



**AUDIT & FINANCE STANDING COMMITTEE
MINUTES
February 20, 2015**

PRESENT: Councillor Bill Karsten, Chair
Councillor Linda Mosher, Vice-Chair
Mayor Mike Savage
Councillor Barry Dalrymple
Councillor Gloria McCluskey
Councillor Reg Rankin
Councillor Steve Craig

GUESTS: Deputy Mayor Lorelei Nicoll

STAFF: Mr. Greg Keefe, Chief Financial Officer
Mr. Richard Butts, Chief Administrative Officer
Mr. John Traves, Municipal Solicitor
Mr. Liam MacSween, Legislative Assistant

The following does not represent a verbatim record of the proceedings of this meeting.

The agenda, supporting documents, and information items circulated to Audit & Finance Standing Committee are available online: <http://www.halifax.ca/boardscom/SCfinance/140220afsc-agenda.php>

The meeting was called to order at 10:03 a.m. the Standing Committee moved into an In Camera session at 11:55 a.m. and reconvened at 11:59 a.m. The Standing Committee adjourned at 12:01 p.m.

1. CALL TO ORDER

The Chair called the meeting to order at 10:03 a.m.

2. APPROVAL OF MINUTES – January 21, 2015

MOVED by Councillor McCluskey, seconded by Councillor Craig that the minutes of January 21, 2015 be approved as presented. MOTION PUT AND PASSED.

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

Additions:

Item No. 12.1 Funding Request-Dalhousie University

Item No. 12.2 Service Improvement Reserve Withdrawal

Item No. 12.3 Community Planning & Economic Development Standing Committee - Possible Support for Engage Nova Scotia

The Legislative Assistant noted that Information Item No. 1 will be forwarded to Halifax Regional Council as an information item.

MOVED by Mayor Savage, seconded by Councillor Rankin that the agenda be approved as amended. MOTION PUT AND PASSED.

4. BUSINESS ARISING OUT OF THE MINUTES

5. MOTIONS OF RECONSIDERATION – NONE

6. MOTIONS OF RESCISSION – NONE

7. CONSIDERATION OF DEFERRED BUSINESS

7.1 January 21, 2015 - A Performance Review of the Washmill Lake Court Extension Project© - Discussion

Mr. Larry Munroe, Auditor General, gave a brief update with respect to the Review of the Washmill Lake Court Extension Project report as presented at the January 21, 2015 meeting of the Audit & Finance Standing Committee. He provided commentary respecting the need for a system of proactive due diligence to ensure that situations such as the Washmill Lake Court Extension Project do not occur in the future.

Mr. Munroe advised that further oversight respecting large capital project is necessary and noted that it is a key component of effective governance. He noted that one of the recommendations in his office's report speaks to creating a more robust subcommittee of the Audit & Finance Standing Committee which will provide oversight on Capital projects. He further advised that the municipality must also manage risk at a far higher level, and cited a recommendation in the report to hire a Chief Risk Officer which would greatly benefit the organization. He concluded by noting that the recommendations outlined in his report speak to clarity around performance when tendering projects, increased transparency and the need for constant improvement of process.

The Chair thanked Mr. Munroe for his comments and opened the floor for questions of clarification from the members of the committee.

Councillor McCluskey expressed her opinion that the Washmill Lake Court Extension Project was very concerning and noted that there were many staffing and oversight issues that should have been picked up before they happened. She advised that Council and staff can learn a great deal from the Auditor General's review and noted that on a go forward basis, Council must be kept up to date on large Capital Projects as they are being undertaken. She advised that Council was not as informed and diligent on the Washmill Lake issue as it should have been and remarked that the money which was overspent on the project could have been used more effectively for other capital projects.

Mayor Savage welcomed Mr. Munroe to the meeting and noted that he is often asked about the Office of the Auditor General when travelling to other municipalities across the country. He stated that he highly recommends the work that is undertaken by the Auditor General to his counterparts in other jurisdictions to assist in greater oversight and accountability. He advised that every decision that is made by municipal officials involves a level of risk and inquired as to whether or not there are private sector alternatives to assist in mitigate risk as opposed to hiring a risk officer.

Mr. Munroe responded by noting that he believes that a combination of the two options would be beneficial in terms of managing risk. He advised that utilizing external personnel would help in mitigating risk.

Mayor Savage noted that roughly 60 to 70 percent of the recommendations in the Auditor General's report are already being acted upon. Mr. Munroe agreed with Mayor Savage's comment and stated that a large percentage of the recommendations are being acted upon by HRM staff.

