



HOUSE OF ASSEMBLY MANAGEMENT COMMISSION

2019 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, 2019.

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 both of the Auditor General's Independent Practitioner's Reasonable Assurance Reports for the House of Assembly for the year ending March 31, 2019. The Independent Practitioner's Reasonable Assurance Reports provide two opinions of the Auditor General as follows:

- (a) "In my opinion, the Chief Clerk's assessment of the operating effectiveness of internal controls of the House of Assembly is, in all material respects, fairly stated and internal controls were operating effectively for the year ended March 31, 2019."; and
- (b) "In my opinion, the House of Assembly's expenditures complied, in all significant respects, with the specified requirements established in Section 22(5)(b) of the *House of Assembly Management Commission Act* for the year ended March 31, 2019."

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 2019 calendar year.

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

Date: January 23, 2020

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, 2019.

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 was Mr Gordon D. Moore, FCPA, FCA, from Halifax, a former CEO & Executive Director of the Institute of Chartered Accountants of Nova Scotia and a retired audit partner with KPMG, and Ms Susan J. McIsaac, FCPA, FCA, from Amherst, a partner with McIsaac, Darragh Chartered Accountants. 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, Hon. Chris d'Entremont (for the meeting of January 15) and Mr Allan MacMaster (for the meetings of September 17 and November 12), 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 2019 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, 2019, the voting membership of the Management Commission was:

Hon. Kevin Murphy, Speaker

Ms Suzanne Lohnes-Croft, Deputy Speaker

Hon. Geoff MacLellan, Government House Leader

Mr Ben Jessome, member of the Government CAUCUS (substituting for Mr Gordon Wilson, January 22, 2019 meeting)

Ms Rafah DiCostanzo, member of the Government CAUCUS (June 12 and September 19, 2019 meetings)

Hon. Labi Kousoulis, member of the Government Caucus

Hon. Chris d'Entremont, Official Opposition House Leader (January 22, 2019 meeting)

Mr Allan MacMaster, Official Opposition House Leader (June 12 and September 19, 2019 meetings)
Mr Eddie Orrell, member of the Official Opposition Caucus (January 22, 2019)
Hon. Chris d'Entremont, Official Opposition Caucus (June 12, 2019)
Mr John Lohr, member of the Official Opposition Caucus (September 19, 2019)
Ms Claudia Chender, member of the NDP Caucus

Meetings of the House of Assembly Management Commission

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

January 22, 2019
June 12, 2019
September 19, 2019

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 15, 2019
May 21, 2019
September 17, 2019
November 12, 2019

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 15, 2019 meeting, a revised journal voucher management narrative was reviewed.

The Committee directed that *risk assessment update* appear as a standing item on every meeting agenda to continually assess risks and implement strategies to mitigate the risks. At this meeting the Committee members identified potential risks as: 1) errors in expense claims by newly elected members; and 2) reducing the 3-month period to 30 days for the transition out of office by defeated members to reduce additional expenses associated with the transition.

On review of the 3rd quarter 2018-19 financial statement, the following items were noted: 1) MLA travel amounts were historically low; 2) additional funds were allocated for technology to the Clerks Table in the House; 3) the allocation for a Public Account Committee research clerk was not expended; 4) an allocation was provided for upgrading legislative TV equipment; and 5) rather than provide an additional allocation of monies for specific projects or items, Treasury Board provides authorization by stating on the pressure submission “approved – fund from existing budget”. Projects not specifically approved by Treasury Board can be approved by the Speaker if they are under \$100,000, if funds are available.

The 2018 Audit Committee report was approved and forwarded to the Management Commission.

- 2) At the May 21, 2019 meeting, the Auditor General presented the “Reasonable Assurance Engagement Results” which contained two unqualified and clean opinions as follows: 1) the House of Assembly expenditures complied, in all significant respects, with the requirements established pursuant to clause 22(5)(b) of the *House of Assembly Management Commission Act* for the year ended March 31, 2019; and 2) the Chief Clerk’s assessments of the operating effectiveness of internal controls of the House of Assembly, is, in all material respects, fairly stated and internal controls were operating effectively for the year ended March 31, 2019.

The fee charged for the 2018-19 audit was \$18,600.

