

# AUDITOR GENERAL

Halifax Regional Municipality



## Capital Budgeting Audit

June 2026

**June 10, 2026**

The following audit of **Capital Budgeting**, completed under section 50(2) of the Halifax Regional Municipality Charter, is hereby submitted to the Audit and Finance Standing Committee of Regional Council.

Respectfully,

*Original signed by*

Andrew Atherton, CPA, CA  
Auditor General  
Halifax Regional Municipality

## Table of Contents

Audit Overview .....	3
Audit Results .....	5
Gaps in Capital Budgeting Administrative Process .....	5
Governance structure not fully operating as designed .....	5
Gaps in capital evaluation and prioritization guidelines .....	8
Lack of standard procedures for cost estimating .....	9
Insufficient Evidence to Support the Cost Estimates in the Capital Plan.....	10
Lack of supporting evidence for the cost estimates .....	11
Inconsistent practices in cost estimating .....	12
Limited quality review of cost estimates .....	13
Capital Project Recommendations Not Clearly Linked to Evaluation Results .....	14
No documented rationale for evaluation results .....	14
No evidence of linkage between evaluation results and recommendations to Regional Council .....	15
Additional Observations.....	16
Capital Working Group’s Terms of Reference not updated .....	16
Capital Working Group meeting minutes not maintained .....	17
Background .....	18
About the Audit.....	19
Appendix 1 – Recommendations and Management Responses .....	21
Contact Information.....	24

## Audit Overview

[INFOGRAPHIC IMAGE BELOW: This image depicts the overall results of this audit.

- HRM's capital budgeting process needs improvement to support evidence-based decision making.
- Governance:
  - Governance structure not fully operating as designed.
  - Limited evidence of key responsibilities being fulfilled.
- Policy Gaps:
  - No standard procedures or minimum requirements for cost estimates.
  - No documented guidance for prioritizing projects.
- Insufficient evidence to support the cost estimates in the 2025-26 Capital Plan.
  - 50% of projects tested lacked sufficient evidence to support costs.
  - Limited quality review of cost estimates.
- Capital project evaluations not clearly linked to final recommendations.
  - No clear link of evaluation, prioritization or recommendation.
  - No documented rationale for evaluation results.
  - Unclear how front-line knowledge informed prioritization and recommendations to Council]

# Capital Budgeting Audit

HRM's capital budgeting process needs improvement to support evidence-based decision making

## Governance



Governance structure not fully operating as designed

Limited evidence of key responsibilities being fulfilled

## Policy Gaps



No standard procedures or minimum requirements for cost estimates



No documented guidance for prioritizing projects

Insufficient evidence to support the cost estimates in the 2025-26 Capital Plan

**50%** of projects tested lacked sufficient evidence to support costs

Limited quality review of cost estimates

Capital project evaluations not clearly linked to final recommendations

## No clear link

Evaluation

Prioritization

Recommendation

No documented rationale for evaluation results

Unclear how front-line knowledge informed prioritization and recommendations to Council

**Auditor General Halifax Regional Municipality**

**June 2026**

## Audit Results

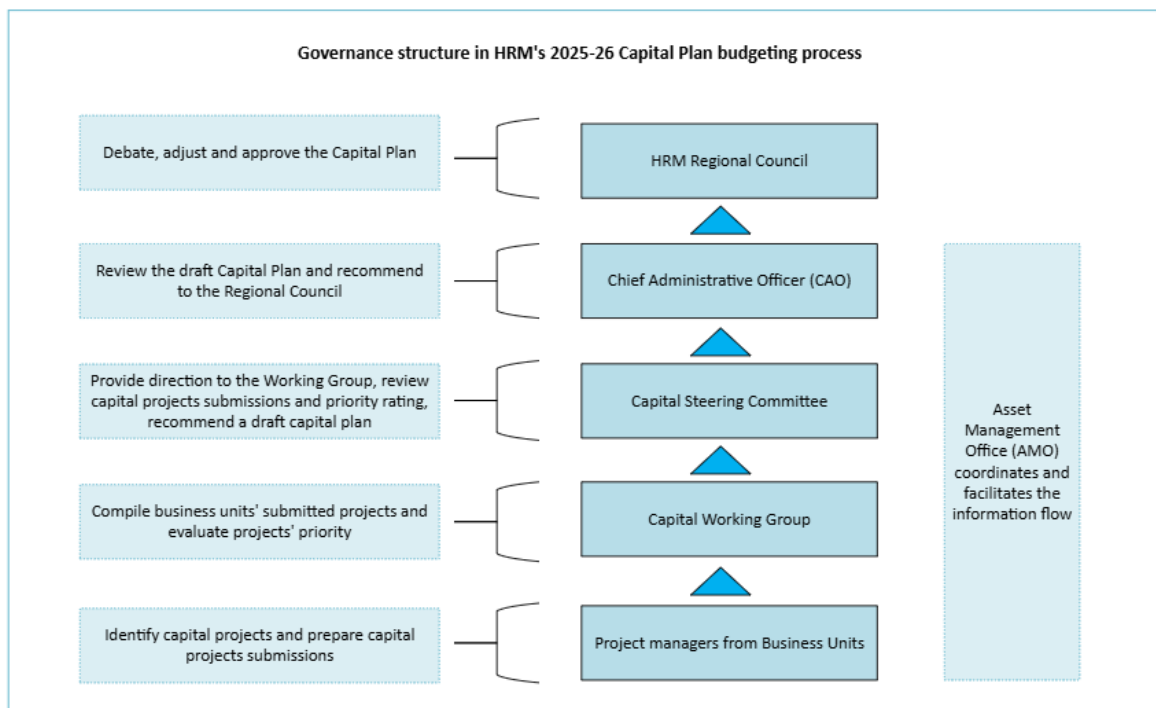
### Gaps in Capital Budgeting Administrative Process

