
AUDITOR GENERAL

Halifax Regional Municipality

2015-2016 Work Plan

March 2015

Responsibility

The Auditor General is appointed by Regional Council and is responsible for *“assisting the Council in holding itself and the Municipality’s administrators accountable for the quality of stewardship over the public funds and for achievement of value for money in the Municipality’s operations.”*¹

In carrying out these responsibilities, the Auditor General looks to ensure there are sufficient and effective controls, if money has been spent with proper authorizations, if applicable procedures and policies encourage efficient use of resources and discourage waste, and if programs, operations and activities have been effective.

Authority

The Auditor General has the authority to examine accounts, procedures, and programs of the Municipality, as well as any municipal body² or any person or body corporate receiving a grant from the Municipality.

Audit Priorities

Audit priorities are established using a risk-based process which assesses all possible projects against a common set of criteria.

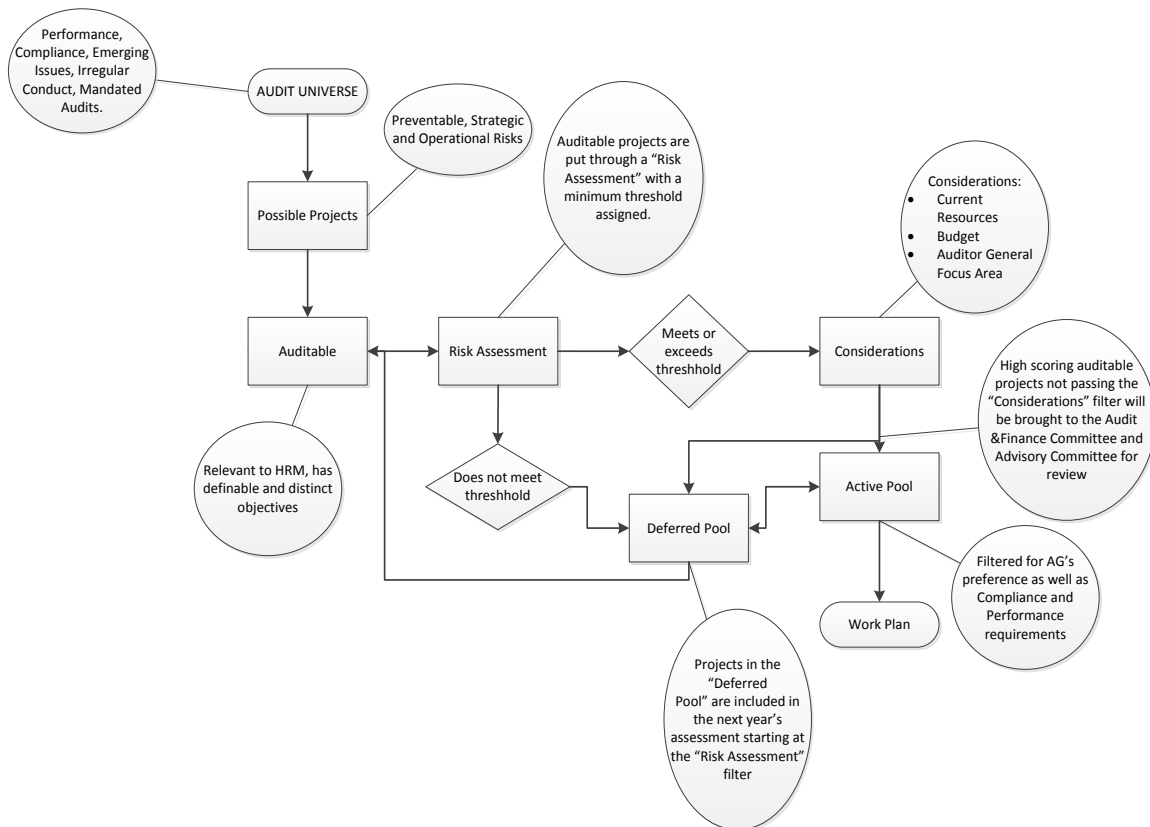
In assessing risk, there are many factors that can be used, including quantitative and qualitative criteria. Regardless of how they are selected, risk factors are tailored to HRM and its operating environment. As part of this assessment, the OAG considers the control environment, the business and operational environment, control history, organizational change, context and materiality.

