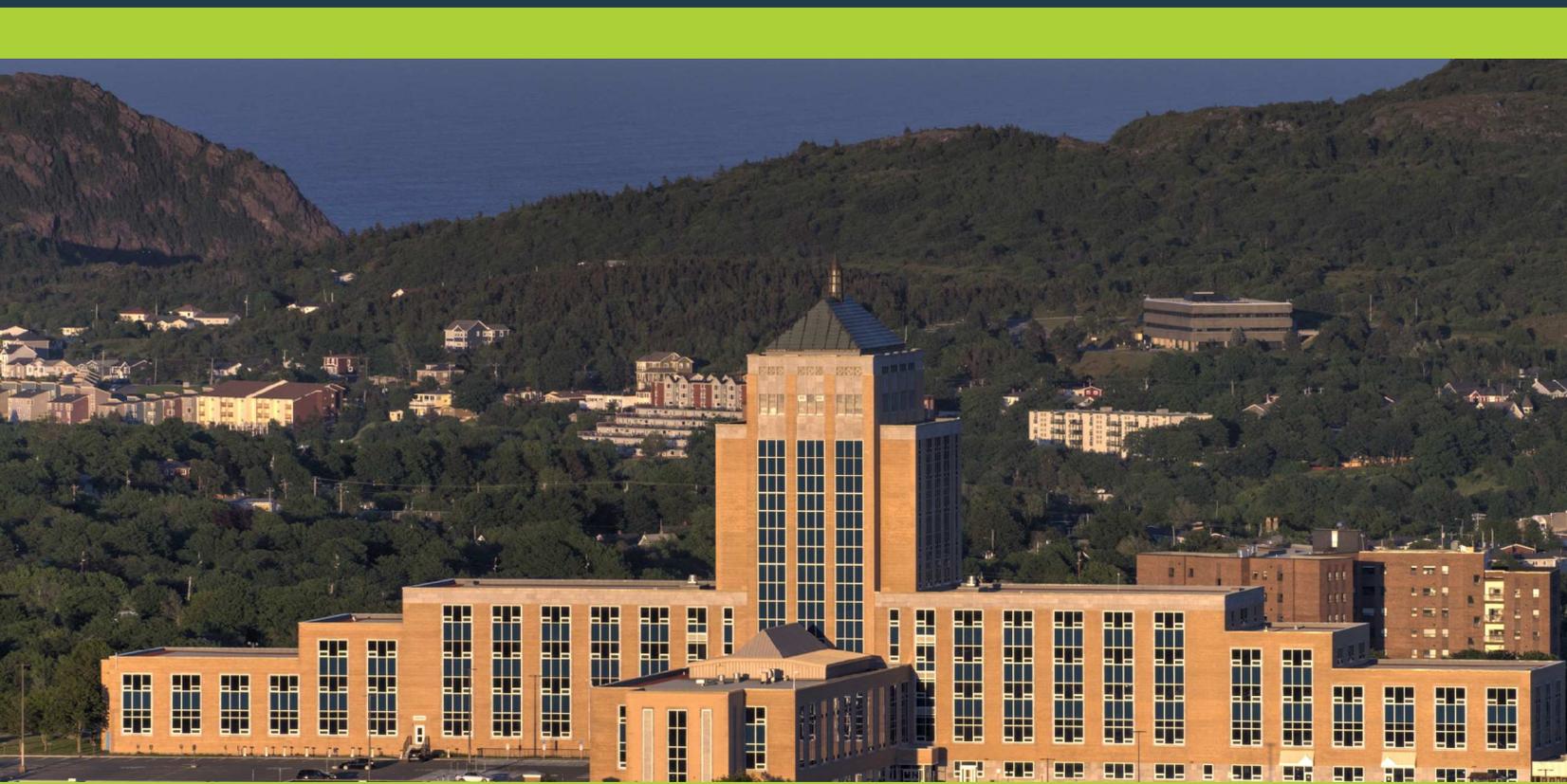


Members & Ministers Expenditures

Independent Auditor's Compliance Report



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

July 2024

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Audit Overview



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR



Objective

To ensure the House of Assembly's disbursements to, or on behalf of its Members, and government's disbursements in relation to Members' roles within the Government of Newfoundland and Labrador, were compliant with legislation, policies, and procedures.



Audit Period

April 1, 2022, to
September 30, 2023.



Why this Audit is Important

The adequacy of, and compliance with, legislation, policies, and procedures throughout government is critical. Ensuring all Members and Ministers, as well as its staff, maintain complete adherence to all policies and procedures minimizes risk and supports the public's trust.



Conclusions

There were issues regarding the clarity and completeness of Members and Ministers policies and procedures. Policies and procedures were not always kept up-to-date based on requirements and directions issued, and not all Members and Ministers expenditures complied with them. While we did not detect fraud, we found issues with expenditure compliance.



Summary of Recommendations

1. The House of Assembly should ensure all policies and procedures relating to Members expenditures are reviewed and updated in a timely manner, with any direction subsequently conveyed by other authorities incorporated appropriately and in a timely manner.
2. The Executive Council should ensure all policies and procedures relating to Ministers expenditures are reviewed and updated in a timely manner, with any direction subsequently conveyed by other authorities incorporated appropriately and in a timely manner.
3. The House of Assembly should ensure that appropriate controls are in place to monitor compliance with policies, procedures, and legislation relating to Members expenditures.
4. The Executive Council should ensure that appropriate controls are in place to monitor compliance with policies, procedures, and legislation relating to Ministers expenditures.
5. The House of Assembly should communicate effectively and consistently to Members and those committees and officials charged with oversight, regarding the importance of compliance with legislation, policies, and procedures as well as their responsibilities as it relates to compliance.
6. The Executive Council should communicate effectively and consistently to Ministers and those committees and officials charged with oversight, regarding the importance of compliance with legislation, policies, and procedures as well as their responsibilities as it relates to compliance.

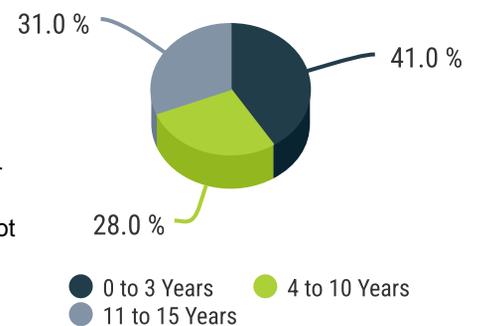


What We Found

Policies and Procedures

- The Management Commission typically reviewed policies and procedures in response to events, rather than on a regular and proactive basis as required by the Members' Resources and Allowances Rules.
- 17 out of 29 House of Assembly policies (59%) had not been updated in more than three years.
- The Ministerial Expense Reimbursement Policy under Executive Council had not been revised when changes were made in a Minute of Council issued in December 2015 by Cabinet.
- The published Member expense reports (on the House of Assembly website) did not capture \$236,000 of expenditures due to deficiencies in the reporting process.
- For Members of the House of Assembly who are also Ministers, the transactional review and compliance internal controls for expense reimbursement do not intersect.

Figure 1 - House of Assembly Policies - Years Since Update



Compliance

- In five of our 36 (14%) samples, a delegation of authority from the Speaker of the House of Assembly to the Clerk of the House of Assembly impaired the segregation of duties.
- In ten of our 36 samples (28%), the payroll controls and processes in the House of Assembly did not operate appropriately.
- There was no contract in place as required by the House of Assembly for 12 of the 20 days of work performed for one hourly researcher.
- One of six Caucuses and other applicable Members did not complete any monthly bank reconciliations throughout our entire compliance audit scope period.
- Two Ministers surpassed the 48 round-trip limit in the 2022 fiscal year, resulting in overcompensation of \$8,808; one of these Ministers surpassed the 48 round-trip limit again for the 2023 fiscal year, resulting in \$8,374 in overcompensation.

