



2010 - 2011 Work Plan

April 21, 2010

INTRODUCTION

As is customary with the work of Municipal Auditors General, this document has been prepared with a view to providing Halifax Regional Council (through its Audit Committee) and the residents of Halifax Regional Municipality with the details of the Auditor General's 2010 Work Plan.

By way of background information, the Office of the Audit General (OAG) was functionally established on September 28, 2009 with the arrival of Halifax Regional Municipality's first Auditor General.

Since that time much progress has been made in establishing the OAG from an operational and awareness perspective both within the HRM administration as well as with the residents of HRM.

One of the annual responsibilities of the Auditor General is to present, for the information of Council the intended work plan based on the current budget and available staffing.

Where the 2010 audit year will be the first full year of operations for the OAG, a number of matters will make this year unique. Among those are the following:

- the approved 2010-2011 budget for the OAG is not yet formally received from Council;

- staffing arrangements commenced on April 1, 2010 with the arrival of 3 additional staff members, who are currently assisting with the development of overall policies and procedures;

- one to two additional staff members are anticipated before the end of the 2010-2011 audit season, which will require integration training as well as coaching and mentoring time;

- hours which will in future years be available for project work will need to continue to be used in the early months of the 2010-2011 Work Plan for administrative and procedural setup of the OAG, in particular by the Auditor General himself;

- the audit procedures approach which is being developed and adopted for use by the OAG will be applied on a "test" basis to the first audits conducted. The experiences gained as to organizational responses to the audits will assist with the refinement of the process and an improved ability, for example, to predict the hours required to complete future assignments;

a contact hotline will be made available for the first time in the OAG. The number of matters which will be brought to the Auditor General's attention and the time required to deal with the inquiries both administratively as well as procedurally are unknown.

It should also be noted in any given year, a number of factors will influence the number and type of audit projects both undertaken and completed. These will include:

- approval of the Auditor General's budget as submitted;

- the extent of issues brought forward through the contact line as well as Administrative Orders 40 and 41 matters brought to the attention of the OAG and dealt with by the OAG without the resource assistance of HRM Administration;

- the type and extent of work performed by internal audit or service review groups within HRM;

- emerging issues which are accepted by the OAG project committee and score above a risk filter threshold for immediate consideration;

- various human resource matters including for example, training and extended sick time;

- availability and willingness of HRM staff to be seconded to the OAG to undertake certain portions of the Work Plan.

With these and other factors in mind, a somewhat "annualized-rolling" approach will be used for the first year. A total 2010 Work Plan has been prepared based upon the accepted projects which received a minimum "priority" scoring and will be tabled with Audit Committee on behalf of Council. Possible projects continue to be evaluated by the project committee on a monthly basis and the accepted pool of projects continues to grow. Given the "newness" of the OAG accepted project pool, it was felt a fixed 2010 Work Plan would not be prudent at this time.

Two possible courses of action are possible. The first would be the preparation of a minimum 2010 Work Plan with items added as the year progresses. The second course of action would be to outline a likely ambitious plan while reserving the right to modify the Work Plan as further projects are accepted by the OAG. This is the preferred approach; therefore the Auditor General reserves the right to modify the plan as the 2010-2011 year progresses.

Also, as is common with Auditors General, for various reasons not all proposed projects will be completed within the work year as they may be commenced late in the year; a number will almost certainly be carried over to be completed the following year as part of that work plan.

Role responsibilities:

The Halifax Regional Municipality Office of the Auditor General recognizes the distinct powers and responsibilities of Regional Council, the Administration and the Auditor General.

While the work of the Auditor General, by necessity, must be carried out in an independent and objective manner, the greatest overall value in the determination of which programs and services are offered, their management and the accountability to the public of the effectiveness of those same programs and services, is achieved with the input of all three groups.

The specific role description and responsibilities of the Auditor General are set out in the Halifax Regional Municipality Charter:

Paragraph 50(1) states “the Auditor General 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 the achievement of value for money in the Municipality’s operations.”

Paragraph 50(4) states “the Auditor General shall file annually with the Council a work plan of the Auditor General’s activities”.

Paragraph 50(6) requires the Auditor General to report annually to Council in a public meeting.

The role also includes the monitoring of various activities and organizations where HRM may be exposed to financial or other forms of risk.

Accountability:

The Office of the Auditor General is accountable to the residents of the Halifax Regional Municipality through its Regional Council.

The Auditor General attends Audit Committee meetings and on a periodic basis provides a status report of various projects and the overall work plan. The Auditor General on occasion requests meetings with the Chair of the Audit Committee to discuss specific issues or matters which it is felt may require the immediate attention of the Audit Committee or as a means of vetting initial findings and proposed courses of action.

