

HALIFAX REGIONAL MUNICIPALITY

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AUDIT AND FINANCE STANDING COMMITTEE  
MINUTES  
JUNE 15, 2011

PRESENT: Councillors: Gloria McCluskey, Chair  
Russell Walker, Vice-Chair  
Steve Adams  
Barry Dalrymple  
Bill Karsten  
Linda Mosher  
Tim Outhit  
Sue Uteck

REGRETS: NONE

OFFICE OF THE  
AUDITOR GENERAL: Larry Munroe, Auditor General  
Cathie Osborne, Deputy Auditor General  
Pauline Boudreau, Coordinator

STAFF: Bruce Fisher, Acting Director Finance  
Richard Butts, CAO  
Mike Labrecque, DCAO  
Cathy Mellett, Municipal Clerk  
Chris Newson Legislative Assistant

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**1. CALL TO ORDER**

Councillor McCluskey, Chair, called the meeting to order at 11:05 a.m. in Halifax Hall, 2<sup>nd</sup> Floor City Hall.

**2. APPROVAL OF MINUTES – May 18, 2011**

**MOVED BY Councillor Walker, seconded by Councillor Karsten that the minutes of May 18, 2011, as presented, be approved.**

Councillor Mosher noted that she has not had an opportunity to review her comments of May 18<sup>th</sup> with the minutes and therefore may have amendments at a later date.

**MOTION PUT AND PASSED.**

**3. APPROVAL OF THE ORDER OF BUSINESS AND APPROVAL OF ADDITIONS AND DELETIONS**

Deletions:

9.5.1 Long Term Capital / Project Budget Pressures Review

Additions:

11.1 Auditor General's Report: A Review of Concerts Held on the North Commons – January 2006 to March 2011: item to be dealt with first on the agenda (*Referred from Regional Council of June 7, 2011*).

9.4.1 Councillor Walker – Status of Grant Committee Report

9.4.2 Investment Policy Advisory Committee: add the following two Information Reports under this item:

Investment Policy Advisory Committee – Quarter Ending March 31, 2011

Investment Activities – Quarter Ending March 31, 2011

**MOVED by Councillor Adams, seconded by Councillor Mosher that the agenda, as amended, be approved. MOTION PUT AND PASSED.**

Councillor Uteck entered the meeting at 11:06 a.m.

**4. BUSINESS ARISING OUT OF THE MINUTES - NONE**

**5. MOTIONS OF RECONSIDERATION – NONE**

**6. MOTIONS OF RESCISSION – NONE**

The Standing Committee agreed to deal with Item 11.1 at this time.

### **11.1 Auditor General's Report – A Review of the Concerts on the North Commons – January 2006 to March 2011.**

A copy of the Auditor General's report was before the Standing Committee.

Mr. Richard Butts, CAO, declared a potential conflict of interest in regard to any discussion that may involve the Metro Centre as he has a family relationship with the Halifax Mooseheads. Mr. Butts advised that he had conferred with HRM Legal Services and the Auditor General in regard to this particular issue. If discussion does impact on this he will defer his responsibility to Mr. Mike Labrecque, Deputy CAO.

Councillor Dalrymple entered the meeting at 11:09 a.m.

**MOVED by Councillor Karsten, seconded by Councillor Mosher that the Audit and Finance Standing Committee permit other Members of Council in attendance a maximum of two opportunities to comment on this matter.**

Councillor Karsten noted that he would bring forward a request for an amendment to Administrative Order 1 or the Terms of Reference for Standing Committees to prevent other Members of Council from participating in discussions at Standing Committees if the process becomes habitual.

#### **MOTION PUT AND PASSED.**

Councillor McCluskey explained that the report was referred to the Audit and Finance Standing Committee and CAO by Regional Council on June 7, 2011 to review the fifty-two recommendations and their implementation. She then called upon any Members of Council in attendance who wished to comment on this matter to come forward at this time.

Councillor Watts suggested that a process/protocol be developed for Councillors serving on external Boards/ Committees and that if those Boards/Committees do not meet certain criteria, a Councillor should not serve on that body. The required criteria could include that:

- there be audited financial statements and an agreed upon protocol for the presentation of financial statements to the Board
- the Board have an AGM
- a checklist be provided to the Councillor so that they are aware of what to expect.