Councillor Craig thanked Mr. Munroe and his staff for the presentation and noted that he has a great deal of experience in a capital intensive industry and managing large projects in the private sector. He advised that it is easy to over inflate a capital project in a regulated environment and stated that what was brought forward by his office on the Washmill Lake project was not shocking. He reiterated an earlier comment that he made at the last meeting by noting that a great deal of the issues with respect to the Washmill Lake project were attributable to an immature organization with lack of sound processes respecting capital projects. He commented that he has witnessed a great deal of improvement in this regard since he has been a member of Regional Council and noted that senior management within the organization is doing a very good job in providing leadership in this area. He inquired if the Auditor General had found evidence of fraud or collusion on the part of staff as part of his investigation.

Mr. Munroe stated that he had not found evidence of fraud or collusion as part of his investigation in the matter.

Councillor Dalrymple noted his previous experience in policing and commented that risk assessment was always a factor when determining whether or not to make a decision or start a project. He noted that he is intrigued by the suggestion of having a Risk Management Office and would like to see a staff report on the subject in the near future. He commented that he is also open to discussion other alternatives to help mitigate risk for future projects on a broader scale. He expressed his view that there was not enough Council involvement on the Washmill Lake project and further suggested that there is not enough information provided to Council with respect to capital projects. He suggested that a Risk Management section be incorporated in to the council reports and noted that he looks to his colleagues comments on these issues.

Mr. Munroe advised that he will be bringing forward two additional reports in the near future that deal with risk management that he hopes will add a great deal of clarity to the discussions being held on this matter.

Mr. Greg Keefe, Chief Financial Officer noted that staff takes the subject of risk and risk management very seriously. He noted that there are many types of risks such as project risks, financial risks, and insurable risks, of which HRM has dedicated an entire division within the Legal Services Business Unit to manage. He advised that senior management has been undertaking strategic and operational risk assessments for the past two years for all major projects. He advised that reporting on the risk assessment for major projects will be brought forward to Council in the near future and will also outline staff's escalation processes in response to the determined level of risk associated with a project.

Councillor Rankin commented that is fair to say that there has been failure on the part of HRM with regard to the Washmill Lake project, evidenced by the catalogued index of recommendations brought forward in the Auditor General's report. He noted that there have been management responses to many of the recommendations put forward by the Auditor General, many of which are "works in progress". He further commented that Council has a responsibility to make sure that the recommendations that are being acted upon are done so in timely manner. He suggested that the Auditor General may want to evaluate the assignment of accountability for certain projects as well as an assignment of risk. He requested further information pertaining to the first recommendation in his report respecting the accountability of the Chief Administrative Officer and requested further information about Council's responsibility in that regard.

Mr. Munroe provided commentary on the need for clear lines of accountability to show a demonstrated value for money and quality stewardship. He advised that in some instances, the lines of accountability are blurred with respect to senior management and noted his belief that the Chief Administrative Officer is tasked, as part of his governance responsibilities, to ensure that the right people and structures are in place to effectively conduct the administration of the municipality. He advised that in his view, good governance and oversight is something can be achieved by working together and noted that the recommendation was written to reflect this and emphasize the need for clarity with respect to accountability.

Councillor Mosher thanked Mr. Munroe for his report and noted that it is good to see that risk ranking is undertaken by staff. She advised that risk assessment is a recurring theme that needs to be revisited as Council takes on larger projects. She further remarked that staff, in larger organization have a tendency to become heavily invested in certain projects and are often times terrified to fail thereby making poor decisions. She suggested that Council and staff can do more to change the culture of the organization in this regard and commented that she would be supportive of a staff report assessing the creation of a Risk Management Office. She concluded by noting her intention to introduce a motion for a staff report in this regard.

Deputy Mayor Nicoll thanked Councillor Karsten for allowing her to speak on this matter and agreed with Councillor Dalrymple's assessment on governance improvements for the Audit & Finance Standing Committee as well as Councillor Mosher's assessment respecting measures to improve the culture of the organization. She noted that the Washmill Lake project seemed to be quite reactionary over its duration and inquired if it was apparent in the analysis of the project, when staff should have identified that the "ship was sinking".

Mr. Munroe commented that his did not specifically identify where the ship was sinking but looked more broadly at why the risks were not identified and acted upon in the first place.

Further discussion ensued with Councillor Karsten thanking Mr. Munroe and his staff for their work on this matter.

Mr. Munroe that the Committee for their comments and introduced Mr. David Rebelo, a new addition to the staff at the Office of the Auditor General. He commented that his is very pleased to have Mr. Rebelo as part of his office.

