1 to the *House of Assembly Management Commission Regulations*; and
- (f) approved the budget of the Electoral Boundaries Commission in the amount of \$450,500.00.

Auditor General's Audit

Attached to this Annual Report is:

Appendix 1 – Office of the Auditor General of Nova Scotia Annual Audit Results for the House of Assembly for the year ending March 31, 2018



Office of the Auditor General of Nova Scotia

Annual Audit Results

House of Assembly
Year Ended March 31, 2018



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

Auditor General of Nova Scotia

To the Audit Committee of the House of Assembly of Nova Scotia:

We are near the end of our audit of the compliance of the House of Assembly, “the Assembly” for the year ended March 31, 2018 in accordance with Section 22 of the House of Assembly Management Commission Act.

In this report, we provide all the information that our audit plan indicated we would communicate to you at the conclusion of our audit, and where appropriate, other communications required under Canadian generally accepted auditing standards (Canadian GAAS). We have addressed all the matters that came to our attention during the audit that we believe the Audit Committee should be aware of regarding the Assembly.

We will be pleased to elaborate on any of these points, to the extent you desire or consider necessary, during the Audit Committee meeting on May 22, 2018.

We would like to take this opportunity to express our appreciation to the Assembly for the cooperation and assistance provided to us by the Assembly’s management and staff during the audit.

Yours sincerely,

Tammy Squires, CPA, CA
Assistant Auditor General of Nova Scotia

May 22, 2018

Enclosure

Table of Contents

	Page
Summary.....	1
Audit objectives	1
Independent Auditor's Reports	1
Important information on the results of our audit	2
Significant audit, accounting, and financial reporting matters	2
Significant risks and responses	2
Other observations	3
Other required communications	3
Related matters.....	5
Audit hours and costs	5
Appendix A — Draft Independent Auditor's Report – Compliance	6
Appendix B — Draft Independent Auditor's Report – Internal Controls	7
Appendix C — Other Observations from the Audit	8
Appendix D — Draft Management Representation Letter	9

Summary

We have performed our audit in a manner consistent with the Report to the Audit Committee - Annual Audit Plan, which was discussed with the Audit Committee on September 19, 2017.

This report has been prepared to include the communications between an auditor and Audit Committee, as required by Canadian Auditing Standards. It provides the Committee with timely observations arising from the audit that are significant and relevant to its responsibility to oversee the operations process; the promotion of effective two-way communication; and assisting Committee members in their review of the Chief Clerk's assessment of internal controls; and the compliance of expenses with the policies of the House of Assembly Management Commission and, where applicable, the policies of the public service of the Province of Nova Scotia.

Audit objectives

An audit is an independent examination of evidence supporting the assessment of internal controls and the compliance of the House of Assembly expenses and accounts in accordance with applicable policies.

The objectives of our audit were designed to provide reasonable assurance that the Chief Clerk's assessment of the effectiveness of internal controls of the House of Assembly is fairly stated; and that the expenses incurred by the House of Assembly were in accordance with the House of Assembly Management Commission policies and the policies of the public service of the Province of Nova Scotia.

Our independent auditor's reports addressed these audit objectives.

Independent Auditor's Reports

Our audit is now complete and we will issue an unmodified auditor's opinion for the House of Assembly on the Chief Clerk's assessment of the effectiveness of internal controls and that the internal controls of the House of Assembly are operating effectively; and an unmodified auditor's opinion that the House of Assembly's expenditures are in compliance with the House of Assembly Management Commission policies and the policies of the public service, for the year ending March 31, 2018.

The form and content of our independent auditor's reports were prepared in accordance with Canadian Auditing Standards.

Our auditor's reports will be released once we have received the following items:

- Communication of the acceptance of the Office of the Auditor General's report on audit results; and
- Receipt of management's signed letter of representations, to be dated May 22, 2018, indicating they have fulfilled their responsibilities in relation to the implementation, monitoring, and operation of internal controls; and the compliance of expenses in accordance with the policies of the Commission and the policies of the public service of the Province of Nova Scotia.

Important information on the results of our audit

Significant audit, accounting, and financial reporting matters

Canadian Auditing Standards outlines that an important management responsibility is to establish and maintain internal control on an ongoing basis. Management's monitoring of controls includes considering whether they are operating as intended and that they are modified, as appropriate, for changes in conditions. Monitoring is done also to ensure that controls continue to operate effectively over time. Management's negligence to adhere to these standards can have a significant impact on the House of Assembly's internal controls.

We are responsible for discussing our views with the Audit Committee about the significant qualitative aspects of the House of Assembly's internal controls including the appropriateness of internal controls and the adequacy of controls to address risks' within the House of Assembly.

Significant risks and responses

Our audit plan identified the election during the period as an area of audit risk. As a result, we included target testing on newly elected MLA expense claims as part of our procedures. We have no reportable instances of non-compliance related to new MLA expense claims.

There were no significant changes from the audit procedures outlined in the Audit Plan. We are satisfied that our audit procedures appropriately addressed the audit risks.