We identified gaps in the Halifax Regional Municipality (HRM) capital budgeting administrative process. While a governance structure exists, it was not operating as designed during development of the 2025-26 capital budget. We also identified gaps in the policies and procedures meant to support a consistent capital budgeting process across programs and business units.

These gaps matter because a strong budgeting process helps ensure capital funding decisions are informed, consistent, and transparent. When the governance structure does not function as designed, there is a risk of limited coordination and oversight across business units, reducing the ability to consider trade-offs and long-term impacts at a corporate level. Gaps in policies and procedures can result in inconsistent practices, making it difficult to compare projects and understand project prioritization decisions.

#### **Governance structure not fully operating as designed**

HRM has a governance structure to guide and oversee the capital budgeting process, which includes the Capital Steering Committee. However, we found limited evidence that the Committee has fulfilled its key responsibilities such as considering HRM’s overall capital needs in recommending a draft capital budget plan.



The Committee is composed of executive directors from HRM business units. Key responsibilities under its Terms of Reference include:

- providing guidance to its sub-committees and overseeing their activities,
- developing business cases for large and complex capital projects before inclusion in the multi-year capital plan, and
- recommending prioritized projects with consideration to the overall capital portfolio impact and trade-offs.

Fulfilling these responsibilities is important. Without adequate direction and oversight, there is a risk that Regional Council's priorities are not clearly communicated, capital projects are not consistently reviewed and prioritized, and that projects are considered in isolation rather than aligned with HRM's overall capital needs.

### **Limited evidence of corporate discussion on capital priorities and trade-offs**

The Committee did not hold formal meetings or group discussions during the 2025-26 capital budget development. Based on the emails provided to us, communication was mainly limited to administrative matters, such as draft budget timelines and funding constraints, and was directed from senior leadership to individual executive directors.

We found limited evidence of documented discussion related to:

- HRM's overall capital investment strategy,
- review of proposed capital projects or business cases,
- considering how funding decisions affect HRM overall and trade-offs between projects, and
- formal recommendation of prioritized projects to senior leadership to present to Regional Council.

It was not clear whether information and input from across HRM was used to prioritize projects and make capital budget recommendations. Without documented corporate-level discussion and input, there is a risk that capital projects are prioritized without fully considering overall HRM needs, trade-offs, or alignment with Regional Council's priorities.

### **Limited evidence of direction to the Capital Working Group**

The Capital Working Group, a sub-committee of the Committee, is responsible for collecting data, evaluating and rating proposed capital projects, and recommending projects to the Committee for consideration according to its Terms of Reference. However, we found limited evidence that the Committee provided formal direction or oversight to the Working Group during the capital budgeting process. One email indicated that a Working Group session was cancelled due to the lack of direction from the Committee.

The Chair of the Working Group advised that the group does not rank, prioritize, or formally recommend projects to the Committee or senior leadership. The Working Group

members, composed of capital project managers from business units, evaluate their own capital projects using established criteria and submit the results to a corporate template. Asset Management Office staff compile the results and request executive directors to review the projects within their own business units.

As a result, the Working Group's role appears to be primarily administrative and focused on individual projects. This increases the risk that the Committee and senior leadership do not receive clear corporate-level analysis to support informed capital budget decision making.