8. CORRESPONDENCE, PETITIONS & DELEGATIONS – NONE

9. REPORTS

9.1 STAFF

9.1.1 Third Quarter 2014/2015 Financial Report

The following was before the committee:

- *A staff recommendation report dated February 9, 2015*

Mr. Louis De Montbrun, Manager of Financial Reporting gave a presentation pertaining to the Third Quarter Financial Report. Councillor Karsten thanked Mr. De Montbrun and requested questions of clarification from the committee.

MOVED by Mayor Savage, seconded by Councillor Craig that the Audit & Finance Standing Committee:

- 1. Recommend to Regional Council to approve the withdrawal of up to \$3,101,000 from the following reserves to eliminate the 14/15 General Rate Deficit that is projected as at December 31, 2014; \$1,700,000 from Q309 Snow and Ice Control Variable Operating Reserve, \$300,000 from Q306 Self Insurance Reserve and \$1,101,000 from Q328 Operating Surplus Reserve.**
- 2. Forward the Third Quarter 2014/15 Financial Report to Regional Council for their information.**

Mayor Savage noted concern with respect to the amount of money required to deal with the fuel leak at the Transit Facility and requested further information with respect to measures being undertaken to help mitigate costs.

Ms. Jane Fraser, Director of Operations Support commented that the fuel spill was first detected in the spring of 2014 as it was discovered that fuel was leaking from the facility into a nearby ditch. She noted that staff had determined how the leak initially occurred and identified the mitigation requirements which were needed. She provided further commentary respecting the difficulty of determining environmental costs at the outset of a spill and advised that staff has claim filed with the insurance adjusters which is currently being disputed.

Mr. John Traves, Solicitor commented that Legal Services is pursuing legal action against the Insurance providers in this regard.

In response to a follow up question from Mayor Savage, Mr. De Montbrun noted that he will be able to provide more accurate numbers with respect to reserve accounts to the committee in the near future

Councillor Craig expressed his concern that over time, reserve accounts will be depleted if more revenue is not being generated. He inquired as to why the fire prevention inspections were not going forward as there is \$200,000 line item within the budget that has not been spent.

Mr. De Montbrun noted that the \$200,000.00 that is referenced was a fee that was proposed but was not used.

Councillor Craig further noted that within the budget the only Business Unit that did not have a variance is the Office of the Auditor General and requested further information as to whether or not the Office will come in under budget.

Mr. Larry Munroe, Auditor General noted that his office will come in under budget, and stated that staffing levels within his office has changed and will continue to do so as office continues to grow professionally as salary adjustments take place due to individual achievements or new designations.

Councillor McCluskey inquired as to whether or not Fire and Emergency Services is continuing to conduct medical response protocol.

Ms. Fraser commented that Fire and Emergency Services will continue medical response protocol, but noted that after a review of the program, it was determined by staff that the amount of work and cost is not as high as was originally anticipated.

Councillor McCluskey inquired as to who is managing the Alderney Gate building. Ms. Fraser noted that Operations Support manages the building and noted that there was a change respecting the cleaning suppliers which is now managed in house at a projected savings.

In response to a follow up question from Councillor McCluskey pertaining to the operating costs of surplus property, Ms. Fraser commented that it would be addressed at the Committee of the Whole budget deliberation session for Operations Support which will take place on March 11, 2015.

In response to a follow up question from Councillor McCluskey, Mr. Greg Keefe, Chief Financial Officer noted that \$200,000.00 of the \$600,000 line item for Library services is for pensions costs that were not included in the previous year budget. He noted that the remaining \$400,000.00 relate to costs associated with the opening of the Halifax Central Library.

Mr. Keefe further commented that he will provide information on tax appeals in the quarterly financial reports on a go forward basis.

MOTION PUT AND PASSED.

- 9.2 OFFICE OF THE AUDITOR GENERAL – NONE**
- 9.3 INVESTMENT POLICY ADVISORY COMMITTEE – NONE**
- 9.4 SPECIAL EVENTS ADVISORY COMMITTEE – NONE**
- 9.5 GRANTS COMMITTEE – NONE**
- 10. MOTIONS – NONE**
- 11. IN CAMERA**

11.1 Personnel Matter

This item was dealt with later in the meeting. Please refer to page 8-9.

MOTION PUT AND PASSED.

