
AUDITOR GENERAL

Halifax Regional Municipality

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

**Annual Report
Period Ended March 31, 2015[©]**

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Halifax Regional Municipality

Annual Report Period Ended March 31, 2015[®]

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AUDITOR GENERAL
Halifax Regional Municipality

May 22 2015

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, 2015[®] 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,


Original Signed

Larry E. Munroe, FCA
Auditor General

cc. Hon. Mark Furey
Minister of Municipal Affairs

AUDITOR GENERAL
Halifax Regional Municipality

May 22 2015


Honourable Mark Furey
Minister of Municipal Affairs
Department of Municipal Affairs
Province of Nova Scotia
P.O. Box 216
Halifax, NS B3J 3K5

Dear Minister Furey,

It is with great pleasure I provide to you the Annual Report for Period Ended March 31, 2015[®] 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,


Original Signed

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 Halifax Regional Municipality's performance, governance and accountability.

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 (integrity) – 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.

Confidentiality – respecting all information and contacts with the highest regard for confidentiality.

Opening Remarks

In completing this, the fifth annual report for the Office of the Auditor General (OAG) Halifax Regional Municipality (HRM), I am pleased to report once again much has been accomplished during the past year. Our office believes strongly in constant improvement through learning, having the courage to try new things and innovation.

It was once again my pleasure to work with an outstanding group of professionals who I truly believe positively impacted the performance of HRM during the past year. I am particularly pleased to see the impacts of investments the office made in training, further development of our procedures manual and participation in the development of guides by the Canadian Comprehensive Audit Foundation (CCAF) in the reports which were completed this past year. Having said that, what I am most proud of are the contributions made by each of our professionals. Each person took opportunities presented to them, applied new knowledge and leveraged previous projects to produce what I believe to be some of the office's best reports to date.

It was once again my pleasure to work with an outstanding group of professionals who I truly believe positively impacted the performance of HRM during the past year.

In previous years, the office has always set a goal of learning more about performance auditing and having greater impact. This year was no exception. To accomplish this goal in successive years takes a team of truly dedicated professionals. To Andrea, Cindy, Dave, Jordie, Kate and Madelaine, as always, my personal thanks.

Each person took opportunities presented to them, applied new knowledge and leveraged previous projects to produce what I believe to be some of the office's best reports to date.

As I write this, I am very pleased to welcome the newest members to our office, Sara Bowdridge and David Rebello. I am looking forward to their contribution to our team and the new perspectives they will bring to our office.

It is my pleasure to be part of a team who view each interaction with staff, Regional Council and the public as an opportunity to learn and make a positive impact on the organization. As in previous years, this past year was not without its challenges and as each of these challenges presented itself; the office responded in its usual professional manner with each and every member contributing to the solution.

I would again wish to thank all of the many people our office came in contact with at HRM over the past year. I extend my personal thanks to Richard Butts, HRM Chief Administrative Officer and his Deputy Chief Administrative Officer and Directors for their assistance and support of our office.

Our office would also like to acknowledge the continued support of the Audit and Finance Standing Committee and in particular the Chair, Councillor Bill Karsten and Vice Chairs of the Committee, Councillors Russell Walker and Linda Mosher as well as Mayor Mike Savage and the members of Regional Council.

Larry E. Munroe, FCA
Auditor General
Halifax Regional Municipality

Introduction

On behalf of the Office of the Auditor General (OAG), Halifax Regional Municipality (HRM), I am pleased to provide our report of work completed by the office for the period April 1, 2014 to March 31, 2015.

As a result of the work completed to March 31, 2015, four additional reports were released with an additional 122 recommendations having been provided to Management. This brings the total number of recommendations to 568 since the commencement of projects on April 1, 2010. We are again pleased to note Management's acceptance of all 122 new recommendations from the 2014/2015 completed reviews.

The OAG has made a total of 568 recommendations since the commencement of projects on April 1, 2010. Management has accepted all 122 recommendations made this year.

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

- Ongoing development of professional standards to deliver the highest quality reports to the residents of HRM
- Advisory activities engaged in by the Auditor General as well as staff members of the office
- Timely publishing of completed reports.

Role of the Auditor General

The Auditor General's first responsibility is to the public. The Auditor General provides assistance to 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.

