



***Office of the Auditor General
Halifax Regional Municipality***

***Annual Report
Period Ended March 31, 2013©***

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May 28, 2013

Mayor Mike Savage
Halifax Regional Municipality
PO Box 1749
Halifax, NS B3J 3A5

Dear Mayor Savage,

It is with great pleasure I provide to you the Annual Report for Period Ended March 31, 2013 from the Office of the Auditor General, Halifax Regional Municipality.

This report is submitted in accordance with Section 50(6) of the Halifax Regional Municipality Charter.

Yours very truly,

Larry E. Munroe, FCA
Auditor General

cc. Hon. John MacDonell
Minister of Service Nova Scotia and Municipal Relations



May 28, 2013

Honourable John MacDonell
Minister of Service Nova Scotia and Municipal Relations
Province of Nova Scotia
PO Box 216
Halifax, NS B3J 2M4

Dear Minister MacDonell,

It is with great pleasure I provide to you the Annual Report for Period Ended March 31, 2013 from the Office of the Auditor General, Halifax Regional Municipality.

This report is submitted in accordance with Section 50(6) of the Halifax Regional Municipality Charter.

Yours very truly,

Larry E. Munroe, FCA
Auditor General

cc. Mike Savage
Mayor, Halifax Regional Municipality

Our Vision To be a highly relevant, valued and credible organization, known for professional excellence.

Our Mission To make a significant contribution to the enhancement of HRM's performance, governance and accountability in a transparent and objective manner.

Our Values

Performance – continuously raising standards to support the efficient and effective delivery of our services; the work must be relevant to elected officials, HRM Management and the public.

Credibility – valuing and taking responsibility for the reputation of the Office of the Auditor General; accountable for our actions.

Neutrality – transparent, objective and impartial.

Teamwork – working together with respect and integrity to generate better solutions.

Professionalism – striving for the highest standards in professional conduct and development.

Introduction

On behalf of the Office of the Auditor General (OAG), Halifax Regional Municipality, I am pleased to provide our report of work completed by the Office for the period April 1, 2012 to March 31, 2013.

As a result of the work completed to March 31, 2013, five additional reports were released with 82 recommendations having been provided to Management. This brings the total number of recommendations to 344 since the commencement of projects on April 1, 2010. We are again pleased to note Management's acceptance of all 82 new recommendations from the 2012/2013 completed reviews.

This period continued to see the resources of the OAG directed towards and supporting the following additional objectives:

- Ongoing development of professional standards to deliver the highest quality reports to the residents of Halifax Regional Municipality.
- Continued website development and timely publishing of our completed reports.
- Advisory activities engaged in by the Auditor General as well as staff members of the Office.
- Ongoing development and support of a staff secondment program to assist with:
 - Greater organizational knowledge of the Office of the Auditor General
 - Greater organizational knowledge around the development of strong systems of controls specifically related to or in support of efficiency, effectiveness and economies.

Role of the Auditor General

The Auditor General's first responsibility is to the public. The Auditor General provides assistance to Halifax Regional Council in holding itself and the Administration accountable for the quality of stewardship over public funds and achieving value for money in the operation of the Municipality.

The full description of the role, mandate and authority of the Municipal Auditor General is found within the [HRM Charter](#), Sections 49 to 54 which include (amongst other responsibilities) the following:

50(2) The Auditor General shall examine, in the manner and to the extent the Auditor General considers necessary, the accounts, procedures and programs of the Municipality and any municipal body of the Municipality, as that term is defined in Section 461 of the *Municipal Government Act* or person or body corporate receiving a grant from the Municipality, to evaluate

(a) whether the rules and procedures applied are sufficient to ensure an effective control of sums received and expended, adequate safeguarding and control of public property and appropriate records management;

(b) if money authorized to be spent has been expended with due regard to economy and efficiency;

(c) if money has been spent with proper authorization and according to an appropriation;

(d) if applicable procedures and policies encourage efficient use of resources and discourage waste and inefficiency; and

(e) whether programs, operations and activities have been effective.

Reporting

The HRM Charter calls for the Auditor General to report annually in a public forum. This has been accomplished by providing reports on an ongoing basis as they are completed. These reports are first made public at Audit and Finance Committee meetings and then published (on the same day) on our webpage. This document, Annual Report Period Ended March 31, 2013, is being tabled with HRM Regional Council, May 2013.

The Office of the Auditor General has - to March 31, 2013 - completed and released 20 reports. All completed reports have been published on the OAG public webpage at www.halifax.ca/auditorgeneral.

