

AUDITOR GENERAL

Halifax Regional Municipality

Office of the Auditor General Halifax Regional Municipality

**Annual Report
Period Ended March 31, 2014©**

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AUDITOR GENERAL

Halifax Regional Municipality

June 6th, 2014

Mayor Mike Savage
Halifax Regional Municipality
PO Box 1749
Halifax, NS B3J 3A5

Dear Mayor Savage,

It is with great pleasure I provide to you the Annual Report for Period Ended March 31, 2014 from the Office of the Auditor General, Halifax Regional Municipality.

This report is submitted in accordance with Section 50(6) of the Halifax Regional Municipality Charter.

Yours very truly,
Original Signed

Larry E. Munroe, FCA
Auditor General

cc. Hon. Mark Furey
Minister of Municipal Affairs

AUDITOR GENERAL

Halifax Regional Municipality

June 6th, 2014

Honourable Mark Furey
Minister of Municipal Affairs
Department of Municipal Affairs
Province of Nova Scotia
P.O. Box 216
Halifax, NS
B3J 2M4

Dear Minister Furey,

It is with great pleasure I provide to you the Annual Report for Period Ended March 31, 2014 from the Office of the Auditor General, Halifax Regional Municipality.

This report is submitted in accordance with Section 50(6) of the Halifax Regional Municipality Charter.

Yours very truly,

Original Signed

Larry E. Munroe, FCA
Auditor General

cc. Mike Savage
Mayor, Halifax Regional Municipality

<i>Our Vision</i>	To be a highly relevant, valued and credible organization, known for professional excellence.
<i>Our Mission</i>	To make a significant contribution to the enhancement of HRM's performance, governance and accountability in a transparent and objective manner.
<i>Our Values</i>	Performance – continuously raising standards to support the efficient and effective delivery of our services; the work must be relevant to elected officials, HRM Management and the public. Credibility (integrity) – valuing and taking responsibility for the reputation of the Office of the Auditor General; accountable for our actions. Neutrality – transparent, objective and impartial. Teamwork – working together with respect and integrity to generate better solutions. Professionalism – striving for the highest standards in professional conduct and development. Confidentiality – respecting all information and contacts with the highest regard for confidentiality.

Introduction

On behalf of the Office of the Auditor General (OAG), Halifax Regional Municipality, I am pleased to provide our report of work completed by the Office for the period April 1, 2013 to March 31, 2014.

As a result of the work completed to March 31, 2014, 6 additional reports were released with 102 recommendations having been provided to Management. This brings the total number of recommendations to 446 since the commencement of projects on April 1, 2010. We are again pleased to note Management's acceptance of all 102 new recommendations from the 2013/2014 completed reviews.

This period continued to see the resources of the OAG directed towards and supporting the following additional objectives:

- Ongoing development of professional standards to deliver the highest quality reports to the residents of Halifax Regional Municipality.
- Continued website development and timely publishing of our completed reports.
- Advisory activities engaged in by the Auditor General as well as staff members of the Office.
- Ongoing development and mentoring with cooperative education opportunities in conjunction with local universities.

**Role of the
Auditor General**

The Auditor General's first responsibility is to the public. The Auditor General provides assistance to Halifax Regional Council in holding itself and the Administration accountable for the quality of stewardship over public funds and achieving value for money in the operation of the Municipality.

The full description of the role, mandate and authority of the Municipal Auditor General is found within the [HRM Charter](#), Sections 49 to 54 which include (amongst other responsibilities) the following:

50(2) The Auditor General shall examine, in the manner and to the extent the Auditor General considers necessary, the accounts, procedures and programs of the Municipality and any municipal body of the Municipality, as that term is defined in Section 461 of the *Municipal Government Act* or person or body corporate receiving a grant from the Municipality, to evaluate

(a) whether the rules and procedures applied are sufficient to ensure an effective control of sums received and expended, adequate safeguarding and control of public property and appropriate records management;

(b) if money authorized to be spent has been expended with due regard to economy and efficiency;

(c) if money has been spent with proper authorization and according to an appropriation;

(d) if applicable procedures and policies encourage efficient use of resources and discourage waste and inefficiency; and

(e) whether programs, operations and activities have been effective.