The Committee members requested further discussion at a future meeting on the topic of the 3-month wind-down period for constituency offices.

The requirement that a transition allowance be paid as a condition for accessing counselling and retraining services pursuant to *Regulation 40A* was discussed.

Upcoming by-elections and the need to provide training for new MLAs and their Constituency Assistants to mitigate risks was noted in the risk assessment update as well as the additional annual cost of approximately \$250,000 for each new MLA should there be an increase from the current 51 members as recommended by the Electoral Boundaries Commission.

The Committee was informed that a policy directive was issued by the Province regarding pay increases for non-unionized employees of 1.5% on April 1, 2019 and .5% on March 31, 2020.

On review of the preliminary 4th quarter 2018-19 financial statement, the following items were noted: 1) there is a 23% variance in MLA travel amounts; 2) the Commonwealth Parliamentary Association budget item is below budget due to decreased travel expenses; 3) the PC Caucus was below budget due to staff changes in the leader’s office; 4) discussions are ongoing with the Legislative Library on the best manner to hire a Public Accounts

Committee staff person; 5) Legislative TV has overspent to urgently replace and upgrade equipment; and 6) the Committee does not have financial oversight over the Office of the Ombudsman and requested that entity be removed from the financial statements reviewed by the Committee.

The Committee members discussed the challenges of having statutory expenses shown on the budget when the actual expenses do not align with these expenses because certain allowances are traditionally underspent. Changes were suggested regarding the presentation of the reports to make them more meaningful for the Committee.

- 3) At the September 17, 2019 meeting, recommendations were discussed for the transition of MLAs following an election:
- (a) reducing the wind-down time for constituency offices from 3 months to 30 days – this recommendation requires additional discussion;
 - (b) newly elected MLAs taking over office of former MLA – at present *Regulation 23(10)* requires the new MLA take over the office space when the office lease is a long-term barrier free lease. In other cases, it may be difficult to impose such a requirement on new MLAs. It would be ideal to have the Department of Transportation and Infrastructure Renewal manage the office leases – this recommendation requires more discussion;
 - (c) delete the Regulation – requiring a new member make a request to the Clerk to replace the outgoing member's office asset pursuant to *Regulation 23(11)*;
 - (d) change to Constituency Assistant contract – to provide, in the case of an election, that notice automatically be given to the assistant on the day following the election if the MLA who entered into the contract is defeated – this recommendation should be advanced to the Management Commission; and
 - (e) counselling and retraining services – Section 40A of the *House of Assembly Act* provides for these services, however at present they are only available to members who qualify to receive a transitional allowance. The Committee recommends to the Management Commission that all MLAs who cease being members have access counselling and retraining services.

The final 4th quarter 2018-19 financial statement was reviewed and the following was noted: 1) the Committee's Office was given approval for staff hours to complete outstanding projects resulting in an overspending of its' budget allocation; 2) the Public Accounts Committee did not expend the budget approved for professional services for a report writer; and 3) Legislative TV received approval to overspend to complete required equipment upgrades and to purchase required robotic cameras.

The 1st quarter 2019-20 financial statement was reviewed and overall expenses were within 21% of the first quarter budget. Other related financial reports were reviewed along with the online view report of the Travel and Hospitality reports from May 2018 to August 31, 2019.

As part of the internal control process a fraudulent act was discovered and reported to the Committee. The situation was addressed to the satisfaction of the Committee members and the Auditor General's Office is to be advised when they commence the audit.

- 4) At the November 12, 2019 meeting, the Office of the Auditor General presented the 2019-20 Audit Plan to the Committee. This audit will contain a third opinion as required by subsection 23(1) of the *House of Assembly Management Commission Act*, and the estimated costs of the audit will be \$23,200.