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Background

The House of Assembly is Newfoundland and Labrador's legislature and the center of the province's democratic process. The House of Assembly consists of 40 elected Members who are a part of either the:

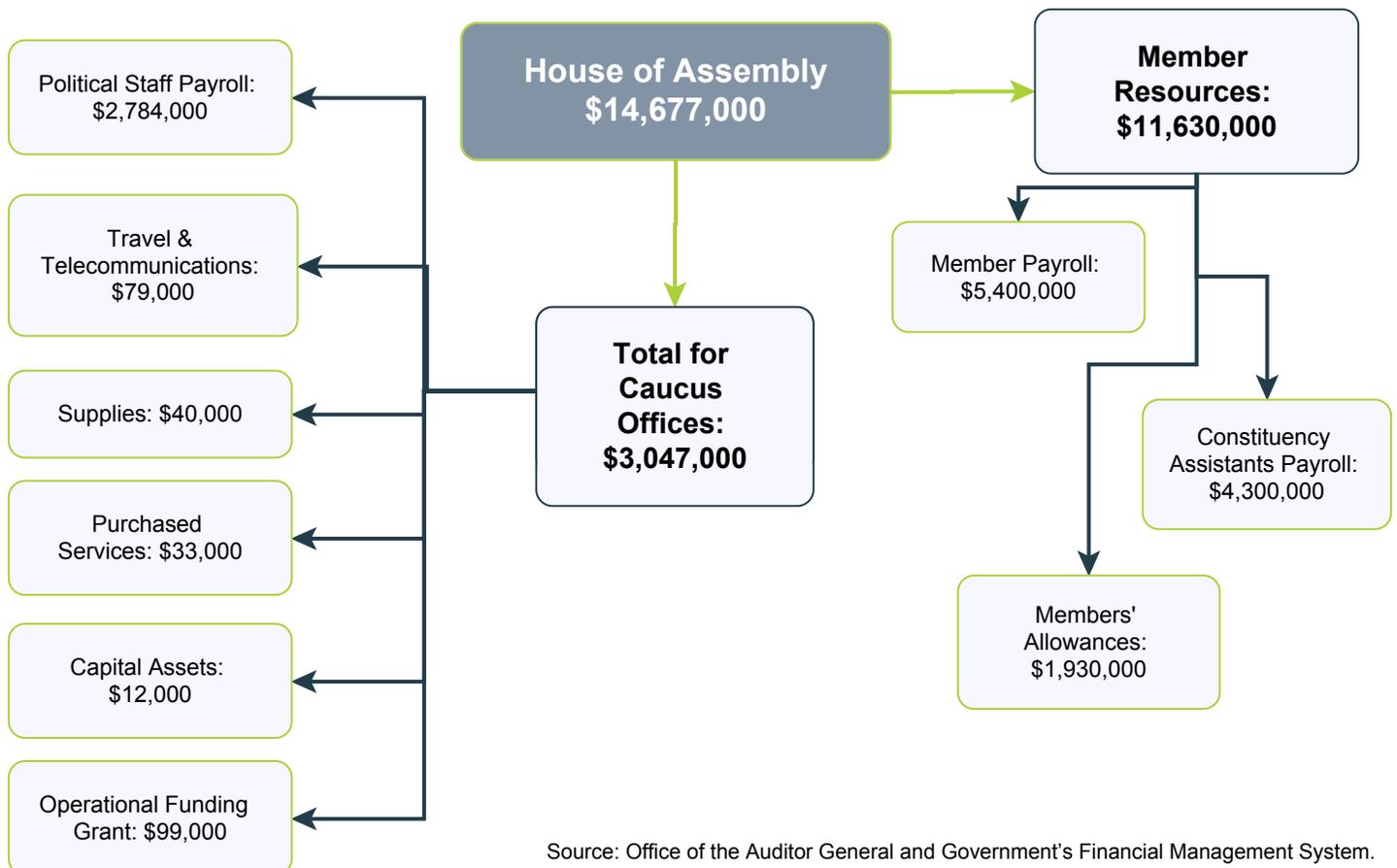
- Government Members' caucus;
- Official Opposition caucus;
- Third Party caucus; or are an
- Independent/Non-Affiliated Member.

The House of Assembly Accountability, Integrity, and Administration Act (the Act), sets out an administrative framework intended to increase transparency and accountability in House of Assembly operations. The House of Assembly Management Commission, established under the authority of this Act, is the non-partisan body that oversees the financial and administrative operations of the House of Assembly. The Speaker, chosen by elected Members, is responsible for the internal administration of the House of Assembly. The Clerk of the House of Assembly is the head non-partisan Officer of the House of Assembly and, in that capacity, exercises the responsibilities of Chief Parliamentary Advisor, Chief Administrative Officer and is the Secretary to the Management Commission.

The Members' Resources and Allowance Rules, a schedule of the Act, assist Members in following their legislation, including rules on expenditures and constituency assistants' employment. Amendments to the Rules are approved by the Management Commission. Each Member is entitled to engage the services of one constituency assistant, with the Management Commission setting out the salary and benefits for constituency assistants. Other employment terms and conditions are set by the Member.

The Members' Guide to Resources and Allowances, created by the Office of the Clerk of the House of Assembly, is intended to provide an overview of the Act and the Members' Resources and Allowances Rules. Figure 2 outlines all of the Members' resources expenditures that were incurred during the compliance audit scope period.

Figure 2 - Expenditures for House of Assembly Members - April 2022 to September 2023



Source: Office of the Auditor General and Government's Financial Management System.

Reports of Members' expenses are published by the House of Assembly twice a year in accordance with the Publication Scheme of the House of Assembly. The Scheme sets out that expenses be published according to the four main categories of allowances:

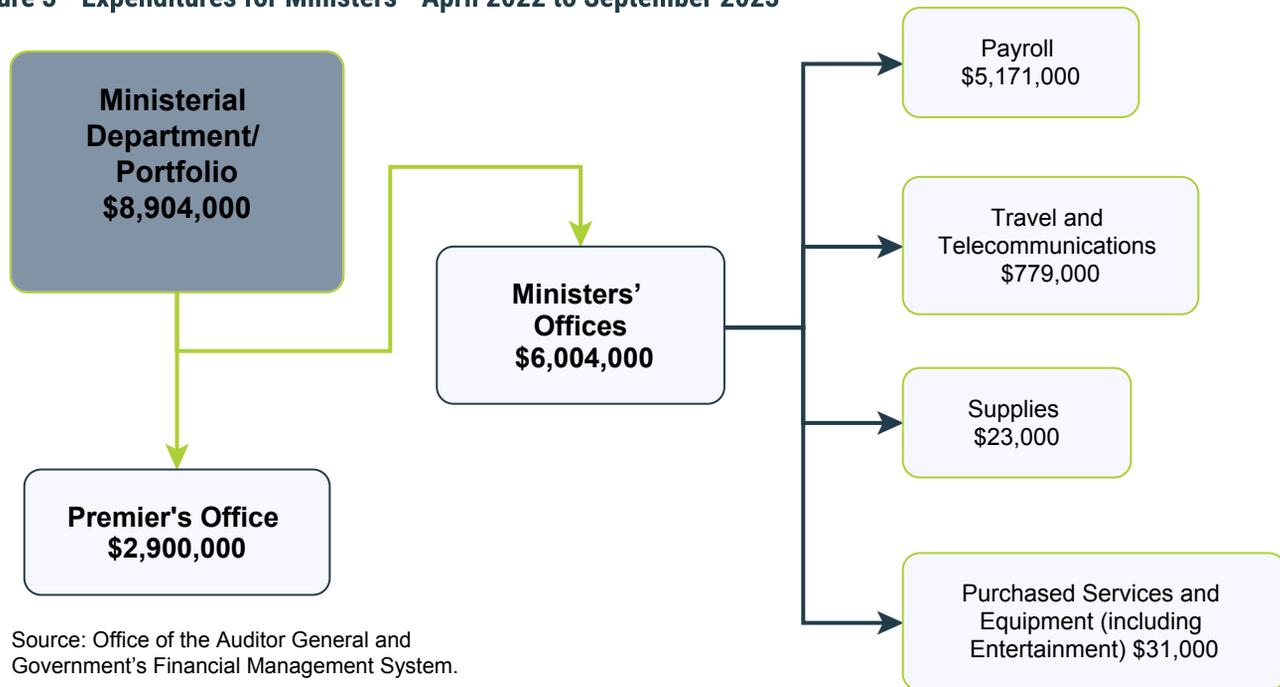
- office allowance;
- operational resources;
- travel and living allowance; and
- constituency allowance.