Any changes in risk or resources may lead to a change in the plan.

¹ HRM Charter Section 50(1)

² As defined Municipal Government Act Section 461

Project Selection Flow Chart



Development of the Annual Work Plan

The 2015-2016 Work Plan is composed of a variety of projects, some of which are new and yet to be commenced while others are currently in progress and in some cases, nearing completion. The development of this plan was driven by two key factors: risk assessment and available resources. The resources were assessed based on a combination of available audit hours as well as subject matter expertise of staff.

The Work Plan for the 2015-2016 year also considered the office would have one less senior person than the previous year. This impact was considered when reviewing the complexity of certain projects which were being considered for inclusion in the work plan.

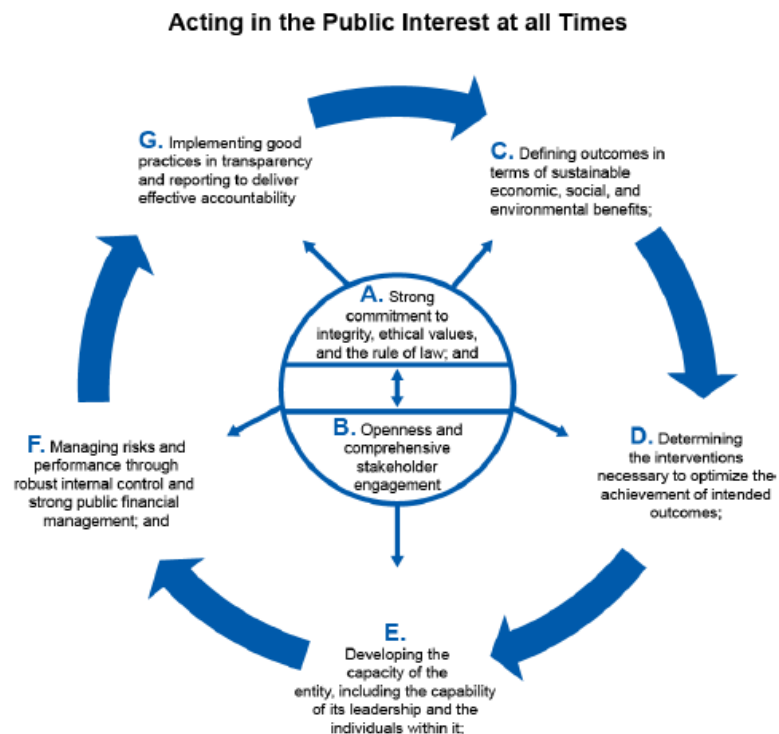
A decision was made to budget a significant portion of the office's more senior time to the training of two new staff members, with the knowledge this investment would leverage itself into the future

and allow the office to undertake more projects and more complex projects on a yearly basis.

Overall Approach to Projects

Principles of Good Governance in the Public Sector

One key aspect of the work of the Auditor General involves assessing how the organization is ensuring good governance and that Management and Regional Council are acting in the public interest at all times. The International Federation of Accountants has proposed an International Public Sector Governance Framework³ which identifies core principles of good governance in the Public Sector. The OAG believes this governance framework can be used for any HRM program.



Use of Value for Money Questionnaire

In completing its performance-based projects, the OAG relies on the organization to have implemented various aspects of the above framework. As such, one of the starting points for projects is a value

³ Good Governance in the Public Sector – Consultation Draft for an International Framework – International Federation of Accountants – June 2013 – Page 11