### **Management perspective on the Committee's effectiveness**

We interviewed five Committee members, including the Chairs of the Committee and the Working Group, and executive directors from three business units. They indicated that the Committee was not effective in providing strategic direction and oversight to the Working Group, prioritizing capital projects from a corporate perspective, or considering projects' long-term investment value and overall impact to HRM.

The Chair of the Working Group noted that the governance structure was undergoing changes during the development of the 2025-26 Capital Plan. This occurred at the same time as the start of a new Regional Council term and significant organizational changes within HRM, which affected how executive direction was provided through the Capital Steering Committee. Despite the challenges, the Working Group completed and submitted the draft 2025-26 Capital Plan to Regional Council on time, and management noted support and oversight came from the CAO, CFO and Commissioner of Operations.

The Chair of the Committee advised that proposed changes to the governance structure have been submitted to senior leadership and are pending approval. Management expects that the revised structure, with a smaller group of senior leaders, will strengthen strategic alignment with HRM priorities and improve fiscal accountability in the capital budgeting process. However, the effectiveness of any governance structure depends on how it is used in practice. Without consistent use of the structure to provide direction, oversight, and corporate-level decision making, similar issues may continue.

#### **Recommendation 1**

HRM management should ensure key roles and responsibilities are clearly defined in its capital budgeting governance structure.

#### **Management Response**

*Accept. Management notes that an updated capital budgeting governance structure to best support the new organizational and expanded capital portfolio which began July 2024 has since been completed; the new Treasury Board TOR was introduced to the Senior Leadership team in July 2025 and a transitional state is being managed by the CAO until a permanent CAO is hired (TBD fall 2026).*

## **Recommendation 2**

HRM management should ensure the governance structure in place clearly provides direction and oversight to corporate-wide capital budgeting process.

### **Management Response**

*Accept. Management agrees with the objective of providing clear direction and oversight. Management will ensure that strategic direction, financial constraints, and key trade-offs informing the Capital Plan are clearly articulated from Executive and Council to the Capital Working Group in meeting content and email/ Teams communication updates.*

## **Gaps in capital evaluation and prioritization guidelines**

Management advised that the Capital Prioritization Framework – Evaluation Guidelines (the Framework) guides the evaluation and prioritization of capital projects. We identified gaps in the clarity of roles and responsibilities involved in the process and a lack of guidance on how evaluation results should be used to prioritize projects.

### **Roles and responsibilities not fully defined in the Framework**

Management advised that multiple participants are involved in evaluating and prioritizing capital projects, including:

- project managers in the Working Group, who evaluate and rate their own projects,
- peer project managers within the same budget category, who review and challenge rating results,
- Asset Management Office staff, who compile submitted results,
- executive directors, who review and sign off on project ratings within their own business units, and
- the Committee, which is expected to use the results in project prioritization and make recommendations to senior leadership and Regional Council.

The Terms of Reference documents for the Committee and the Working Group briefly describe their roles in project evaluation and prioritization. As the Framework is the primary guiding document for this process, we expected it to clearly define the roles and responsibilities of all participants. However, the Framework primarily provides detailed rating criteria for project managers and does not explain how other participants contribute to review, challenge, approval, or prioritization decisions.

Clearly defined roles and responsibilities are important because they help ensure participants understand their expected contributions and how their input fits into the overall process. Without this clarity, tasks could be carried out inconsistently, important steps could be missed, and accountability for key decisions could be unclear.

### **Framework provides limited guidance on using evaluation results to prioritize projects**

The Framework states that its purpose is to provide an initial methodology to evaluate and prioritize capital projects and to assist senior leadership in integrating strategic priorities and service levels with infrastructure decision making.

However, we did not find guidance in the Framework on how projects should be prioritized at a corporate level or how evaluation results are used in that process. Without clear guidance, there is a risk that projects are prioritized inconsistently and the decision-making process may not be transparent. Issues related to project prioritization are discussed further in later sections of this report.

Management explained that project prioritization was influenced by several judgement-based factors and they mainly used evaluation results to support discussions when budget constraints required projects to be delayed or removed.

#### **Recommendation 3**

HRM management should review and update the Capital Prioritization Framework to clearly define the roles and responsibilities of all participants in the evaluation and prioritization process.

#### **Management Response**

*Accept. Management will incorporate a section in the Capital Prioritization Framework to list roles and responsibilities during its annual content review and update, including a concise summary of participant accountabilities.*

### **Lack of standard procedures for cost estimating**

HRM does not have standard cost estimating procedures for the capital budgeting process. Given the significant financial value of capital projects, the absence of standard procedures increases the risk that cost estimates included in the Capital Plan unduly vary in quality and reliability.