The Management Commission's Caucus Funding Policy guides funding provided to caucuses, registered political parties comprising one Member, and unaffiliated Members. This policy includes guidance on funding for party leaders, caucus operational expenses, and compensation to political support staff. While a Caucus refers to a group of all Members of a given party, for the purpose of the policies and procedures of the House of Assembly, unaffiliated Members must adhere to the same rules that apply to Caucuses.

During our compliance audit scope period, government was comprised of 15 departments, each overseen by a Minister appointed by the Premier; all are Members of the House of Assembly. Cabinet consisted of 17 Members who also served as Ministers of a department and/or a portfolio. The Clerk of the Executive Council is the most senior civil servant in the province and serves as Secretary to the Cabinet, permanent head of the Office of the Executive Council, and head of the public service.

Ministers receive funding from their respective departments and/or portfolios for their office expenses, such as payroll, travel, telecommunications, supplies, purchased services, and equipment. Figure 3 outlines all of the Ministers' resources expenditures incurred during the compliance audit scope period.

Figure 3 - Expenditures for Ministers - April 2022 to September 2023



Ministers must follow the Ministerial Expense Reimbursement policy of the Executive Council. This policy also requires Ministerial expense reimbursement reports to be published in June and December.

Our compliance audit covered the period from April 2022 to September 2023 and focused on one objective with two criteria. Our procedures included examining selected samples for compliance with legislation, policies and procedures, and encompassed:

- 124 Members' expenses from in-scope expenditures of \$2.13 million;
- 65 Ministers' expenses from in-scope expenditures of \$1.25 million; and
- 36 hourly political staff payroll entries from in-scope expenditures of \$241,000.

For the purposes of this compliance audit, we also analyzed House of Assembly policies and procedures for Members' expenses and Executive Council policies and procedures for Ministerial expenses. Specifically, we evaluated 29 House of Assembly policies, Executive Council's Ministerial Expense Reimbursement Policy, and the Public Procurement Act.

Summary of Key Findings

Policies and Procedures

- The Management Commission typically reviewed policies and procedures in response to events, rather than on a regular and proactive basis as required by the Members' Resources and Allowances Rules.
- 17 out of 29 House of Assembly policies (59 per cent) had not been updated in more than three years.
- The Severance Policy for House of Assembly Members had not been updated since 2017 due to a Members' compensation review having not been completed for the 49th General Assembly.
- Certain definitions of allowable expenses and spending limits in House of Assembly policies for gifts from caucuses and Member printing were unclear.
- The Funding Grants Policy does not provide guidance on the restriction of gifts to non-partisan items, nor the limiting of gifts to one per occasion or individual.
- The Printing Policy lacked reference to the Advertising & Publications Policy, which provides parameters on permissible content in advertisements, such as restricting the use of partisan colours and messaging. We also noted Members are not required to use the King's Printer, which may result in higher costs.
- There were several differences between the direction given by the Members' Guide to Resources and Allowances, the Act, and the Members' Resources and Allowances Rules.
- The Members' Guide to Resources and Allowances (as published online) did not include any of the appendices referenced in the document. These appendices contain important examples and explanatory information.
- The Ministerial Expense Reimbursement Policy under Executive Council had not been revised when changes were made in a Minute of Council issued in December 2015 by Cabinet.
- One Minister was provided a cell phone by their department in addition to their Member cellphone, in contravention of the Minute in Council.
- The Minute in Council stated that "the purchase of alcoholic beverages as part of the expense claimed is not permissible," however, the Ministerial Expense Reimbursement policy stated "the purchase of alcoholic beverages is limited to circumstances where it is appropriate to the occasion and must be moderate and reasonable."
- The Ministerial Expense Reimbursement Policy did not clearly outline all applicable positions.
- We found examples of unclear and inconsistent language used in the Ministerial Expense Policy.
- Overtime guidance was not given to the two Independent Members' Offices even though the Independent Members have political support staff and must abide by the guidance.
- The practices for overtime compensation differed for political support staff depending on whether they reported to the House of Assembly or to a department. Political support staff falling under the House of Assembly were eligible to avail of time off in lieu for overtime, however, political support staff reporting to Ministers and the Premier were directed they were ineligible for time off in lieu per their employment contracts.
- The published Member expense reports (on the House of Assembly website) did not capture \$236,000 of expenditures made to, or on behalf of, Members and related to the fulfillment of their public responsibilities due to deficiencies in the reporting process.
- Published Ministerial expense reports did not always include payments made on behalf of Ministers by departments due to deficiencies in the reporting process. Guidance on completing review of Ministerial expense reports - provided to departments by Executive Council - did not specifically state what was to be reviewed or the steps required to validate expenses.
- Ministerial expenses were not coded to a Minister's Office activity code in three of the 15 departments (20 per cent). This resulted in semi-annual expense disclosures being understated by \$6,772.
- For Members of the House of Assembly who are also Ministers, the transactional review and compliance internal controls for expense reimbursement do not intersect. This situation creates a risk that expenses may be paid by both a department and the House of Assembly.
- Compared to the House of Assembly's expense claim review process, the Office of the Comptroller General's review process of Ministerial expense claims was more thorough and required the completion of a reviewer checklist. However, the Office of the Comptroller General's checklist intended to guide the audit of Ministers' expense claims did not cover all components of the Ministerial Expense Reimbursement Policy.

- Two out of four expense areas requiring an individual's combined Member and Ministerial total to be tracked were lacking controls to ensure policy maximums were not exceeded. In departments there was no control to track the accumulated trips claimed by Members who also served as Ministers. Also, there were no controls in place in the House of Assembly or the departments to track the accumulated mileage between portfolios.