Reporting

The HRM Charter calls for the Auditor General to report annually in a public forum. This has been accomplished by providing reports on an ongoing basis as they are completed. These reports are first made public at Audit and Finance Standing Committee meetings and then published (on the same day) on our webpage. Also, this document, Annual Report Period Ended March 31, 2014, is being tabled with HRM Regional Council, July 2014.

The Office of the Auditor General has - to March 31, 2014 - completed and released 26 reports. All completed reports have been published on the OAG public webpage at www.halifax.ca/auditorgeneral.

Audit and Finance Standing Committee

The OAG continues to enjoy a communications protocol with the Audit and Finance Standing Committee of Regional Council; regular updates were provided to the Committee on findings and recommendations as project work was completed. This reporting protocol is intended to assist the Audit and Finance Standing Committee in carrying out its duties and in further strengthening the Committee's role as a liaison and communication link between the Auditor General and Regional Council, as found in the Terms of Reference for the Audit and Finance Standing Committee.

**Allocation of Staff
Resources**

At March 31, 2014 the Office of the Auditor General was staffed as follows: the Auditor General, Assistant Auditor General, two Senior Associates, two Associates and one Research / Analyst. The OAG again hosted a cooperative education student for the Spring / Summer terms during 2013. The staff of the OAG continued to function at a high-level as a well-educated, professional service team with degrees ranging from Science, Commerce and Business Administration and designations including CA, CMA, CIA, CGA, CRMA and FCA.

All project work conducted by the Office of the Auditor General is in accordance with standards set by the Canadian Institute of Chartered Accountants (CICA). The Office applies the CICA standards as minimum requirements, complementing these as appropriate with the standards and practices of other disciplines. These standards are of course aligned with the Office's team values of neutrality, credibility, performance and professionalism.

Hours worked by staff are logged and coded to various projects or assignments. The recorded time is used as a benchmark for assigning resources to future projects and to develop internal benchmarks around the efficiencies and effectiveness of the processes and standards currently in place.

Productivity is measured and the Auditor General is afforded the opportunity to put in place key performance indicators for future work within the Office. Overall, for 2013/2014, logged staff time was generally allocated to the following categories:

- Value for Money Reviews
- Compliance Reviews
- Investigation Files
- Consulting and Advisory

A very high percentage of the time (in excess of 72%) was spent on value for money projects.

Professional Standards

The professional standards committee has an active role in all project work with a focus on continuous improvement and adherence to professional standards developed or adopted by the Office. The committee's role in project work includes but is not limited to the following:

1. Review of all proposed project charters before commencement of any project work.
2. Ongoing assistance during the completion of project work as professional standards matters arise.
3. Review of completed project files prior to release of the final report to ensure the work meets or exceeds the minimum standards of the Office.
4. Sponsorship of ongoing Office training with respect to all areas of performance and compliance reviews.
5. Preparation and distribution of regular professional standards bulletins.

The committee devotes considerable time to the development of reference material and project guides for value for money and compliance work. Notable contributions to the OAG during 2013/2014 from the professional standards committee are as follows:

Procedures Manual

To ensure all OAG projects adhere to the internal standards developed for or adopted by the Office and these standards are applied consistently, the committee began development in 2013 of a procedures manual specific to the Office. The manual provides guidance to project staff by:

1. Setting out a basic framework within which the project team can make sound recommendations after analyzing performance or compliance,
2. Promoting consistent and effective reviews of all types,
3. Establishing a basis for further development of the performance and compliance frameworks and project methodologies leading to project findings,
4. Reducing the learning curve and training of new employees.

The manual is organized around relevant CICA Standards to ensure the methodologies (planning, field work, reporting) used by the OAG are professionally supportable; it also helps to ensure all projects are conducted in a consistent and effective manner. The manual represents the OAG's focus on continuous improvement and commitment to providing the Municipality with reports which are consistently of high quality and impact.

Value for Money Framework and Flow Chart

The approach to value for money analysis and the methodologies used by the OAG have, by necessity, evolved over time. The field of value for money auditing or performance measurement is a highly complex field with constant innovation in the processes used to measure effectiveness, efficiencies and economies.

The professional standards committee has developed a framework as guidance for evaluating performance and as a methodology for providing commentary around how management demonstrates value for money in various programs and expenditures. The framework outlines relationships between inputs, outputs and outcomes and how they relate to effectiveness, efficiency and economies.