Audit and Finance Standing Committee

The OAG continues to enjoy a communications protocol with the Audit and Finance Committee of Regional Council; regular updates were provided to the Committee on findings and recommendations as audit work was completed. This reporting protocol is intended to assist the Audit and Finance Committee in carrying out its duties and in further strengthening the Committee's role as a liaison and communication link between the Auditor General and Regional Council, as found in the Terms of Reference for the Audit and Finance Standing Committee.

***Allocation of Staff
Resources***

At March 31, 2013 the Office of the Auditor General was staffed as follows: the Auditor General, Assistant Auditor General, Administrative Officer, one Senior Associate and two Student Associates. By release time of this annual report, we will have an additional fulltime Senior Associate as well as a university co-op student for a term. The staff of the OAG continued to function at a high level as a well-educated, professional service team with degrees ranging from Science, Commerce, Accounting to Business Administration and designations including CMA, CIA, CGA, CRMA and FCA.

***Professional Standards
and Professional
Standards Committee***

All project work conducted by the Office of the Auditor General is in accordance with standards set by the Canadian Institute of Chartered Accountants (CICA). The Office applies the CICA standards as minimum requirements, complementing these as appropriate with the standards and practices of other disciplines. These standards are of course aligned with the Office's team values of neutrality, credibility, performance and professionalism.

Since the inception of the Office, considerable time and effort has been committed to the development of a rigorous process to ensure the Office adheres to the highest of professional standards. To this end, the Office has a very active professional standards committee which is mandated with, among other things:

1. Review of all proposed project charters which are required for commencement of any project work.
2. Ongoing assistance during the completion of project work as professional standards matters arise.
3. Review of completed project files prior to release of the final report to ensure the work meets or exceeds the minimum standards for the Office.
4. Ongoing development of the Office's professional standards manual.
5. Sponsorship of ongoing Office training with respect to all areas of comprehensive auditing.

To also ensure the Office positions itself to be as current as possible with respect to performance auditing, we are actively reading and discussing professional articles on the subject and participating at a national level in organizations such as the Canadian Comprehensive Audit Foundation (CCAF).

Hours worked by staff are logged and coded to various projects or assignments. The recorded time is used as a benchmark for assigning resources to future projects and to develop internal

benchmarks around the efficiencies and effectiveness of the processes and standards currently in place.

Productivity is measured and the Auditor General is afforded the opportunity to put in place key performance indicators for future work within the Office. Overall, for 2012/2013, logged staff time was generally allocated to the following categories:

- Value for Money Reviews
- Compliance Reviews
- Investigation Files
- Consulting and Advisory

A very high percentage of the time (in excess of 80%) was spent on value for money projects.

***Opportunities: Co-op
Student Training,
Secondments and
Outreach Programs***

The Office of the Auditor General supports employees in continuous learning and mentoring, and seeks out cooperative education opportunities in conjunction with local universities. Additionally, secondments from various business units within the organization may be utilized, providing the OAG needed resources with particular expertise. This also affords a knowledge transfer to take place between the OAG and the staff/business unit(s) involved. Over the period covered by this report, we have had the benefit of a 6-month secondment from the Finance business unit.

To March 31, 2013, the Office of the Auditor General has enjoyed 5 cooperative education terms employing motivated students with diverse skills. In fact, one of our students exhibited the skills and desire required to work in this field and so was hired fulltime following graduation. All young colleagues were enrolled with various local universities and educational centres.

These co-operative opportunities have brought us innovative and talented young people who are interested in working within the audit world and are at the same time gaining career-related experience in preparation for entry into the public sector. The public sector is offering opportunities for engaging careers and rewarding personal and professional growth while contributing to long-term employment in the local and provincial economies.

The current Auditor General also supports the contribution of OAG staff towards speaking engagements and leadership roles in a number of professional and other organizations. Together, approximately 200 hours were spent on outreach activities.

Consulting and Advisory Activities

While the mandate of the Auditor General is defined by legislation within the Halifax Regional Municipality Charter, the practical role of the Auditor General and operation of the Office has been developed and clarified within the context of organizational needs as well as the expertise and experiences of the current Auditor General. Activities carried out by the staff of the OAG support oversight as opposed to operational involvement and advisory capacity as opposed to decision-making.

Resources from the Office of the Auditor General, particularly the Auditor General personally, are frequently called upon to assist the organization by providing an objective opinion or outlook in certain circumstances. The list of recent requests includes but is not limited to attendance at Regional Council, Audit and Finance Committee meetings and numerous engagements with Administration, councillors and business unit directors.