Compliance

- In five of our 36 (14 per cent) samples, a delegation of authority from the Speaker of the House of Assembly to the Clerk of the House of Assembly impaired the segregation of duties. In these five samples, the Clerk of the House of Assembly signed as both the approver and the processor, in contradiction of the purpose of dual-signature segregation of duties.
- In ten of our 36 samples (28 per cent), the payroll controls and processes in the House of Assembly did not operate appropriately.
- Three of our 36 (eight per cent) payroll samples had constituency assistant replacement forms that had been signed and dated by the Office of the Clerk of the House of Assembly before the Speaker of the House of Assembly. In effect, the staffing actions were processed by the House of Assembly before they were fully approved.
- Five of our 36 payroll samples (14 per cent) had time sheets that had been prepared and signed off by House of Assembly officials for work that had not yet occurred by constituency assistants or hourly researchers.
- Two of our 36 payroll samples (five per cent) had staffing action requests for a replacement constituency assistant signed off by the Office of the Speaker and Office of the Clerk after the work had commenced.
- Three of our 36 payroll samples (eight per cent) had incomplete staffing action forms approved by the Clerk of the House of Assembly and the Speaker of the House of Assembly for constituency assistants.
- There was no contract in place as required by the House of Assembly for 12 of the 20 days of work performed for one hourly researcher. Despite being aware of the missing contract, there was no action taken by the House of Assembly staff to interrupt the payment process. As of June 2024, the lack of the fully executed contract extension remained outstanding.
- During the 2021 Member inventory count performed by the House of Assembly's Corporate and Member Services, eight of 40 Members (20 per cent) did not have all of their equipment physically counted as required.
- One of six Caucuses and other applicable Members did not complete any monthly bank reconciliations throughout our entire compliance audit scope period.
- There were four instances of non-compliance with the Ministerial Expense Reimbursement policy. These low dollar value instances occurred due to a lack of coordination, and included such incidents as expense duplication and incorrect mileage rate used.
- In five of 15 instances (33 per cent), Minister mileage was not being coordinated with Members' mileage to accumulate the total, as would be necessary to satisfy the policy.
- There were mileage overpayments of \$2,476 stemming from a failure to combine Minister and Member kilometres.
- There was misclassification of expenses recognized between departments and the House of Assembly.
- Two Ministers surpassed the 48 round-trip limit in the fiscal year ended March 31, 2023, resulting in overcompensation of \$8,808. One of the same two Ministers surpassed the 48 round-trip limit again for the fiscal year ended March 31, 2024, resulting in overcompensation of \$8,374.
- A portion of a chartered helicopter expense was coded to the House of Assembly Allowances and Assistance account when it was also related to Ministerial business. The cost should have been prorated between the House of Assembly and the related department.

Findings - Policies & Procedures

Objective

To ensure the House of Assembly's disbursements to, or on behalf of Members of the House of Assembly, and government's disbursements in relation to Members' roles within the Government of Newfoundland and Labrador, are compliant with legislation, policies, and procedures.

Criteria 1

The policies and procedures regarding disbursements of public money to or on behalf of Members of the House of Assembly and their roles within the Government of Newfoundland and Labrador are clear and complete.



What We Expected

We expected the House of Assembly and Executive Council to have appropriate procedures and controls in place to ensure compliance with policies and to monitor the submission of Member and Ministerial expenses to avoid misallocation and duplication. We expected that internal controls would be designed to address and eliminate gaps in processes. We also expected public expenditure reports on Members and Ministers to be complete and accurate. We expected policies related to political staff to be comparable between the House of Assembly and Executive Council and to be communicated appropriately.

We expected the House of Assembly and Executive Council to have policies and procedures in place to clearly define all acceptable Member and Ministerial expenses, including defined spending limits. Further, we expected the policies and procedures which guide Member and Ministerial expenses to be updated in a timely manner and to be consistent with the legislation or directive that created them.



What We Learned

House of Assembly

We found the Management Commission typically reviewed policies and procedures in response to events, rather than on a regular and proactive basis as required by the Members' Resources and Allowances Rules.

The Members' Resources and Allowances Rules under the Act require the Management Commission review the adequacy of the policies and procedures being applied by the House of Assembly Clerk and staff at least annually to make any changes considered appropriate to improve controls and accountability. We assessed the policy adequacy and found **17 out of 29 House of Assembly policies (59 per cent) had not been updated in more than three years.** Table 1 outlines the 17 policies and years since the most recent amendment:



Table 1
Status of House of Assembly Policies
As at September 2023

Policy Title	Effective Year	Years Since Update
Classification Appeals Process	2008	15
Budget Processes - Legislature	2008	15
House of Assembly Records Management Policy	2009	14
Standard Signage Policy for Constituency Offices	2009	14
Guidelines for Temporary Replacement of Constituency Assistants	2009	14
Conference Travel Policy Members of the House of Assembly	2009	14
Automobile Allowance and Expense Policy for the Speaker, the Leader of the Official Opposition, and the Leader of the Third Party	2010	13
Professional Development Policy for Constituency Assistants	2011	12
Tuition Assistance Program for the House of Assembly and Statutory Offices	2011	12
Transfer of Funds Policy	2014	9
Guidelines on Dissolution of the Newfoundland and Labrador House of Assembly	2015	8
Cellular and Landline Phone Services Policy for Members of the House of Assembly and Constituency Assistants	2016	7
Cellular and Landline Phone Services Policy for Employees of the House of Assembly Service, Caucus Offices and Statutory Offices	2016	7
Severance Policy for Members of the House of Assembly	2017	5
Caucus Operational Funding Grants Policy	2019	4
Policy for Hiring External Consultants	2019	4
Printing Policy for Members of the House of Assembly and Constituency Assistants	2019	4

Source: Prepared by the Office of the Auditor General based on information provided by the House of Assembly.

We note the Severance Policy for House of Assembly Members had not been updated since 2017 due to a Members' compensation review having not been completed for the 49th General Assembly. House of Assembly officials indicated there was insufficient time during the 49th General Assembly to convene the required individuals to form a Commission. A Members Compensation review did occur during the 50th General Assembly, in March 2024.

Our assessment of the House of Assembly policies included whether they had clear definitions of allowable expenses and clearly defined spending limits. From this assessment of all House of Assembly policies, we noted three policies where there were issues with either the definitions of allowable expenses or the clarity of spending limits. Table 2 outlines the results of this assessment.

Table 2
House of Assembly
Policy and Guideline Assessment

Policy Title	Year of Last Update	Have clear definitions been given of what is an allowable expense?	Have spending limits been clearly defined?
Caucus Operational Funding Grants Policy	2019	Partial	Yes
Printing Policy for Members of the House of Assembly and Constituency Assistants	2019	Partial	Partial
Members' Guide to Resources and Allowances	2023	Partial	Yes

Source: prepared by the Office of the Auditor General based on information provided by the House of Assembly.

We found **certain definitions of allowable expenses and spending limits in House of Assembly policies for gifts from caucuses and Member printing were unclear.**

Caucus Operational Funding Grants Policy:

The policy allows “gifts for visiting delegations or visiting individuals, to a maximum of \$200 per gift.” Our assessment under the Act determined **the Funding Grants Policy does not provide guidance on the restriction of gifts to non-partisan items, nor the limiting of gifts to one per occasion or individual.**

The Printing Policy for Members of the House of Assembly and Constituency Assistants:

The policy applied to all Members and allowed for the printing of various constituency materials. Our assessment determined **the Printing Policy lacked reference to the Advertising & Publications Policy, which provides parameters on permissible content in advertisements, such as restricting the use of partisan colours and messaging. We also noted Members are not required to use the King’s Printer, which may result in higher costs.**

Members’ Guide to Resources and Allowances:

We found **there were several differences between the direction given by the Members’ Guide to Resources and Allowances, the Act, and the Members’ Resources and Allowances Rules.** For context, the Members’ Guide to Resources and Allowances states that when there is a difference between the Guide and the Act or the Rules, the Act and Rules are the final authority.