The professional standards committee recently leveraged this framework and developed a value for money flow chart which outlines suggested steps which need to be in place to ensure the highest value for money is being achieved. This flow chart connects policy development, management functions and outcomes to effectiveness, economies, and efficiency in order to make commentary on the level of performance being achieved by a program, service or process. The flow chart is designed to take value for money projects to a higher level where policy decisions, management functions and strategic outcomes can all be linked to the key indicators of performance (effectiveness, economies and efficiency). In other words, this tool was developed as a measure to enable management to demonstrate how it achieves value for money and the OAG to assess the level of value received by the taxpayers.

Governance Framework

The professional standards committee has incorporated the International Public Sector Governance Framework, which identifies core principles of good governance in the Public Sector, into our value for money evaluation process. This framework can also be used by Management to tie good governance and performance management practices (the management functions) to the value for money framework noted above.

Participation in Canadian Comprehensive Audit Foundation (CCAF) Study

During 2013/2014 the OAG participated in a CCAF study on auditing efficiency. The study focused on how public sector auditors can audit efficiency in government operations. The result of the study

was the publication of the Practice Guide to Auditing Efficiency which has been published on the CCAF website¹. The publication includes guidance needed to plan, carry out and report on efficiency in a highly structured yet understandable way.



¹ CCAF website: https://www.ccaf-fcvi.com/index.php?option=com_content&view=article&id=1013&Itemid=533&lang=en

***Opportunities: Co-op
Student Training,
Secondments and
Outreach Programs***

The Office of the Auditor General supports employees in continuous learning and mentoring, and continues to seek out cooperative education opportunities in conjunction with local universities.

To March 31, 2014, the Office of the Auditor General has enjoyed five (5) cooperative education terms employing motivated students with diverse skills. In fact, one of our students exhibited the skills and desire required to work in this field and was hired fulltime following graduation. All young colleagues were enrolled with local universities and educational centres.

These co-operative opportunities have brought us innovative and talented young people who are interested in working within the audit world and are at the same time gaining career-related experience in preparation for entry into the public sector. The public sector is offering opportunities for engaging careers and rewarding personal and professional growth while contributing to long-term employment in the local and provincial economies.

To March 31, 2014, the OAG has also provided several learning opportunities for HRM staff from various business units within the organisation through secondments, providing the OAG needed resources with particular expertise. This also affords a knowledge transfer to take place between the OAG and the staff/business unit(s) involved.

The current Auditor General also supports the contribution of OAG staff towards speaking engagements and leadership roles in a number of professional and other organizations. Together, approximately 200 hours were spent on outreach activities.

Consulting and Advisory Activities

While the mandate of the Auditor General is defined by legislation within the Halifax Regional Municipality Charter, the practical role of the Auditor General and operation of the Office has been developed and clarified within the context of organizational needs as well as the expertise and experiences of the current Auditor General. Activities carried out by the staff of the OAG support oversight as opposed to operational involvement and advisory capacity as opposed to decision-making.

Resources from the Office of the Auditor General, particularly the Auditor General personally, are frequently called upon to assist the organization by providing an objective opinion or outlook in certain circumstances.

T.I.P.S. Hotline: Taking Improvement and Performance Seriously

Continuing our commitment to support the highest level of integrity of HRM's employees and value for the taxpayers' money, the Office of the Auditor General (OAG) continues to respond to our T.I.P.S. Hotline - Online. The T.I.P.S. Hotline - Online is used by HRM staff as well as members of the public and is located on our webpage at www.halifax.ca/auditorgeneral.

The T.I.P.S. Hotline - Online saw its second full year in operation; a review of this period will be presented and published as the T.I.P.S. Hotline 2013 Annual Report.

As with the T.I.P.S. Hotline telephone initiative (490-1144), all online submissions are held in strict confidence and are not shared in any way.

The T.I.P.S. Hotline allows the OAG to capture and evaluate concerns or complaints of potential inefficiencies (waste) or fraud (potentially illegal/irregular behaviour) involving HRM resources. The T.I.P.S. Hotline augments other reporting services for the organization.

