


September 2019



EXPENSE POLICIES AND PRACTICES IN THE
OFFICES OF THE SPEAKER, CLERK AND
SERGEANT-AT-ARMS

An independent audit report

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OFFICE OF THE
Auditor General
of British Columbia

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The Honourable Darryl Plecas
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Dear Mr. Speaker:

I have the honour to transmit to you the report, *Expense Policies and Practices in the Offices of the Speaker, Clerk and Sergeant-at-Arms*.

We conducted this audit under the authority of section 11 (8) of the *Auditor General Act* and section 5 of the *Legislative Assembly Management Committee Act* and in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the CPA Canada Handbook – Canadian Standard on Assurance Engagements (CSAE) 3001 and Value-for-money Auditing in the Public Sector PS 5400.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
September 2019

The Office of the Auditor General of British Columbia would like to acknowledge with respect that we conduct our work on Coast Salish territories. Primarily, this is on the Lkwungen-speaking people's (Esquimalt and Songhees) traditional lands, now known as Victoria, and the WSÁNEĆ people's (Pauquachin, Tsartlip, Tsawout, Tseycum) traditional lands, now known as Saanich.

AUDITOR GENERAL'S COMMENTS

THERE HAS BEEN much public discussion about the effectiveness of the administration of the Legislative Assembly of British Columbia over the last nine months. Throughout this period, my office has been actively working to assist the Legislative Assembly with relevant assurance and advice.

After the Speaker of the Legislative Assembly released his report in January 2019 alleging misconduct of the Clerk and Sergeant-at-Arms, the Legislative Assembly Management Committee (LAMC) endorsed our proposal to commence a performance audit. While LAMC acknowledged that my office could design the audit as we saw fit, they had a particular interest in knowing more about the detailed expenses claimed by the Clerk, the Sergeant-at-Arms and the Speaker. This performance audit report looks at whether expenses of those three offices were governed by policy.

This is the first in a series of our reports on the Legislative Assembly. We have been briefed on many aspects of other work that is ongoing, we continue to monitor progress, and we are designing additional performance audit work to respond to any further requests of LAMC and to address risks that we believe would benefit from such an audit.

Other areas we will look at in upcoming reports include purchasing cards, compensation and benefits, capital asset management, and overall governance at the Legislative Assembly. We decided to break our work into smaller, more manageable pieces and publish our findings through a series of reports. This allows us to keep legislators and the public informed of our findings as our work progresses. Also, improvements are being introduced on a regular basis and our future audit plans will take those improvements into account.

We noted throughout the public discussion that the role of audit was widely misunderstood. It is distinct from the role of management and the



CAROL BELLRINGER, FCPA, FCA
Auditor General

AUDITOR GENERAL'S COMMENTS

role of an oversight body. The performance audit work that we are doing is different from a financial statement audit, and is different from other work that has already been performed or is in progress. In addition to our audits, former Chief Justice Beverley McLachlin completed a report, an RCMP investigation is in progress, an investigation under the *Police Act* has commenced, and a workplace review is anticipated to start soon.

The McLachlin report focused on whether there was misconduct, while our audit is focused on whether expenses were governed by policy. For expenses of the offices of the Clerk and Sergeant-at-Arms, the McLachlin report looked at whether such expenses were of a personal nature. Of note, the McLachlin report concluded that the out-of-province business trips made by the Clerk and Sergeant-at-Arms did not constitute misconduct.

The RCMP is investigating possible criminal matters, and my office is not involved in this work. We also don't anticipate being involved in the investigation under the *Police Act* or the workplace review at the Legislative Assembly. Furthermore, it is important to note that this audit would not be considered a forensic audit, although that description has frequently been reported in the media. Forensic audits are generally performed by specialists in support of civil or criminal court proceedings.

Upon the suspensions of the former Clerk and the Sergeant-at-Arms, we put our financial statement audit work on hold. In my view, LAMC should now have enough information to complete its oversight of the 2018 and 2019 financial statements, which would enable us to complete that audit work. In the future, LAMC may wish to consider what types of audits would be most useful to it—financial statement audits are one, auditing for compliance with certain policies might be another.

In this audit, we found a number of weaknesses and gaps in the expense policy framework, and where policies were in place, they weren't always followed. We found that travel expenses were frequently made without clear documentation to support the purpose of travel, some expenses were made without appropriate approval, and purchases of items such as clothing and gifts were made in the absence of policy to guide those transactions.

AUDITOR GENERAL'S COMMENTS

The policy framework should allow those who are incurring and approving expenses to have a clear and consistent understanding of their responsibilities across all types of expenses. We found that there was no specific travel policy for staff and officers of the Legislative Assembly. The *Legislative Assembly Management Committee Act* indicates that in the absence of a specifically approved policy, the policy that would apply to B.C. government ministries prevails. Some of the practices we observed would not have been allowed in ministries.

Throughout this audit, we observed that basic governance practices were also widely misunderstood. Reports from my office in 2007, 2012, and 2013 made observations and recommendations to strengthen the Legislative Assembly's financial practices. The reports went on to point out the importance of the role of those charged with governance and noted that LAMC, the Speaker, and the Clerk are not effectively operating as a governance and management oversight body.

While I have similar concerns as previous auditors general, much work is being done by those charged with governance and management at the Legislative Assembly to improve administration. The Legislative Assembly represents the interests of the people of B.C. by debating and passing laws, reviewing and approving budgets, scrutinizing the executive branch of government and overseeing provincial public services. As the body that makes provincial laws, it is reasonable to expect that its own operations should be setting the bar for controlling, overseeing and ensuring the efficient and effective use of public resources in an organized fashion. We encourage those charged with governance to work collaboratively with each other and the Legislative Assembly executive team to raise the bar.

I would like to thank Legislative Assembly staff and elected officials for their full cooperation with this audit work.



Carol Bellringer, FCPA, FCA
Auditor General
Victoria, B.C.
September 2019

REPORT HIGHLIGHTS

**LOOKED AT
POLICY
FRAMEWORK &
EXPENSES**
for Speaker's,
Clerk's and
Sergeant-at-Arms'
offices

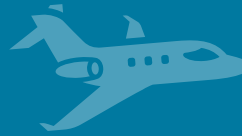
To ensure thorough
and robust audit:
reviewed
**>4,700
TRANSACTIONS
TOTTALLING
\$2.2 MILLION**

**FOUND
WEAKNESSES
AND GAPS**
in expense policy
framework, and
policies sometimes
not followed

LAMC needs to
ensure Legislative
Assembly **sets the
bar** for efficient
and effective use
of public resources



Travel policies
resulted in practices
not allowed
elsewhere in
B.C. public
service



Found expenses
without clear business
purpose




**PURCHASING CARD
USAGE** violated
Legislative Assembly
policy

This is first in series
of reports on
Legislative Assembly.

FUTURE TOPICS:

- a. purchasing cards
- b. fixed assets
- c. compensation and benefits
- d. governance

**NO EFFECTIVE
MECHANISM**
for reporting
policy violations
directly to LAMC

SUMMARY OF RECOMMENDATIONS

WE RECOMMEND THAT THE LEGISLATIVE ASSEMBLY:

- 1** ensure it has a comprehensive policy framework in place to govern financial practices and how policies are to be authorized. As part of that, the Legislative Assembly should reconcile the Legislative Assembly Management Committee's powers and duties under the *Legislative Assembly Management Committee Act* with the *Financial Administration Act* and by extension the *Core Policy and Procedures Manual*.
- 2** ensure it has a comprehensive travel policy, including requirements for prior approvals and for documenting the business purpose of travel and the options chosen by travellers.
- 3** ensure appropriate expense authorization and review, including approval by a supervisor whenever possible and additional safeguards when not.
- 4** ensure that the expense authority is not the receiver of the goods or services.
- 5** provide clear guidance on what work-related clothing it will pay for.
- 6** clarify its expectations and process for the purchase of gifts, including expectations for pre-approval (including purpose and recipient) and inventory of items.
- 7** review its purchasing card policy and ensure practices comply with that policy.
- 8** ensure existing contracts are in compliance with its procurement policy.
- 9** provide the Executive Financial Officer (EFO) with direct access to the Speaker, the Finance and Audit Committee (FAC), and Legislative Assembly Management Committee (LAMC); and the EFO report all significant instances of non-compliance with policy to the Speaker, FAC, and LAMC.