Specifically, we noted the following differences in direction:

- the Members’ Resources and Allowances Rules states that, as a part of a Member’s Office accommodation entitlement, a waiting room is allowed. However, the Members’ Guide to Resources and Allowances, which addresses the same Rules, does not include guidance on a waiting room; and
- the Members’ Resources and Allowances Rules states that Christmas cards are allowed. However, the Members’ Guide to Resources and Allowances stated they were not allowed.

The Members’ Guide to Resources and Allowances (as published online) did not include any of the appendices referenced in the document. These appendices contain important examples and explanatory information.

Executive Council

The Ministerial Expense Reimbursement Policy is the one policy we assessed with regards to Ministerial expenses. We found **the Ministerial Expense Reimbursement Policy under Executive Council had not been revised when changes were made in a Minute of Council issued in December 2015 by Cabinet.**

Another Minute in Council was issued in September 2023, at the end of our scope period, which removed the 9,000-kilometre limit for claiming a higher mileage rate and allowed Ministers to use the government meal rates applicable to management and executive. We note the policy was not updated to reflect these changes until it was identified by our Office.

We found two other discrepancies between the direction within the Minute in Council and the related policy:

- the Minute in Council stated that “the Minister is entitled to a single mobile communication device (e.g., cell phone or blackberry), the costs of which will be charged against the Members’ resources and allowance account, recognizing that the device will be used to conduct Ministerial as well as MHA business.” There was no mention of this in the Ministerial Expense Reimbursement policy and we found **one Minister was provided a cell phone by their department in addition to their Member cellphone, in contravention of the Minute in Council;** and
- the Minute in Council stated that “the purchase of alcoholic beverages as part of the expense claimed is not permissible,” however, the Ministerial Expense Reimbursement policy stated “the purchase of alcoholic beverages is limited to circumstances where it is appropriate to the occasion and must be moderate and reasonable.”

We found **the Ministerial Expense Reimbursement Policy did not clearly outline all applicable positions.** An order of the Management Commission of the House of Assembly approved select positions in the House of Assembly (the Speaker, the Leader of the Opposition, and the Leader of the Third Party) to use the Ministerial Expense Reimbursement Policy, but this was not noted within the policy.

We note, Party Leaders use the Ministerial Expense Reimbursement Policy, but are not named in the policy and, unlike Ministers, Party Leaders do not publicly disclose their expenditures.

We also found the following examples of unclear and inconsistent language used in the Ministerial Expense Policy:

- the policy stated that Ministers are responsible for submitting claims for meals in a timely manner, but did not elaborate on what was considered timely; and
- the policy set a ‘maximum number of return trips per year’ but did not clarify if this was for a fiscal or calendar year.



Political Support Staff Compensation

House of Assembly

We assessed the overtime of political support staff, under the direction issued in 1997 by the Internal Economy Commission. This direction applied only to House of Assembly political support staff, not political staff in the departments.

A review of leave entitlements at the House of Assembly completed by the Professional Services and Internal Audit Division of the Office of the Comptroller General in February 2022 found several issues with leave practices and recommended the House of Assembly have Caucus Offices implement a formal overtime tracking process for political support staff. The Office of the Comptroller General did not provide a recommendation with respect to overtime in offices of independent Members. As a result of this recommendation, the House of Assembly issued guidance to formally track overtime and allow political support staff to avail of time off in lieu. However, this guidance was delivered by the House of Assembly inconsistently because it was not provided to all the applicable Caucus offices and unaffiliated Members. **Overtime guidance was not given to the two Independent Members' Offices even though the Independent Members have political support staff and must abide by the guidance.**

Executive Council

We found **the practices for overtime compensation differed for political support staff depending on whether they reported to the House of Assembly or to a department.** Political support staff referred to two groups of employees:

- those hired by the Speaker of the House of Assembly to work with an individual Member or for one of the political offices of the House of Assembly; and
- those hired by a Minister or the Premier's Office to provide administrative and operational support.

Political support staff falling under the House of Assembly were eligible to avail of time off in lieu for overtime, however, political support staff reporting to Ministers and the Premier were directed they were ineligible for time off in lieu per their employment contracts.

Expense Report Completeness

House of Assembly

We assessed the completeness of expense reports published by the House of Assembly and found **the published Member expense reports (on the House of Assembly website) did not capture \$236,000 of expenditures due to deficiencies in the reporting process.** These payments were made to, or on behalf of, Members and related to the fulfillment of their public responsibilities, but were coded outside the Allowances and Assistance account. These missed expenses related to:

- travel to conferences and House of Assembly Management Commission's meetings;
- caucus operations (including the expenses of Leaders of Caucuses); and
- legal expenses.

Executive Council

We found **published Ministerial expense reports did not always include payments made on behalf of Ministers by departments, due to deficiencies in the reporting process.** Further, we found **guidance on completing review of Ministerial expense reports - provided to departments by Executive Council - did not specifically state what was to be reviewed or the steps required to validate expenses.**

Expenses keyed to a Minister's Office activity code are included in publicly disclosed information reports. We analyzed government's financial information and asked each department to identify transactions for Ministerial expenses keyed outside a Minister's Office activity code.

As a result of this analysis, we found **Ministerial expenses were not coded to a Minister's Office activity code in three of the 15 departments (20 per cent). This resulted in semi-annual expense disclosures being understated by \$6,772.** While these items, such as an international flight, a hotel room, mobile phone screen protectors, and a coat rack, were not included in the public disclosures, some of these items may have been public knowledge through other communication channels.

Expense Reimbursement Processing Internal Control Weaknesses

We found a gap in controls concerning expense reimbursements for Members appointed to a Ministerial role. The Ministerial Expense Reimbursement Policy states that the Minister is responsible for ensuring that their expenses are claimed from one source only (i.e., the House of Assembly or the department). **For Members of the House of Assembly who are also Ministers, the transactional review and compliance internal controls for expense reimbursement do not intersect.**

Expenditure claims for Members are processed by the House of Assembly and sent to the Office of the Comptroller General for review and payment. We found the House of Assembly performs an internal review of Members' expenditure claims which are then transferred to the Office of the Comptroller General's Transaction Review and Compliance division. However, no audit is performed on Members' claims during the Office of the Comptroller General's transactional review and compliance process; there is only an audit requirement for Ministers' expense claims. All that is required for Member claim processing is email confirmation from the House of Assembly stating that it has been audited internally. As a result, there is no process to detect issues between Member and Minister claims, such as duplicate claims of expenses.

The Office of the Comptroller General confirmed these are separate processes that do not intersect. For Members who are also Ministers, **this situation creates a risk that expenses may be paid by both a department and the House of Assembly.**

We found, **compared to the House of Assembly's expense claim review process, the Office of the Comptroller General's review process of Ministerial expense claims was more thorough and required the completion of a reviewer checklist. However, we found the Office of the Comptroller General's checklist intended to guide the audit of Ministers' expense claims did not cover all components of the Ministerial Expense Reimbursement Policy:**

- the policy required any alcoholic beverages purchased be limited to circumstances where it is appropriate to the occasion and be moderate and reasonable. We found there was no component in the checklist to ask if alcohol was claimed as part of entertainment expenses, or to determine if it was appropriate to the occasion, moderate and reasonable. This policy also did not match the direction in the Minute in Council, which disallowed reimbursement for alcohol;
- the policy required claims indicate the nature of an entertainment expense (i.e. luncheon, dinner, etc.) as well as the number of attendees. We found there was no component of the checklist to ask about the nature of the entertainment or the number of people in attendance;
- the policy requires Ministers log the total kilometres travelled (to date) on a private vehicle usage claim form to help determine the correct rate to apply. We found there was no component of the checklist to verify the mileage log was completed or to verify the rates used were accurate; and
- the policy states the maximum allowable combined number of claimable return trips between the capital region and a Minister's district or permanent residence is 48 per year. We found there was no component in the checklist to ensure the total number of trips expensed was not greater than 48 annually.