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The full description of the role, mandate and authority of the Municipal Auditor General is found within the [Halifax Regional Municipality 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 Halifax Regional Municipality Charter calls for the Auditor General to report annually in a public forum. This has been accomplished by publishing reports on an ongoing basis as they are completed. These reports are first made public at Audit and Finance Standing Committee meetings and then published (same day) on our webpage. Also, this document, Annual Report Period Ended March 31, 2015[®], is being tabled with Regional Council, June 2015.

The OAG has, to March 31, 2015, completed and released 30 reports. All completed reports have been published on the OAG public webpage at www.halifax.ca/auditorgeneral.

As of March 31, 2015, the OAG has completed and released 30 reports. All reports have been published on the OAG public webpage.

With the addition of the OAG Twitter account launched in February 2015, the public and media are provided with the latest OAG information promoting:

- Report presentations at City Hall
- T.I.P.S. Hotline
- Work Plan suggestions
- OAG Website updates

Audit and Finance Standing Committee

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

The communications protocol with the Audit and Finance Standing Committee of Regional Council included regular updates being provided to the Committee on findings and recommendations as project work was completed.











Recommendation Status Reporting

During the past year, the OAG has developed a recommendation follow-up process to ensure OAG recommendations are implemented effectively and on a timely basis by Management. Procedural steps include:

- Risk ranking recommendations according to likelihood and impact
- Management self-assessment on status implementation
- OAG review of implementation plans and management self-assessment
- OAG assessment/confirmation of implementation status
- Recommendation status reporting to Audit and Finance Standing Committee and posting to website.

In the past year, the OAG has developed a recommendation follow-up process to ensure OAG recommendations are implemented effectively and on a timely basis by Management.

The results will be maintained in a live Recommendation Status Report (dashboard) which will be posted on the OAG website and updates will be made as follow-up work is completed. Our current 2010/11 report is shown below:

AUDITOR GENERAL Halifax Regional Municipality							
RECOMMENDATION STATUS REPORT 2010-2011 Reports							
	Recommendations			Status of Recommendations Summary			
	Risk Ranking	Detailed Status Reports	Number	Complete	Alternative Action Taken	Partially-Complete	Incomplete
Published Reports							
Corporate Grants, Donations and Contributions			29				
Corporate Overtime - Risk and Opportunity - Phase 1			14				
Transit Cash Collection and Processing Fare Box Processing and Maintenance			29				
Purchase & Installation Bus Wash - Metro Transit			8				
Compliance Review - Recreation Area Rates			10				
Risk Assessment - Automatic Forwarding of Email: Data Sovereignty			1				
Theft of Coin - Parking Meters			2				
Theft of Coin, Tickets - Metro Transit			4				
Unsolicited E-mails			1	1			
			98	1			

Allocation of Staff Resources

At March 31, 2015 the OAG was staffed as follows: the Auditor General, Assistant Auditor General, one Senior Associate, two Lead Associates and one Research/Analyst. 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 and Business Administration and designations including CA, CMA, CIA, CRMA and FCA. In the new financial year the office will expand again to accommodate two new Associates, both recent university graduates. They will bring a broad range of knowledge and skills to their positions and will contribute significantly to producing high-level reports.

All project work conducted by the OAG 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.

All project work is in accordance with standards set by the CICA. Such standards are applied as minimum requirements, complemented with standards of other disciplines.

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 2014/2015, logged staff time was generally allocated to the following categories:

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

A high percentage of the time (in excess of 72%) was spent on value for money projects.

Retention and Staffing Strategy

The OAG faces a limited market for qualified comprehensive audit staff. A number of strategies are being employed to promote employee success, create an effective work environment and retain qualified staff. These include:

- Promoting and emphasizing continuing professional development and training to enhance organizational, business and comprehensive audit knowledge.
- Providing opportunities for staff to rotate among various assignments to further develop their skills and knowledge base.
- Providing staff with challenging assignments and regular performance reviews.
- Conducting continuous benchmarking and soliciting staff input in plans to improve OAG standards and processes.
- Maintaining strong communications through regular information-sharing, staff meetings and brainstorming sessions.

