

AUDIT OF THE LEGISLATIVE ASSEMBLY'S FINANCIAL RECORDS



Report 5 – July 2012



OFFICE OF THE
Auditor General
of British Columbia

About Our Office

- The Auditor General is the independent auditor of the Legislative Assembly of British Columbia
- Reports to the Legislative Assembly, not to the government of the day
- Conducts both financial audits and performance (or “value for money”) audits



Introduction

- 2007: Office of the Auditor General's audit of the Legislative Assembly's financial framework
- A number of areas for improvement identified
- 5 recommendations made – little action on these



Previous Work Completed

2007 Special Audit Report to the Speaker

2007 Report Recommendations	Status as at July 13, 2012 (Based on response from the Legislative Assembly Clerk on January 12, 2012 and on OAG observations)
Engage an internal auditor	COMPLETED – A contracted internal audit provider was engaged June 2012
Clearer procedures, policies and guidelines be put in place	UNDERWAY - Management is working on a framework and seeking direction from LAMC
Complete a Business Continuity and Disaster Recovery Plan	UNDERWAY - A plan is being developed
Financial Reporting Requirements to LAMC	UNDERWAY - Some reporting has been implemented; the clerk is consulting further with LAMC and the Office of the Comptroller General
Audited Financial Statements should be produced	NO ACTION – The Legislative Assembly does not prepare and publish audited financial statements
Implement a clearly documented budget process, including the roles of management and LAMC	UNDERWAY - A consultant assisted in a more formal structuring of the budget process. Further changes are expected

Audit Objective and Scope

- The Legislative Assembly still does not produce financial statements
- Audit of Legislative Assembly's trial balance for the fiscal years ended March 31, 2009, 2010, and 2011
- Did not audit the use of the \$119,000 Constituency Office Allowance, except to the extent it was used to pay Constituency Assistant salaries



Key Findings

- Inadequate internal controls
- Significant departures from Canadian GAAP
- Observations on governance
- Result: denial of opinion



Audit Conclusion

- Numerous examples of poor internal controls
- Identified items had a pervasive and material impact on trial balance results
- Unable to conclude whether trial balance results were fairly stated
- “Denial of Opinion” extremely rare



Inadequate Internal Controls

- Examples of poor internal controls identified
 - Lack of bank reconciliations
 - Lack of Management Oversight
 - Lack of supporting documentation for expenses
 - Lack of disclosure of Member's payments
 - Scale of gross adjustments \$1.3bn



Departures from Canadian GAAP

- Canadian GAAP represents “standard” rules for accounting
- Legislative Assembly has not been recording contributions from government for several years.
- Errors in the way buildings and equipment accounted for
- No inventory records for dining room or gift shop





Inadequate Governance and Oversight

- LAMC not meeting key oversight responsibilities defined in section 3 (1) of its Act:
 - *setting policies for the administration of the Legislative Assembly;*
 - *appointing, supervising and managing the staff of the Legislative Assembly;*
 - *reviewing Vote 1 in the Legislative Assembly estimates of expenditures; and,*
 - *engaging in other matters necessary for the efficient and effective operation and management of the Legislative Assembly*
- LAMC not meeting to review LA operations



Looking Ahead

- Continue auditing financial records until all significant issues have been resolved
- Future work will cover constituency offices
- Follow-up every six months



Recommendation

2012 Summary Report Recommendation

I recommend that the Legislative Assembly take steps to immediately address the numerous and pervasive deficiencies reported in my audits of the Legislative Assembly's financial records for the years ending March 31, 2009, 2010, 2011 and in my Office's 2007 Special Audit Report to the Speaker.



Further Resources

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