2013/2014 Projects

Table 1 shows details around the various projects undertaken by the Office of the Auditor General for the period April 1, 2013 to March 31, 2014. During fiscal year 2013/2014, the Office of the Auditor General released six (6) reports which included performance and compliance reviews as well as projects based on emerging issues involving internal controls and opportunities. In addition, there were five (5) active projects in various stages of completion at the time of the writing of this annual report. The TIPS Hotline - Online saw its second full year in operation; a review of this period will be presented and published as the TIPS Hotline 2013 Annual Report.

Table 1 Summary of Projects Completed for the period April 1, 2013 to March 31, 2014

Report Title	Release Date	Synopsis of Objectives	Recommendations
Review of the Administrative Functions within HRM's Entities which are Governed by an Agency, Board or Commission (ABC)	May 2013	To review the resources supporting certain administrative functional areas within each of the consolidated entities which are governed by an agency, board or commission, and if they appear reasonable given the line(s) of business, the size of the entity and their relationship with HRM. To analyse if there is consistency among the entities in terms of skill sets utilized and if the compensation models across the various organizations are consistent. Also to provide commentary around whether efficiencies and economies could be achieved by consolidating some or all of the functions, or if responsibilities could be reorganised to allow for greater attention of skill sets.	19
A Systems-Level Performance Review of Metro Transit's Service Delivery	July 2013	To review certain aspects of efficiency of Metro Transit service delivery through benchmarking against internal and industry practices. To assess effectiveness and economies of service delivery against stated service standards, Council-approved strategies, key performance indicators (KPIs) and industry practices. The stated service standards were also reviewed to determine if they are reasonable and designed to support the overall mission of Metro Transit and whether there was sufficient regard for economies.	14
HRM Payroll System – A Performance (Process) Review	August 2013	To review and comment on the efficiency, effectiveness and economies of the various processes used within individual business units and relevant ABCs in the collection and processing of biweekly payroll information.	23

Follow-Up to HRM Payroll System - A Performance (Process) Review	November 2013	To provide a summarization of possible savings which could be realized through the implementation of the report's recommendations.	2
Review of Expenses: Mayors, Councillors and Senior Management 2012-2013	December 2013	To analyse compliance and verify adherence to the Employment Expense Reimbursement Policy, Purchasing Card Policy or applicable policy in place at the time of the expenditure.	10
Halifax Regional Municipality (HRM) – A Performance Review of the Administration of Training Expenditures	February 2014	To understand how HR's programs and processes for providing training on an organization-wide level tie to the goals and objectives of programs and services of HRM and to determine the overall effectiveness of the programs being offered. To review and provide commentary on the delivery of HRM's corporate training program through HR, including controls and performance measures, as delivered through the Employee Learning and Development and Tuition Reimbursement Programs. To review and comment on the role of business units in support of staff training (whether through HR-provided programs or through the business unit's own programs and processes) and to assess the economies and effectiveness of those programs. To understand the full cost of training for HRM as an organization and to assess whether training is being delivered efficiently.	34
Total			102

**Auditor General's
Concluding Remarks**

I once again wish to sincerely acknowledge the tremendous efforts of the staff of the Auditor General.

Each year, through their efforts the OAG continues to grow and develop and provide Regional Council and the Administration recommendations on how greater value for money can both be demonstrated and achieved through the design and / or redesign of Halifax Regional Municipalities various programs and expenditures. It is my pleasure to be part of a team of professionals who view each interaction with staff, Regional Council and the public as an opportunity to learn and from this make a positive impact on the organization.

The OAG starts each year with a goal of learning more about performance auditing and being able to take these new concepts and apply them in a practical way to produce reports with greater impact. The staff of the OAG are truly a highly engaged group of professionals who each year rise to the challenge of completing more and more complex projects. To Andrea, Cindy, Dave, Jordie, Kate, Madelaine, Peta-Jane and Pauline, my personal thanks.

I would also wish to thank all of the many people our Office came in contact with at HRM over the past year. I am very pleased to say, our Office was always treated as a priority and we were also treated with respect and courtesy. I extend my personal thanks to Richard Butts, HRM Chief Administrative Officer and his Deputy Chief Administrative Officer and Directors for their assistance and support of our Office.

Our Office would also like to acknowledge the continued support of the Audit and Finance Standing Committee and in particular the Chair and Vice Chair of the Committee, Councillors Bill Karsten and Russell Walker respectively as well as Mayor Mike Savage and the members of Halifax Regional Council.

Larry E. Munroe, FCA
Auditor General
Halifax Regional Municipality