RESPONSE FROM LEGISLATIVE ASSEMBLY OF BRITISH COLUMBIA

THE LEGISLATIVE ASSEMBLY thanks the Office of the Auditor General for its report *Expense Policies and Practices in the Offices of the Speaker, Clerk and Sergeant-at-Arms: An Independent Audit Report*, and for identifying opportunities to improve in policy and management practices. The Legislative Assembly welcomes this independent assessment and will utilize this work to inform substantive financial and policy reforms. We accept that certain practices in the three audited Assembly offices were not adequately governed by policies. The Legislative Assembly acknowledges the key findings, accepts all recommendations, and looks forward to the Legislative Assembly Management Committee working with the Speaker and the Acting Clerk on their implementation.

The Legislative Assembly is currently in a period of transformative change. The Legislative Assembly recognizes that it must work towards serving as a model of excellence in the efficient, effective, transparent and accountable use of public resources. As acknowledged in the audit report, this work is already underway. The Legislative Assembly has embarked on a comprehensive process to review policies and develop new policies, where needed, in order to align the Assembly with modern expectations for the sound financial management of a public institution.

Significant improvements to the Assembly policy framework began in December 2018, and more work will be required with the Legislative Assembly Management Committee to develop a comprehensive policy manual. The initial policy work was prioritized to reflect key areas of concern first outlined in the Report of Speaker Darryl Plecas publicly released on January 21, 2019, and in the Report of the Right Honourable Beverley McLachlin publicly released on May 16, 2019.

The Legislative Assembly offers the following observations with respect to the nine recommendations contained in the audit report.

RECOMMENDATION 1: *Ensure that the Legislative Assembly has a comprehensive policy framework in place to govern financial practices and how policies are to be authorized. As part of that, the Legislative Assembly should reconcile the Legislative Assembly Management Committee's powers and duties under the Legislative Assembly Management Committee Act with the Financial Administration Act and by extension the Core Policy and Procedures Manual.*

RESPONSE 1: The Legislative Assembly accepts the recommendation and recognizes the need to enhance current policy provisions in order to establish a comprehensive financial policy framework and to improve its practices with respect to policy governance. The Legislative Assembly Management Committee will exercise its authority under the

RESPONSE FROM LEGISLATIVE ASSEMBLY OF BRITISH COLUMBIA

Legislative Assembly Management Committee Act and will undertake an active role with respect to the oversight of financial policies and adopt a policy governance framework.

The Legislative Assembly is committed to developing a strong, clearly defined policy framework. This includes meeting or exceeding sound financial management principles and practices, as informed by the *Financial Administration Act* and the *Core Policy and Procedures Manual*, to the extent that they are applicable to the operational needs of the Legislative Assembly. As well as continuing to regularly examine and refer to provincial government policy, the Legislative Assembly will also look to policies of other parliamentary jurisdictions for best practices for a legislative body when strengthening and expanding its policy framework.

The Legislative Assembly Management Committee will play an active oversight role in the review of all policies referenced below to ensure that the policies are effective, comprehensive, and support public accountability and transparency.

RECOMMENDATION 2: *Ensure that the Legislative Assembly has a comprehensive travel policy, including requirements for documenting the business purpose of travel and the options chosen by travelers.*

RESPONSE 2: The Legislative Assembly accepts the recommendation and implemented a new comprehensive *Employee Travel Policy* that governs travel undertaken by all employees of the Legislative Assembly, including the Clerk of the Legislative

Assembly and other permanent officers. The policy was recently also explicitly extended to employees in the Office of the Speaker. A travel policy for Members of the Legislative Assembly has been in place for some time.

The *Employee Travel Policy* establishes standards to ensure that travel expenses are economical, efficient, proper, reasonable, approved, and accountable. This includes pre-approval of travel by an appropriate authority to ensure an established business rationale; clarity of provisions for reimbursement while an employee is on travel status, in line with provisions in the public sector; and post-travel reporting.

RECOMMENDATION 3: *Ensure appropriate expense authorization and review, including approval by a supervisor whenever possible and additional safeguards when not.*

RESPONSE 3: The Legislative Assembly accepts the recommendation and recently updated the *General Expenditure Policy* to make explicitly clear that all expenses must be approved by an individual with appropriate expense authority, and that a subordinate with appropriate expense authority cannot approve the expenses of a superior.

RECOMMENDATION 4: *Ensure that the expense authority is not the receiver of the goods or services.*

RESPONSE 4: The Legislative Assembly accepts the recommendation and notes that the *General Expenditure Policy* always provided that the qualified receiver role and the expense authority role cannot be

RESPONSE FROM LEGISLATIVE ASSEMBLY OF BRITISH COLUMBIA

performed by the same person. This provision in the policy will be strictly enforced.

RECOMMENDATION 5: *Provide clear guidance on what work-related clothing the Legislative Assembly will pay for.*

RESPONSE 5: The Legislative Assembly accepts the recommendation and recently implemented a new *Uniform Policy*, which formalizes and standardizes the requirements for the provision, maintenance, and use of uniforms for the Speaker and employees of the Assembly, including Table Officers and the Sergeant-at-Arms. The policy also sets out the specific uniform items that are provided to an employee upon appointment, appropriate replacement provisions, and the return of uniform items upon cessation of employment.

RECOMMENDATION 6: *Clarify the Legislative Assembly's expectations and processes for the purchase of gifts, including expectations for pre-approval (including purpose and receipt) and inventory of items.*

RESPONSE 6: The Legislative Assembly accepts the recommendation and implemented a new *Gifts and Honoraria Policy*, which streamlines the approach for limited gift-giving by the Office of the Speaker and employees on behalf of the Legislative Assembly in appropriate circumstances, such as an expression of appreciation by the Assembly or as part of reciprocal protocol. The policy's objective is to ensure that any

gifts and honoraria paid for with public funds are economical, appropriate and pre-approved. The policy includes provisions for tracking and maintaining an inventory of protocol gift items. It also requires that gift items should be products of British Columbia and sourced through the Parliamentary Gift Shop whenever possible.

RECOMMENDATION 7: *Review the Legislative Assembly's purchasing card policy and ensure practices comply with that policy.*

RESPONSE 7: The Legislative Assembly accepts the recommendation and notes that the *Corporate Purchasing Card Policy* was recently updated to ensure that the policy continues to meet the operational needs of the Legislative Assembly and is in line with prudent financial management practices. The Assembly will also ensure that all cardholders receive regular training on their obligations as cardholders.

RECOMMENDATION 8: *Ensure existing contracts are in compliance with the Legislative Assembly's procurement policy.*

RESPONSE 8: The Legislative Assembly accepts the recommendation and will work to strengthen the current procurement policy, including compliance and training provisions. The audit report discusses a flat-rate contract for legal services. The noted contract was terminated; related legal services are provided on an hourly rate and billed to the Legislative Assembly on a monthly basis with an itemized invoice.