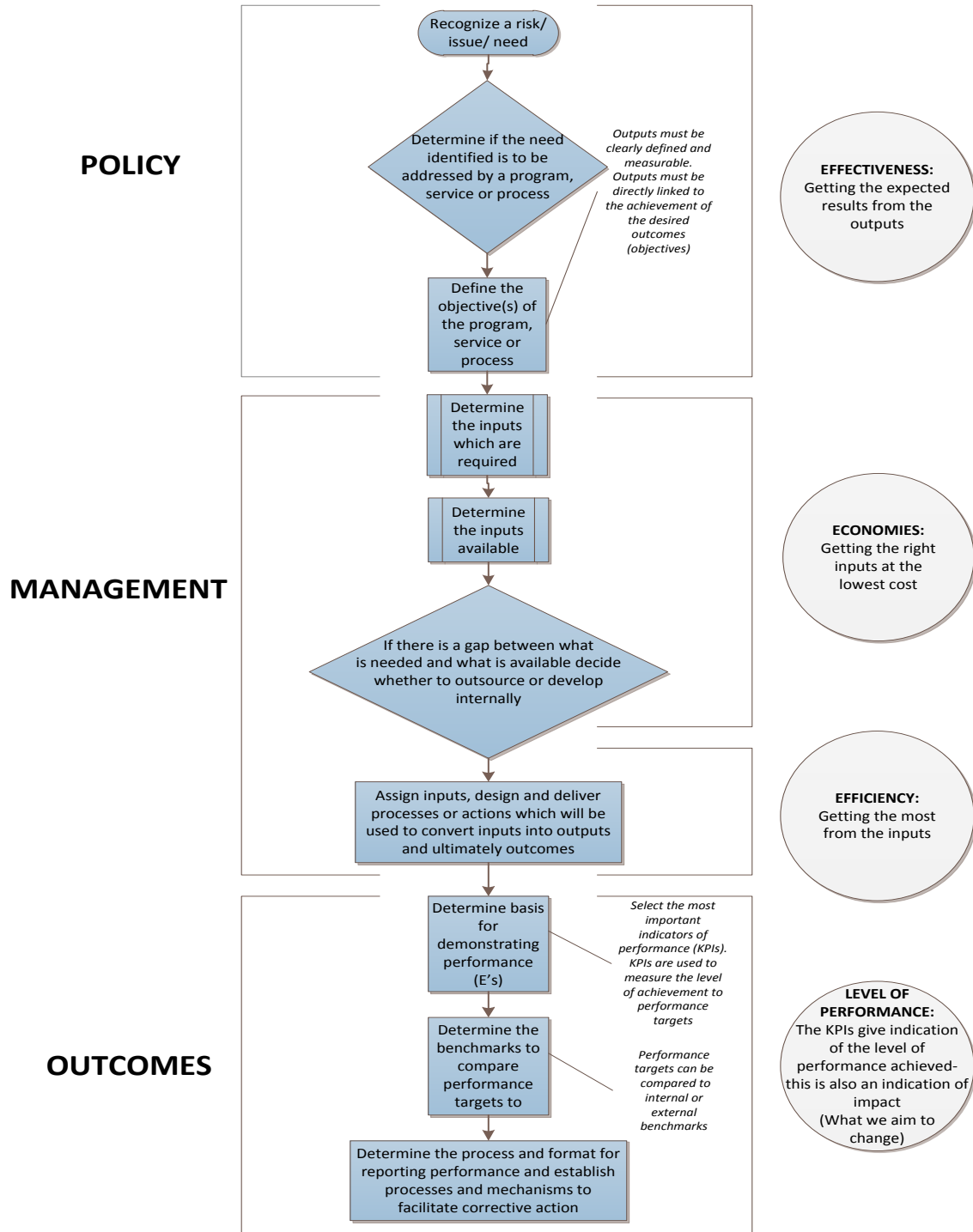
for money questionnaire which is completed based on information provided by program staff. This questionnaire helps the OAG assess how the program is structured in terms of demonstrating value for money, particularly with respect to efficiency, effectiveness and economy, commonly referred to as the 'three Es'.

Value for Money Framework and Flow Chart

To assist with evaluating the level of value for money achieved and to ensure consistency and understandability of approach, the OAG has developed a value for money flowchart which is used in all performance projects (*see next page*).