Councillor Nicoll questioned whether the Trade Centre Limited holds AGM's and if that were the only format that engages HRM staff. She inquired how and when the recommendations outlined by the Auditor General would be implemented.

In response to Councillor Nicoll, Councillor McCluskey advised that questions raised would be forwarded to staff for response. The Committee will deal with the implementation of the recommendations later in the meeting.

Councillor Hum expressed concern in regard to a Councillors' role on an external Board/Committee and what the legal implications would be. She noted that the Councillors who served on the TCL Board at the time of the concerts were not aware of what was going on. Since Board members are not privy to all decision making, what would the legal implications be for members of a Board.

Councillor Watts questioned why the risk of the \$153,000 in kind expenses was not picked up and reported to Council. Some staff and elected officials appear to have known that things were not going well with the concerts yet Council was not advised and the municipality, by motion of March 2010, committed to approve significant investment of electrical at the North Commons. Since September 2010 both the Mayor and DCAO were aware that there was an outstanding loan yet when Council entered into budget discussions in December 2010 and February 2011, and although costs, possible cuts to programs/services or increase to the tax rate were considered, no mention was made of the outstanding liability. Council will now have to ask specifically each year if there is anything else that may impact the budget.

There being no further Councillors wishing to speak on this matter at this time, members of the Standing Committee were provided an opportunity to ask questions and express comment/concern.

Councillor Mosher advised that when she served on the TCL Board she suggested that they follow HRM's Procurement Policy which the Board agreed to consider. HRM should consider holding its own AGM for the Metro Center, if necessary, since it is an HRM facility.

Councillor Walker explained that Mr. Anstey, the former Acting CAO, had advised the Audit and Finance Standing Committee at their meeting with him that his position was that the invoice had not been brought to Council earlier as HRM sent it back to TCL requesting the final figure. Once it was brought to the attention of the former Director of Finance, she immediately brought it to the attention of the Audit and Finance Standing Committee.

Councillor Uteck commented that her understanding, from discussion at yesterday's Regional Council session, was that the invoice had not been brought to Council earlier as it was hoped that more money would come in and if that had occurred, the issue of the advances would never have been brought to Council. She requested that the Audit and Finance Standing Committee request a copy of all the contracts/agreements in relation to the concerts in order to review and determine how the clause in regard to the cash advances was placed in the documents and by whose authorization. She requested that the CAO be provided a copy of that material.

By request of Councillor McCluskey, Ms. Cathy Mellett, Municipal Clerk, clarified that, as per the Auditor General's report, agreements had not come to the Clerk's Office and only one contract was not received. The Clerk's Office has requested copies of all contracts and when received they would be made available to the Audit and Finance Standing Committee.

Councillor Uteck requested that the Audit and Finance Standing Committee be provided the following information for review:

- the dates that all cheques were released by HRM's Finance department
- who signed the cheques to Power Promotion other than Scott Ferguson, CEO of the TCL
- what were the checks/balances/controls in place for Finance and why did they not pick up on another advance coming forward
- was Power Promotions listed under vendors or as a one time vendor
- how were the tenders to others on the commons handled:
  - were the cheques sent directly to the Promoter or to the vendors
  - was there anything to ensure small vendors were paid before the Promoter including for a situation when the Mayor/CAO may pull out of a concert.

Mr. Larry Munroe, Auditor General, noted that the graphs contained in his report provide information on the dates the cheques were released by the Metro Centre.

Mr. Bruce Fisher; Acting Director of Finance, advised that Finance will provide the information that came from their system in regard to the costs of services, however; they do not have information on the advances.

Mr. Butts advised that any information available will be provided, however; some of the requests are very detailed and staff are not forensic auditors. Additional direction from Regional Council would be required to do that detailed work.

Councillor Uteck expressed frustration that as a Councillor she is unable to get to the bottom of this issue. The taxpayer is out over \$300,000 and those responsible were the Mayor, the then Acting CAO and TCL. She inquired what options Council has to retrieve the money.