RESPONSE FROM LEGISLATIVE ASSEMBLY OF BRITISH COLUMBIA

RECOMMENDATION 9: *The Legislative Assembly provide the Executive Financial Officer (EFO) with direct access to the Speaker, Finance and Audit Committee, and the Legislative Assembly Management Committee, and that the EFO report all significant instances of non-compliance with policy to the Speaker, Finance and Audit Committee, and the Legislative Assembly Management Committee.*

RESPONSE 9: The Legislative Assembly accepts the recommendation and acknowledges that the Executive Financial Officer fulfills a critical role in the Assembly's financial operations and oversight of fiscal prudence. Taking steps to formalize these important responsibilities and accountabilities is supported, and should be integrated with clear and explicit accountabilities for the Clerk of the Legislative Assembly, the Executive Financial Officer and all senior management. This will form part of the governance review currently underway by the Legislative Assembly Management Committee's advisory subcommittee, the Finance and Audit Committee.

A duty to report non-compliance of policy and other misconduct, including misuse or mismanagement of Legislative Assembly funds and assets, was incorporated into a renewed *Standards of Conduct* for Legislative Assembly employees. In addition, the Legislative Assembly plans to establish as a policy rule a requirement to report on any authorized exceptions or exemptions to any policy. This new

policy will include a provision that the Clerk of the Legislative Assembly and the Executive Financial Officer must, at minimum on an annual basis or at intervals as otherwise requested by the Legislative Assembly Management Committee, report on all policy non-compliance, and authorized exceptions and exemptions to the Committee. This policy will apply to all Assembly policies, and will allow Legislative Assembly management to better fulfill its accountability responsibilities to the Legislative Assembly Management Committee.

Furthermore, work will be undertaken to develop a policy that will establish whistleblower provisions for Legislative Assembly employees. This framework and policy, which will be submitted to the Legislative Assembly Management Committee in due course, will provide employees with an arms-length independent arbiter and process to look into any reported cases of misconduct, which, if founded, would be reported directly to the Legislative Assembly Management Committee.

The Legislative Assembly is committed to working with the Office of the Auditor General to enhance our current policy and financial control framework. The Legislative Assembly is pleased to note that the Office of the Auditor General recognizes that much work is being done to improve administration, and that the Office of the Auditor General will soon be in a position to complete its financial statement audit work for the 2017-18 fiscal year, with audit planning currently underway for the 2018-19 fiscal year.

ABOUT THE AUDIT

BACKGROUND

What is the role of the Legislative Assembly of British Columbia?

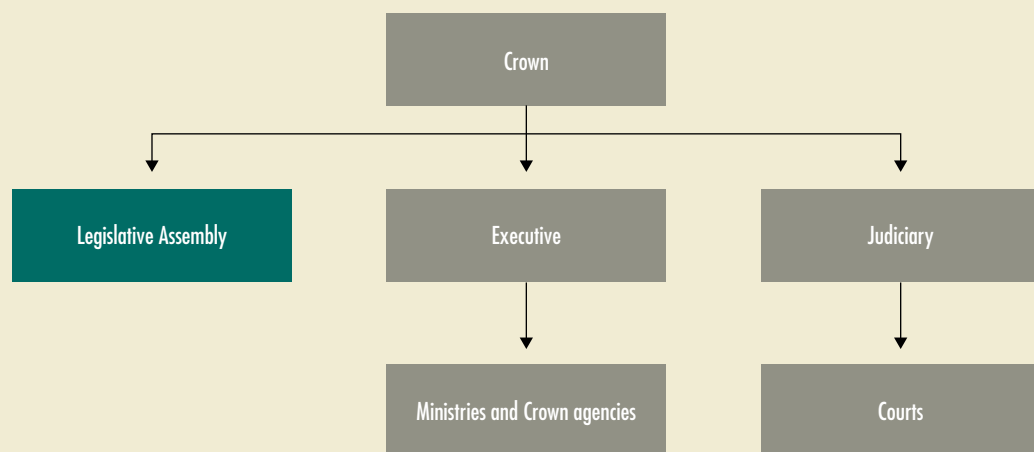
THE LEGISLATIVE ASSEMBLY of British Columbia is made up of 87 individuals elected as members to represent constituencies around the province. The Legislative Assembly's main functions are to represent the interests of the people of B.C., debate and pass laws, review and approve budgets and scrutinize the policies and actions of the executive branch of government. The Legislative Assembly is independent of the executive, or government, of the province (see Exhibit 1).

The Legislative Assembly is a unique organization and its administrative structure differs from the typical management models of public corporations and government ministries. It is responsible for prudently managing public resources and should follow accepted standards for public sector financial management.

The Legislative Assembly delegates to the Legislative Assembly Management Committee (LAMC) the following responsibilities:

- ◆ the sound administration of the Legislative Assembly's operations
- ◆ the provision of effective administrative and financial policies and support for the Members of the Legislative Assembly (MLA) in the discharge of their parliamentary and constituency responsibilities
- ◆ prudent Legislative Assembly budgets and expenditures

Exhibit 1: The three branches of government

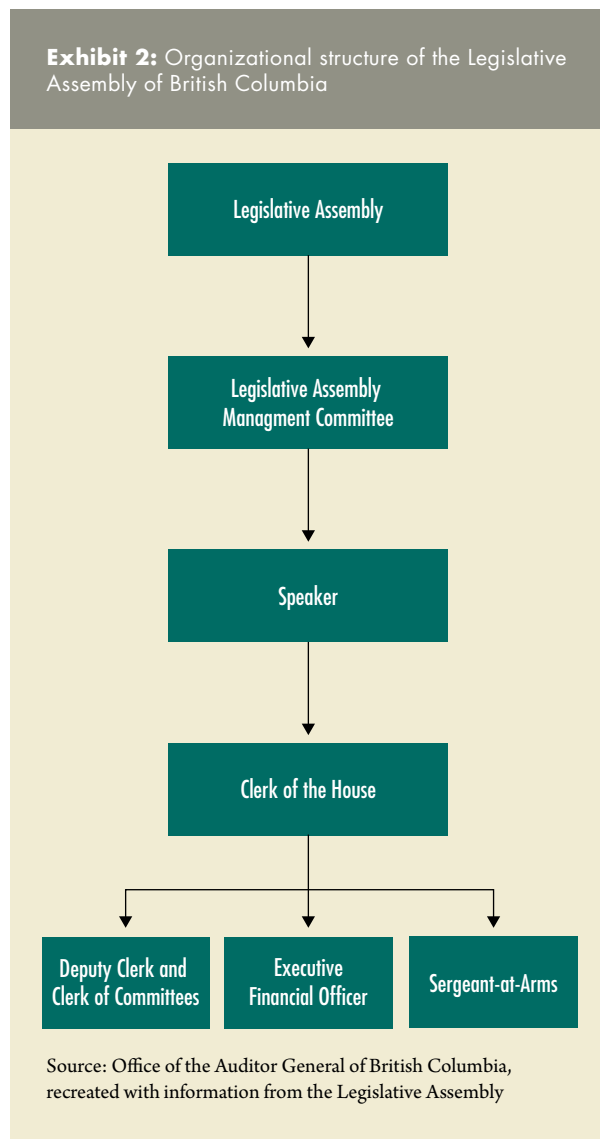


Source: Office of the Auditor General of British Columbia, recreated with information from the Legislative Assembly

ABOUT THE AUDIT

LAMC was established in 1992 with the enactment of the *Legislative Assembly Management Committee Act*. That Act also provides for the Auditor General to conduct audits of the Legislative Assembly.

The role of the Speaker, as well as the four positions that make up the Legislative Assembly executive, are



outlined below. Three of the four members of executive—the Clerk of the House, the Deputy Clerk and Clerk of Committees, and the Sergeant-at-Arms—are permanent officers and can only be appointed and removed by resolution of the House.

B.C.'S INDEPENDENT OFFICES

British Columbia has nine non-partisan statutory offices that support the work of Members of the Legislative Assembly by carrying out important functions, from the monitoring of government programs and performance to ensuring compliance with provincial laws. They are headed by independent officers who are appointed by, and report to, the Legislative Assembly. Reports of some offices are also reviewed by all-party parliamentary committees.