Value For Money

The Public Sector has a responsibility to demonstrate value for money. The following flow chart are suggested steps to ensure the highest value for money is achieved- OAG HRM ©



Efficiency Guide

Also, with respect to performance projects the OAG uses the Canadian Comprehensive Audit Foundation Efficiency Guide as a basis for the evaluation of the efficiency component of the project.



In this way, the Office of the Auditor General continues to commit itself to being on the so-called 'leading edge' of performance auditing.

Services Provided by the Office of the Auditor General

As is the norm with many offices of Auditors General, there are a variety of services provided by the Auditor General. As would be anticipated by the legislation, performance (or value for money) projects are the primary service provided; however, as noted below, there are a number of other services which also fall within the role of the Auditor General.

Performance projects: generally undertaken based upon one of three approaches:

1. **Risk-based approach:** with a risk-based approach, the area under review will be assessed for management of risks relevant to the operational unit as well as the strategic risks of HRM. This type of project focuses on how risks are identified and documented, ranked and ultimately managed.
2. **Value-for-Money approach:** with the Value-for-Money approach, the objective is to measure various overall HRM programs as well as individual business unit services and programs against established criteria, to determine the extent to which they are being managed with due regard to

efficiency, effectiveness and economy (the three E's).

3. Some combination of risk and Value-for-Money based approaches, which is the normal practise of the OAG.

Compliance audits: compliance of the organization or organizational partners with for example, various laws, regulations, contracts, funding agreements or policies. Also undertaken to measure the extent to which various OAG recommendations have been accepted and acted upon.

Unforeseen matters: which emerge and are judged to require immediate attention. These represent projects unforeseen at the time of preparation of the yearly work plan but once known, are felt to be of such significance they become a precedence project and are included in the yearly work plan. Given resources and timing, it is possible these projects may not be completed within the current work cycle; however, their commencement would take place.

Investigations: the OAG continues to be the initial contact point for concerns with respect to illegal or irregular behaviour. The amount of time this function may require is difficult to predict. The investigation and ultimate disposition of these matters continues to be the responsibility of the OAG with representation from HRM's Administration as it is the Administration which holds responsibility for disciplinary matters and organizational systems and controls. The OAG will continually monitor the progress and disposition of each matter, consider whether any inclusions are warranted in the project pool (audit work plan) and/or make recommendations to improve internal systems or controls as deemed appropriate.

TIPS administration: in 2010-2011, the OAG launched the TIPS Hotline and in 2012 supplemented this with an online TIPS Hotline to improve the logging, administration and reporting of concerns.

All comments received through the TIPS process are reviewed individually. The results of these reviews are summarized in the TIPS Hotline Annual Report which is published on the Office of the Auditor General's website at www.halifax.ca/auditorgeneral.

2015-2016 Work Plan

(Includes Work Carried Over from 2014-2015 Work Plan)

PERFORMANCE PROJECTS: Provide commentary with respect to the efficiency, effectiveness and economies of HRM's management and use of resources.	
<p>Management of Facilities Inventories (currently in progress from 2014-15 work plan)</p> <ul style="list-style-type: none"> - <i>Property and Land Holdings</i> - <i>Less than Market Sales</i> <p>DEFERRED - Since HRM is in the process of implementing an Enterprise Asset Registry system to better track property and land holdings, the OAG will revisit this project once the HRM project is complete.</p>	<p><i>Determine how various risks are being identified and managed. Ensure there is a full inventory and assessment of all assets.</i></p> <p><i>Determine how performance is measured and to what level of performance is being achieved.</i></p>
<p>Halifax Regional Municipality – Pension Plans (carried forward from 2014-2015 work plan)</p> <p>DEFERRED – Since the OAG understands HRM and certain of its ABC's are currently discussing pension plans, the OAG has deferred this project to a future date.</p>	<p><i>To assess the systems used to monitor and evaluate if plans are meeting their objective, considering risks, costs/ funding and benefits. Consider what could affect plan costs and hence sustainability. Possible risks to HRM.</i></p>
<p>Acquisition of Small Equipment at HRM (carried forward from 2014-2015 work plan)</p>	<p><i>Evaluate whether procedures and controls around the acquisition of HRM small equipment ensure an effective and economic use of resources.</i></p>
<p>Property Inspection Services (carried forward from 2014-2015 work plan)</p>	<p><i>Evaluate, from effectiveness and economies perspectives, HRM's property inspection program. Also HRM management of risk.</i></p>
<p>Risk Management: Fuel Spill at Halifax Transit</p>	<p><i>Evaluation of risk management processes in place to identify and manage possible high risk events.</i></p>
<p>Management of Reserves</p>	<p><i>Assess use of reserves from an effectiveness perspective.</i></p>
<p>Maintenance Planning – Streets and Sidewalks</p>	<p><i>Evaluate the process for prioritizing street and sidewalk maintenance to assess the impact on effectiveness, economies and efficiencies.</i></p>