Expense Allocation Internal Control Weaknesses

We analyzed the Ministerial Expense Reimbursement Policy, the Act and the Rules to identify potential gaps in controls and processes related to Member and Ministerial expenses. We identified four areas of the Ministerial Expense Reimbursement Policy where compliance was either reliant on a 'combined' total between the Member and Minister expenses, or on the proper expense allocation between Member and Ministerial expense components. **Two out of four expense areas requiring an individual's combined Member and Ministerial total to be tracked were lacking controls to ensure policy maximums were not exceeded:**

- annual maximum number of trips; and
- two-tiered mileage rates.

Annual Maximum Number of Trips

The Ministerial Expense Reimbursement Policy states “the maximum number of return trips between the Minister’s residence and the capital is 48 per year.” This maximum number of claimable trips is based on total trips taken by the Member under the Members’ Resources and Allowances Rules plus the number of Ministerial/departmental trips taken by the Minister for non-constituency-related business. We found **there were no controls in place in the House of Assembly or the departments to track the accumulated trips claimed by Members who also served as Ministers**, as required under the Ministerial Expense Reimbursement Policy. The Professional Services and Internal Audit Division of government noted this same control weakness during a review of Member and Minister expenses before our scope period.

Two-tiered Mileage Rate

The Ministerial Expense Reimbursement Policy stated Ministers may avail of a vehicle allowance or choose to be reimbursed for mileage. Ministers who chose to be reimbursed were entitled to the two-tiered rate for their combined Ministerial and constituency-related travel. The first 9,000 kilometres travelled were reimbursable at a higher rate, and as a result, Ministers were required to track the number of kilometres travelled in total for Ministerial and Member duties to ensure this higher rate was not applied to distances exceeding the limit. This tracking requirement was removed by a Minute in Council in September 2023 and allowed Ministers to use the higher rate for all kilometres travelled; however, the previous rules prevailed for the majority of our audit scope period. **We found there were no controls in place in the House of Assembly or the departments to track the accumulated mileage between portfolios.**

Why It Matters

It is necessary for Members and Ministers policies and procedures to be regularly reviewed and kept up to date with changes in legislation, direction, and technology to ensure the proper operation and management of organizations. Policy review is most effective when it is done regularly and proactively, not in reaction to an event.

For those operating in elected positions, these policies must also be reliable and internally consistent to ensure no gaps exist that would allow for inappropriate expenditures to occur. Public disclosures of Member and Ministerial expenditures should include all amounts paid to or on their behalf, to ensure transparency and accountability to taxpayers.

Internal controls ensure the integrity of financial information and are intended to prevent and detect errors and fraud; gaps in internal controls provide the opportunity for inappropriate or fraudulent behaviour to occur. Control gaps, when identified, should be closed immediately.



Findings - Compliance

Objective

To ensure the House of Assembly's disbursements to, or on behalf of Members of the House of Assembly, and government's disbursements in relation to Members' roles within the Government of Newfoundland and Labrador, are compliant with legislation, policies, and procedures.

Criteria 2

Expenditures of and on behalf of the Members of the House of Assembly and their roles within the Government of Newfoundland and Labrador comply with legislation, policies, and procedures.



What We Expected

We expected all expenditures made by, or on behalf of, Members and Ministers to comply with House of Assembly and Executive Council policies and procedures. We expected expenditures made to or on behalf of Members under the House of Assembly and to Ministers under their roles in government not to be duplicated. For policy areas where a combined total is required between Member and Minister activity, we expected calculations to be appropriately completed and monitored.

We expected payments from the House of Assembly to hourly political staff on behalf of Members to comply with policies and procedures. We expected House of Assembly management to detect and prevent payroll issues, such as payments for work not performed and missing contracts. We expected prompt corrective action to be taken when non-compliance for payments was detected by the House of Assembly, and for these issues to be escalated and communicated appropriately.

We expected the House of Assembly and Executive Council to be highly aware of their roles and responsibilities for the oversight of Members and Ministers within the Government of Newfoundland and Labrador; and we expected governance of these roles to operate appropriately.



What We Learned

Delegation of Authority

The delegation of authority that was in place during our compliance audit scope period delegated the powers of the Speaker to the Clerk to execute and otherwise sign contracts, deeds, and other documents related to the administration of the House of Assembly and its statutory offices. For example, constituency assistant replacement forms require a signature to approve and a signature to process the request. We found, **in five of our 36 (14 per cent) samples, a delegation of authority from the Speaker of the House of Assembly to the Clerk of the House of Assembly impaired the segregation of duties. In these five samples, the Clerk of the House of Assembly signed as both the approver and the processor, in contradiction of the purpose of dual-signature segregation of duties.**

Processes for House of Assembly Political Support Staff

Hourly political support staff are hired by individual Members or a caucus as temporary replacements for constituency assistants, short-term researchers, and research assistants through staffing action forms. The Office of the Speaker is required to approve all requests for replacement constituency assistant staffing action forms before the Office of the Clerk approves the action for processing. We examined 36 payments related to 24 hourly political support staff.

We found, in ten of our 36 samples (28 per cent), the payroll controls and processes in the House of Assembly did not operate appropriately.

Issues we identified were:

- **three of our 36 (eight per cent) payroll samples had constituency assistant replacement forms that had been signed and dated by the Office of the Clerk of the House of Assembly before the Speaker of the House of Assembly. In effect, the staffing actions were processed by the House of Assembly before they were fully approved;**
- **five of our 36 payroll samples (14 per cent) had time sheets that had been prepared and signed off by House of Assembly officials for work that had not yet occurred by constituency assistants or hourly researchers;**
- **two of our 36 payroll samples (five per cent) had staffing action requests for a replacement constituency assistant signed off by the Office of the Speaker and Office of the Clerk after the work had commenced; and**
- **three of our 36 payroll samples (eight per cent) had incomplete staffing action forms approved by the Clerk of the House of Assembly and the Speaker of the House of Assembly for constituency assistants.**

As well, there were contract issues identified in our sample for an hourly researcher. According to the government contracting policies, a contract must be in place before any work is performed and paid. However, we found **there was no contract in place as required by the House of Assembly for 12 of the 20 days of work performed for one hourly researcher. Despite being aware of the missing contract, there was no action taken by the House of Assembly staff to interrupt the payment process. As of June 2024, the lack of the fully executed contract extension remained outstanding.**

Inventory Management

We found during the 2021 Member inventory count performed by the House of Assembly's Corporate and Member Services, eight of 40 Members (20 per cent) did not have all of their equipment physically counted as required. An inventory count is required by the House of Assembly Inventory Management Policy for each Member at least once during each general assembly, which must include all physical assets defined as inventory.

Eight Members did not have their cell phones, computers, or tablets counted by Corporate and Member Services, whom indicated that they did not physically verify these items because Members use them as a way of communicating with House of Assembly staff, so it was assumed the items were in the Members' possession. We found no evidence where these informal counts ensured each piece of equipment was accounted for as being in use.

Caucus Operational Funding Grants

We found one of six Caucuses and other applicable Members did not complete any monthly bank reconciliations throughout our entire compliance audit scope period. The Caucus Operational Funding Grants Policy required each caucus including unaffiliated members and the Office of the Speaker to complete monthly bank reconciliations.

