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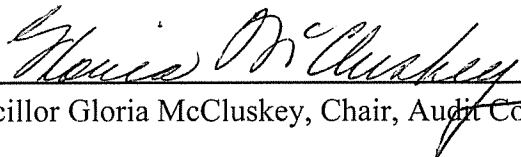


PO Box 1749
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Halifax Regional Council
December 12, 2006

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


Councillor Gloria McCluskey, Chair, Audit Committee

DATE: Nov 28, 2006

SUBJECT: Interim Audit Work Plan

ORIGIN

This is a staff originated report, approved by the Audit Committee of Council.

RECOMMENDATIONS:

It is recommended that:

- 1) The additional \$150,000 approved by Regional Council in the 06/07 Operating budget for Business Systems and Control be allocated, in part, to hire a Senior Auditor (Business Consultant) and Junior Auditor (Auditor Analyst) on a term basis, with potential conversion to permanent status subject to the 2007/08 budget process.
- 2) Business Systems and Control carry out two comprehensive reviews in the areas of the "HRM Procurement Processes and Practices" and "Employment Business Expenses and Reimbursements."
- 3) Business Systems and Control develop a recommended structure for an independent Audit Division of HRM to be presented to the Audit Committee by January 31, 2007.

BACKGROUND

On December 6, 2005, Halifax Regional Council referred a motion to the Audit Committee for consideration and response:

“ That a comprehensive audit be carried out on all departments of HRM. The audit is to be carried out by an external audit team and to include at least an audit of two departments each year.”

Since this motion was tabled at the Audit Committee, significant discussion has occurred around external or internal resourcing; the concept of independence in internal auditing; and the definition of a comprehensive audit. On October 23, 2006, the Audit Committee of Council reached unanimous agreement on the three recommendations presented in this report.

DISCUSSION

The purpose of this report is to expedite access to funding in support of current internal auditing requirements, and to move forward in addressing the Audit Committee’s desire to ensure the independence of the audit function is and is seen to be, independent of the management of HRM.

The Audit Committee of Council was asked to provide information on the options related to:

1. The Comprehensive Audit of all departments of HRM whereby two departments are audited per year;

The Audit Committee has not reached a recommendation on this issue. A separate meeting will be held to discuss this issue at length and a separate report will be forwarded to Regional Council.

2. The conduct of these audits by an external audit team.

At the October 23, 2006 meeting of the Audit Committee, Committee Members clarified the use of the term “external” as presented in the original motion referred by Regional Council on December 6, 2005. For purposes of recommending a course of action to Regional Council, “external” is used in reference to the reporting relationship of the internal audit function to Council, not necessarily the exclusion of internal resources, (IE staff vs hired consultants.)

The Audit Committee will continue discussions on the most appropriate governance model for the internal audit function within HRM and a final recommendation will be forwarded for Council’s consideration.

In addition, the need for an evaluation of services and programs offered by the HRM in terms of mandatory or discretionary services was also discussed by the Audit Committee.

A draft list was compiled and given to the Audit Committee on August 3, 2006. A separate staff report

on this initiative will be presented to Council.

Business Systems and Control is currently developing a new three year audit plan. The development of this plan involves significant discussion to determine the type and degree of risk observed by the stakeholders as well as an objective analysis of data and risk mitigation currently underway or planned. Council and staff will be included in the issues identification and risk analysis process prior to a draft plan being presented to the Audit Committee. In the interim and using a risk based approach, Business Systems and Control staff have identified two areas that would benefit from a comprehensive (value-added) review at this time:

1. HRM Procurement Processes and Practices - policy, process and application of relevant tools such as standing orders, tenders, purchase orders, visa purchase cards.
2. Employment Business Expenses and Reimbursements (including staff and Members of Council). Expenses reviewed would include travel reimbursements, mileage allowances, educational reimbursements, etc.

Whether comprehensive audits are to be done on a business unit basis or whether they are done on a risk analysis basis, the issue of resources needs to be addressed. The recommendation at the outset of this report deals with the immediate need to provide resources for the two audits described above. There is still however, a need to consider the issues relating to resources for the audit function as a whole over the longer term which will be the subject of a future report from the Audit Committee.

Given the nature of the work, time frame and limited funding available, Business Systems and Control are best suited to determine the type and level of utilization of resources to complete the proposed work. External resources may be necessary to meet audit time lines or where the technical expertise can not be provided in-house. These factors can be addressed as the scope of the work, as recommended in this report, is defined and the work completed.

BUDGET IMPLICATIONS

There are no budget implications. Staff have included \$150,000 in the 06/07 Budget as funding towards resources to complete additional auditing.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

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

ALTERNATIVES

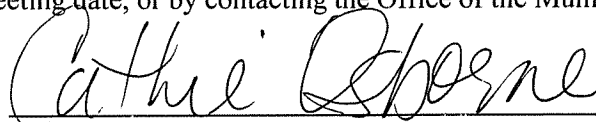
1. Council can direct staff to conduct the proposed work using current resources and funding.

ATTACHMENTS

None

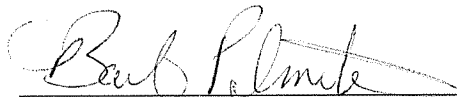
A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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