The offices are:

- ◆ Office of the Auditor General
- ◆ Office of the Conflict of Interest Commissioner
- ◆ Elections BC
- ◆ Office of the Human Rights Commissioner
- ◆ Office of the Information and Privacy Commissioner
- ◆ Office of the Merit Commissioner
- ◆ Office of the Ombudsperson
- ◆ Office of the Police Complaint Commissioner
- ◆ Office of the Representative for Children and Youth

ABOUT THE AUDIT

Speaker of the Legislative Assembly

The Speaker is a MLA elected in a secret ballot by all MLAs to preside over debates and ensure that the Legislative Assembly's established rules of behaviour and procedure are followed. The Speaker has a key role in the administration of the Legislative Assembly as chair of LAMC. Per the *Legislative Assembly Management Committee Act* and subject to any direction of the committee, the Speaker is responsible for oversight of the day-to-day administration of the Legislative Assembly.

Clerk of the House

The Clerk of the House is the chief permanent officer of the legislature and is accountable to the Speaker. The Clerk provides non-partisan procedural advice to the Speaker and all members of the House and may be consulted at any time regarding procedural and House matters. The Clerk is responsible for daily operations of Legislative Assembly administration and serves as clerk to LAMC. On occasion, LAMC may provide direction to the Clerk with respect to financial and administrative matters. The Clerk may delegate policy and operational decisions to others, including members of executive, such as the Deputy Clerk and Clerk of Committees, the Sergeant-at-Arms and the Executive Financial Officer.

Deputy Clerk and Clerk of Committees

The Deputy Clerk serves as clerk of parliamentary committees and supports the Clerk in managing the operations of the House. The Deputy Clerk is

a member of the Legislative Assembly executive and provides direction to and oversight of the Parliamentary Committees Office, Hansard Services, the Parliamentary Education Office and the Legislative Library. The Deputy Clerk reports to the Clerk.

Sergeant-at-Arms

The Sergeant-at-Arms is responsible for the security of the Parliament Buildings and Legislative Precinct, and to ensure the House, its committees, and MLAs are able to conduct their business without disturbance or interruption. The Sergeant-at-Arms also has overall accountability for property management for the Legislative Precinct. The Sergeant-at-Arms reports to the Clerk.

Executive Financial Officer

The Executive Financial Officer provides strategic support to the Clerk and the Legislative Assembly in regard to finance, personnel, planning, risk management and internal audit, and further ensures the Office of the Clerk and all Legislative Assembly departments are seen as best practice organizations.

The Legislative Assembly employs over 300 staff and spent \$72.7 million in 2018/19. See [Exhibit 3](#) for details on the Legislative Assembly's operating expenses.

ABOUT THE AUDIT

Exhibit 3: 2018/19 Legislative Assembly operating expenses, by function

Department	2018/19
Members' services ¹	\$ 37,749,977
Caucus support services	\$ 7,032,142
Administrative support services	
Office of the Speaker*	\$ 389,971
Office of the Clerk*	\$ 1,097,973
Clerk of Committees	\$ 884,833
Legislative operations ²	\$ 14,126,949
Sergeant-at-Arms*	\$ 5,737,308
Hansard	\$ 3,588,402
Legislative library	\$ 2,051,244
Total	\$ 72,658,799

Source: Unaudited figures provided by the Legislative Assembly

* Indicates department is within the audit scope.

¹ Includes pay and benefits for MLAs, transition assistance, travel, and constituency office leases.

² Includes costs for departments of Financial Services, Human Resources, Information Technology, Legislative Facilities Services, and Parliamentary Education Office.

What is the role of the Auditor General of B.C.?

The Auditor General is an independent officer of the legislature, appointed by the Legislative Assembly for a single term of eight years. The Office of the Auditor General performs financial audits, performance

audits and issues other non-audit reports. The *Auditor General Act* sets out what the Office of the Auditor General must audit, and what the Office of the Auditor General may choose to audit.

Financial Audits

Financial audits confirm whether an organization's financial statements are fairly presented and free of material misstatement (significant errors). Financial audits provide an opinion as to whether the statements meet generally accepted accounting principles.

Management at the organization is responsible for the preparation and fair presentation of the financial statements. Management is also responsible for such internal controls as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The auditor's objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes an opinion.

Our office was requested to conduct [the first audit of the Legislative Assembly's annual financial statements](#) in 2014, and has issued unqualified opinions until 2017 (meaning we found no significant errors). For the 2016/17 fiscal year, the financial statements of the Legislative Assembly would have been materially misstated if the sum of the errors was greater than \$982,000. Our audits of the 2018 and 2019 financial statements were not completed at the time of this report.

ABOUT THE AUDIT

Performance Audits

Performance audits assess the efficiency, economy and effectiveness of provincial programs, services and resources. They are often referred to as value-for-money audits because they can determine whether the province received value for the money it spent. Performance audits also include audits that examine issues related to control and compliance.

Our performance audits vary in size and complexity and cover a range of subjects. For example, some audits examine broad issues, such as [climate change adaptation](#), while others focus on a particular system or program, such as our audit reports [Executive Expenses at School District 61](#) and [BC Liquor Distribution Branch Directly Awarded Contracts](#).

The work of our office serves the people of British Columbia and their elected representatives by reporting on how well government is managing its responsibilities and resources. Usually, our audits look at ministries and Crown agencies. In this audit we chose to look at the administration of the Legislative Assembly.

Our office has conducted a number of performance audits at the Legislative Assembly in the past. Concerns that we previously highlighted include areas that we again cover in this audit, and that we identify for future audits, including the need for

clearer policies, improved financial control, improved financial reporting, and governance. The most recent reports are as follows:

- ♦ [Special audit report to the Speaker: The Financial Framework Supporting the Legislative Assembly](#) (April 2007)
- ♦ [Audit of the Legislative Assembly's Financial Records](#) (July 2012)
- ♦ [Audit of the Legislative Assembly's Financial Records: Update](#) (March 2013)

Speaker's reports

Our work on this audit began after the release of *Report of Speaker Darryl Plecas to the Legislative Assembly Management Committee Concerning Allegations of Misconduct by Senior Officers of the Legislative Assembly*. On January 25, 2019, following the release of that report, the Auditor General issued a letter informing the Speaker and members of LAMC that our office had begun an audit in light of the significant issues raised in the Speaker's report. The committee passed a motion on February 21, 2019, supporting our office's commitment to conduct an audit in accordance with the Auditor General's January 25, 2019 letter. See [Exhibit 4](#) for more information on the sequence of events leading up to our audit.

ABOUT THE AUDIT

Exhibit 4: Events surrounding the commencement of our audit

Date	Description
September 27, 2018	The Speaker meets with the RCMP to inform them of his concerns regarding the Clerk and Sergeant-at-Arms.
November 2018	The RCMP informs the Speaker that they had begun an investigation of the Clerk and Sergeant-at-Arms.
November 20, 2018	The Legislative Assembly, by unanimous vote, places the Clerk and Sergeant-at-Arms on administrative leave with pay and benefits following allegations raised by the Speaker to the House Leaders.
January 21, 2019	The Speaker provides his report concerning allegations of misconduct by senior officers at the Legislative Assembly to LAMC.
January 25, 2019	The Auditor General issues a letter informing the Speaker and members of LAMC that our office has begun an audit in light of the significant issues raised in the Speaker's report.
February 21, 2019	LAMC publicly releases the responses of the Clerk and Sergeant-at-Arms . LAMC also publicly releases the Speaker's report in reply to the responses of the Clerk and Sergeant-at-Arms.
February 21, 2019	LAMC passes a resolution supporting the commitment of the Office of the Auditor General of British Columbia to conduct an audit of the Legislative Assembly offices and to "report to the Committee on any impediments to the audit or any other matter that the Committee or the Acting Clerk considers to be necessary."
March 7, 2019	A special investigator (Beverley McLachlin) is appointed by motion of the Legislative Assembly to conduct a fair, impartial and independent investigation of the allegations raised by the Speaker to determine whether the Clerk or Sergeant-at-Arms engaged in misconduct. (Report was published on May 3, 2019.)