Additional discussion of ongoing issues took place as follows:

- (a) retirement counselling, career counselling or career retraining – (i) application for these services can be made by an MLA who is not reoffering while in office or within 12 months of ceasing to be a member; (ii) for Executive Council members who cease to be members, the 12-month application period commences on the date the member's replacement is named to the Executive Council; (iii) services are to be provided within 12 months of the Speaker's approval; and (iv) the Speaker may extend the 12-month period. This recommendation is to be forwarded to the Management Commission;
- (b) constituency assistant contract – wording for a new paragraph 5(c) and (d) is recommended by the Committee to the Management Commission to provide that the termination notice is automatically given to the assistant in the event of the death, resignation or election defeat of the MLA Employer; and
- (c) constituency office wind-down – more discussion is required to fully explore the implication of reducing the 3-month period to a 30-day period. The Committee wishes to explore with the Department of Transportation and Infrastructure Renewal the possibility of the Department being involved in the administration of the constituency leases given the department's expertise relating to leased office space.

The 2nd quarter 2019-20 financial statement and other financial documents were reviewed.

Activities and Decisions of the House of Assembly Management Commission

At the January 22, 2019 meeting, the Management Commission:

- (a) adopted the 2018 House of Assembly Management Commission Annual Report and directed the Speaker to table the report in the House of Assembly;
- (b) adopted the 2018 Audit Committee Annual Report; and
- (c) reviewed the 2018-19 3rd quarter financials.

At the June 12, 2019 meeting, the Management Commission:

- (a) named Allan MacMaster as a member of the Audit Committee;
- (b) reduced the caucus budgets and the Leader's budgets by 1% for 2019-20 to reflect the discontinuance of the 1% contribution in those budgets towards the PSA;
- (c) discussed an extension to complete barrier free access requirements to an MLA's constituency office; and
- (d) reviewed the 2018-19 4th quarter financials.

At the September 19, 2019 meeting, the Management Commission:

- (a) waived the CPI increases under Section 52 of the *House of Assembly Management Commission Regulations* for the 2019-20 fiscal year;
- (b) reviewed the 2018-19 final 4th quarter financials;
- (c) reviewed the 2019-20 1st quarter financials; and
- (d) determined that for the calendar year 2020, MLAs would receive their fixed annual salary in 27 bi-weekly pays.

Auditor General's Audit

Attached to this Annual Report is:

Appendix 1 – Independent Practitioner's Reasonable Assurance Report on the Chief Clerk's Assessment of Internal Controls and Whether Internal Controls are Operating Effectively in Accordance with Section 22(5)(c) of the House of Assembly Management Commission Act

Appendix 2 – Independent Practitioner's Reasonable Assurance Report on the House of Assembly's Compliance with Section 22(5)(b) of the House of Assembly Management Commission Act



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

Auditor General of Nova Scotia

Appendix 1

INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON THE CHIEF CLERK'S ASSESSMENT OF INTERNAL CONTROLS AND WHETHER INTERNAL CONTROLS ARE OPERATING EFFECTIVELY IN ACCORDANCE 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 undertaken a reasonable assurance engagement on the Management Certification of the Chief Clerk's assessment of the effectiveness of internal controls of the House of Assembly for the period from April 1, 2018 to March 31, 2019, shown in Appendix 1.

Management's Responsibility

Management is responsible for measuring and evaluating the House of Assembly's design, implementation and operating effectiveness of the internal controls and for preparing the Chief Clerk's assessment certification.

Practitioner's Responsibility

My responsibility is to express a reasonable assurance conclusion 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 with Section 22(5)(c) of the *House of Assembly Management Commission Act*.

I conducted my reasonable assurance engagement in accordance with the Canadian Standard on Assurance Engagements 3000, *Attestation engagements other than audits or reviews of historical financial information*.

The criteria used to assess 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 are that the relevant controls are suitably designed, implemented and operate effectively throughout the period.

A reasonable assurance engagement to report on operating effectiveness of controls involves performing procedures to obtain evidence about the suitability of control design, implementation and the operating effectiveness of controls throughout the period. Our procedures included testing the operating effectiveness of those relevant controls that address certain risks identified by the House of Assembly.

Because of the inherent limitations of any internal control structure, my current assessment of the effectiveness of internal controls of the House of Assembly is not relevant to future periods due to the risk that the internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



Independence and Quality Control

My office applies the Canadian Standard on Quality Control 1 – *Quality control for firms that perform audits and reviews of financial statements, and other assurance engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting my work, I have complied with the independence and other ethical requirements of the Chartered Professional Accountants of Nova Scotia CPA Code of Professional Conduct and the Province of Nova Scotia's Code of Conduct for Public Servants.