Management indicated that the HRM Capital Projects – Project Managers Financial Handbook provides guidance for the capital budgeting process. Our review found that the Handbook primarily outlines financial and administrative requirements such as budget submission, project accounts, funding sources, and high-level cashflow considerations. It does not establish standard procedures or minimum requirements for estimating capital costs.

We interviewed eight project managers across three business units whose projects were selected for testing. All indicated that limited formal standard procedures exist in their

programs or business units to guide cost estimating. While two have developed financial templates and checklists in their own program areas, others noted they rely mainly on personal experience and historical information. Several noted that in the absence of standard guidance, it would be challenging for a new project manager to carry out key capital budgeting activities, including cost estimating.

Our testing results found differences in methodologies, approach to assumptions, level of detail, and documentation practices used in cost estimating. While some projects used well structured templates, others lacked sufficient supporting information for the cost estimates included in the Capital Plan. We recognize that cost estimates may vary in accuracy depending on the stage of a project and the level of uncertainty. However, having consistent methods and clear documentation helps improve the reliability of estimates and supports better decision-making.

The impact of these gaps is discussed further in the next section of the report.

#### **Recommendation 4**

HRM management should develop and implement clear minimum requirements and guidance for preparing capital cost estimates.

#### ***Management Response***

*Accept. Management agrees that minimum corporate standards for capital cost estimates should be set. Management will leverage practices already existing in some asset groups to establish minimum expectations applicable across all asset groups in the form of a checklist, while each asset group will be responsible for incorporating their industry-specific elements.*

## **Insufficient Evidence to Support the Cost Estimates in the Capital Plan**

Our testing identified concerns with the quality and reliability of cost estimates included in the Capital Plan. We found insufficient supporting documentation for estimates, inconsistent estimating practices across projects, and limited evidence of quality review. These issues are important because reliable cost estimates support informed decision making and help reduce the risk of cost overruns and budget shortfalls.

We assessed whether the cost estimates were supported by documented workplans, cost components, assumptions, and sufficient evidence so that an independent person can understand how the estimates were developed and can reperform the calculations within a reasonable range. Our testing did not evaluate the technical accuracy of the project managers' estimates.

### **Lack of supporting evidence for the cost estimates**

We found cost estimates were insufficiently documented for six of the 12 projects tested. In many cases, the documentation did not clearly link project workplans to the underlying cost components and supporting evidence.

We tested 12 projects included in the 2025-26 Capital Plan, including five in Public Works, five in Property, Fleet and Equipment, and two in Strategic Infrastructure and Transportation Planning.

#### **Projects Tested in Business Units**

Business Unit	# of Projects Tested	Capital Budget for the Projects Tested		
		2024-25 Carry-forward Budget	2025-26 Capital Budget	Total Workplan in 2025-26 Capital Plan
Public Works	5	\$30,199,000	\$68,395,000	\$98,594,000
Property, Fleet and Equipment	5	\$9,097,000	\$37,235,000	\$46,332,000
Strategic Infrastructure and Transportation Planning	2	\$1,995,000	\$2,000,000	\$3,995,000
<b>Total Projects Tested</b>	<b>12</b>	<b>\$41,291,000</b>	<b>\$107,630,000</b>	<b>\$148,921,000</b>

Six of the 12 projects (50%) did not contain sufficient information to allow a reperformance of the cost estimates for their 2025-26 workplans. For the nine projects with work carried forward from 2024-25, six (67%) did not have supporting information beyond the lump-sum amounts presented in the Capital Plan.

#### **Testing Results – Insufficient Evidence to Support the Cost Estimates**

# of Projects	2025-26 Workplan	Carryover Workplan from 2024-25
With sufficient information to allow re-performance	6	3*
Lacking sufficient information to allow re-performance	6	6
<b>Total # of Projects</b>	<b>12</b>	<b>9</b>

\*Note: Including one project with 11 carryover sub-projects where eight had detailed cost breakdowns and three had no supporting documentation.

Six of the 12 tested projects were asset renewal projects. For five projects, we did not find documented evidence of formal condition assessments supporting the capital investment needs. While project managers indicated that asset condition information was sometimes informed by specialized tools, equipment, or informal discussions, this information was not documented or linked to the projects tested.

Management requested budget adjustments for two projects after Regional Council's initial approval. For one project, management provided a cashflow analysis to support the overall budget increase. However, due to the absence of documentation supporting the original cost estimate and personnel change, staff could not explain how the increase was allocated between related projects. For the other project, management did not provide supporting analysis for the adjustment and indicated the increase would be offset by funds from delayed projects.