Source: Office of the Auditor General of British Columbia, created with information from the Legislative Assembly

ABOUT THE AUDIT

AUDIT SCOPE

Our audit focused on the expenses of the offices of the Speaker, Clerk and Sergeant-at-Arms for the period from April 1, 2016 to December 31, 2018. We looked at the business expenses, including the travel expenses, incurred by these offices. This did not include compensation and benefits or capital expenditures.

We intend to conduct future performance audits at the Legislative Assembly. Future topics include the use of purchasing cards, capital asset management, compensation and benefits and governance.

AUDIT METHOD

Our office reviewed all expense claims made by the Clerk and the Sergeant-at-Arms for the period from April 1, 2016 to December 31, 2018 against documentation submitted for those claims. For the same period, we also reviewed all expense claims made by the Speakers, except those related to their role as MLAs. Our work covered three Speakers during the audit timeframe. For other expenses, we used professional judgment to identify higher risk accounts for detailed review of supporting documentation. Of the 5,329 transactions during the audit period, we:

- ◆ completed detailed testing on 1,773 transactions
- ◆ tested a sample of the 868 recurring expenses (such as monthly phone billings)
- ◆ scanned 2,112 transactions for unusual items
- ◆ did not test 576 low-risk transactions

See [Appendix B](#) for details of the extent of our testing.

Paper-based records were obtained from the Financial Services Branch and reviewed by our staff. Our review of paper records was conducted on site over the course of two months. We also reviewed applicable expense policies and we reviewed these expenses to determine if they complied with applicable policies.

We conducted interviews with current staff and with others who have knowledge of the subject matter. We reviewed documents of the Legislative Assembly and prior reports provided to the Legislative Assembly relating to controls and governance.

This is not a forensic audit. A forensic audit is typically performed in support of a legal process, either civil or criminal. Our intention is to inform the Legislative Assembly on its financial processes and practices. Our usual practice is to refer unusual or potentially fraudulent transactions for further investigation to management or the appropriate authority. In the course of this audit, we made no such referrals beyond what is reported here.

The report is dated September 11, 2019. This is the date the audit team completed obtaining the evidence used to determine the findings and conclusions of the report.

AUDIT OBJECTIVE AND CONCLUSION

AUDIT OBJECTIVE

OUR OBJECTIVE WAS to determine whether the expenses of the offices of the Speaker, Clerk, and Sergeant-at-Arms were governed by policies.

AUDIT CRITERIA SUMMARY

We based our audit criteria on the policies in place at the Legislative Assembly at the time of our audit. In the absence of Legislative Assembly policies, we looked at comparable policy frameworks, including the provincial government's *Core Policy and Procedures Manual*, to determine the areas that should be covered under a suitable policy framework. See [Appendix A](#) for complete criteria.

Expenses being “governed by policy” means that not only are expenses in compliance with a policy, but that the policy framework should allow those who are incurring and approving expenses to have a clear and consistent understanding of their responsibilities across all types of expenses.

AUDIT CONCLUSION

We found that the expenses of the offices of the Speaker, Clerk, and Sergeant-at-Arms were not adequately governed by policies. The Legislative Assembly had a general expenditure policy for the control of spending, which outlined the expectation that expenses be approved by an authorized approver. However, there were a number of expenses frequently made by these offices for which there were no policies or where policies could have been enhanced to reduce the potential for abuse or misinterpretation. Further, where specific policies were in place, they were not consistently followed.

We also found that the applicability of the *Financial Administration Act* and the *Core Policy and Procedures Manual* was not well understood.

KEY FINDINGS AND RECOMMENDATIONS

POLICIES AND EXPENSES

FINANCIAL AND ADMINISTRATIVE policies support organizations in carrying out their objectives, contribute to effective management and assist staff in making sound decisions.

It is critical that the Legislative Assembly have clearly defined policies that are in line with accepted financial management principles and practices. Further, policies should be clear as to who in the organization the policy applies to.

Policies were inadequate or not followed

We assessed whether the types of expenses incurred by the three offices were governed by policies of the Legislative Assembly.

At the time of our audit, we noted operational policies that were approved and authorized by the Clerk under the Legislative Assembly’s policy manual.

The *General expenditure policy* establishes the framework for the control of spending, defining the roles for staff who have the responsibility to approve expenditures, review goods and services received, and approve payments. Under this policy, an employee with expense authority must only approve an expenditure that is in compliance with Legislative Assembly policies and objectives. Further, the policy identified the Clerk as responsible for the overall stewardship of the financial resources of the Legislative Assembly. There were also policies governing the use of purchasing cards and procurement and contract management. See Exhibit 5 for detail.

Even after considering these policies, there were a number of expenses frequently made by the offices of

Exhibit 5: Expense policies of the Legislative Assembly

Policy	Objective
General expenditure policy	Establishes a framework for spending and control of public money
Corporate purchasing card policy and procedure	Establishes the policy and procedures for the usage of purchasing cards
Procurement and contract management	Establishes a framework to ensure the procurement of goods and services meet the principles of fair and open procurement

Source: Office of the Auditor General of British Columbia, created with information from the Legislative Assembly

KEY FINDINGS AND RECOMMENDATIONS

the Speaker, Clerk and Sergeant-at-Arms for which there were no policies or where policies could have been enhanced to reduce the potential for abuse or misinterpretation. These expenses included staff travel, gifts and clothing.

THE FINANCIAL ADMINISTRATION ACT AND THE CORE POLICY AND PROCEDURES MANUAL

The government's financial management framework includes the legislation, policy and activities necessary to support the effective stewardship of public funds. The *Financial Administration Act* and the *Budget Transparency and Accountability Act* are at the core of the financial management of those public funds and are supported by the *Core Policy and Procedures Manual* (CPPM).

The CPPM combines government-wide financial policy, management policy and financial administration procedures into a single online resource. The CPPM outlines government objectives, standards and directives for sound management and promotes consistent, prudent financial practices. It contains Treasury Board financial and general management policy and the Comptroller General's directives on procedures pursuant to the *Financial Administration Act*.

While the Legislative Assembly looks to government's *Core Policy and Procedures Manual* (CPPM) as valuable guidance when creating financial policies, staff and permanent officers at the Legislative Assembly have not viewed CPPM as a policy framework they are required to follow. The CPPM has been viewed as being applicable only to the executive branch of government, which does not include the Legislative Assembly.

However, the government's financial management framework governs budgeting and financial reporting through the consolidated revenue fund, which includes all three branches of government. As the budget for the operations of the Legislative Assembly is reported through the consolidated revenue fund, it is considered a government reporting entity and within the jurisdiction of B.C.'s financial management legislation. This indicates that the *Financial Administration Act* (FAA)—and by extension, the CPPM— applies to the Legislative Assembly unless a conflict or directive exists, as per section 7 of the *Legislative Assembly Management Committee Act*.

None of the policies we looked at were authorized by a minute of the Committee that would take precedence over the FAA and CPPM for the permanent officers or staff of the Legislative Assembly. Consequently, it is not clear that the policies in place at the Legislative Assembly have been authorized in accordance with section 7 of the *Legislative Assembly Management Committee Act*.

Work in this area is needed to ensure that the policies governing the Legislative Assembly are authorized in accordance with the *Legislative Assembly Management Committee Act*.