Regional Council ultimately holds the Administration accountable.

What our office promotes:

Enhancing the quality of stewardship of public funds

Ensuring value for money

An independent office to enhance public confidence in the accountability of the Administration

Strong governance at all levels of HRM

High ethical behaviour free from conflicts of interest and irregular behaviour

A public service which prides itself on continuous improvement in conducting business on behalf of the residents of HRM and continuously achieves the highest economic value for each program or service delivered through the most effective and efficient manner possible

The development and monitoring of strong performance measures

How we achieve what we promote:

Proper planning and execution of a yearly work plan

An open and trusting work environment

Timely conclusion of audit and review projects in support of completion of the yearly work plan

Working in a collaborative manner with Regional Council, the Office of the Mayor, Senior Administration and all levels within the business units

The provision of advisory services in support of overall HRM vision

Various services to be provided by the Office of the Auditor General:

Performance audits - based upon three possible strategies. In each case, the objective is to measure against established criteria, various overall HRM programs as well as individual business unit services and programs to determine the extent to which they are being managed with due regard to economy, efficiency, and effectiveness (the three Es). These types of projects will also comment on the extent to which risks are being managed. Possible strategies are:

- 1) Examine results against established criteria, i.e. against performance measures which appear broadly accepted as a measure of the three Es.
- 2) Determine in a broad sense whether the Administration has a 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) Creation of Ad Hoc criteria by the OAG.

Opportunities or higher risk audits - projects identified as high risk or where audit or review procedures are deemed to present the greatest organizational value for the time committed. It should be understood, other projects may rank higher in terms of potential value, but are not being undertaken at the time due to resource constraints (the project would require too much of the available time budget) or where the technical resources are not currently available within or to the OAG.

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

Liaison with External Auditor - the OAG has agreed to provide advice to Council and to the Audit Committee with respect to certain aspects of the oversight of the external audit. It would normally be expected the OAG would liaise with the external auditor to discuss areas of possible risk, sharing of findings and possible assistance in the overall development of the external audit plan.

Unforeseen matters which emerge and are judged to require immediate attention - these represent projects which were not foreseen 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 will not be completed within the current work cycle; however their commencement would take place.

Investigations - the OAG will 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 but it is expected 20-25 “complaints/contacts” may be lodged with the Office, based on past numbers. The ultimate investigation and disposition of these matters will be the responsibility of the OAG with representation from HRM’s Administration as it is the administration that holds ultimate responsibility for disciplinary matters and organizational systems and controls, and who can in many cases undertake to review and investigate claims being made. The OAG will continually monitor the progress and ultimate disposition of each matter, consider whether any inclusions are warranted in the project pool or recommendations to improve internal systems or controls.

Contact Line Development and Administration - as part of the current work plan, it is expected a contact hotline project will be undertaken. In order to implement such a program, a process of review of best practises and procedures will be undertaken to ensure all contacts by outside parties are properly logged, understood and handled in a professional manner and that proper resources are sourced to ensure these criteria are met. Given this type of service does not currently exist and with no accurate way to measure possible response, the ultimate formula to be used will, by necessity, be a work in progress.

Ongoing Set-up of OAG and Office Matters

Since the Office of the Auditor General is newly created, significant time has been and will continue to be spent in various set-up matters. These matters have included but have not been limited to the following:

- discussions with business unit directors as to their roles, interactions with senior management and members of Council;
- discussions with senior management to assist with defining and clarifying roles;
- identification and hiring of staff members for OAG;
- interactions with various HRM stakeholders;
- discussions with Federal, Provincial and Municipal Auditors General;
- development of various programs and procedures;
- development of various office policies;
- development of policies and procedures around external reporting;
- various inquiries from the media.

Administration and Monitoring of day-to-day activities of OAG

In order to ensure the OAG is itself managed on an efficient and effective platform, daily work activities will be tracked with a view to achieving the following:

benchmarking of actual time spent on individual projects versus the budgeted time to allow for variance analysis;

measuring the work achieved by each staff member towards the completion of the annual Work Plan;

progress of the annual Work Plan;

predicting time which may be available to add to the Work Plan or to deal with emerging issues;

benchmarking information for the planning of future audits;

benchmarking and performance measurement as part of an ongoing peer review program and comparison to other OAGs.