We also identified positive practices in Public Works, where projects used a standard financial template to document work items and cost components. The documentation was clear and sufficient to allow an independent person to understand and reperform the cost estimates.

### ***Inconsistent practices in cost estimating***

Our testing identified inconsistent cost estimating practices across projects and business units. We observed differences in how staff applied net harmonized sales tax (HST), documentation of assumptions, and use of contingency allowances. These inconsistencies reduce the comparability of cost estimates across projects and could affect the reliability of cost information presented in the Capital Plan.

We found varied approaches in applying net HST in capital cost estimates, including different net HST rates applied across projects and within projects, and instances where net HST was not included. Management advised that capital projects' cost estimates should have included a net HST rate of 3.857% for the 2025-26 Capital Plan.

Given the large financial value of capital projects, inconsistently applying net HST can affect project cost estimates and reduce comparability across projects and programs.

We also found inconsistent practices in documenting assumptions used to develop cost estimates. Cost estimates are developed before project execution and therefore rely on assumptions that should reflect inflation, risks, project complexity, and uncertainties. Consistently documenting and applying these assumptions supports transparency, comparability, and informed decision making during the budget approval process.

Six of the 12 projects we tested did not include documented assumptions to support their cost estimates. Staff in Strategic Infrastructure and Transportation Planning noted that estimating costs can be difficult due to the unique nature of projects in early design development stages, which requires their professional judgement on a case-by-case

basis. In Property, Fleet and Equipment, staff indicated there is no consistent approach to setting or applying contingency rates in projects. While one program area developed general guidelines to reflect price increases and rounding rules, due to the lack of documentation, it was unclear whether staff applied these adjustments in the cost estimates for the projects we tested.

Our testing also identified positive practices. In projects tested at Public Works, assumptions and contingency rates were clearly documented using standard financial templates or contracts. In one project at Property, Fleet and Equipment, a higher contingency rate was applied based on recent cost overruns in similar projects and was supported by documented consultation with Finance staff.

### ***Limited quality review of cost estimates***

We found limited evidence of a formal quality review process for cost estimates included in the 2025-26 Capital Plan.

Given the significant financial value of capital projects, we expected a quality review process to ensure that supporting documentation is sufficient, assumptions are reasonable, and calculations are accurate before cost estimates are included in the Capital Plan.

The executive directors we interviewed indicated they approve capital estimates at the business unit portfolio level and rely on project managers' supervisors to review individual project cost estimates.

As noted earlier, six of the 12 tested project files did not contain sufficient information to allow us to reperform the cost estimates. For the remaining six projects, we reperformed the estimates and found unexplained differences in three projects between project managers' supporting work files and the amounts reported in the Capital Plan. In one project, the cost in the supporting documentation was \$670,086 (38%) higher than the amount reported, while in another project, the total cost of documented workplans was \$5.35 million (8%) lower. No documentation was available to explain these variances.

While our audit did not involve a detailed examination of the entire 2025-26 Capital Plan, we identified errors in the information related to the projects we tested. The two issues of consequence we noted were:

- One project incorrectly recorded its 2025-26 cost as 2024-25 carryover and 2024-25 carryover as 2025-26 cost, resulting in a \$1.09 million overstatement in the cost of 2025-26 Capital Plan.
- We also noticed inconsistent use of the terms "budget category" and "asset category", which management confirmed are not interchangeable.

These observations highlight the need for a stronger quality review process to improve the quality and reliability of capital cost information presented in the Capital Plan.

Management noted that the lack of integration between various supporting systems results in a highly manual process, making it difficult to efficiently monitor and report on capital projects.

### **Recommendation 5**

As part of implementing Recommendation 4, HRM management should include formal quality review requirements to ensure capital cost estimates are reviewed and supported before projects are included in the Capital Plan.

### **Management Response**

*Accept. Management will clarify through the annual capital budget process that Executive Directors of capital project managers are responsible to ensure a risk- and materiality-based quality review is carried out by appropriate delegates to confirm that minimum evidentiary expectations are met via a minimal checklist, prior to submission to the consolidated capital plan process for prioritization and scheduling.*

*Improvements to the budgeting process are limited without having previously planned integrated technologies funded and implemented; such as ERP Asset Accounting and Project Systems modules, field mobility capability for asset maintenance, and a project management system for the significantly large-dollar and highly complex projects.*

## **Capital Project Recommendations Not Clearly Linked to Evaluation Results**

HRM management maintains a 10-year evolving Capital Plan and evaluates both new and existing projects annually. We identified gaps in how projects are evaluated and how the results are used to prioritize projects.

