



**RESPONSE OF THE LEGISLATIVE ASSEMBLY TO THE AUDITOR GENERAL'S REPORT:
*EXPENSE POLICIES AND PRACTICES IN THE
OFFICES OF THE SPEAKER, CLERK AND SERGEANT-AT-ARMS***

September 19, 2019

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*.

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 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.

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.

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.

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 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.

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.

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.

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.

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.

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.

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.