For the 2010-2011 fiscal year (April 1, 2010 to March 31, 2011), the following work types will be used:

1. A - Administrative: includes contract management, further office set-up and development, as well as additional policy and procedure development and implementation
2. C – Advisory: ad hoc and/or planned advice, which may include consultation engagements
3. E - Educational: internal to HRM
4. R - Public Relations and Communications
5. P - Professional Development
6. PE - Value for Money (VFM) or performance audits: economy, efficiency, effectiveness
7. OP - Audits of Opportunities or activities with high potential risk
8. CO - Compliance Audits

9. IC - Internal Control testing and audits
10. EI - Emerging Issues: to be added to Work Plan at the discretion of the Auditor General
11. IN – Investigations: setting up contact line, developing MOU with HRM
12. R - Report Writing

The process used in the development of the 2010/2011 Work Plan for determining which projects were to be included in the initial annual work plan and which emerging issues will be added to the annual plan for the 2010-2011 fiscal year follows. It should be noted it is the intention of the Auditor General to have this process continuously monitored and evolved over the mandate of the current Auditor General.

Presently the following process is being used:

Possible projects are identified through observation, discussion, research of other 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 OAG and various other means.

Each possible project is brought forward and initially discussed at the project committee level. If it is felt the project could have either current or future merit, it is accepted and is entered into the audit queue for categorization as to type and risk assessment.

Each accepted project is initially categorized as to type i.e. performance, audit of opportunity, compliance or controls review.

Once categorized, a risk evaluation filter is used. 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 and should move forward in the selection process for possible inclusion in the yearly work plan. For the development of the 2010-2011 Work Plan, any accepted project which was rated at or above an established threshold of 75% of the maximum risk of 20 which could be assigned to any one project, was considered for the final group included in the plan.

Each of the risk categories presently being used was assigned a risk weighting. The categories used as the basis for the 2010-2011 Work Plan are as follows in weighted order:

1. Internal controls environment – a measure of the adequacy of existing controls, expertise of management and the perceived effectiveness of operations. Also considers lack of expected controls.
2. Financial value/volume – a measure of exposure based on the value or volume of assets, expenditures or transactions, considers possible off- book transactions as well.
3. Complexity or uniqueness of service – a measure of the extent to which a service, program or activity affects or is administered across the entire organization. Included in the criteria are considerations around the number of stakeholders who have an interest or impact as well as the additional complexity caused by competing interests and objectives. Also the question of the extent to which the service, program or activity is measurable or comparable across similar entities is considered.
4. Vulnerability of assets – the degree to which an asset is portable, desirable, accessible or transferable. Assets include information.
5. Legal and liability – a measure of the extent that regulations and/or policies can be enacted, modified or changed which affects a service, program or activity. Liability is a measure of the potential for a claim against the organization for actions or inactions taken.
6. Reputation – an acknowledgement of the possibility of a loss of public confidence as a result of decisions made or actions taken which may include decisions/actions made contrary to policies and/or regulations.

Given this is the first work plan for the newly created Office of the Auditor General for the Halifax Regional Municipality, a number of first-year selection matters/concerns evolved as might be expected. Among those matters were the following:

the number of accepted projects in the audit pool was large for obvious reasons;

the number of first year staff who might be available, as the final 2010-2011 budget allotment was not available at the time of writing the first work plan;

the expertise of all staff for the 2010-2011 fiscal year, again due to the timing of the budget allocation;

the transitioning of the administration of Administrative Orders 40 and 41 and the amount of OAG time required;

possible emerging issues which may come to the attention of the OAG from the proposed contact hotline;

the amount of time which will be required to finalize the work of the Business Process and Quality Assurance Group. The OAG agreed to accept responsibility for closing out the outstanding recommendations of the Business Process and Quality Assurance group.

The final filtering of projects took place as follows:

The use of a yearly theme was decided upon. Given the economic and budgetary concerns which Halifax Regional Municipality is facing, performance or value for money projects were given priority.

To gain experience and build a better delivery platform, it was decided the plan should essentially include a project from each work type category.

The Auditor General used professional judgement and selected certain projects based upon personal experiences and judgement after consultation with outside advice.

Finally a filter of past work of the internal audit and quality control groups of HRM were considered as to timing of past audits and the results of the work.

