



2013-2014 Work Plan

March 2013

Introduction

The position of the Auditor General (AG) is established by Section 49 of the HRM Charter. 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 may examine the accounts, procedures and programs for the Municipality and any municipal body of HRM, to the extent the AG deems necessary.² In doing so, the AG 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 inefficiency, and if programs, operations and activities have been effective.

As noted in Section 50(4) of the HRM Charter, the Auditor General is required to annually file a work plan of the activities of the Auditor General with Council. In addition, Section 50(6) states the Auditor General is also required to report annually to Council in a public meeting and file the report with the Minister.

Audit priorities are established using an objective process which assesses all identified areas and activities against a common set of risk criteria. The work plan then matches available audit resources against the risk-based priorities.

In any given year, a number of factors will influence the number and type of audit projects both undertaken and completed. These factors include:

- Approval of the Auditor General’s budget as submitted
- Extent of issues brought forward through the TIPS Hotline, as well as Administrative Orders 40 and 41 matters brought to the attention of and dealt with by the Office of the Auditor General (OAG)

¹ HRM Charter Section 50(1), page 36

² HRM Charter Section 50(2), page 36

- Emerging issues which are accepted by the OAG Project Committee and score above a risk filter threshold suggesting a need for immediate consideration.

Due to the nature and timing of the work of the Auditor General, not all proposed projects will be completed within the work year; a number will likely be carried over to be completed the following year as part of that work plan.

The general practise of the Auditor General is to attend Audit and Finance Committee meetings on a periodic basis to provide a report on projects undertaken, as well as the overall work plan. The Auditor General, on occasion, requests meetings with the Chair of the Audit and Finance Committee to discuss specific issues or matters which it is felt may require the immediate attention of the Audit and Finance Committee or as an additional means of vetting initial findings and proposed courses of action.

Overview of the Development Process for the Work Plan

The 2013-2014 Work Plan is composed of a variety of projects, some which are new and yet to be commenced while others are currently in progress and in some cases, nearing completion. The plan contains specific information with respect to the following:

- Projects currently in progress
- Projects to be commenced which are carried forward from the 2012-2013 Work Plan
- New projects to be commenced which were not previously contemplated.

The process used in determining which projects are to be included in the annual work plan is as follows:

