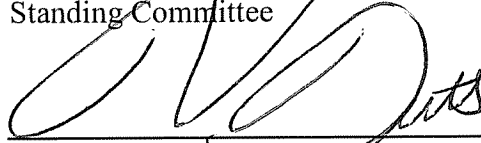


**Audit & Finance Standing Committee
June 20, 2012**

TO: Councillor Russell Walker, Chair and Members of the Audit & Finance Standing Committee

SUBMITTED BY:



Richard Butts, Chief Administrative Officer

DATE: June 4, 2012

SUBJECT: Work Plan for the Implementation of Recommendations Resulting from the Auditor General's Report on Concerts on the North Commons – Final Update

INFORMATION REPORT

ORIGIN

The Auditor General's Report: "A Review of Concerts Held on the North Commons – January 2006 to March 2011" (Concert Report) was presented to Regional Council on June 7, 2011 and referred to the CAO and Audit & Finance Standing Committee for review and implementation.

Audit & Finance Standing Committee – August 17, 2011 – Action Summary for Agenda Item 9.1.1 – The CAO will provide updates to the committee every two months on the work plan to implement Auditor General's Recommendations resulting from the Review of the Concerts on the North Common (the Concert Report). This was subsequently changed to quarterly reporting. The last update was provided to the Committee at its March 21, 2012 meeting.

BACKGROUND

As identified in previous reports to the Audit and Finance Standing Committee, the Audit Coordination Team (ACT) coordinates the response to and implementation of recommendations made by the Auditor General (AG). One of the main priorities for ACT has been to establish and monitor an implementation plan for the recommendations from the AG’s Report on Concerts on the North Commons (Concert Report). Updates on the status of this plan were previously provided to the Audit and Finance committee on October 19, 2011, December 14, 2011, and March 21, 2012.

The discussion section of this report provides the most recent updates on progress in implementing the recommendations from the Concert Report. Since the release of the Concert Report approximately one year ago, all of the recommendations made by the AG have been either completed or have been initiated and addressed to a significant degree. Therefore, this information report will be the final quarterly update to the Audit and Finance committee on the implementation of the Concert Report work plan. Progress against the implementation plan will continue to be monitored, and business units will provide updates to the committee as the major pieces of work noted below are completed – i.e. an updated agreement for the management of the Metro Centre, the economic development governance review, and a new Enterprise Risk Management model.

DISCUSSION

Concert Report

The Concert Report includes 54 recommendations, which are organized into five general themes within the work plan developed by ACT. Of the recommendations, 33 have been completed and 21 are in the process of being reviewed and implemented.

Theme	Total Recommendations	Implemented/ Completed	In Progress	Not Yet Initiated
Events Strategy	6	4	2	
Contract Administration	8	5	3	
Management Agreement with TCL	26	14	12	
Risk Management	7	3	4	
Internal Business Practices	7	7		
TOTAL	54	33	21	

1. Events Strategy (AG Recommendations 1, 9 through 12, and 45)

The Events Strategy theme focuses on the aspects of the AG’s report that recommend process improvements for future concerts. The initial update report to the committee outlined that each major event organized in HRM is vetted through the Special Events Task Force (SETF). The existing SETF model of coordinating municipal services continues to be utilized for

major events in HRM, including outdoor concerts. This model ensures that municipal services are aligned and that the costs for these services are centrally estimated and monitored.

Recommendations “in progress” related to this theme include contracting with concert promoters, enhancing role clarity and better documenting decision-making processes. Initially, some of these issues were to be addressed in a Service Agreement between Trade Centre Limited (TCL) and HRM. However, some analysis of this issue has been included in a joint initiative between the AG and CAO to review the economic development governance model in HRM. The outcomes of this review may impact how HRM proceeds with this recommendation and/or the noted service agreement. Therefore, this recommendation will be fully addressed once the governance review has been completed.

It should be noted that there is an existing Memorandum of Understanding (MOU) for Concerts on the Common between Events Halifax (TCL) and HRM that was approved by Regional Council on March 6, 2007. This MOU clearly outlines the roles and responsibilities of both parties in pursuing and planning concerts at the Commons venue. Revising and utilizing the terms of this MOU for future concerts would address many of the issues raised by the AG.

2. Contract Administration (AG Recommendations 2 through 8)

The Contract Administration theme focuses on recommended improvements to HRM’s contract development and approval process. Recommendations under this theme fall into two general areas. The first is identifying all work processes within HRM where legal advice should be sought and the staffing levels, technology, organization, business processes and performance indicators required in support of these processes. The second area consists of recommendations dealing with contract development and approvals that aim to ensure HRM has appropriate contract management practices that are understood across the organization.

Catalyst Consulting was retained in December 2011 to conduct a review of HRM’s contracting processes and the Legal Services Business Unit. The consultant’s final report was completed in March 2012. The report includes recommendations designed to address work processes requiring legal advice, review standards for legal services, policies and practices for control of legal contracts, signing authorities and document control, and version control and contracting. In addition, the consultant identified recommended modifications to the structure and complement of the Legal Services Business Unit and the mix of internal/external legal counsel.