Professional Standards – Quality Control

The professional standards committee has an active role in all project work with a focus on continuous improvement and adherence to professional standards developed or adopted by the office. The committee's role in project work includes but is not limited to the following:

1. Review of all proposed project charters before 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 of the office.
4. Sponsorship of ongoing office training with respect to all areas of performance and compliance reviews.
5. Preparation and distribution of regular professional standards bulletins.

The committee devotes considerable time to the development of reference material and project guides for value for money and compliance work. Notable contributions to the OAG during 2014/2015 from the professional standards committee are as follows:

- Lunch & Learn Information Session with Councillors on 'Understanding Value for Money'
- Upgrade of all forms and project templates used within OAG project files
- ACL Training for OAG staff (data analytics software).

Value for Money Flow Chart – Lunch and Learn with Elected Officials

The professional standards committee leveraged their value for money flow chart in lunch and learn sessions with Councillors to provide a basis for understanding how value for money is demonstrated and achieved. This flow chart connects policy development, management functions and outcomes to effectiveness, economies and efficiency in order to make commentary on the level of performance being achieved by a program, service or process. The flow chart was provided to the Councillors as a take away and has also been posted on the OAG website, along with the lunch and learn presentation, which can be found here: <http://www.halifax.ca/auditorgeneral/reports.php>

Procedures Manual

To ensure all OAG projects adhere to the internal standards developed for or adopted by the office and these standards are applied consistently, the committee continues to develop a procedures manual specific to the office. Started in 2013, the manual provides guidance to project staff by:

1. Promoting consistent and effective reviews of all types.
2. Establishing a basis for further development of the performance and compliance frameworks and project methodologies leading to project findings.
3. Reducing the learning curve and training of new employees.
4. Setting out a basic framework within which the project team can make sound recommendations after analyzing performance or compliance.

The manual is organized around relevant CICA Standards to ensure the methodologies (planning, field work, reporting) used by the OAG are professionally supportable; it also helps to ensure all projects are conducted in a consistent and effective manner. The manual represents the OAG's focus on continuous improvement and commitment to providing the Municipality with reports which are consistently of high quality and impact.

Governance Framework

The professional standards committee has incorporated the International Public Sector Governance Framework, which identifies core principles of good governance in the Public Sector, into our value for money evaluation process. This framework can also be used by Management to tie good governance and performance management practices (the management functions) to the value for money framework noted above.

Canadian Comprehensive Audit Foundation (CCAF): First Pan-Canadian Municipal Auditor General Forum

During November 2014, the OAG participated in the first of its kind Pan-Canadian Municipal Auditor General Forum in Ottawa, Ontario.



Membership on Steering Committee

This first Forum was many months in the making. The OAG was pleased to be asked to participate on the steering committee which organized the event and helped to develop the agenda.

Forum

The forum itself was a two day event which saw Auditor Generals from Halifax, Montreal, Sherbrooke, Ville de Quebec, Winnipeg, Edmonton, Calgary, Laval, Terrebonne, Ottawa, Toronto, Longueuil, Troise-Riveres, Gatineau, Vancouver

as well as the Municipal Auditor General for British Columbia attend.

The forum was hosted by Ken Hughes the Auditor General for Ottawa and had many highlights including an evening with Federal Auditor General Michael Ferguson.

The agenda was well received and focused on performance auditing. The group received presentations as follows:

- **Governance, Accountability and Risk Management in the Municipal Sector**
 - Presenter: Maryantonett Flumian, President, Institute on Governance
- **Performance Audit Practices and Standards**
 - Presenter: Gary Peall, Deputy Auditor General, Office of the Auditor General of Ontario
- **Auditing Efficiency**
 - Presenter: Larry Munroe, Auditor General, Halifax Regional Municipality
- **An Overview of Municipal Audit in Québec, and update on the work of the Charbonneau Commission**
 - Presenter: Jacques Bergeron, Auditor General, City of Montreal
- **Measuring and Reporting on the Value and Impact of Performance Audits**
 - Presenter: John Reed, Vice-President Performance Audit, CCAF-FCVI
- **An Overview of AGLG-BC Reporting Strategy and Architecture**
 - Presenter: Basia Ruta, (Former) Auditor General for Local Government, British Columbia

Participation in Canadian Comprehensive Audit Foundation (CCAF) Study – Practice Guide to Auditing Oversight

During 2013/2014, the OAG participated in a CCAF study on auditing efficiency. The study focused on how public sector auditors can audit efficiency in government operations.

