



***Audit of the Legislative Assembly's Financial Records
Response from the Clerk of the Legislative Assembly
July 2012***

On behalf of the Speaker of the Legislative Assembly, I acknowledge and thank the Auditor General and his staff for their time and effort in preparing the *Audit of the Legislative Assembly's Financial Records*. The Assembly is pleased to continue to work with the Office of the Auditor General to improve our financial management practices.

In addressing the audit findings, it is important to consider the role and size of the Legislative Assembly – as compared with a larger government ministry operating within the framework of the executive branch. Work towards developing effective improvements to the Assembly's financial management must be practical, cost effective and sustainable over the long term. As already conveyed, I would like to work with the Auditor General and his staff to implement the required changes with the involvement of the all-party Legislative Assembly Management Committee (LAMC). The involvement of this Committee is critical to ensure that the improvements have the support of all Members and appropriately fit within our operational environment.

Before addressing the concerns raised in the Auditor General's report, I would like to clarify the timing of receipt of the preliminary audit findings. The Speaker received the draft audit findings for the fiscal year 2008-09 in May 2011. The preliminary audit results for fiscal year 2009-10 were submitted in August 2011 and the fiscal year 2010-11 findings in November 2011.

Upon being appointed Clerk in September 2011, I retained the assistance of two experienced financial accountants to assist the Assembly with improving its financial and administrative practices and developing a plan to address the audit findings: Arn van Iersel, FCGA and Jennifer Smith, CGA. Since that time, the Assembly has, at my direction, undertaken the following measures:

- Initiated an operational and management review (including high level financial review).
- Developed a financial management action plan to improve the existing financial framework and respond to audit concerns.
- Enhanced budget development and monitoring processes.
- Undertaken a constituency office expense review (preliminary inter-jurisdictional examination of financial controls and reporting practices in constituency offices).
- Implemented functional and administrative reorganization of Assembly branches including:
 - o Creation of new Executive Financial Officer position (June 2012)
 - o Establishment of internal audit and risk management function (June 2012).

An updated functional organizational chart of Assembly branches is attached.

In November 2011, senior management forwarded to the Office of the Auditor General a detailed action plan to address the issues raised in the draft audit reports and corresponding management letters. In that plan, we indicated our agreement with the majority of the audit findings and provided detailed explanations regarding a schedule of implementation for those items that had not been addressed during the three months following receipt of the preliminary findings.

Approximately half of the audit findings were considered of a nature appropriate for referral to LAMC, the statutory governing body for the Legislative Assembly. For these, a detailed action plan was prepared for the all-party Committee. The *Legislative Assembly Management Committee Act* under section 4(2) permits delegation of responsibilities to the Speaker—and accordingly, the Committee may consider how much direct involvement in the day-to-day decisions it wishes to undertake. As can be appreciated, the Committee has the authority to determine its governance and oversight role.

To date, the Assembly has already resolved key issues identified in the 2012 audit report. Stronger financial processes have been put in place to resolve concerns regarding bank reconciliation and management oversight. Improved inventory record-keeping has been developed, and the Assembly is in process of determining how best to address other departures from Generally Accepted Accounting Principles.

With regard to supporting documentation for expenses and disclosure of Members' payments, I am committed to bringing these issues, along with the Auditor General's observations on governance, to the attention of the all-party Legislative Assembly Management Committee for the most appropriate response.

It is important to note that although the report identified deficiencies in internal financial controls, the audit did not examine specific Members' expenses, nor did it state that misappropriations of funds or fraudulent transactions have occurred. By improving the Assembly's internal controls, the Assembly will work to ensure that future financial records are free from misstatement.

Finally, on behalf of the Speaker and all Members of the Legislative Assembly Management Committee, I provide assurance that the Assembly is committed to addressing the concerns raised by the Auditor General in a timely and effective manner. We recognize that the shortcoming of previous financial practices must continue to be corrected and further progress will be made at the earliest opportunity.

A handwritten signature in black ink, appearing to be 'CJ', with a long horizontal flourish extending to the right.

Craig James
Clerk of the Legislative Assembly



Office of the Clerk
Functional Organizational Chart
June 2012