While management evaluates projects annually, we found no documented rationale supporting the evaluation results and little evidence that these results were used to inform project prioritization. Well-supported evaluation results are important in assisting transparent and evidence-based decision making. It will also help ensure that front-line knowledge of project needs, risks, and impacts is considered. Without this linkage, the value of the evaluation process is reduced.

### **No documented rationale for evaluation results**

Project managers assign numeric scores to their projects under four Framework categories: risk, strategic alignment, impact to service, and capacity to deliver. These scores are used to group projects into high, medium or low impact ratings within each category.

Management confirmed that no documented rationale is required or maintained to support the assigned scores or ratings. They indicated that quality assurance was expected to occur through peer review, spot checks by Asset Management Office staff, and review by business unit management.

However, three of eight project managers we interviewed noted that evaluation results were not shared with their business unit management. The remaining five indicated that discussions occurred informally, and no written records were maintained.

Documenting the rationale for evaluation scores would improve transparency, support understanding of how scores were assigned and enhance comparability across capital projects.

### **Recommendation 6**

HRM management should develop and implement minimum documentation requirements for the rationale supporting capital project evaluation results.

#### ***Management Response***

*Accept. Management will implement a minimum requirement for project managers to confirm consultation with appropriate stakeholders on the ratings and provide space for further notes, similar to quarterly capital projections.*

### ***No evidence of linkage between evaluation results and recommendations to Regional Council***

We found no documented evidence that management used project evaluation results to inform project prioritization or selection. Management confirmed that the evaluation process does not produce an overall project score or ranking that would support comparison across projects.

Two of the three executive directors we interviewed indicated that they did not review or use the evaluation results, while the third noted that they only used the results as background information for capital planning discussions. Executive directors also indicated that they were not involved in corporate-level project prioritization.

Management told us that prioritizing can be challenging due to differences in project size, complexity, and other considerations such as political factors. They noted the evaluation results primarily serve as a summary of project information for decision-makers who may not be closely involved in the projects. When funding constraints required adjustments, senior leadership contacted individual executive directors to identify projects within their business units that could be deferred or removed to meet funding targets, instead of relying on evaluation results.

As noted in earlier sections, while the Framework provides guidance on how projects should be evaluated, it does not describe the intended outcome of the evaluation process or whether the results are expected to inform corporate-level prioritization. Without this clarity, the role of evaluation results in project prioritization decisions is unclear.

### **Recommendation 7**

HRM should clarify the intended purpose of the capital project evaluation process, including whether and how evaluation results are expected to inform corporate-level project prioritization and selection.

#### **Management Response**

*Accept. Management agrees that although the prioritization framework is an industry best practice, documentation can be created to clarify the process how prioritized projects are then scheduled for optimal investment, to consider factors such as sequencing, interdependencies, labour and funding constraints, services or event scheduling, etc.*

## **Additional Observations**

We identified additional observations related to governance and documentation practices supporting the capital budgeting process.

### **Capital Working Group's Terms of Reference not updated**

The Working Group's Terms of Reference was last updated in September 2016, although it states that the document should be reviewed and updated annually.

It is important to regularly review and update the Terms of Reference to ensure it accurately reflects the Group's current structure, roles, and responsibilities.

### **Recommendation 8**

HRM management should review and update the Capital Working Group's Terms of Reference and establish a periodic review process.

#### **Management Response**

*Accept. Management agrees and will update the Capital Working Group's Terms of Reference and establish a practical periodic review term to ensure continued relevance and clarity.*

### **Capital Working Group meeting minutes not maintained**

The Capital Working Group does not maintain formal meeting minutes.

The Group is supposed to meet monthly during the first half of the year and bi-weekly during the second half of the year according to its Terms of Reference. Management told us that meeting agendas and action items are primarily communicated through email. The Chair indicated that the Group includes more than 60 project managers across business units.

Documented meeting minutes provide a clear formal record of discussions held, decisions reached, and action items arisen from meetings. Given the size of the Group, the absence of meeting records may make it difficult for members who were not able to attend meetings to remain informed of discussions and agreed actions.

#### **Recommendation 9**

HRM management should maintain formal records of the Working Group's meetings, including key discussions, decisions and action items, and distribute the meeting notes on a timely basis.

