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**Audit & Finance Standing Committee
December 14, 2011**

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

SUBMITTED BY: 
Richard Butts, Chief Administrative Officer

DATE: November 30, 2011

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

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). Last update provided to the Committee at its October 19, 2011 meeting.

BACKGROUND

As identified in previous reports to the Audit & Finance committee, the Audit Coordination Team (ACT) has been created to respond to and coordinate the implementation of recommendations made by the Auditor General. The main priority for ACT has been to develop a work plan to implement the recommendations from the AG’s Report on Concerts on the North Commons (Concert Report). An initial update on the status of this work plan was provided to the Audit and Finance committee on October 19, 2011. The CAO initially indicated that progress reports would be provided to the committee bi-monthly, but it has since been determined that reporting on a quarterly basis is more appropriate.

The discussion section of this report provides the most recent updates on progress in responding to and implementing the recommendations from the Concert Report.

DISCUSSION

Concert Report

The report includes 54 recommendations, which are organized into five general themes within the work plan. Of the recommendations, 12 have been completed, 37 are in the process of being implemented and 5 have not yet been initiated.

Theme	Total Recommendations	Implemented / Completed	In Progress	Not Yet Initiated
Events Strategy	6	4	2	
Contract Administration	8		8	
Management Agreement with TCL	26	5	16	5 (*)
Risk Management	7		7	
Internal Business Practices	7	3	4	
TOTAL	54	12	37	5 (*)

(*) The five recommendations in the “Not Yet Initiated” category relate to monitoring of compliance to the terms of the management agreement with TCL. These will be initiated once the management agreement is completed and the process for ongoing monitoring and reporting is clarified.

1. Events Strategy (In progress - AG Recommendations # 9 and 45)

The Events Strategy theme focuses on the aspects of the AG’s report that recommend process improvements for future concerts. The October report to the committee outlined that each major event that is organized in HRM is vetted through the Special Events Task Force (SETF). Reinforcing the use of the SETF model for the coordination of municipal services for future concerts will provide a solid foundation for identifying and reporting on the costs of concerts in HRM.

The outstanding recommendations relate to setting limits on HRM's contribution to events, enhancing role clarity and better documenting decision-making processes. These are being addressed in a Service Agreement between Trade Centre Limited (TCL) and HRM. A draft agreement has been prepared and is being reviewed by Legal Services and Community and Recreation Services. Upon legal review of the draft agreement and determination of funding options, it will be presented to the Community Planning and Economic Development Standing Committee by staff of TCL and HRM. Pending the Standing Committee's review and discussion, the draft agreement will be brought forward to Regional Council for debate, potential amendment and ratification.

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 resulting staffing levels, technology, organization, business processes and performance indicators required in support of these processes. The second area consists of detailed recommendations dealing with contract development and approvals that aim to ensure HRM has appropriate contract management practices that are understood across the organization.

A Request for Proposals (RFP) for Business Process and Operational Consulting for HRM's Legal Services Business Unit was issued and closed on November 15. A staff team has reviewed the proposals received and will be conducting follow-up interviews with short listed consultants on December 2. It is anticipated that a recommendation for award will be made to the CAO before the end of December.

3. Management Agreement (AG Recommendations 13 to 38)

Recommendations in this theme fall into four broad categories. The first (Recommendation #36) is a recommended review of HRM's ownership of and operating responsibility for the Halifax Metro Centre. Prior to the release of the Concert Report, staff had undertaken to review the current economic development governance model in HRM. In addition, as part of the Concert Report work plan, staff has initiated research on facility governance models in other Canadian cities with venues similar to the Metro Centre. The outcome of these activities may impact how HRM proceeds in the long term with respect to this recommendation. Moreover, this recommendation 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. TCL is reviewing and developing procedures to ensure that the use of inter-corporate accounts is eliminated and is completing the transfer of advance ticket sale funds from the Halifax Metro Centre bank account to the new Ticket Atlantic bank account. Prior to finalizing the transfer of funds between the bank accounts, these procedures will be reviewed with HRM.

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, performance measures and clear expectations. This document is being reviewed and updated through ongoing discussions between TCL and HRM staff. It is anticipated that a draft will be brought forward to the Audit and Finance Standing Committee for review and discussion in early 2012. After review by the Standing Committee, the agreement will be brought to Regional Council for debate, potential amendment and ratification. The development of this agreement is taking 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 with TCL, 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 new risk management tools, identification of key risk indicators, and improving the understanding of risk management across the organization. HRM is developing a more comprehensive risk management model for organizational decision-making, and some initial steps have taken place. The end product will consist of four primary components. The first is a specific organizational policy outlining the risk management approach. Second is the inclusion of risk management as a filter at key points of HRM's decision-making process. The third component is development and delivery of risk management training to ensure increased awareness within the organization. The final component is assigning specific accountability for each component of the risk management framework. A request for Proposals (RFP) may be developed at a later date by the Risk and Insurance Services Division of the Legal Services business unit to review the HRM's tools and approach to risk management, and make recommendations for improvement and provide assistance in implementation. However, it should be noted that the short term priority will be the completion of the review of legal services and contract administration, referenced previously in this report.

5. Internal Business Processes (In progress - AG recommendations 39, 41, 48(1), and 48(2))

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

Human Resources has initiated reviews of the corporate training calendar and the HRM Values and Ethics handbook. Recommendations in relation to the training calendar will be complete by the end of January 2012 and it is anticipated that areas of mandatory training will be identified, including an updated values and ethics training program for staff. Sourcing is underway to select an external trainer to deliver an ethics training program to senior management and Council. Human Resources is also planning for a more robust program of ethics and values training to be included 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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