

**Audit & Finance Standing Committee
October 19, 2011**

TO: Councillor Gloria McCluskey, Chair and Members of the Audit & Finance Standing Committee

SUBMITTED BY: 
Richard Butts, Chief Administrative Officer

DATE: September 30, 2011

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

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).

RECOMMENDATION

It is recommended that the Audit and Finance Standing Committee forward this Report to Regional Council for their information.

BACKGROUND

As identified in the August 17, 2011 report to the Audit & Finance committee, the Audit Coordination Team (ACT) has been created to respond to and coordinate the implementation of the recommendations in the Auditor General’s (AG’s) Concert Report. The report has been reviewed and five general themes identified for further action. The discussion section of this report provides updates on progress in responding to and implementing the recommendations in each of the five themes.

DISCUSSION

Concert Report

After reviewing the report and identifying the five themes, ACT began working with HRM business units and the Trade Centre Limited (TCL) to respond to the recommendations from the Auditor General. While HRM and TCL both generally agree with the content and the overall direction proposed in the Concert Report, specific responses for each recommendation were prepared to assist in developing a comprehensive work plan to address the issues identified in the report. The specific responses are included as Attachment A to this report.

In summary, the Concert Report included 54 recommendations of which 11 have been implemented, 38 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	2	5	
TOTAL	54	11	38	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 (AG Recommendations # 1, 9, 10, 11, 12, and 45)

The Events Strategy theme focuses on the aspects of the AG’s report that recommend process improvements for future concerts. These include HRM discontinuing the practice of issuing cash advances for concerts and major events, improvements to the process of accumulating

and reporting municipal costs, and clearly defining roles in the decision-making process. Community & Recreation Services is the lead business unit for these recommendations and staff is working with TCL to develop a draft Service Agreement for future concerts and major events. This agreement will outline the two parties' respective roles in relation to major event attraction and hosting, and clearly define the decision-making and reporting process. This draft agreement will be brought to HRM Council for debate, potential amendment and ratification in the coming months.

In addition, each major event that is organized in HRM is vetted through the Special Events Task Force (SETF). The SETF consists of representatives from all HRM business units with a role in supporting events and members of the task force consider the impact of each potential event and estimates the cost of services required. The Civic Events section of Community and Recreation Services chairs this task force, acts as the central contact point for the collection of information, and monitors costs within an established budget. Reinforcing the use of the SETF model for the coordination and planning of future concerts and major events will provide a solid foundation for identifying, accumulating and reporting on the costs of concerts in HRM.

2. Contract Administration (AG Recommendations 2 through 8)

The Contract Administration theme focuses on the aspects of the AG's report that recommend improvements to HRM's contract development and approval process. Recommendations in this theme fall into two general areas. The first is identifying all work processes within HRM where legal advice should be sought and determining the staffing levels, technology, organization, business processes and performance indicators required to support this work. The second area consists of a series of more detailed recommendations dealing with contract development and approvals to ensure HRM has appropriate practices in place and that they are understood and adhered to across the organization.

As per a previous report submitted to the Audit and Finance Committee, a Request for Proposals (RFP) has been drafted to review these HRM business processes, primarily within Legal Services, and provide recommendations on the structure and work processes that would help to implement the best municipal government business practices in this area.

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. HRM is undertaking a review of economic development governance, and HRM staff is also researching facility governance models in other jurisdictions with similar venues. 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. In this category, the March 31, 2011 financial statements for the Halifax Metro Centre and TCL have been adjusted to include the liability associated with Ticket Atlantic's advance ticket sales in the accounts of TCL, a separate bank account has been established for Ticket Atlantic and signatories on the Halifax Metro Centre bank account have been updated by TCL. TCL is reviewing and developing procedures to ensure that the use of inter-corporate accounts is minimized and to complete the transfer of advance ticket sale funds from the Halifax Metro Centre bank account to the new Ticket Atlantic bank account. Prior to completing 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. The need to update and enhance this management agreement is recognized and agreed to by both TCL and HRM, who are working collaboratively to identify and develop mutual expectations for the operations and oversight of the Halifax Metro Centre. The agreement will outline the relationship between the parties, establish specific levels of authority, outline reporting requirements, detail the basis for transfer of funding to TCL to manage the Halifax Metro Centre on behalf of HRM, define performance measures and document clear expectations. The draft agreement will be negotiated and brought to HRM Council for debate, potential amendment and ratification. The development of this agreement will take into consideration the ongoing work on 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. It should be noted that the potential operational and resource impact on other HRM management agreements will need to be closely considered as new processes are put in place for the relationship with the Metro Centre.

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

Recommendations in this theme relate to the further enhancement of HRM's organizational approach to risk management. These include development of risk management tools, identification of key risk indicators, and improving the understanding of risk management across the organization. It should be noted that HRM has been active in developing a risk management model for organizational decision-making, and some of the initial tools are in place. In addition to the review of legal services and the contract administration process noted above, a follow-up RFP process will be developed by the Risk and Insurance Services Division of the Legal Services business unit to review the organization's current tools and approach to risk management, and make recommendations for improvement.

5. Internal Business Processes (AG recommendations 39, 40, 41, 46 48 (1), 48(2) and 49)

This theme includes recommendations on a number of areas that broadly relate to organizational culture. These include areas such as "soft controls" (*) "tone from the top", and the decision-making relationship between Council and Administration. Responses to these 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. This area also includes the recommendation that Regional Council seek legal advice on the validity and necessity of paying the \$359,550 invoice. As noted in the attached response, legal advice in this area is ongoing.

(*) 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

- A – Concert Report AG Recommendations and Management Responses
- B – TCL Board Approved Policy and Protocols regarding advances to Event Organizers (re AG recommendations 1 and 14)

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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