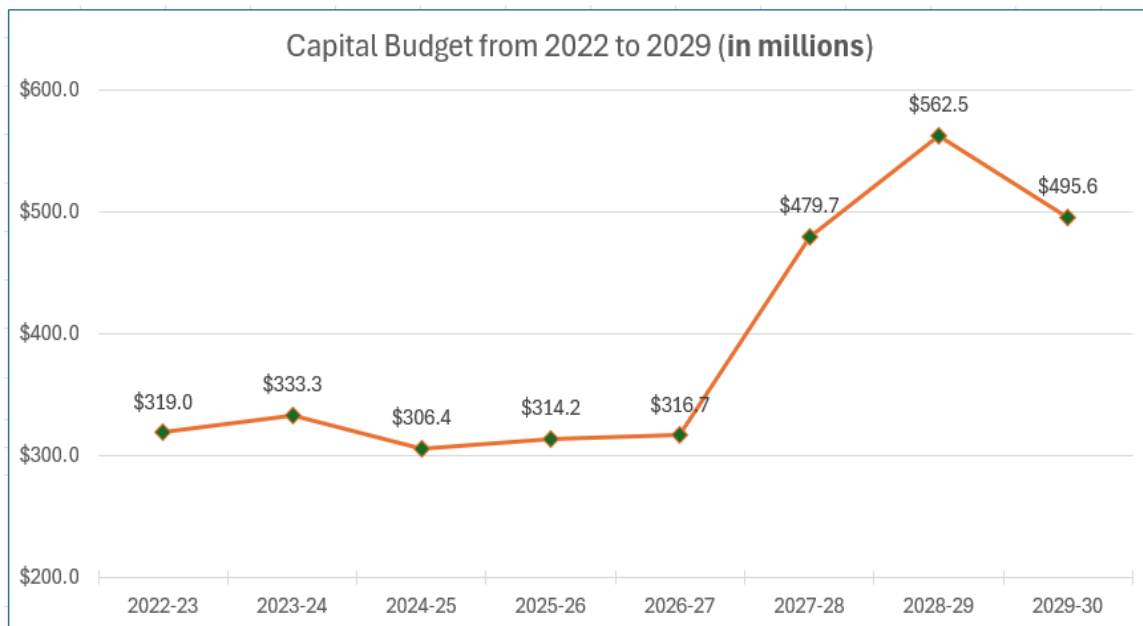
#### **Management Response**

*Accept. Management notes that this practice has been consistently applied in the last budget cycle via meeting presentations, committee emails and Teams posts. Further benefit will be leveraged from Teams and AI technology to record Committee meetings.*

## Background

HRM identifies capital needs through a rolling 10-year Capital Plan as part of its business planning and budgeting process.

Over the past four fiscal years (2022 – 2025), the approved annual capital budget ranged from \$306 million to \$333 million. HRM plans to invest about \$1.85 billion over the next four years to address priority infrastructure needs and support Regional Council’s priorities of enabling prosperity, strengthening communities, and moving better<sup>1</sup>.



During our audit period when the 2025-26 Capital Plan was developed, the following participants were involved in the capital budgeting process to varying degrees prior to the submission of the draft capital plan to Regional Council:

- Asset Management Office
- Business Units
- Capital Working Group
- Capital Steering Committee
- Senior leadership in HRM administration

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<sup>1</sup> [2026-30 Strategic Plan - Aug 5, 2025](#);  
[2026-27 Capital Plan](#)

## About the Audit

We completed a performance audit of the capital budgeting process. Our role is to express an independent audit opinion of this area.

The purpose of the audit was to determine whether HRM has an effective capital budgeting program that supports the achievement of Regional Council's strategic priorities across business units.

The objectives of the audit were to determine whether:

- HRM has an effective administrative process supporting the capital budgeting process; and
- Capital project prioritization and associated cost estimates are supported with sufficient evidence.

The audit scope was limited to the overall effectiveness of the annual capital budgeting administrative process from capital project planning to recommendation to Regional Council. Our audit was not designed to assess individual project's technical accuracy of cost estimates, project management efficiency, or outcomes of project delivery.

We developed the criteria for this audit. These were discussed with, and accepted as appropriate by, management of Finance and Asset Management Business Unit. Criteria used in the audit are:

- Roles and responsibilities should be clearly defined and provide adequate oversight to the capital budgeting process.
- Policies, procedures, frameworks, and tools should be developed to support the capital project prioritization process and used consistently across business units.
- Cost estimates should be supported by sufficient evidence and up-to-date information.
- Assumptions used in project cost estimates should be reasonable and documented.
- Project prioritization should be evaluated using defined criteria.
- Project recommendations should be based on prioritization results.