In response to Councillor Uteck, Mr. Butts explained that Council had chosen to investigate the matter which has been done.

Councillor Uteck noted that a clear understanding of the relationship between the TCL and Metro Centre on this issue was needed.

Mr. Munroe explained that the recommendations contained in his report do speak to HRM strengthening controls around the audit and to a greater understanding of the governance structure in regard to TCL and how they plan to manage the Metro Centre;

the original agreement has to be reviewed. He noted that he is very interested in the ticketing arrangement as it seems to have moved from the Metro Centre to the Ticket Centre Atlantic revenue stream.

Councillor McCluskey commented that it is amazing that the former CEO of TCL could make that move and that HRM's CAO at the time did not advise Council.

In referencing page 38 of the report, Councillor Mosher requested HRM's Director of Finance to determine who authorized the cheques to cover the difference between what was actually spent in regard to in kind support versus what was approved by Council as Council did not agree to cover those differences. She inquired whether Council could go back to the parties involved.

Mr. Butts commented that his office will commence work on these requests, however; some involve more detail similar to that of a forensic audit and in order to take that action, Regional Council would have to provide that direction. The CAO's office will provide a report to the Audit and Finance Standing Committee for their next meeting in regard to a work plan prioritizing the implementation of the fifty-two recommendations. He noted that some of the recommendations may be implemented within six months but some may take a year or more, therefore; he requested that the matter be a standing item on the Audit and Finance Standing Committee's agenda with an update provided every couple of months.

Councillor Mosher commented that HRM did not seek any guarantee of fiscal assurity when they advanced the \$1.7 million to the Promoter and \$3.2 million was put at risk.

Councillor Outhit entered the meeting at 11:53 p.m.

Councillor Karsten requested that the CAO and staff include in their report which of the recommendations may require an external body's involvement such as the TCL.

Councillor Adams retired from the meeting at 12:00 p.m.

Councillor Dalrymple concurred with moving forward with long term planning to fix how the municipality has been doing business.

Councillor Walker added his support to the CAO's proposed course of action. He requested that the management agreement between TCL and the Metro Centre be clarified as to what rights the municipality has given up considering that TCL appears to have full control and HRM just pays the bills.

Councillor Uteck requested that all of Council receive the report and work plan the day it is made available to the Committee.

Referencing the Auditor General's report, Councillor Mosher inquired about the budgetary aspect of ethics training, consideration of an external Auditor for the Metro

Centre, obtaining independent legal advice, and; hiring a Chief Risk Officer. These items would have to be considered during budget discussions so any information on these recommendations should come forward quickly. She noted that she was in support of increasing the number of lawyers in HRM's Legal Services.

Mr. Butts indicated that the first priorities would be looking for efficiencies and only should it be necessary would a request come forward for additional staff to respond to the Auditor General's recommendations.

Mr. Munroe clarified that when the recommendations were made it was in the best interest of the organization. The risks to the organization have to be measured against the cost to implement the recommendations.

In regard to the relationship with the Metro Centre, Councillor Mosher inquired whether there was a possible revenue source that may be lost to HRM. She suggested consideration be given to a potential amendment to the HRM Charter to enable the municipality the ability to deal with an elected official when matters such as this occur.

In response to a question by Councillor Dalrymple, Councillor Mosher advised that the Code of Conduct report would be coming to Regional Council on July 5th.

Councillor McCluskey commented that the Committee was now ready to move forward and work toward implementing the recommendations once the CAO's report is received and reviewed.

## **7. CONSIDERATION OF DEFERRED BUSINESS**

### **7.1 Proposed Civic Events Working Group**

A copy of the January 18, 2011 Memorandum was before the Standing Committee.

Councillor Uteck advised that this matter had been dealt with at the Community Planning and Economic Development Standing Committee and a report will be forwarded to Regional Council. The matter was provided as information only to the Audit and Finance Standing Committee.

### **7.2 Councillor Mosher - Auditor General's Report – Grants, Donations, Contributions**

Councillor Mosher advised that she has met with the Auditor General in regard to the concerns she had raised at the May meeting and is satisfied with the clarification provided.

