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**Halifax Regional Council**  
**May 16, 2006**

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

A handwritten signature in black ink, appearing to read "Len Goucher", written over a horizontal line.

Councillor Len Goucher, Chair of Audit Committee

**DATE:** April 25, 2006

**SUBJECT:** Comprehensive Audits

## **INFORMATION REPORT**

### **ORIGIN**

On December 5, 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.”

On April 12, 2006, the Audit Committee of Council agreed to provide Council with an update on the status of this referral, as they continued to gather the information necessary to provide an appropriate recommendation for Council’s consideration.

## **BACKGROUND**

On numerous occasions, Council has expressed a need to ensure value for taxpayers dollars. In recent discussions, Council has raised questions regarding municipal mandate, the extent and level of services, possible inefficiencies and unnecessary spending.

Comprehensive audits are a common tool used in the Public Sector to evaluate the effectiveness and efficiency of government operations. Conducting a comprehensive audit is a major undertaking as the work encompasses:

- a review of financial statements,
- a review of operations (value for money),
- an evaluation of legislative and policy compliance.

The Business Systems and Controls unit of HRM has been undertaking audits for the last four years and has taken a risk based approach to identifying areas for review. From this, a number of Business Unit initiatives have been undertaken to find efficiencies and better ways of providing service (e.g. snow and ice operations, transit fleet, review of non-inventoried materials and supplies, etc.) Business Units have also undertaken a review of services and implemented approaches with positive impact (e.g. Sackville Sports Stadium; Animal Control Services.)

A comprehensive review of services and programs provided by HRM is an appropriate exercise given the on-going financial challenges (service priorities and revenue base) facing the municipality. Individual business units also consider and conduct a review of services as part of good business practices.

## **DISCUSSION**

Council has indicated it's mission is to ensure taxes and fees charged to provide services to HRM citizens are spent on the most important things and are spent prudently and effectively.

With respect to whether HRM is providing the services most important to the citizens of HRM, staff has begun a process to review all services. Currently, staff is compiling a list of services. Each service will then be identified as mandatory, either under the Municipal Government Act (MGA) or through HRM by-laws, or discretionary. This initial categorization will define the priority of interest and/or obligation that will be furthered explored during a review of each service. Staff are collaborating to compile and share the information for the additional purposes of Business Continuity and Audit Work Planning exercises currently underway.

## **1. Service Improvement Review**

A cursory look indicates that under the MGA, many of HRM's services fall into the discretionary category. It is important for Council to consider the level of continued commitment discretionary services will receive in light of those that are mandatory. Even within the mandatory classification, Council has the ability to determine whether many of these continue to be a significant priority for citizens and/or to determine the level of service to be provided. For these services, a process will be designed to provide Council opportunity to validate the level of service being offered. Staff may assist Council in this discussion by identifying services that may be considered for service improvement, changes in service levels or alternative ways of meeting the needs of citizens.

Once Council has identified services to be considered for change, staff will undertake an analysis of implications. Among the questions staff could address would be:

- who benefits from the service
- description of the benefit and public interest served
- fit within the municipal mandate
- identification of alternative service providers
- other ways the benefit could be achieved
- assessment of whether the service is achieving its intended result
- level of satisfaction with the service
- implications if HRM were not to provide this service
- potential savings in the short and longer term if the service is reduced
- whether there are other ways the service could be paid for outside the general tax rate
- the amount spent relative to the benefit to be received.

Depending on the number of services identified by Council for review, staff will recommend a process and timetable to the Audit Committee of Council which will assist in the development of recommendations on how to resource additional comprehensive reviews.

## **BUDGET IMPLICATIONS**

There are not immediate budget implications. Staff can absorb the compilation and initial categorization process within the current envelopes.

## **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**

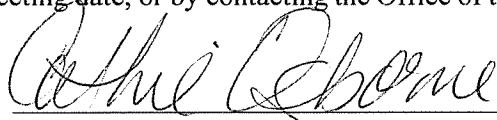
Council can direct the Audit Committee to respond immediately.

**ATTACHMENTS**

NA

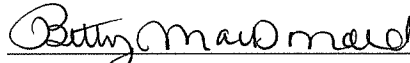
A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

Report Prepared by :

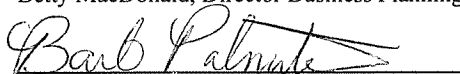


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