2010-2011 WORK PLAN

(with portions to be carried over to 2011-2012 plan)

PERFORMANCE PROJECTS/VALUE FOR MONEY	Measure against established criteria, programs and services to determine the extent to which they are being managed with due regard to economy, efficiency, and effectiveness
Economic Development through Partnerships	Assess performance and expected outcomes criteria used by HRM in support of its relationships with Destination Halifax (funded by Marketing Levy %), Trade Centre Ltd./Metro Centre, and Greater Halifax Partnership
Use of External Consultants	Review the use of consultants on both short and long term basis Assess performance and value for money criteria used by HRM
Council Requests for Staff Reports and Requests for Service	Review frequency and nature of requests Assess various matters including impact on quality of decision making and if they are being requested in the context of Council Focus Areas Review in terms of Administration's support of Council Focus Areas
Annual Budget	Review overall preparation and management of the HRM annual budget
Fleet Services	Develop size and maintenance benchmarks Review overall size of fleet and associated costs with a view to rationalizing Review policies with respect to use of HRM vehicles versus use of personal vehicles to assess if value for money achieved

OPPORTUNITIES PROJECTS	Projects identified as high risk or where audit or review procedures are deemed to present the greatest organizational value for the time committed
Cell Phone, Blackberries and other Wireless Devices - Telephony	Review current policies around the activation and usage of mobile devices Review the various types of mobile devices currently in use Review use of land lines Provide comments on current and prior practises and recommendations for economies Develop benchmarking information
Development and Use of Spreadsheets	Review current policies and practises around the use of spreadsheets Assess the management of organizational risks relating to the use or loss of spreadsheets. The possible loss of sensitive information or information/processes in general, and the effects on future decisions and operations
Records Management Policy	Review level of organizational understanding and compliance Determine how risks are assessed and managed Particular attention to how notes and electronic documents are handled
Application for and Receipt of Grants and other Sources of Funding	Assess overall application for and recovery of grants (Build Canada, fuel taxes, shared funding for capital projects)
FOIPOP	Review current policies and procedures Assess based on developed or stated criteria whether procedures are considered effective in terms of timeliness, and whether they appropriately manage corporate reputational risk and transparency Assess compliance with and management of PIIDPA

PERFORMANCE /OPPORTUNITIES PROJECTS	Where it is felt the project contains both an element of performance as well as presenting itself as high opportunity
Leasing and Management Agreements	<p>Review policies and practises around lease and management agreements</p> <p>Review policies around other third party facilities' management</p> <p>Can consolidation of service take place</p> <p>Assess the ongoing effectiveness, efficiencies and economies against stated objectives</p> <p>Determine how various risks are being identified and managed</p> <p>Ensure there is full transparency and accountability</p>
Fire and Emergency Services Asset Management	<p>Review existing process for management of assets</p> <p>Assess effectiveness of process in safeguarding assets</p>

EMERGING ISSUES	Represent 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 The Auditor General may feel, given the risk assessment assigned by the project committee to the project, it is appropriate to immediately assign resources or possibly supersede a project in the yearly work plan
Issues which emerge as a result of findings from Administrative Orders 40 or 41 investigations	Issues which are brought to the attention of the OAG which fall within Administrative Orders 40 and 41 will often result in new information becoming available around systems and controls, as well as value for money being spent
December 2009 Virus Outbreak (used as an example for this Work Plan)	Assess response to recent virus attack Assess identification and management of risks Assess business unit responses

COMPLIANCE PROJECTS	<p>Additional review to determine if recommendations have been accepted and acted upon</p> <p>Also, projects to determine compliance to various laws, regulations, contracts and agreements</p>
Spending Authorities and Cash Handling Policies of Committees	<p>Review policies and procedures</p> <p>Assess risk management around the handling and use of funds</p> <p>Who has ultimate control over the amounts, where the funds are being held and how are they being administered</p>
Development Services	<p>Review policies and procedures</p> <p>Assess Development Services complaint response and agreement referrals in relation to stated policies</p>
Investment Policies	<p>Determine risk profiles used for investments</p> <p>Review investment policies for congruence with risk profiles</p> <p>Determine overall compliance of investments to policies</p> <p>Assess expected return on investments for reasonableness against risk</p>
Mayor, Regional Council, EMT and SMT Expenses	<p>Ongoing project given increased need for transparency, especially in consideration of increased levels of accountability at provincial and federal levels</p>
Overall Corporate Claims Adjustments	<p>To determine the level of overall HRM claims</p> <p>Assess the actual reporting against required reporting</p> <p>Create benchmark data around claims history, settlements, settlement trends, business units involved</p> <p>Review process used to affect risk profiles</p>

Procurement

As a result of several complaints received by the OAG, it was decided a further review of certain aspects of overall HRM procurement policies should be reviewed to ensure an appropriate system of controls is in place and operating as designed and expected

Anecdotal evidence suggests the system may not be operating in a manner which contains the levels of independence required to ensure the highest value for money and fairness to all vendors

Review for compliance and effectiveness standing offers/orders, sole source contracts, unbalanced bids, recalling of tenders, etc.