Councillor Walker noted that the report on Corporate Grants, Donations and Contributions was also discussed at the June 13<sup>th</sup> Grants Committee meeting. A motion



was passed requesting a staff report in regard to which of the recommendations related specifically to programs under the Grants Committee mandate, and; that a work plan for implementation of the recommendations be provided.

**8. CORRESPONDENCE, PETITIONS, DELEGATIONS - NONE**

**9. REPORTS**

**9.1 STAFF - NONE**

**9.2 MEMBERS OF THE AUDIT & FINANCE STANDING COMMITTEE**

**9.2.1 Councillor Walker – Audit Reporting Process**

A copy of the Report Process for the Office of the Auditor General was before the Committee.

Councillor Walker requested that when, or if, the Auditor General has difficulty obtaining management response prior to releasing a report that he advise the Audit & Finance Standing Committee so that an action plan may be determined. He also requested that the report released be the final version.

**9.3 OFFICE OF THE AUDITOR GENERAL - NONE**

**9.4 SUB-COMITTEES**

**9.4.1 Grants Committee**

Councillor Walker, Chair of the Grants Committee, advised that a report on HRM Discretionary Funding to Business Improvement Districts: Proposed BID Contribution Policy, was dealt with at the Monday, June 13<sup>th</sup> Grants Committee meeting and intended to be before the Audit and Finance Standing Committee today, however; there has been a delay and the report will be before the Standing Committee at their next meeting.

**9.4.2 Investment Policy Advisory Committee**

Information Items 2 and 3: Investment Policy Advisory Committee – Quarter Ending March 31, 2011 and Investment Activities – Quarter Ending March 31, 2011 were added to the agenda during the approval of the order of business and dealt with at this time.

**MOVED by Councillor Uteck, seconded by Councillor Karsten that the Audit and Finance Standing Committee accept, as presented, the Investment Policy Advisory Committee – Quarter Ending March 31, 2011 information report and the**

**Investment Activities – Quarter Ending March 31, 2011 information report.  
MOTION PUT AND PASSED.**

**MOVED by Councillor Outhit, seconded by Councillor Karsten that the two following information reports be forwarded to Regional Council: Investment Policy Advisory Committee – Quarter Ending March 31, 2011 and Investment Activities – Quarter Ending March 31, 2011. MOTION PUT AND PASSED.**

**9.4.3 Special Events Advisory Committee - NONE**

**9.5 MATTERS REFERRED FROM REGIONAL COUNCIL**

**9.5.1 Long Term Capital / Project Budget Pressures Review**

This matter was deleted from the agenda during the approval of the order of business and deferred to the August 17, 2011 meeting.

**9.6 MATTERS REFERRED FROM STANDING COMMITTEES - NONE**

**10. MOTIONS - NONE**

**11. ADDED ITEMS**

**11.1 Auditor General's Report: A Review of Concerts Held on the North Commons – January 2006 to March 2011**

This item was dealt with earlier in the meeting. See page 4.

**12. NOTICES OF MOTION - NONE**

**13. DATE OF NEXT MEETING**

A special meeting was requested for Monday, June 27<sup>th</sup> to deal with the Consolidated Financial Statements. The next regular meeting is scheduled for August 17, 2011.

**14. ADJOURNMENT**

The meeting was adjourned at 12:39 p.m.

Chris Newson  
Legislative Assistant

**IN CAMERA ITEMS - NONE**

**INFORMATION ITEMS**

1. Upcoming Agenda Items
  - 1.1 Community Facilities Master Plan – Funding Strategies - **early spring 2012**
  - 1.2 Review of the Business Park Reserve Policy – **September 2011**
  - 1.3 Investment Policy Presentation – **September 2011**
  - 1.4 Capital Cost Contributions for HRM – Update – **August 17, 2011**
  - 1.5 Revised Special Events Granting Framework – **August 17, 2011**
2. Investment Policy Advisory Committee – Quarter Ending March 31, 2011
3. Investment Activities – Quarter Ending March 31, 2011