Our audit period was April 1, 2024 - March 31, 2025, when the 2025-26 Capital Plan was developed. Information from outside the audit period was considered, as necessary.

Our audit approach included interviews with management and key personnel in the capital budgeting process; review of applicable policies, frameworks, Terms of References, meeting minutes, budget tools, and procedural documents; examination of supporting project documentation on a sample basis, and data analysis.

This audit was conducted in accordance with the Canadian Standard on Assurance Engagements (CSAE) 3001 Direct Engagements published by the Chartered Professional Accountants of Canada.

We apply CPA Canada's Canadian Standard on Quality Management 1. Our staff comply with the independence and ethical requirements of the Chartered Professional Accountants of Nova Scotia Code of Conduct.

## Appendix 1 – Recommendations and Management Responses

### Recommendation 1

HRM management should ensure key roles and responsibilities are clearly defined in its capital budgeting governance structure.

#### **Management Response**

*Accept. Management notes that an updated capital budgeting governance structure to best support the new organizational and expanded capital portfolio which began July 2024 has since been completed; the new Treasury Board TOR was introduced to the Senior Leadership team in July 2025 and a transitional state is being managed by the CAO until a permanent CAO is hired (TBD fall 2026).*

### Recommendation 2

HRM management should ensure the governance structure in place clearly provides direction and oversight to corporate-wide capital budgeting process.

#### **Management Response**

*Accept. Management agrees with the objective of providing clear direction and oversight. Management will ensure that strategic direction, financial constraints, and key trade-offs informing the Capital Plan are clearly articulated from Executive and Council to the Capital Working Group in meeting content and email/ Teams communication updates.*

### Recommendation 3

HRM management should review and update the Capital Prioritization Framework to clearly define the roles and responsibilities of all participants in the evaluation and prioritization process.

#### **Management Response**

*Accept. Management will incorporate a section in the Capital Prioritization Framework to list roles and responsibilities during its annual content review and update, including a concise summary of participant accountabilities.*

#### **Recommendation 4**

HRM management should develop and implement clear minimum requirements and guidance for preparing capital cost estimates.

#### **Management Response**

*Accept. Management agrees that minimum corporate standards for capital cost estimates should be set. Management will leverage practices already existing in some asset groups to establish minimum expectations applicable across all asset groups in the form of a checklist, while each asset group will be responsible for incorporating their industry-specific elements.*

#### **Recommendation 5**

As part of implementing Recommendation 4, HRM management should include formal quality review requirements to ensure capital cost estimates are reviewed and supported before projects are included in the Capital Plan.

#### **Management Response**

*Accept. Management will clarify through the annual capital budget process that Executive Directors of capital project managers are responsible to ensure a risk- and materiality-based quality review is carried out by appropriate delegates to confirm that minimum evidentiary expectations are met via a minimal checklist, prior to submission to the consolidated capital plan process for prioritization and scheduling.*

*Improvements to the budgeting process are limited without having previously planned integrated technologies funded and implemented; such as ERP Asset Accounting and Project Systems modules, field mobility capability for asset maintenance, and a project management system for the significantly large-dollar and highly complex projects.*

#### **Recommendation 6**

HRM management should develop and implement minimum documentation requirements for the rationale supporting capital project evaluation results.

#### **Management Response**

*Accept. Management will implement a minimum requirement for project managers to confirm consultation with appropriate stakeholders on the ratings and provide space for further notes, similar to quarterly capital projections.*

#### **Recommendation 7**

HRM should clarify the intended purpose of the capital project evaluation process, including whether and how evaluation results are expected to inform corporate-level project prioritization and selection.

**Management Response**

*Accept. Management agrees that although the prioritization framework is an industry best practice, documentation can be created to clarify the process how prioritized projects are then scheduled for optimal investment, to consider factors such as sequencing, interdependencies, labour and funding constraints, services or event scheduling, etc.*

**Recommendation 8**

HRM management should review and update the Capital Working Group's Terms of Reference and establish a periodic review process.

**Management Response**

*Accept. Management agrees and will update the Capital Working Group's Terms of Reference and establish a practical periodic review term to ensure continued relevance and clarity.*

**Recommendation 9**

HRM management should maintain formal records of the Working Group's meetings, including key discussions, decisions and action items, and distribute the meeting notes on a timely basis.

**Management Response**

*Accept. Management notes that this practice has been consistently applied in the last budget cycle via meeting presentations, committee emails and Teams posts. Further benefit will be leveraged from Teams and AI technology to record Committee meetings.*

## Contact Information

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