Additionally, the staff resources of the Office of the Auditor General have been requested to provide advice and consultation to business units on a variety of issues including oversight advice and direction in the area of conflict of interest and other matters falling under Administrative Orders 40 and 41, the Illegal and Irregular Conduct and Code of Conduct policies. Additional requests for advice have focussed on clarification of the role and mandate of the Office of the Auditor General, matters relating to internal controls, interpretation of standards, et cetera.

T.I.P.S. Hotline: Taking Improvement and Performance Seriously

Continuing our commitment to support the highest level of integrity of HRM's employees and value for the taxpayers' money, the Office of the Auditor General (OAG) continues to respond to our T.I.P.S. Hotline - Online. The T.I.P.S. Hotline - Online is used by HRM staff as well as members of the public and is located on our webpage at www.halifax.ca/auditorgeneral.

The T.I.P.S. Hotline - Online saw its first full year in operation; a review of this period will be presented and published as the T.I.P.S. Hotline 2012 Annual Report.

As with the T.I.P.S. Hotline telephone initiative (490-1144), all online submissions are held in strict confidence and are not shared in any way.

The T.I.P.S. Hotline allows the OAG to capture and evaluate concerns or complaints of potential inefficiencies (waste) or fraud (potentially illegal/irregular behaviour) involving HRM resources. The T.I.P.S. Hotline augments other reporting services for the organization.

**Work Plan/Theme
of 2012/2013 Projects**

Table 1 shows details around the various projects undertaken by the Office of the Auditor General for the period April 1, 2012 to March 31, 2013. During fiscal year 2012/2013, the Office of the Auditor General released five (5) reports which included performance and investigation reviews as well as projects based on emerging issues involving internal controls and opportunities. In addition, there were seven (7) active projects in various stages of completion at the time of the writing of this annual report. The TIPS Hotline Online saw its first full year in operation; a review of this period will be presented and published as the TIPS Hotline 2012 Annual Report.

Table 1 Summary of Projects Completed for the period April 1, 2012 to March 31, 2013

Report Title	Release Date	Synopsis	Recommendations
Use of External Consulting Services Fiscal Years 2007/08 through 2010/11	April 2012	To assess the effectiveness of any processes in place used to ensure the most appropriate use of external consultants, and if HRM is receiving the highest value for money.	16
Review of the Transfer of Box Office Operations from the Halifax Metro Centre to Trade Centre Limited	July 2012	To assess if the transfer was appropriately authorized, supported by reasonable analysis and documentation, operating as purported, and in HRM's best interests.	28
The Care of HRM Cultural Artifacts/Artworks – including the Jordi Bonet Halifax Explosion Memorial Sculpture	December 2012	To understand how HRM artworks and artifacts are managed, which business unit is responsible for the management and safeguarding of these assets, what documentation is available with respect to the HRM collection and to determine if an up-to-date inventory, valuation and condition status for the HRM collection is maintained.	6
SAP Authorizations – Review of Policies, Procedures and Processes	December 2012	To determine if appropriate policies, procedures and processes are being used with respect to authorizations and levels of authorizations for use of the HRM SAP system.	11
Economic Development through Partnerships – A Performance Evaluation	February 2013	A high level analysis of the development, various funding levels, execution and achieved economic outcomes of HRM's economic strategies, and more specifically the Halifax Regional Municipality (HRM) Economic Strategy 2005-2010.	21
Total			82

**Auditor General's
Concluding Remarks**

I wish to sincerely acknowledge the tremendous efforts of the staff of the Office of the Auditor General. The past year has, once again, been one of enormous growth and development. Our progress in the area of standards has taken our work much further as we continue to develop policies and processes. Our work has been well accepted as related by our peers, external organizations, other municipal units and universities. Two local universities (Saint Mary's University Sobey School of Business and Dalhousie's Master of Public Administration program locally) have chosen to use our Concerts Held on the North Common report, for example. The concert report has been developed as a teaching case for which, we understand, international recognition has been received. The case has been selected as a finalist at a case-writing competition at the Academy of Management in Boston and will be included in a textbook in the coming year. The Canadian Centre for Ethics in Public Affairs (CCEPA) held a public event (Winter 2013) at which the concert report was used as the impetus for a fact-based approach to ethical considerations in business and government issues.

I would again wish to recognize the high level of cooperation and respect received from the entire organization under the leadership of Chief Administrative Officer Richard Butts. I would also like to acknowledge the support of all members of the Audit and Finance Committee under the past and current Chairs, Councillor Russell Walker and Councillor Bill Karsten, respectively. We continue to be grateful for the support and assistance from both groups in carrying out our mandate.

Larry E. Munroe, FCA
Auditor General
Halifax Regional Municipality