- 12. ADDED ITEMS**
- 12.1 Funding Request-Dalhousie University**

The following was before the committee:

- *A staff recommendation report dated January 27, 2015*

MOVED by Councillor Rankin, seconded by Mayor Savage that the Audit and Finance Standing Committee recommend that Halifax Regional Council provide 1/3 funding to Dalhousie University to complete renovations in the Dalplex Aquatic Centre, not to exceed \$80,000, and to fund the request outlined in the Financial Implications section of the staff report dated January 27, 2015.

Councillor Rankin expressed his support for the recommendation and noted that the contribution on behalf of the municipality will provide a great deal of benefit with respect to fulfilling recreation needs in the area.

Councillor Dalrymple noted concern with the recommendation citing that HRM's Facility Master Plan stipulates that the municipality should not enter in to these types of agreements with outside organizations. He requested further information regarding the origin of the request for the staff report.

Ms. Denise Schofield, Manager of Regional Recreation noted that the request for the staff report was requested through a motion of Regional Council on December 9, 2014 directing that staff review the request for funding from Dalhousie University.

Councillor McCluskey noted her support from the recommendation and suggested that the current state of the facility is not adequately service the area in terms of capacity.

Mayor Savage echoed Councillor McCluskey' s comments and expressed his view that the funding request for Dalhousie University is a good investment as it leverages the current infrastructure that is in place to make it a much more valuable asset.

MOTION PUT AND PASSED.

12.2 Service Improvement Reserve Withdrawal

The following was before the committee:

- *A staff recommendation report dated January 20, 2015*

MOVED by Councillor McCluskey, seconded by Councillor Rankin that the Audit and Finance Standing Committee recommend to Halifax Regional Council to approve an increase to operating account A205 – Human Resources Administration in the amount of \$389,653, including net HST, and that this increased budget is to be funded from a withdrawal from the Service Improvement Reserve (Q310) for the completion of the Human Resources Service Delivery initiative as outlined in the Financial Implications section of the staff report dated January 20, 2015.

MOTION PUT AND PASSED.

12.3 Community Planning & Economic Development Standing Committee - Possible Support for Engage Nova Scotia

The following was before the committee:

- *A Community Planning & Economic Development Standing Committee recommendation report dated February 18, 2015*

MOVED by Councillor Mosher, seconded by Mayor Savage that the Audit & Finance Standing Committee forward the following recommendation to Halifax Regional Council for approval:

- (1) That Halifax Regional Municipality work closely with the Halifax Partnership (HP) and provide an initial grant of \$50,000 to Engage Nova Scotia (ENS) this fiscal year with the possibility of an additional grant next year, subject to Council approval and if certain conditions are met.**
- (2) Approve the withdrawal of funds in the amount of \$50,000 from the Operating Surplus Reserve, Q328 to cover the operating grant for fiscal 2015/16.**
- (3) That Halifax Regional Municipality and ENS sign an Agreement along the lines of the one set out in Attachment A of the staff report dated January 30, 2015 to govern the relationship between the two parties and to set out conditions for continuation.**

- (4) That Halifax Regional Municipality participate actively in the work of ENS where appropriate over the coming year.**

Mayor Savage expressed his support for the recommendation and noted that it provides the opportunity for the municipality to assist in providing leadership respecting economic development initiatives.

MOTION PUT AND PASSED.

11. IN CAMERA

11.1 Personnel Matter

The Audit & Finance Standing Committee convened to In Camera at 11:55 a.m. to deal with the following:

11.1.1 Citizen Nomination to the Grant Committee

The Audit & Finance Standing Committee reconvened to public session at 11:59 p.m. to ratify the following motion:

MOVED by Councillor McCluskey, seconded by Councillor Dalrymple that the Audit & Finance Standing Committee:

- 1) Proceed to nominate one (1) citizen to the Grant Committee to fill an unexpired term to November 20, 2016 as outlined in the private and confidential staff report.**

MOTION PUT AND PASSED.

13. NOTICES OF MOTION

13.1 Councillor Mosher

Please take notice that at the next regular meeting of the Audit & Finance Standing Committee, I intend to propose a motion to request a staff report which assesses the establishment of a Risk Management Office for the Halifax Regional Municipality.

14. DATE OF NEXT MEETING – March 27, 2015

15. ADJOURNMENT

The meeting was adjourned at 12:01 p.m.

Liam MacSween
Legislative Assistant

INFORMATION ITEMS

1. Memorandum from the Directors of Parks and Recreation, Finance and ICT, and Halifax Transit dated February 2, 2015 re: Discount Coupon System for Senior Citizens
2. Memorandum from the Legislative Assistant dated February 12, 2015 re: Requests for Presentations – None