KEY FINDINGS AND RECOMMENDATIONS

At the time of our audit, the Legislative Assembly had started to review its policies and develop new policies where needed.

Travel expenses not clearly governed by policy

Legislative Assembly staff, permanent officers and the Speaker regularly travelled for a variety of purposes, such as to meet with stakeholders in Vancouver, to attend educational conferences in other provinces or in the U.S., and to collaborate internationally on initiatives with other commonwealth jurisdictions. In 2018/19, \$146,745 was spent on travel by staff in the offices of the Speaker, Clerk and Sergeant-at-Arms (see Exhibit 6 for detail).

RECOMMENDATION 1: *We recommend that the Legislative Assembly ensure it has a comprehensive policy framework in place to govern financial practices and how policies are to be authorized. As part of that, the Legislative Assembly should reconcile the Legislative Assembly Management Committee's powers and duties under the Legislative Assembly Management Committee Act with the Financial Administration Act and by extension the Core Policy and Procedures Manual.*

We looked to see whether there was a policy to govern travel expenses and whether practices complied with that policy. We found that there was no Legislative Assembly travel policy for staff and permanent officers. Approvals for travel expenses were covered by the *General Expenditure Policy*, and rates for reimbursement for meal per diems followed rates set for MLAs in the *Members' Guide to Policy and Resources – Travel Guidelines*.

The following sections detail the expense policies and practices we identified that require improvement at the Legislative Assembly, based on our work at the offices of the Speaker, Clerk, and Sergeant-at-Arms.

Exhibit 6: Travel expenses incurred by staff in the offices of the Speaker, Clerk and Sergeant-at-Arms

	2016/17	2017/18	2018/19
Office of the Speaker ³	\$21,352	\$19,188	\$60,947
Office of the Clerk	\$68,115	\$60,675	\$48,004
Office of the Sergeant-at-Arms	\$48,925	\$28,283	\$37,794
Total	\$138,392	\$108,146	\$146,745

Source: Office of the Auditor General of British Columbia, based on data from the Legislative Assembly

³ Travel expenses for the Office of the Speaker are contained in two cost centres. We added the travel incurred by the Speaker in the course of inter-parliamentary duties, to the expenses coded to Office of the Speaker.

KEY FINDINGS AND RECOMMENDATIONS

However, in the absence of a Legislative Assembly travel policy for staff and permanent officers, there was no documented direction to staff and permanent officers to comply with government's CCPM. As a result, staff and permanent officers incurred travel costs without clear guidelines for when it would be appropriate to travel, how much to spend, and the supporting documentation and approvals required. These grey areas provided a great deal of discretion for the travellers and approvers.

We were advised that the Speaker's travel expenses were expected to follow the rules outlined in the MLA travel guidelines.

Travel expense approval and documentation

Official travel should be supported by sufficient documentation that clearly shows the purpose of travel and rationale for travel arrangements. This would support the approval of travel and any claims for reimbursement of travel costs.

Prior approval for out-of-province travel is a requirement for MLAs under the MLA travel guidelines and a requirement under the CPPM. Requests for out-of-province travel should detail the purpose of travel and the expected costs, including accommodation and transportation. From April 2016 to December 2018, the Clerk incurred \$108,656 in travel costs for 14 out-of-province trips. None of the Clerk's out-of-province travel had prior approval documented in the expense claims. Over the same period, the Sergeant-at-Arms incurred \$59,269 in

travel costs for 15 out-of-province trips. Two of these trips had prior approval documented in the expense claims.

For travel expense claims, we found that the claims submitted to the Financial Services Branch did not clearly demonstrate that all amounts claimed were relevant to Legislative Assembly business.

For example, the Sergeant-at-Arms and staff attended annual security-related conferences held in Canada and the U.S. We were advised by staff that it was common practice for conference delegates to arrive early and/or depart late to allow for additional meetings relevant to the work of the Legislative Assembly. We were unable to determine whether the travel time and expenses claimed before and after conferences were for Legislative Assembly business or personal time.

Although the MLA travel guidelines require all MLAs to obtain prior written approval from the Speaker for out-of-province travel, the policy does not specify who should or could authorize the Speaker's out-of-province travel.

We also found a lack of consistent documentation to support in-province travel. For example, from April 2016 to December 2018, the Clerk travelled in-province 62 times at a cost of \$34,498. In 53 of these trips, the Clerk's expense forms documented who the Clerk was meeting with but the purpose of the meetings were not described, including how the meetings supported Legislative Assembly business.

KEY FINDINGS AND RECOMMENDATIONS

Meal per diems

In the travel claims we examined, staff and permanent officers were reimbursed for meal per diem allowances at the rates set for MLAs in the MLA travel guidelines (\$61). This rate is higher than the rate set in government's CPPM for deputy ministers and assistant deputy ministers (\$51.50) and management excluded staff in government (\$49).

Economy and travel arrangements

As noted above, there was no Legislative Assembly policy for staff and permanent officers to guide choices for accommodation and transportation. For example, there was no policy to guide when it would be appropriate to fly rather than drive or rent a car. Similarly, there was no policy to guide hotel bookings, such as a hotel accommodation rate guide. This makes it challenging for staff and permanent officers approving travel to determine the reasonability of travel arrangements.

We found examples of travel expenses for which it was difficult to determine if the most appropriate and economical travel choices were made based on the documentation in the claims submitted to the Financial Services Branch. For example:

- ◆ The Clerk, Sergeant-at-Arms and Speaker travelled by chauffeured ground transport during a trip to England in August 2018 that resulted in a total cost of \$1,915 for three separate trips on August 6, 9 and 13. These were arranged through the Office of the Clerk. From April 1, 2016 to December 31, 2018,

the Clerk's office spent \$11,678 in the U.K., Washington State, and Canada for similar services.

- ◆ On a trip to Richmond, Virginia, for a security conference in 2018, the Sergeant-at-Arms and staff flew to Richmond via New York, while the Speaker and his staff flew to Newark, New Jersey, and then rented a car and drove to Richmond. Travel expense documentation did not explain why different travel arrangements were made or how each arrangement was appropriate under the circumstances.

While the transportation examples above could have represented the most economical choices available, this was not documented with either the travel approval or the expense claims. For the Richmond trip, we were subsequently provided with emails by the Speaker demonstrating his research of cost options prior to the trip.

We also noted that in December 2016, the Clerk claimed executive upgrades at a hotel in London, England, which provided for breakfast, snacks and alcohol at a cost of \$245 over three days, while at the same time, claiming a breakfast per diem. The Clerk made a similar expense claim on a subsequent trip in February 2017. Expense claims reviewed did not provide a rationale for such an upgrade.

Clear expectations for the documentation and approval of travel expenses would help ensure that the purpose of travel aligns with the Legislative Assembly's objectives and that travel costs are reasonable and appropriate.

KEY FINDINGS AND RECOMMENDATIONS

RECOMMENDATION 2: *We recommend that the Legislative Assembly ensure it has a comprehensive travel policy, including requirements for prior approvals and for documenting the business purpose of travel and the options chosen by travellers.*

Some expenses were not appropriately approved

The Legislative Assembly's *General Expenditure Policy* defined the roles for staff who are delegated with the responsibility to approve expenditures.

We looked to see if expenses were approved by a staff member who was delegated with the responsibility to approve expenditures. We found that expense documentation generally showed two signatories in accordance with the policy: the qualified receiver (the individual who reviews the goods or services received) and the expense authority (the individual authorized to approve the expense). This is to ensure that the person initiating and receiving the purchase is not also authorizing it.