Other observations

Following our interim audit work on the compliance of expenses with the policies of the House of Assembly Management Commission and where applicable, the policies of the public service of the Province of Nova Scotia, we issued correspondence that brought to the attention of the Audit Committee a matter which we identified. This matter related to disclosure of travel and hospitality expenses of members' expenses that are not cabinet specific.

In September 2016, an Administrative Directive (directive) was issued by Treasury and Policy Board, to further enhance accountability and transparency of public sector organizations. The purpose of the directive is to set out requirements with respect to disclosure of travel and hospitality expenses by senior management in public sector organizations. The directive applies to all departments and public service units as of September 30, 2016. Of course, the intent of this directive also serves as good public practice.

Therefore, this directive is relevant to offices under the authority of the Speaker, including Independent Offices and Legislative Services.

Management was unaware of the existence of this directive. Since we raised this with management, the response and action taken was timely and all expenses since April 1, 2016 were categorized and disclosed.

Section 18(2) of the *Auditor General Act* requires the Auditor General to report annually to the House of Assembly on the audit work of the Office. When necessary, the information obtained from the Commission's audit may be used in our annual report to the House of Assembly. Prior to publication, you will have the opportunity to review any reference to the Commission included in our report.

We believe the Audit Committee has an important role in providing oversight on how the directive is followed, including controls over what is disclosed, when and how. During our presentation on audit results, we wish to discuss this very important matter of disclosure of travel and hospitality expenses; as well as discuss controls around how management stays current with directives issued by Treasury and Policy Board or others to which apply to the organization.

Other required communications

Canadian Auditing Standards require that we communicate certain other matters to the Audit Committee that may assist in its role of review of the financial performance of the House of Assembly, as well as expenditures of members. This information is noted in the following table.

Matters to be communicated	Results of our audit
Auditor's independence	We confirm that the Office of the Auditor General of Nova Scotia remained independent of the House of Assembly throughout the audit. No new matters have arisen since our presentation of the Audit Plan to the Audit Committee that could reasonably be thought to bear on our independence.
Audit approach	We performed our audit in accordance with the approach previously communicated in the Audit Plan. Furthermore, as previously communicated, we planned our audit using a risk based approach. During the audit, no significant developments or new information came to our attention to indicate that a change in our initial assessment was warranted.
Significant difficulties encountered in performing the audit	We did not encounter any difficulties or disagreements with the House of Assembly management while performing our audit that would require the attention of the Audit Committee.
Significant deficiencies in internal control	Auditing standards require us to communicate control weaknesses identified during our audit that we consider to be significant deficiencies. A significant deficiency in internal control is a deficiency or combination of deficiencies, which in the auditor's judgment, are of enough importance to merit being reported to the Audit Committee. There were no significant observations noted during our audit.
Fraud inquiry and communication with Management	During our audit, no fraud involving senior management or employees with a significant role in internal control, or that would cause a significant deficiency, came to our attention as the result of our audit procedures. Additionally, we have observed no other matters related to fraud that are, in our judgment, relevant to your responsibilities.
Management representations	We have requested certain written representations from management. A copy of management's representations is included as Appendix D.
Management letter	We have one other observation to report to management, which is included as Appendix C.

Related matters

Audit hours and costs

The Auditor General Act indicates that, where the Auditor General performs the audit of a government agency, the Auditor General may charge fees directly to the government agency for the cost of the audit. We recognize it is in the best interest of all parties for us to perform efficient audits and keep costs low for all Nova Scotians. Therefore, we strive to ensure our work is planned and executed with maximum efficiency.

Our fees for the current year end audit are as follows:

	2018	2017
Audit costs	\$18,000	\$18,000

Our bill will be finalized and sent to management subsequent the completion of our audit.

Appendix A — Draft Independent Auditor's Report – Compliance

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SECTION 22(5)(b) OF THE HOUSE OF ASSEMBLY MANAGEMENT COMMISSION ACT

To the Chair of the House of Assembly Management Commission of Nova Scotia:

In accordance with Section 22(5)(b) of the *House of Assembly Management Commission Act*, I have audited the House of Assembly's expenditures for the year ended March 31, 2018 to determine whether the expenses incurred by the House of Assembly were made in accordance with the policies of the House of Assembly Management Commission 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 that its expenditures comply with the policies of the House of Assembly Management Commission and, where applicable, the policies of the public service of the Province of Nova Scotia.

Auditor's Responsibility

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

I conducted my audit in accordance with Canadian Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the expenses incurred by the House of Assembly were made in accordance with Section 22(5)(b) of the *House of Assembly Management Commission Act*, and, where applicable, the policies of the public service of the Province of Nova Scotia. 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the House of Assembly's expenditures were, in all material respects, made in accordance with the policies of the House of Assembly, and, where applicable, the policies of the public service of the Province of Nova Scotia per Section 22(5) of the *House of Assembly Management Commission Act* for the year ended March 31, 2018.