The OAG is pleased to have been once again asked by the CCAF to participate in the development of another Practice Guide to assist performance and other auditors in carrying out their mandates to assist public sector organizations in “delivering public services effectively and in promoting accountable government”. This project was carried out during 2014/2015 and was recently released.

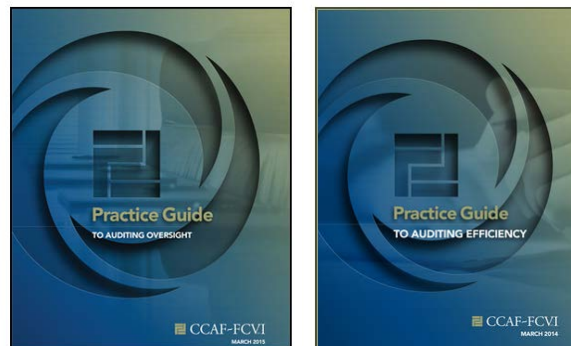
The CCAF describes the guide as “part of its performance audit capability-building program”. The guide provides auditors with guidance on how to plan, carry out and report on audits that address oversight. The guide contains assistance which the core project team believes will result in high-quality, high-impact audits.

OAG HRM participated along with representatives from Offices of the Auditor General- Manitoba, Ontario, Nova Scotia, Newfoundland and Labrador, British Columbia, from the Institute on Governance, the City of Ottawa, BMO Financial Group, Treasury Board of Canada Secretariat and Social Development Canada.

The OAG was particularly pleased to see the CCAF undertake this work, as it is a topic on which the OAG has written extensively in the past and where the OAG believes HRM is now making significant progress in adopting recommendations and recognizing the need for change.



Practice Guides



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 staff of the OAG support oversight as opposed to operational involvement and advisory capacity as opposed to decision-making.

Resources from the OAG, particularly the Auditor General personally, are frequently called upon to assist the organization by providing an objective opinion or outlook in certain circumstances.

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. 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 saw its third full year in operation; a report of this period will be presented and published as the T.I.P.S. Hotline 2014 Annual Report.

As with the T.I.P.S. Hotline telephone initiative (902-490-1144), 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.

2014/2015 Projects

Table 1 shows details around the various projects undertaken by the OAG for the period April 1, 2014 to March 31, 2015. During fiscal year 2014/2015, the OAG released four reports which included planned performance reviews as well as projects based on emerging issues involving internal controls and processes. In addition, there were six active projects in various stages of completion at the time of the writing of this annual report. The T.I.P.S. Hotline saw its third full year in operation; a review of this period will be presented and published as the T.I.P.S. Hotline 2014 Annual Report.

Table 1 – Summary of Projects Completed for the period April 1, 2014 to March 31, 2015

Report Title	Release Date	Synopsis of Objectives	Recommendations
Halifax Regional Municipality – A Performance Review of Employee Absence Leave [®]	April 2014	To examine the trends, use and accumulation of leave time within HRM's business units, Halifax Public Libraries and Halifax Regional Water Commission to understand the overall processes, applications and effectiveness of attendance management at HRM.	20
A Performance Review of HRM's Equipment Fuel Program [®]	May 2014	To assess if the HRM equipment fuel program ensures an efficient, effective and economic use of resources.	30
A Performance Review of Halifax Regional Fire & Emergency – Non-Emergency Fleet Vehicle Allocation Process [®]	September 2014	To provide commentary with respect to the consistency and appropriateness of Halifax Regional Fire and Emergency (HRFE) non-emergency fleet vehicle allocations ensuring effective and economic use of HRM resources and identify areas for improvement.	17
Halifax Regional Municipality – A Performance Review of the Washmill Lake Court Extension Project [®]	April 2014/ Published January 2015	To understand the processes and procedures utilized in the project to extend Washmill Lake Court and create an additional access point to the Bayers Lake Business Park (BLBP). Through this report, the goal of the OAG was to articulate the process(es) followed, the issues encountered, how they were addressed and to suggest areas for improvement.	55
Total			122