However, we found examples where a subordinate approved the expenses of a superior. For example, the Executive Financial Officer, who reports to the Clerk, typically approved goods or services ordered by the Clerk. In some instances, the Sergeant-at-Arms had also approved the Clerk's purchases. This is a weakness in the approval process, as the subordinate may not have the knowledge or authority to effectively examine or challenge the goods or services ordered by a superior. In some cases, a direct superior will not

be available to approve expenses. In these cases, the Legislative Assembly should implement safeguards to ensure appropriate expense authorization and review. For example, these safeguards could include reporting expenses not approved by a superior to FAC or LAMC.

We also found examples where the Clerk, as expense authority, approved his own travel expenses, contrary to the *General Expenditure Policy*. From April 2016 to December 2018, the Clerk was reimbursed \$56,641 in travel expenses where he had authorized the expense as expense authority.

RECOMMENDATION 3: *We recommend that the Legislative Assembly ensure appropriate expense authorization and review, including approval by a supervisor whenever possible and additional safeguards when not.*

RECOMMENDATION 4: *We recommend that the Legislative Assembly ensure that the expense authority is not the receiver of the goods or services.*

Policies for other expenses were unclear

Clothing

Official uniforms and protective clothing are purchased for the Speaker, permanent officers and Legislative Assembly staff. Documents indicate that the Office of the Sergeant-at-Arms is responsible for

KEY FINDINGS AND RECOMMENDATIONS

coordinating and purchasing ceremonial dress for presiding officers and table officers and a dress code was in place for Sergeant-at-Arms staff. However, existing policy did not clarify the type of clothing appropriate for purchase by permanent officers and the Speaker.

In our review of expense claims, we found several clothing purchases made for the Speaker, Clerk and Sergeant-at-Arms. See Exhibit 7.

In the absence of clear policy in this area, it would be difficult for someone approving expenses to determine whether or not the clothing expenses are appropriate and to ensure that any purchases are economical.

Exhibit 7: Clothing purchased for the Speaker, Clerk and Sergeant-at-Arms (April 2016 – December 2018)		
Date of transaction	Expense description (per claim documentation)	Amount
August 12, 2016	1 cufflink set, 1 tie	\$57
October 6, 2016	1 cufflink set	\$25
September 12, 2017	1 court robe QC wool/silk, 2 court vest QC deluxe, 2 court pants, 6 court shirts, 6 court tabs	\$5,193
November 25, 2017	1 pair of shoes ⁴	\$139
December 12, 2017	1 tuxedo	\$1,116
January 3, 2018	4 cufflink sets, 1 suit, 1 pair of shoes, 1 trousers, 2 hats	\$4,810
January 31, 2018	4 shirts, 1 pair of suspenders	\$571
February 6, 2018	1 court robe QC wool/silk, 1 court vest QC deluxe	\$2,686
February 24, 2018	Uniform	\$280
August 3, 2018	2 stud sets, 1 cufflink set, 1 shirt	\$666
August 3, 2018	1 suit and other items	\$1,327
August 21, 2018	3 shirts, 1 tie	\$352
Total		\$17,222

Source: Office of the Auditor General of British Columbia, based on data from the Legislative Assembly

⁴ This purchase was reimbursed to the Legislative Assembly on February 14, 2019.

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RECOMMENDATION 5: *We recommend that the Legislative Assembly provide clear guidance on what work-related clothing it will pay for.*

Gifts

We noted several miscellaneous purchases made by the offices of the Speaker, Clerk and Sergeant-at-Arms. From April 2016 to December 2018, we found a total of \$18,783 for purchases of gifts or other items both in Canada and overseas, ranging from a ginger chocolate bar (\$4.98) to three jade bear sculptures (\$1,428.45).

In addition to these items, in November 2018, the Legislative Assembly was invoiced for \$20,093 for artwork ordered by the Clerk, which included one original painting, 150 prints of the original and 2,000 art cards from an artist based in Victoria, B.C. Legislative Assembly staff advised us that they were unaware of the order, but after making inquiries, found that some of the items were intended for use as gifts for executive and MLAs. In April 2019, the Acting Clerk reported to the Finance and Audit Committee that staff had added all of the prints and art cards to the inventory of the Parliamentary Gift Shop and put the original painting on display in a public portion of the Parliament Buildings.

These purchases were made in the absence of a policy for the purchase of gifts, making it difficult to determine whether they were purchased for Legislative Assembly business. Relevant guidance in the *Core Policy and Procedure Manual* is limited to protocol gifts for dignitaries and has recommendations on the sourcing of gifts and suggests the use of a pre-approval form.

RECOMMENDATION 6: *We recommend that the Legislative Assembly clarify its expectations and process for the purchase of gifts, including expectations for pre-approval (including purpose and recipient) and inventory of items.*

Purchasing card policy was not followed

Across government, purchasing cards are a primary instrument for making inexpensive purchases. While purchasing cards are used to improve the efficiency and effectiveness of purchases, they do not and should not replace reliance on sound financial controls. Like the rest of government, the Legislative Assembly uses purchasing cards for a range of transactions. We looked to see if the Legislative Assembly had a policy for the use of purchasing cards and whether purchases were in compliance with such a policy.

We found that the Legislative Assembly had a policy for the use of purchasing cards. The Legislative Assembly's *Corporate Purchasing Card Policies and Procedures* outlines the roles, responsibilities, and requirements of employees authorized to use or manage purchasing cards. However, we identified a number of instances in which purchasing card practices did not follow the policy.

Under the Legislative Assembly's policy, travel purchases on purchasing cards are prohibited. This is more restrictive than government's policy, which prohibits individual travel-related expenses, such as hotel accommodation, car rentals and meals, but permits some travel expenses normally directly booked and paid for by the organization, such as airfares and convention expenses.

KEY FINDINGS AND RECOMMENDATIONS

Staff told us that in practice, authorized card holders were permitted to use purchasing cards for booking group travel arrangements, as is common practice in government, and that they intend to update the policy accordingly.

Contrary to policy, we found purchasing cards were used for individual travel-related expenses from the offices within the scope of the audit. From April 1, 2016 to December 31, 2018, we found the following:

- ◆ accommodations: 41 transactions totalling \$24,357
- ◆ taxis: 16 transactions totalling \$2,816
- ◆ train: 4 transactions totalling \$964

Travel expenses made on purchasing cards put the Legislative Assembly at risk of assuming liability for potentially inappropriate expenses incurred while employees are travelling on business. This risk would be better mitigated by requiring employees to pay for their travel expenses first and then be reimbursed, making them more accountable for their expenses incurred while travelling, which is the policy under the CPPM.

Additionally, the purchasing card policy states that only the person whose name appears on the purchasing card may use it. Despite this, we found over two hundred transactions (primarily subscriptions to periodicals) in which a card assigned to an executive assistant was used by the assistant's supervisor, the Clerk, to make purchases. The reconciliation of the monthly purchases on the purchasing card was later signed off by the Clerk as approval for the purchases.

While purchasing cards offer efficiencies to the purchasing process, it is important that they be used in a manner consistent with policy to maintain adequate control of public money.

The use of purchasing cards across the Legislative Assembly will be the subject of a future audit.

RECOMMENDATION 7: *We recommend that the Legislative Assembly review its purchasing card policy and ensure practices comply with that policy.*

Other Observations

Legal services contract

Since 2012, the Office of the Clerk had paid \$4,000 per month plus disbursements and taxes under a contract with a lawyer for legal services with no specified end date. According to the contract, the lawyer provides legal services on an as-needed and priority basis to the Office of the Clerk and the Speaker, and, at the direction of the Clerk, to the Legislative Assembly.

We were advised that the Office of the Clerk ceased to have a full-time Law Clerk position in 2012 and that the legal services contract agreement resulted in considerable savings. We were also advised that various departments have accessed services through the legal services contract. For example, we learned that they have routinely used these services for the review of purchasing documents and contracts. However, the Legislative Assembly was unable to provide documentation to support the value of services received under this contract.