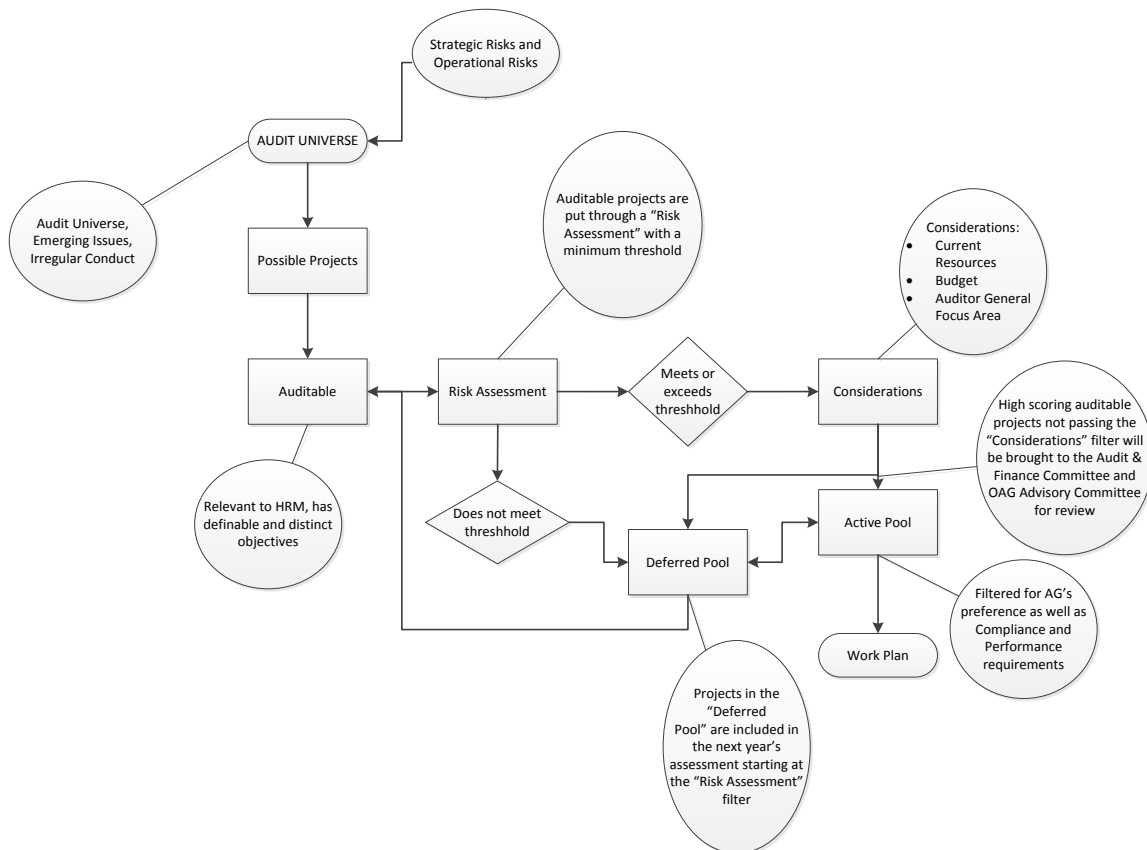
1. Possible projects are identified through observation, discussion, research of projects being undertaken by Auditors General at the federal, provincial and municipal levels, comments provided by residents of HRM, personal experiences of members of the Office of the Auditor General and various other means.
2. Risk assessment interviews are held with members of Regional Council and senior managers of HRM to discuss any continuing or emerging issues.
3. A list of possible projects is developed and brought forward for discussion at the OAG Project Committee level. If it is felt the project could have either current or future merit, it is accepted and entered into the audit queue for risk assessment.
4. A risk evaluation filter is applied. Each accepted project is assigned a risk weighting. The purpose of the risk weighting is to assist the Auditor General in determining which projects have the greatest perceived overall organizational risk.

For the development of the 2013-2014 Work Plan, any accepted project which was rated at or above an established threshold of 75% of the maximum potential risk

of 40 was considered for the final group to be included in the plan. Those projects falling under the established threshold were placed in a deferred pool to be reassessed in the following year's risk assessment process.

5. Those projects meeting or surpassing the established threshold comprise the active pool and are then filtered using the Auditor General's yearly theme and other considerations such as skills and experience of current staff or other obtainable resources and available budget.

Project Selection Flow Chart



Overall Approach

The approach used by the Auditor General for performance-based projects continues to evolve as the Office evolves, and as the speciality evolves in the field of performance auditing.

In previous plans, the definition of performance auditing was essentially described as value for money; considerable time was spent developing an audit matrix in order to define each of the three widely accepted components of value for money: efficiency, effectiveness and economy, commonly referred to as the 'three Es'. During the past year, the Auditor General has further refined the audit matrix to add a focus on results-based versus controls-based approaches in order to achieve greater effectiveness and efficiency in the project process.

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. Results-based approach: With a results-based approach, the area under review will have defined target or benchmark outcomes and will report effectively on the actual results against targets or benchmarks. This type of project focuses on assessing the results achieved in relation to those intended and does not generally delve into the methods or processes used to achieve the results.
2. Controls-based approach: This approach is used to determine if the area under review has adequate control systems in place to provide reasonable assurance the

intended results are achieved and operates to result in high levels of efficiency, for example.

3. Some combination of results and controls-based approaches which is the normal practise of the OAG.

In each case, 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 Es). These types of projects will also comment on the extent to which potential risks are being managed. Possible strategies are to:

1. Examine results against established criteria, i.e. performance measures which appear broadly accepted as a measure of the three Es
2. Determine, in a broad sense, whether HRM Administration has the means in place to measure and report on the three Es and review the responsiveness of the performance measures in place in achieving the three Es
3. Create ad hoc criteria by the OAG.

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

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 oversight of Administrative Orders 40 and 41. 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 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 those concerns received through the TIPS Hotline.

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.