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

May 22, 2018
Halifax, Nova Scotia

Appendix B — Draft Independent Auditor's Report – Internal Controls

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SECTION 22(5)(c) OF THE HOUSE OF ASSEMBLY MANAGEMENT COMMISSION ACT

To the Chair of the House of Assembly Management Commission of Nova Scotia:

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 effectiveness of internal controls of the House of Assembly is fairly stated and whether the internal controls were operating effectively for the year ended March 31, 2018.

Management's Responsibility

Management of the House of Assembly is responsible for ensuring that internal controls were operating effectively.

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, as required per Section 22(5)(c) of the *House of Assembly Management Commission Act*.

I conducted my audit in accordance with Canadian Auditing Standards. Those standards require that I obtain evidence to support that the Chief Clerk's assessment of internal controls of the House of Assembly is fairly stated, and whether the controls are operating effectively. Those standards also require that that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the House of Assembly complied with the provisions established in Section 22(5)(c) of the House of Assembly Management Commission Act. Such an audit includes examining, on a test basis, evidence supporting the assessment, and evaluation overall compliance with these criteria.

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

Opinion

In my opinion, the Chief Clerk's assessment of the operating effectiveness of internal controls of the House of Assembly is fairly stated for the year ended March 31, 2018.

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

May 22, 2018
Halifax, Nova Scotia

Appendix C — Other Observations from the Audit

During our audit, we identified the following observation:

Internal Control Deficiency: During our testing and walkthroughs of the House of Assembly Management Commission’s significant business processes, we identified the following internal control deficiency:

Year Identified by OAG	Observation
2017-18	Capital Asset Controls
	We observed that the onsite inventory verification report for the Hansard Reporting Office had not been signed, approved, and completed as of March 31, 2018. The onsite verification had been performed, but necessary inventory adjustments had not yet been made to the system.
Recommendation	
We recommend that the Speaker’s Office enforce timelines for updating the inventory system.	

Appendix D — Draft Management Representation Letter

May 22, 2018

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, 2018.

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 July 26, 2017 and have provided you with the Chief Clerk's assessment of the effectiveness of internal control dated March 31, 2018.

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.

Information Provided

1. 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.
2. All transactions have been recorded in the accounting records.
 3. 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.
 4. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations.
 5. We have disclosed to you all policies of the Commission and applicable policies of the public service. In addition, we have ensured that all applicable policies and directives that apply to the House of Assembly are being followed.
 6. 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. Neil Ferguson
Chief Clerk, House of Assembly

Ms. Deborah Lusby
Director of Administration



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

Auditor General of Nova Scotia

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SECTION 22(5)(b) OF THE HOUSE OF ASSEMBLY MANAGEMENT COMMISSION ACT

To the Chair of the House of Assembly Management Commission of Nova Scotia:

In accordance with Section 22(5)(b) of the *House of Assembly Management Commission Act*, I have audited the House of Assembly's expenditures for the year ended March 31, 2018 to determine whether the expenses incurred by the House of Assembly were made in accordance with the policies of the House of Assembly Management Commission 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 that its expenditures are made in accordance with the policies of the House of Assembly Management Commission, and, where applicable, the policies of the public service of the Province of Nova Scotia.

Auditor's Responsibility

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

I conducted my audit in accordance with Canadian Auditing Standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the expenses incurred by the House of Assembly were made in accordance with Section 22(5)(b) of the *House of Assembly Management Commission Act*, and, where applicable, the policies of the public service of the Province of Nova Scotia. 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the House of Assembly's expenditures were, in all material respects, made in accordance with the policies of the House of Assembly, and, where applicable, the policies of the public service of the Province of Nova Scotia per Section 22(5)(b) of the *House of Assembly Management Commission Act* for the year ended March 31, 2018.

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

May 22, 2018
Halifax, Nova Scotia





5161 George Street
Royal Centre, Suite 400
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Auditor General of Nova Scotia

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SECTION 22(5)(c) OF THE HOUSE OF ASSEMBLY MANAGEMENT COMMISSION ACT

To the Chair of the House of Assembly Management Commission of Nova Scotia:

In accordance with Section 22(5)(c) of the *House of Assembly Management Commission Act*, I have audited 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 were operating effectively for the year ended March 31, 2018.

Management's Responsibility

Management of the House of Assembly is responsible for ensuring that internal controls are operating effectively.

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 were operating effectively, as required per Section 22(5)(c) of the *House of Assembly Management Commission Act*.

I conducted my audit in accordance with Canadian Auditing Standards. Those standards require that I obtain evidence to support that the Chief Clerk's assessment of the internal controls of the House of Assembly is fairly stated, and whether the internal controls are operating effectively. Those standards also require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the House of Assembly complied with the provisions established in Section 22(5)(c) of the *House of Assembly Management Commission Act*. Such an audit includes examining, on a test basis, evidence supporting the assessment, and evaluating overall compliance with these criteria.

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

Opinion

In my opinion, the Chief Clerk's assessment of the operating effectiveness of internal controls of the House of Assembly is fairly stated for the year ended March 31, 2018.

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

May 22, 2018
Halifax, Nova Scotia