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In 2012, when the legal services contract began, the Legislative Assembly did not have a procurement policy in place. However, the current policy, which was in place by May 2016, requires that contracts with a cumulative value over their term in excess of \$75,000 go through a formal competitive process, consistent with the principles for fair and open procurement (successful completion, demand aggregation, value for money, transparency and accountability). We did not see evidence of review of the legal services contract, or any competitive process, despite the implementation of this policy.

While the contract ensures that the services are available when needed, the nature of a flat rate agreement makes it difficult to match the payments made to services received and to determine whether the arrangement represents good value to the Legislative Assembly. At the time of our audit, staff put an alternative service model in place.

RECOMMENDATION 8: *We recommend that the Legislative Assembly ensure existing contracts are in compliance with its procurement policy.*

Policy violations not reported

All of the above issues could have been mitigated had the Legislative Assembly clearly assigned responsibility for both ensuring policies are being consistently followed, as well as responsibility for reporting any significant or systemic breaches of policy to an appropriate authority.

The Executive Financial Officer's (EFO) responsibilities included providing strategic direction and oversight for financial and policy functions, and for applying best practices. The EFO also reported to the Clerk. The EFO needs to be able to safely report any instances of non-compliance and there should be a clear expectation from LAMC that any significant breaches of policy will be reported to them.

The EFO should have the protections necessary and full access to report concerns directly to the Speaker, the Finance and Audit Committee (FAC) or LAMC (in closed meetings, if necessary). It is critical that FAC and LAMC meet regularly which has not always been the case. Such a process would assist the EFO in carrying out the policy compliance function and in ensuring the Legislative Assembly is seen as a best practice organization.

RECOMMENDATION 9: *We recommend that:*

- ◆ *the Legislative Assembly provide the Executive Financial Officer (EFO) with direct access to the Speaker, the Finance and Audit Committee (FAC), and the Legislative Assembly Management Committee (LAMC); and*
- ◆ *the EFO report all significant instances of non-compliance with policy to the Speaker, FAC, and LAMC.*

AUDIT QUALITY ASSURANCE

WE CONDUCTED THIS audit under the authority of section 11 (8) of the *Auditor General Act* and section 5 of the *Legislative Assembly Management Committee Act* and in accordance with the standards for assurance engagements set out by the Chartered Professional Accountants of Canada (CPA) in the *CPA Canada Handbook – Canadian Standard on Assurance Engagements (CSAE) 3001* and *Value-for-money Auditing in the Public Sector PS 5400*. These standards require that we comply with ethical requirements, and conduct the audit to independently express a conclusion on whether or not the subject matter complies in all significant respects to the applicable criteria.

We apply the CPA Canadian Standard on Quality Control 1 (CSQC), and accordingly, maintain 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 this respect, we have complied with

the independence and other requirements of the code of ethics applicable to the practice of public accounting issued by the Chartered Professional Accountants of British Columbia, which are founded on the principles of integrity, objectivity and professional competence, as well as due care, confidentiality and professional behaviour.

APPENDIX A: COMPLETE AUDIT CRITERIA

1. Legislative Assembly policy is in place to control the type of expenses of the offices of the Speaker, Clerk and Sergeant-at-Arms
 - ◆ Is there a policy for approval requirements for expenses?
 - ◆ Is there a policy for the use of purchasing cards?
 - ◆ Is there a policy for travel expenses?
 - ◆ Is there a policy for the purchase of gifts?
 - ◆ Is there a policy for the purchase of IT equipment and accessories?
 - ◆ Is there a policy for the purchase of clothing?
2. The expenses of the offices of the Speaker, Clerk and Sergeant-at-Arms were in compliance with Legislative Assembly policy
 - ◆ Were expenses in compliance with the policies listed in Criterion 1?

APPENDIX B: SUMMARY OF TESTING

	2016/2017				2017/2018				2018/Dec 2018				Total			
	Count	% of transactions	\$ amount	% of dollar transactions	Count	% of transactions	\$ amount	% of dollar transactions	Count	% of transactions	\$ amount	% of dollar transactions	Total count	% of transactions	Total \$	% of dollar transactions
Office of the Speaker:																
Detailed testing	164	57%	\$80,485	66%	74	34%	\$48,029	40%	157	61%	\$50,433	33%	395	26%	\$178,947	39%
Recurring testing	191	49%	\$16,512	14%	-	0%	\$0	0%	-	0%	\$0	0%	191	13%	\$16,512	4%
Scanning	76	19%	\$25,474	22%	384	94%	\$90,530	79%	277	57%	\$44,712	31%	737	49%	\$160,717	35%
No testing	48	12%	\$19,492	17%	-	0%	\$0	0%	136	28%	\$85,875	59%	184	12%	\$105,368	23%
Totals:	479		\$141,964		458		\$138,559		570		\$181,021		1,507		\$461,544	
Office of the Clerk:																
Detailed testing	431	74%	\$271,572	83%	344	57%	\$214,434	76%	231	48%	\$120,865	44%	1,006	61%	\$606,871	69%
Recurring testing	58	10%	\$15,345	5%	105	18%	\$70,157	25%	78	16%	\$81,225	30%	241	15%	\$166,727	19%
Scanning	52	9%	\$6,571	2%	109	18%	\$26,616	9%	52	11%	\$18,348	7%	213	13%	\$51,535	6%
No testing	44	8%	\$34,713	11%	41	7%	-\$30,253	-11%	116	24%	\$51,354	19%	201	12%	\$55,814	6%
Totals:	585		\$328,201		599		\$280,954		477		\$271,792		1,661		\$880,947	
Office of the Sergeant-at-Arms:																
Detailed testing	166	20%	\$164,450	45%	96	12%	\$74,358	21%	110	21%	\$36,392	12%	372	17%	\$275,200	27%
Recurring testing	201	24%	\$39,848	11%	235	30%	\$82,494	24%	-	0%	\$0	0%	436	20%	\$122,342	12%
Scanning	394	46%	\$167,661	46%	361	46%	\$196,508	56%	407	79%	\$274,036	88%	1,162	54%	\$638,205	62%
No testing	90	11%	-\$4,817	-1%	101	13%	-\$4,860	-1%	-	0%	\$0	0%	191	9%	-\$9,678	-1%
Totals:	851		\$367,142		793		\$348,500		517		\$310,427		2,161		\$1,026,069	
Totals:																
Detailed testing	761	40%	\$516,507	62%	514	28%	\$336,821	44%	498	32%	\$207,689	27%	1,773	33%	\$1,061,017	45%
Recurring testing	450	23%	\$71,705	9%	340	18%	\$152,651	20%	78	5%	\$81,225	11%	868	16%	\$305,581	13%
Scanning	522	27%	\$199,706	24%	854	46%	\$313,654	41%	736	47%	\$337,096	44%	2,112	40%	\$850,457	36%
No testing	182	10%	\$49,387	6%	142	8%	-\$35,113	-5%	252	16%	\$137,230	18%	576	11%	\$151,504	6%
Totals:	1,915		\$837,306		1,850		\$768,013		1,564		\$763,240		5,329		\$2,368,560	

Expenses for the Office of the Speaker are contained in two cost centres. We added the travel incurred by the Speaker in the course of inter-parliamentary duties, to the expenses coded to Office of the Speaker.

Detailed testing: Items of a higher-risk nature (e.g., travel expenses). Reviewed source documents (e.g., invoices, statements, expense claims) for every transaction.

Recurring testing: Items are of a recurring nature (e.g., monthly mobile phone billings). Reviewed a sample of invoices and scanned the remaining transactions for unusual items.

Scanning: Lower risk items (e.g., office supplies). Testing involved scanning the amounts and vendor information for unusual items.

No testing: Lowest risk line items (expenses of a negative value or journal vouchers moving expenses between accounts). No testing performed.



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