PERFORMANCE PROJECTS – Continued...	
Compressed Work Week Agreements	<i>Assess the effectiveness of the program.</i>
Technology Investment Governance	<i>Evaluate, from a risk and value-for-money perspective, HRM's technology investment governance structures, technology investment decisions and performance measurement.</i>

RECOMMENDATION RANKING, FOLLOW-UP AND SUMMARY DASHBOARD	
Risk ranking by recommendation by report. Each recommendation will be given a risk ranking based on an assessment of probability and impact.	<i>With 568 recommendations issued through Audit and Finance Committee – follow-up at this time is appropriate.</i>
Request management action plans and self-assessments of progress on recommendation implementation.	<i>OAG to request action plans and self-assessments from Management indicating the action taken to satisfy the risk(s) or other matters identified in each report recommendation.</i>
Categorization of OAG report recommendations	<p><i>OAG to review and analyse information from Management Action Plans and Self-Assessment forms and based upon OAG procedures performed, categorize recommendations into one of the following:</i></p> <ul style="list-style-type: none"> <i>• Fully Implemented</i> <i>• Partially Implemented</i> <i>• Alternative Action Taken</i> <i>• No Substantial Action Taken</i> <i>• Do Not Intend to Implement</i>
Dashboard Summary	<i>OAG to post categorization to OAG dashboard which includes detailed status report.</i>

EMERGING ISSUES: Projects which were not foreseen at the time of preparation of the yearly work plan.	
Expected to be in the nature of performance audits or audits of opportunities	<i>The Auditor General may become aware of these possible projects in a variety of ways and may feel, given the risk assessment assigned by the OAG Project Committee to the issue, it is appropriate to immediately assign resources or possibly supersede a project currently in the yearly work plan.</i>
TIPS Hotline	<i>Issues which are brought to the attention of the OAG including new information becoming available around systems and controls, as well as whether value for money is being achieved.</i>

COMPLIANCE PROJECTS: Determine compliance with various laws, regulations, contracts and agreements and HRM policies.	
Contract Compliance	<i>Assess compliance with contract terms, as the need arises.</i>
Continuous Auditing Program <ul style="list-style-type: none"> - Corporate Procurement Program - Expense Reimbursement - Internal Controls Reviews 	<i>First step toward a continuous monitoring system. Assess whether HRM's procurement card program's control framework is adequate and functioning as intended. Build continuous monitoring reports to assess expense reimbursement compliance. This system will be expanded to include internal controls reviews of ABC's.</i>

OFFICE OF THE AUDITOR GENERAL INITIATIVES	
Lunch and Learn sessions - Second in a series of events - Root Cause Analysis	<i>Develop an introduction to the concepts highlighted in various OAG reports (governance, risk management, value for money, root cause analysis, financial statement analysis, etc.) for delivery to members of Regional Council.</i>
Fiscal Responsibility – Ongoing Commentary	<i>Review and assess areas of strength and concern regarding the fiscal management of Halifax as a municipality.</i>
Mayor and Councillor Remuneration Committee	<i>Facilitate a committee to review the methodology for the Mayor and Councillor remuneration. This project was requested by Regional Council and accepted by the Auditor General.</i>