



## REPORT HIGHLIGHTS

April 2007

### **SPECIAL AUDIT REPORT TO THE SPEAKER: THE FINANCIAL FRAMEWORK SUPPORTING THE LEGISLATIVE ASSEMBLY**

The Legislative Assembly employs about 350 full-time-equivalent staff and spends almost \$50 million a year to support the work of the province's elected representatives. While in some respects it differs significantly from ministries or Crown agencies, like any organization it requires a wide range of support services. Key among these is a financial management framework to help achieve its objectives and account for the cost doing so.

The administration of the Legislative Assembly is overseen by the Legislative Assembly Management Committee, chaired by the Speaker. The senior officer of the Legislative Assembly is the Clerk of the House.

The previous work we did in this area, which was a study as opposed to an audit, was to review the approval, monitoring and accountability arrangements for Vote 1, which provides the funds to support the activities of elected Members of the Legislative Assembly. Our report on that work, *Financial Administration of Vote 1*, was issued in 2000.

#### **Why we did this audit**

In 2006, the Speaker of the Legislative Assembly asked the Acting Auditor General to review the Assembly's financial framework – administered primarily by the Office of the Legislative Comptroller – and provide assurance that the framework is sound.

It was agreed that we would audit whether there was an effective financial management framework in place. To do this we used a financial management model developed by the Office of the Auditor General of Canada. Within this model, we selected a level of financial management that represents the basic elements of a stable control framework. While we didn't plan to test individual transactions to confirm whether the framework was being used as intended, our audit plan made it clear that we would if we felt it was necessary.

#### **What we concluded**

The financial framework used to support the work of the Legislative Assembly provides the basic elements of a stable control framework. Nevertheless, for the framework to deliver a higher level of financial management, further strengthening of aspects of the framework is required.

## What we found and recommended

Although we concluded that the financial framework was materially sound, we did identify several areas for potential improvement.

- Management needs greater assurance about the effectiveness of the control framework in constituency offices.
- Certain areas within the control framework need to be more formal. For example, there are no policies or guidelines on internal control; there is no assurance provided to management that controls are operating as intended; and there are no documented procedures on how senior management should deal with significant variances.
- To ensure that financial or other systems remain available in the event of a major disaster, Business Continuity and Disaster Recovery Plans need to be completed and tested, and clear contingency arrangements need to be put into place.
- All general accounting activities should be performed regularly, such as bank reconciliations. Regular review of financial controls would have highlighted this.
- Reporting requirements to the Legislative Assembly Management Committee need to be clearer.
- More formal processes within strategic financial planning and monitoring are required.

We recommend that:

1. an internal audit provider be engaged to examine and report periodically to senior management on the operation of financial controls across all Vote 1 expenditure areas, including constituency offices;
2. clearer procedures, policies and guidelines for financial control be put into place, covering:
  - types and frequency of financial procedures performed, and financial control reports to be produced and reviewed by the senior management team; and
  - procedures for identifying, documenting and following up significant variances or changes to financial plans;
3. Business Continuity and Disaster Recovery Plans covering financial systems in the Legislative Assembly be completed and periodically tested;
4. financial reporting requirements to the Legislative Assembly Management Committee be established and include regular reporting and discussion of actual and budget spending, as well as publicly available audited annual financial statements for Vote 1; and
5. a more clearly documented process be put into place for the production and approval of the annual operating and capital budget, and that the roles of senior management and the Legislative Assembly Management Committee members be clarified.

For more information, please contact:

Office of the Auditor General, 8 Bastion Square, Victoria, B.C. V8V 1X4  
Tel: 250 387-6803 or Toll free *Enquiry BC* at 1 800 663-7867 (in Vancouver 604 660-2421)  
A copy of the full report is available on our website at: <http://bcauditor.com>