Ministerial Expenditures

Ministers' Offices are allocated a budget within departments and major portfolios to conduct Ministerial business. This budget includes payroll expenses for an executive assistant, travel and telecommunications costs, office supplies and equipment, and purchased services. Ministers are required to follow government's Ministerial Expense Reimbursement policy and the Public Procurement Act for these types of expenditures.

During our compliance audit scope period, the total value of Ministers' Office expenditures across all departments and portfolios was \$1,247,302 and was comprised of 10,077 individual items. We sampled 65 items from this population for analysis and found **there were four instances in our sample of non-compliance with the Ministerial Expense Reimbursement policy. These low dollar value instances occurred due to a lack of coordination, and included such incidents as expense duplication and incorrect mileage rate used.**

Member and Ministerial Mileage

While there was no fraud detected, we found the failure to combine and appropriately allocate expenses resulted in overpayments and misclassification. From April 2022 to September 2023, there were 15 instances where a Minister chose the option to be reimbursed for mileage rather than avail of a vehicle allowance. We found, **in five of 15 instances (33 per cent), Minister mileage was not being coordinated with Members' mileage to accumulate the total, as would be necessary to satisfy the policy.**

We analyzed the mileage claimed by the five Ministers that were not correctly coordinating mileage with their Member portfolio to determine if the correct rates were used for Minister and Member mileage claims during our scope period. Based on our analysis we found:

- **mileage overpayments of \$2,476 stemming from a failure to combine Minister and Member kilometres; and**
- **the misclassification of expenses recognized between departments and the House of Assembly.**

The Professional Services and Internal Audit Division of government found similar mileage overclaiming issues in a review of Member and Minister expenses before our scope period.

Member and Ministerial Trips

We analyzed and combined the trip logs from the House of Assembly and departments for each Member who was also a Minister to determine compliance with the Ministerial Expense Reimbursement Policy. We found **two Ministers surpassed the 48 round-trip limit in the fiscal year ended March 31, 2023, resulting in total overcompensation of \$8,808.** While there were no Ministers that surpassed the 48 round-trip limit for the remaining audit scope period (April 1 to September 30, 2023), we found **one of the same two Ministers surpassed the 48 round-trip limit again for the fiscal year ended March 31, 2024, resulting in total overcompensation of \$8,374.** We did not find any indication of an intention to defraud; it appears to be a controls issue as noted previously in the Policy and Procedures section of this report.

Allowances and Assistance

The Allowances and Assistance account is used for Members' constituency expenses, which are subsequently publicly disclosed in detail as part of Member Accountability and Disclosure Reports. During our compliance audit scope period, this account had a total value of \$1,893,839, comprised of 15,378 individual expense items; we sampled 61 items for analysis.

Members of the House of Assembly who are also Ministers are required to prorate expenses that cover both constituency and Minister business to either the House of Assembly or the department, based on the proportion of time spent on each. This allows financial resources to be properly accounted and budgeted for, and also allows public disclosures to be accurate and transparent. In our sample, we found one instance (2 per cent) of non-compliance with this requirement as **a portion of a chartered helicopter expense was coded to the House of Assembly Allowances and Assistance account when it was also related to Ministerial business. The cost should have been prorated between the House of Assembly and the related department.**



Why It Matters

It is important that those elected to government, as well as other public service employees, comply with all policies and procedures to ensure accountability and transparency to the public. As the body that governs provincial legislation, it is reasonable to expect House of Assembly's operations would exemplify the highest standard of compliance with policies and procedures. Ministers overseeing a department and/or portfolio are also expected to exemplify this high standard through full compliance with Executive Council policies and procedures.

Proper internal payroll controls ensure expenses are incurred for work that is appropriately authorized and legitimately performed. Dual approval signatures are critical because they reduce the risk of incorrect or inappropriate actions. Processes that require coordination of limits between separate systems, such as mileage accumulation and overall trips, need appropriate oversight to ensure individuals are in compliance. Inventory counts and bank reconciliations help identify irregularities in areas which have a higher susceptibility for fraud.



Subsequent Events

The Members Compensation Review Committee 2024 has recommended that Members mileage reimbursement rules be aligned with the Ministerial rules, which has been accepted by the Management Commission. As a result, Members will be permitted to use the higher mileage rate allowed by government for all kilometres claimed going forward.

In April 2024, as a result of our audit enquiries, the Office of the Executive Council updated the Ministerial Expense Reimbursement Policy to resolve certain deficiencies. They communicated to us that they are developing tools to help ensure Ministerial compliance with policies and to ensure gaps identified in controls are addressed. We have been told that the Office of the Comptroller General is developing a tool for use in government's Financial Management System that helps track the combined number of Member and Minister trips and that this reporting tool is scheduled to be implemented by September 2024.

As a result of this audit, the risk assessment involving the Office of the Clerk of the House of Assembly was reassessed. While the revised risk assessment did not change our audit approach or findings, it is likely it will necessitate further consideration on future audits.

Conclusions

Our compliance audit concluded that there are some issues regarding the clarity and completeness of Members and Ministers policies and procedures. Policies and procedures were not always kept up-to-date based on requirements and directions issued, and not all Members and Ministers expenditures complied with them.

The policies and procedures for Members of the House of Assembly are updated reactively, rather than proactively. There were instances where Member expenditure policies and procedures used unclear language, such as parameters surrounding spending limits. The policy for Ministers expenditures had not been updated appropriately to reflect Cabinet direction, allowing some expenses to continue that had been previously disallowed. Members and Ministers expenditures are required to be publicly disclosed, but not all expenses were included in published reports due to deficiencies in the reporting process.

We found non-compliance with expenditure policies and procedures, such as non-allowable expenses claimed, expense duplication, and the misallocation of expenses between the House of Assembly and departments. The House of Assembly's oversight processes did not always operate appropriately, resulting in errors due to deficiencies in the reporting process. When mistakes were detected, corrective steps to recover payment were not appropriately actioned. Approval roles within the House of Assembly were not always segregated to ensure appropriate oversight over staffing actions. We carefully examined instances of non-compliance with policies and procedures and did not discover any occurrences of fraud.

We acknowledge this audit involved two branches of government – Legislative and Executive – which necessitated two audit approaches in response to the Auditor General's authority. We did not encounter issues with getting documentation and cooperation from individual departments, Executive Council, and Caucus Offices. While we encountered challenges with access to records of the House of Assembly, we were able to satisfy our audit standards to complete this report.

Recommendations

Recommendation 1

The House of Assembly should ensure all policies and procedures relating to Members expenditures are reviewed and updated in a timely manner, with any direction subsequently conveyed by other authorities incorporated appropriately and in a timely manner.

House of Assembly Response:

The House of Assembly accepts this recommendation. Expenditures incurred by Members of the House of Assembly are addressed in the House of Assembly Accountability, Integrity and Administration Act, the Members' Resources and Allowances Rules, subordinate legislation made under the authority of that Act, as well as directives and policies issued by the House of Assembly Management Commission. Section 20 of the House of Assembly Accountability, Integrity and Administration Act requires the Management Commission to approve any new administrative, financial, human resource and management policies or any changes to such existing policies. Amendments to legislation related to Members' expenditures require a separate approval process which could impact the time and implementation of any changes.

Recommendation 2

The Executive Council should ensure all policies and procedures relating to Ministers expenditures are reviewed and updated in a timely manner, with any direction subsequently conveyed by other authorities incorporated appropriately and in a timely manner.