To date, a “Demand for Legal Services” forecast has been prepared based on discussions with all business units, including Legal Services staff, and a document outlining “When to call Your Lawyer” has been developed for consideration and implementation. Reaffirmation of existing standardized contracts and proposed standardization of additional categories of contracts / agreements is underway as well as a review and implementation of service

standards for legal services. As the consultant's report is fully reviewed and implemented, it is expected to address the AG's findings related to this theme.

3. Management Agreement (AG Recommendations 13 to 38)

Recommendations in this theme fall into four broad categories. The first (Recommendation #36) is a recommended assessment of whether HRM should continue to hold the ownership and operating responsibility of the Halifax Metro Centre. This assessment has been included in the economic development governance review noted in Section 1 above. As with the event relationship with TCL, the outcome of the review may impact how HRM proceeds with respect to this recommendation and it will be considered in the context of progress toward a new convention centre and any associated changes in governance structure.

The second category of recommendations in this theme identifies actions required to segregate the operations of Ticket Atlantic from the operations of the Halifax Metro Centre. A number of these have been completed, including updating the bank signatories for the Metro Centre bank account, setting up a separate bank account for Ticket Atlantic, and establishing procedures to ensure that the use of inter-corporate accounts is minimized and these accounts are reconciled on a monthly basis. The new Ticket Atlantic bank account has been used to record ticket sale transactions effective October 3, 2011.

The third category includes recommendations for consideration in the development of an updated agreement for the management of the Halifax Metro Centre. A draft management agreement has been developed outlining the relationship between the parties, specific levels of authority, reporting requirements, and performance measures. This document is being reviewed by HRM Legal Services and the provincial Department of Justice. Upon completion of the legal review, the document will be updated and a staff report prepared for discussion at a future Audit and Finance Standing Committee meeting. After review by the Standing Committee, the agreement will be brought to Regional Council for debate, potential amendment and ratification. This agreement will take into consideration the ongoing work on the Economic Development governance review and the HRM Multi-District and Event Facilities project.

The fourth category includes recommendations for consideration in the ongoing monitoring of the management agreement. Options are being analyzed as the management agreement is being developed, but the processes will be dependent on the final content of the agreement. Therefore, the creation of internal business processes and the assignment of accountabilities will be documented, approved and implemented after the management agreement is completed and approved by Regional Council.

4. Risk Management (AG Recommendations 42, 43, 44, 47, 50, 51, 52)

This theme is focused on enhancing the municipality's existing approach to risk management including development of tools, identification of key risk indicators, and improving the understanding of risk management across the organization. HRM senior

administration has reviewed the process through which the organization identifies and manages risk and has approved proceeding with an Enterprise Risk Management model for organizational decision-making. Some of the related tools are already in place, a lead has been assigned, and a management working group established. The model, which includes both strategic and operational risk assessment components, will be implemented in the 2012/13 fiscal year and evaluated at the end of the year to determine next steps. Implementation will include conducting an enterprise-wide risk assessment and action plan, developing an inventory of existing practices, creating a risk reporting process, providing training to staff who prepare Council reports, including a risk section in Council reports, and development of evaluation criteria and Key Risk Indicators.

5. Internal Business Practices (AG Recommendations 39, 40, 41, 46, 48(a), 48(b), and 49)

This theme includes recommendations related to concepts such as “soft controls” (*), “tone from the top”, organizational culture, and the decision-making relationship between Council and Administration. Responses to these recommendations include development of new approaches to ethics training, enhancements to the Council orientation program and further reinforcement of the respective roles of Council and the Chief Administrative Officer.

HRM has an existing Ethical Conduct policy (Administrative Order 41), as well as a Values and Ethics handbook that has been provided to all staff. HRM has reviewed these policies and associated business practices, as well as the corporate training calendar. As a result of these reviews, areas of mandatory training have been identified, including a new values and ethics training program. An external trainer has been selected to develop the program for the Senior Management Team, which is scheduled to be delivered on June 8. Ethics Training for employees was piloted in May and is ready to deliver. Scheduling will begin once the senior management training has been completed. The training will also be included in the next Corporate Training Calendar. Human Resources has also worked with the trainer to plan a more robust program of ethics and values training as part of the package for post-election Council orientation in 2012. More detailed information on the delineation of roles between Council and Administration will be another component of post-election Council Orientation.

(*) Soft controls are defined as intangible controls like morale, integrity, ethical climate, empowerment, competencies, openness and shared values.

BUDGET IMPLICATIONS

As the implementation plans are developed further, associated resource needs and budget implications will be identified. These budget implications will be included in regular reporting to the Audit & Finance Standing Committee, and recommendation reports provided to Regional Council as required.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

N/A

ATTACHMENTS

N/A

A copy of this report can be obtained online at <http://www.halifax.ca/boardscom/SCfinance> then choose the appropriate Audit & Finance Standing Committee meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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