FINANCIAL ANALYSIS AND QUALITY OF REPORTING	Matters which impact quality of financial information and reporting
Consistency of Use of Cost Centres and Cost Elements	<p>Review of cost centres/elements within specific services</p> <p>Assess consistency of reporting</p> <p>Assess comparability for management and reporting purposes</p> <p>Review snow and ice budget in particular under this project</p>

INVESTIGATIONS	The receipt, assessment and investigation of possible illegal or irregular conduct as well as ethical matters
Development and Rollout of Contact Line and Email Account	Assist in the identification of various matters which violate the spirit of Administrative Orders 40 and 41 as well as possible instances where Halifax Regional Municipality has not or is not receiving the highest value for money
Administration of Contact Line, Email, and other Communications from both within and outside the organization	<p>Previous to the creation of the Office of the Auditor General, matters which may have been in violation of Administrative Orders 40 and 41 were dealt with by an objective internal group and reported to the CAO and Audit Committee</p> <p>The process for receipt, assessment and investigation of these matters going forward is being re-evaluated</p> <p>Processes and documentation standards will need to be established and tested to ensure all complaints are handled in an independent and professional manner</p>
Ongoing Illegal and Irregular Conduct Management	<p>These types of matters appear to be an ongoing concern for the organization</p> <p>The 2010-2011 focus around management in addition to the other initiatives and work as noted above will centre on working with the business units to enhance corporate knowledge and awareness of fraud and irregular conduct</p> <p>This will be achieved through training and seminars</p>

ADVISORY AND OTHER MATTERS

From time to time the OAG has been called upon or may be called upon to assist with matters that deal with performance or opportunities which are of high significance to overall corporate goals and objectives. Also, given one of the responsibilities of the OAG is to assist Council in enhancing the quality of stewardship of public funds and also increasing public confidence, advice is sometimes sought from the Auditor General by Council with respect to an intended course of action or proposed project as an input into the quality of a decision both in terms of value for money and consistency with stated priorities.

A number of outstanding recommendations remain from the work of the Business Process and Quality Assurance group. Audit Committee discussed these recommendations with the Auditor General and requested the OAG undertake to review all outstanding recommendations and assess business unit progress in implementing the recommendations to ensure value is received for the work done. The Auditor General felt this was an appropriate request and agreed to complete the work and include this in the 2010-2011 Work Plan.

OFFICE of the AUDITOR GENERAL SUPPORT in the OVERALL GOVERNANCE of HALIFAX REGIONAL MUNICIPALITY	Assistance to the Audit Committee and Regional Council in fulfilling responsibilities as they relate to governance
Audit Committee	<p>Assist Audit Committee in an advisory capacity with respect to management of the external audit and Halifax Regional Municipality's appointment and ongoing relationship with the external auditors</p> <p>Assist Audit Committee by providing information and participating in seminars with respect to changes in accounting, auditing and governance standards</p> <p>Assist Audit Committee in the further development of the role of the Audit Committee and its interactions with the OAG, Regional Council and Halifax Regional Municipality Administration</p>
2010-2011 Annual Report	In addition to any ongoing reporting the Auditor General may choose to provide, the OAG will prepare and present at a public meeting an Annual Report of all activities as well as a summary of all findings and recommendations with respect to the work plan. Information will also be provided around the administration of the contact line
2011-2012 Work Plan	The development and completion of annual work plans will take place on an ongoing basis. On an annual basis the work plan for the following year will be presented to Regional Council through the Audit Committee
Office of the Auditor General	The OAG will develop internal processes to ensure the highest quality of service is provided Halifax Regional Municipality as well as comply with standards set out by professional organizations to which members of the OAG belong. These practises must ensure they will meet or exceed the expectations of peer reviews which will be undertaken in the future

OFFICE OF THE AUDITOR GENERAL LEADERSHIP AND PROFESSIONAL ACTIVITIES	The current Auditor General is a strong supporter of the participation of the Office in various activities, the outcome of which is stronger communities and the furthering of professional knowledge
Industry Activities and Knowledge Sharing	Within each member of the OAG's annual personal plan a time commitment is encouraged to allow for the participation of individuals in organizations which are relevant to the work of the OAG and are industry leaders in the areas of professional accounting standards, auditing of local governments, internal and comprehensive auditing, and fraud examiners
Community Activities	Participation in community activities is seen as a valuable contribution to the work of the OAG as it helps to build Halifax Regional Municipality into a stronger and supported community as well as enhancing knowledge of stakeholder views
Interactions with Various Stakeholders	The OAG will undertake to interact with external stakeholders through regular speaking engagements, dialogue and review of organizational publications