Executive Council Response:

Executive Council accepts this recommendation. It is agreed that ensuring that all policies and procedures relating to Ministers expenditures are reviewed and updated if necessary for maintaining organizational effectiveness and compliance.

Recommendation 3

The House of Assembly should ensure that appropriate controls are in place to monitor compliance with policies, procedures, and legislation relating to Members expenditures.

House of Assembly Response:

The House of Assembly accepts this recommendation. In accordance with the House of Assembly Accountability, Integrity and Administration Act, there are a number of accountability measures in place to assess the appropriateness and effectiveness of internal controls, as well as compliance with legislation and policy direction. The House of Assembly is prepared to work with the executive branch, within respective constitutional authorities, regarding the tracking of expenditures where there exists an overlap in eligible categories of expenses for Ministers and Members.

Recommendation 4

The Executive Council should ensure that appropriate controls are in place to monitor compliance with policies, procedures, and legislation relating to Ministers expenditures.

Executive Council Response:

Executive Council accepts this recommendation. It is agreed that appropriate internal controls are vital for maintaining compliance with policies, procedures, and legislation to ensure smooth and efficient operations. Where crossover exists between policies, procedures, and legislation related to Members and Ministers, we will endeavor to work with the House of Assembly to ensure proper controls are in place to verify compliance.

Recommendation 5

The House of Assembly should communicate effectively and consistently to Members and those committees and officials charged with oversight, regarding the importance of compliance with legislation, policies, and procedures as well as their responsibilities as it relates to compliance.

House of Assembly Response:

The House of Assembly accepts this recommendation. The House of Assembly Service is committed to service excellence in the delivery of both parliamentary and administrative support to Members of the House of Assembly.

Recommendation 6

The Executive Council should communicate effectively and consistently to Ministers and those committees and officials charged with oversight, regarding the importance of compliance with legislation, policies, and procedures as well as their responsibilities as it relates to compliance.

Executive Council Response:

Executive Council accepts this recommendation. It is agreed that effective communication about compliance to expenditure legislation, policies, and procedures is necessary for ensuring that there is a strong understanding of the rules and guidelines related to spending.

Appendix - About This Audit

Why this Audit was Conducted

We chose to audit the House of Assembly's disbursements to or on behalf of, Members of the House of Assembly, and the government's disbursements in relation to their roles within the Government of Newfoundland and Labrador. We performed this compliance audit with the authority granted to the Auditor General under sections 43 and 44 of the House of Assembly Accountability, Integrity, and Administration Act and sections 24 and 25 of the Auditor General Act, 2021. To affirm our authority in this matter, we obtained legal consultation regarding the extent of our authority under the Auditor General Act, 2021 and the House of Assembly Accountability, Integrity, and Administration Act, and concerning the parliamentary privilege of the Members and the House of Assembly. Our audit purpose was to confirm the adequacy of, and compliance with, legislation, policies, and procedures. We audited the House of Assembly's Members and government's Ministers to determine whether disbursements were in compliance with policies and procedures and to evaluate whether clearly defined and complete policies and procedures were in place.

Objective

The objective of our compliance audit of the House of Assembly's Members and Ministers of the Government of Newfoundland and Labrador was to ensure the House of Assembly's disbursements to, or on behalf of Members of the House of Assembly, and government's disbursements in relation to Members' roles within the Government of Newfoundland and Labrador, were compliant with legislation, policies, and procedures.

Criteria

Audit criteria were developed based on discussions with management and staff, review of relevant documentation, guidelines, legislation, policies and procedures, and literature reviews. The Office of the Auditor General defined two criteria regarding the objective, which senior management of the House of Assembly and Executive Council accepted as suitable:

- The policies and procedures regarding disbursements of public money to or on behalf of Members of the House of Assembly and their roles within the Government of Newfoundland and Labrador are clear and complete.
- Expenditures of and on behalf of the Members of the House of Assembly and their roles within the Government of Newfoundland and Labrador comply with legislation, policies, and procedures.

Scope and Approach

The compliance audit began in October 2023 and covered the period from April 1, 2022, to September 30, 2023. The focus was on Member and Ministerial expenditures within the House of Assembly and departments.

The compliance audit focused on the expenditures made by, or on behalf of, the Members of the House of Assembly in performing their duties, as well as the expenditures made by, or on behalf of, Members in performing the duties of their Ministerial roles and responsibilities within government, to determine whether they complied with the policies, procedures, guidelines, and legislation of the House of Assembly and government. All expenses covered within the scope of the House of Assembly Accountability, Integrity and Administration Act and its Members Resources and Allowances Rules, and the government's Ministerial Expense Reimbursement Policy were considered as a part of our compliance audit. These transactions included expenses related to accommodations, travel and telecommunications, supplies, equipment, purchased services, and political staff payroll.

The expenditures of the following divisions of the House of Assembly were excluded from our compliance audit scope:

- Office of the Clerk and other officers of the House;
- Law Clerk;
- Corporate and Members' Services Division;
- Legislative Library;
- Hansard Office; and
- Broadcast Centre.

Audit Standards

This independent assurance report was prepared by the Office of the Auditor General of Newfoundland and Labrador for auditing the House of Assembly's disbursements of public money to or on behalf of Members of the House of Assembly and the government's disbursements of public money to or on behalf of Members in relation to their roles within government through our compliance audit objectives and criteria.

This audit was performed to a reasonable level of assurance in accordance with the Canadian Standard on Assurance Engagements 3001 – Direct Engagements set out by the Chartered Professional Accountants of Canada and under the authority of the Auditor General Act, 2021.

The Office applies the Canadian Standard on Quality Management. This standard requires our Office to design, implement, and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

In conducting the compliance audit work, we have complied with the independence and other ethical requirements of the Rules of Professional Conduct of the Association of Chartered Professional Accountants of Newfoundland and Labrador.

Management Representations

The Clerk of the House of Assembly, the Clerk of the Executive Council, and the Deputy Ministers of the departments confirmed that senior management had provided the Office of the Auditor General with all the information they were aware of that had been requested or that could significantly affect the findings or conclusions of the compliance audit report on behalf of the House of Assembly and the departmental Minister Offices.

Date Conclusion Reached

We obtained sufficient and appropriate audit evidence on which to base our conclusions on July 10, 2024, in St. John's, Newfoundland and Labrador.



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

About Us

Vision

Promoting positive change and accountability in the public sector through impactful audits.

Mission

To promote accountability in government's management and use of public resources and encourage positive change in its delivery of programs and services.

Values

Above all else, the Office of the Auditor General must have independence, credibility and integrity. These are essential to everything we do; and critical to our success. The Office of the Auditor General complies with professional and office standards to produce relevant and reliable audit reports. The Office of the Auditor General's independence of government, in fact, and in appearance, provides objective conclusions, opinions and recommendations on the operations of government and crown agencies. Our staff work in a professional and ethical manner, ensuring respect, objectivity, trust, honesty and fairness.

Audit Team

The Auditor General and the Deputy Auditor General wish to thank the diligent audit team who performed their work with independence, credibility, and integrity:

Dianna McGrath, CPA, CA - Assistant Auditor General

Adam Martin, CPA, CA - Audit Principal

Stephanie Cross, CPA - Audit Manager

Brad Short, CPA - Audit Manager

Sharf Chowdhury - Audit Senior

Thomas Pritchard, CPA, CA – Auditor

Mesud Toskic - Auditor

Adam Lippa, CPA, CMA, CISA, CISM - Engagement Quality Reviewer

The Auditor General also would like to thank Chrysta Collins, Manager of Communications and Stakeholder Engagement, for report editing and design, as well as stakeholder management.

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