2013-2014 Work Plan (includes work carried over from 2012-2013 Work Plan)

PERFORMANCE PROJECTS: Provide commentary with respect to the efficiency, effectiveness and economies of HRM's management and use of resources.	
A Systems-Level Performance Review of Metro Transit's Service Delivery (currently in progress from 2012-13 work plan)	Assess certain aspects of Metro Transit's service delivery against various efficiency, effectiveness and economies performance measures, both internal and industry-wide.
Capital Project Management (currently in progress from 2012-13 work plan)	Review of the processes used in the development of the capital budget and the criteria for inclusion of items. Assess how projects are managed once the budget is approved. Also, a review of the Washmill Lake Court Extension and Canada Games Centre will be undertaken to understand how these two high profile projects were managed, what worked well and where improvements are needed.
Review of the Administrative Functions within HRM's Entities which are Governed by an Agency, Board or Commission (currently in progress from 2012-13 work plan)	Review of the administration functions of HRM's various agencies, boards and commissions to consider possible increased efficiencies and economies. The review will also consider possibilities for shared services.
Administration of Training Expenditures (currently in progress from 2012-13 work plan)	Review the training opportunities provided to the organization, focusing on efficiencies, effectiveness and economies of the programs.
Facilities Inventories and Management (currently in progress from 2012-13 work plan) <ul style="list-style-type: none"> - <i>Property and Land Holdings</i> - <i>Less than Market Sales</i> 	Determine how various risks are being identified and managed. Ensure there is a full inventory and assessment of all assets. The role of land banking in economic development.
Halifax Regional Fire and Emergency – Asset Management (carried forward from 2012-2013 work plan)	Review existing process for management of assets. Assess effectiveness of process in safeguarding assets.

Property Inspection Program (carried forward from 2012-2013 work plan)	Evaluate, from effectiveness and economies perspectives, HRM's various property and other inspection programs.
HRM Payroll System – A Performance (Process) Review	Review of the biweekly and monthly payroll processes for efficiency and economy.
Payroll Time Recording and Leave Balances	Review of HRM payroll time recording and employee leave bank balances, comparing HRM business units to other organizations.
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	The Auditor General may become aware of these projects in a variety of ways and may feel, given the risk assessment assigned by the OAG Project Committee to the project, it is appropriate to immediately assign resources or possibly supersede a project in the yearly work plan.
TIPS Hotline	Issues which are brought to the attention of the OAG which fall within Administrative Orders 40 and 41, new information becoming available around systems and controls, as well as value for money being spent.
COMPLIANCE PROJECTS: Determine compliance with various laws, regulations, contracts and agreements and HRM policies. Additional review to determine if accepted recommendations have been acted upon from previous projects.	
Review of Mayor's, Councillors' and Senior Management's Expenses 2012-2013 (currently in progress from 2012-13 work plan)	Ongoing project given increased need for transparency, especially in consideration of increased levels of accountability at Provincial and Federal government levels.
Fuel Card Management	Review of compliance to HRM policies including assessing processes to manage the fuel card inventory and usage.

PROJECTS CARRIED FORWARD: Deferred based on current year's Risk Assessment Threshold.	
Contracted Services (carried forward from 2012-13 work plan)	Will focus on efficiencies, economies, and performance measures with respect to HRM's use of contracted services with an emphasis on value received and added.
Span of Control (carried forward from 2012-13 work plan)	Evaluation of the management structure within HRM with regard to the ratio of management positions to direct reports and as compared to similar entities.
CONTINUOUS MONITORING/COMMENTARY: To be completed through review and commentary as projects are concluded.	
Development and Use of Spreadsheets (carried forward from 2012-13 work plan)	Review current policies and practises around the use of spreadsheets. Assess the management of organizational risks relating to the use of or loss of spreadsheets.
Records Management Policy (carried forward from 2012-13 work plan)	Review the level of organizational understanding and compliance with stated policies. Determine how risks are assessed and managed.
Consistency of Use of Cost Centres and Cost Elements (carried forward from 2012-13 work plan)	Review of cost centres/elements within specific services. Assess consistency of reporting. Assess comparability for management and reporting purposes.