Conclusion

In my opinion, the Chief Clerk's assessment of the operating effectiveness of internal controls of the House of Assembly is, in all material respects, fairly stated and internal controls were operating effectively for the year ended March 31, 2019.

A handwritten signature in black ink, appearing to read "Michael A. Pickup".

Michael A. Pickup, FCPA, FCA
Auditor General of Nova Scotia

May 21, 2019
Halifax, Nova Scotia

Appendix 1 —Management Certification

MANAGEMENT CERTIFICATION – HOUSE OF ASSEMBLY – MARCH 31, 2019

In accordance with Section 22 of the House of Assembly Management Commission Act, I, Neil Ferguson, Chief Clerk of the House of Assembly of the Province of Nova Scotia, certify that:

1. I have reviewed the internal controls of the House of Assembly. These internal controls are designed to provide reasonable assurance of:
 - the accuracy and completeness of accounting records;
 - the safeguarding of assets;
 - the prevention and detection of fraud and error;
 - the provision of timely and reliable financial and management information; and
 - adherence to the House of Assembly's policies and plans.
2. Certain government-wide systems are used by the House of Assembly to process payroll transactions, including payments, and to process payments to vendors. These systems include general and application information technology controls, and other manual controls to ensure transactions are processed, and payments made, completely and accurately. My office has communicated with those responsible for these processes to obtain related evidence to support this certification.
3. Based on my knowledge, these internal controls were operating effectively for the period from April 1, 2018 to March 31, 2019.

Date:

March 31, 2019

Signature:



Title:

Chief Clerk



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

Auditor General of Nova Scotia

INDEPENDENT PRACTITIONER'S REASONABLE ASSURANCE REPORT ON THE HOUSE OF ASSEMBLY'S 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:

I have undertaken a reasonable assurance engagement of the House of Assembly's compliance during the period April 1, 2018, to March 31, 2019, with Section 22(5)(b) of the *House of Assembly Management Commission Act* ("the specified requirements") which requires expenses incurred by the House of Assembly be 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. Management is also responsible for such internal control as management determines necessary to enable the House of Assembly's compliance with the specified requirements.

Practitioner's Responsibility

My responsibility is to express a reasonable assurance opinion on the House of Assembly's compliance based on the evidence I obtained.

I conducted my reasonable assurance engagement in accordance with the Canadian Standard on Assurance Engagement 3531, *Direct engagements to report on compliance*. This standard requires that I plan and perform this engagement to obtain reasonable assurance about whether the entity complied with the specified requirements, in all significant respects.

Reasonable assurance is a high level of assurance but is not a guarantee that an engagement conducted in accordance with this standard will always detect a significant instance of non-compliance with specified requirements when it exists. Instances of non-compliance can arise from fraud or error and are considered significant if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of my report. A reasonable assurance compliance reporting engagement involves performing procedures to obtain evidence about the entity's compliance with specified requirements. The nature, timing and extent of procedures selected depends on our professional judgement, including an assessment of the risks of significant non-compliance, whether due to fraud or error. Procedures include examining, on a test basis, evidence supporting the assessment, and evaluating overall compliance with these requirements.

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

Independence and Quality Control

My office applies the Canadian Standard on Quality Control 1 – *Quality control for firms that perform audits and reviews of financial statements, and other assurance engagements* and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.



In conducting my work, I have complied with the independence and other ethical requirements of the Chartered Professional Accountants of Nova Scotia CPA Code of Professional Conduct and the Province of Nova Scotia's Code of Conduct for Public Servants.

Opinion

In my opinion, the House of Assembly's expenditures complied, in all significant respects, with the specified requirements established in Section 22(5)(b) of the *House of Assembly Management Commission Act* for the year ended March 31, 2019.

I do not provide a legal opinion on the House of Assembly's compliance with the specified requirements.

A handwritten signature in black ink, appearing to read "Michael A. Pickup". The signature is fluid and cursive, with the first name "Michael" being the most prominent part.

Michael A. Pickup, FCPA, FCA
Auditor General of Nova Scotia

May 21, 2019
Halifax, Nova Scotia