

AUDITOR GENERAL

Halifax Regional Municipality



Review of Supplementary Education Funding for HRCE

December 2024

December 5, 2024

This ***Review of Supplementary Education Funding for HRCE***, 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

**AUDITOR
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Review of

Supplementary

Education Funding for HRCE

HRCE met reporting requirements

HRCE used different budget than suggested in agreement

- Disclosed this to HRM
- Agreement unclear if allowed

HRCE expenses mostly compliant with agreement

- Agreement lacking details on what expenses are okay

Agreement lacks adequate accountability requirements

HRM management not monitoring

Auditor General Halifax Regional Municipality

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Detailed Results

Introduction

In March 2024, Halifax Regional Council requested that we examine Halifax Regional Centre for Education (HRCE) and Conseil scolaire acadien provincial (CSAP) supplementary education programs. We agreed to undertake a review of HRCE's compliance with the supplementary education funding agreement including considering the level of monitoring in place by HRM. Additional information regarding the nature and extent of our work can be found in the Background and Objective and Scope sections later in this report.



As required in the HRM Charter, the municipality provides annual supplementary funding to HRCE and CSAP. The funding is mainly for public school fine arts programming.

There is an agreement in place between HRCE and HRM in conjunction with the requirement for HRM to provide annual supplementary funding. We assessed whether HRCE's annual reporting to HRM included all required information and whether the actual expenses the funding was used for appear to be in line with what is allowed per the agreement.

We did not assess the accuracy of various HRCE program statistics reported to HRM. HRM has not established what the expected outcomes of the programming are and has not set any targets in relation to program availability or participation. Without specific targets there was no measure for us to use to assess those statistics.

HRCE Compliant with Agreement, but Requirements are Lacking

We found HRCE provided all required information in their annual report, but the agreement did not contain sufficient details for us to conclude on whether variations from the proposed budget were acceptable. We also noted that while all the expenses we reviewed were reasonably connected to music and arts programming, there were some that did not readily tie into any of the agreement's budget line items.

Compliance Testing Results

Compliance Test	Result
1. 2022-23 annual report submitted to HRM by HRCE included the required information	Compliant
2. Actual amounts spent were reasonably within the proposed budget	Unable to determine – reasonability not defined
3. Detailed expense information provided by HRCE appear reasonably in line with agreement	Mostly compliant

HRCE annual report covers agreement requirements

We found HRCE's 2022-23 annual report provided to HRM included all information required per the agreement.

Annual Reporting Testing Results

Annual Reporting Requirement	Result
1. Summary of the programming supported by the funding	✓
2. Program outcomes:	
(a) Number of students who had the opportunity to receive enhanced fine arts programming in their classes by family of schools and grade level	✓
(b) The enrollment in optional fine arts programs by grade, age and family of schools	✓
(c) The frequency, range and locations of fine arts performances	✓
(d) The breadth of fine arts programming available across HRM	✓
(e) The number of students who had the opportunity to receive an identifiable educational enhancement in their school by family of schools and grade level	✓
3. A budget update, including allocation for the current year and multi-year projection	✓

Amounts spent not always consistent with suggested budget

HRCE receives set funding per year from HRM, regardless of what it decides to spend on fine arts programs. The agreement provides a suggested budget outlining how the funding should be spent. For the 2022-23 fiscal year, HRCE followed a different budget than what is outlined in the agreement. We are unable to comment whether this is in line with the agreement as the agreement does not specify how much flexibility HRCE has in following the budget.

The suggested budget outlines how much of the funding should be spent on areas such as supplies and materials, staffing and benefits. The agreement states HRCE shall deliver the programming “*as closely as possible, acting reasonably*” in line with the suggested budget. However, it does not specify how much flexibility is allowed.

The proportion of the budget allocated to some expenses was significantly different. Most notably HRCE spent 50% more on supplies and materials expenses compared to the suggested budget in the agreement. We talk in the next section about the lack of definition around what is an appropriate expense within this line item.

HRCE disclosed these changes to HRM in their annual report from the previous year. HRCE management told us they did not receive feedback on the revised budget from HRM management.

Supplementary funding spending mostly in line with agreement

We obtained additional information from HRCE to evaluate how the funds were spent, as this level of detail was not required for the annual report. HRM management also has the right to request this information per its agreement with HRCE but told us they have not done so since signing the agreement.

We found HRCE appears to have mostly spent the 2022-23 supplementary education funding on expenses that are allowable under the agreement. However, there were some expenses for which the agreement did not contain sufficient details to clarify eligibility.

Our concerns focused on the supplies and materials line item. We found the agreement does not define what is considered an acceptable supplies and materials expense. Some of the sampled expenses HRCE made under this category were:

- Travel expenses related to music and arts employees who would reasonably be expected to have mileage expenses related to their role.
- Additional instruction provided by outside service providers, such as band clinics and theatre classes.

While these expenses appear to relate to music and arts programs, they would not typically be considered a supply or material. It is not clear whether the funding HRM provides is intended to cover these expenses.

Agreement and Monitoring Issues

Agreement does not have adequate accountability requirements

The agreement between HRM and HRCE does not require HRCE to provide key information in the annual report that would be necessary for monitoring. As noted previously in this report, the agreement is vague in some areas and does not provide clear requirements for spending.

HRCE is required to provide an annual report with information about programs delivered and their annual budget. However, it is not required to report the related actual costs, meaning it is not possible to determine from the report whether HRCE spent the funding provided in line with the agreed upon budget.

Additionally, HRCE is required to report on what the agreement refers to as measurable outcomes. However, HRM has not set specific targets or outcomes it expects HRCE to achieve with its arts programming. For example, HRCE is required to report the enrollment in optional fine arts programs by grade and family of schools, but HRM does not set out expectations over the number of students HRCE should deliver programming to. We asked HRM management and staff if there are targets they use to evaluate the information HRCE is providing. We were told there are none.

As discussed previously, the agreement between HRM and HRCE also lacks clear definitions of eligible expenses making it difficult for HRM or HRCE to know whether certain expenses are allowed.

HRM does not monitor how HRCE spends supplementary education funding

HRM management does not monitor how HRCE spends the supplementary education funding. HRCE provides the required annual reporting to HRM. However, HRM management told us they do not review it. As noted previously, the detail required in the annual report does not include key information needed for monitoring. However, HRM management has the right, per the agreement, to ask HRCE for additional information on how it spends the funding, but they told us they have not requested it since signing the agreement.

It is up to Regional Council and HRM management to determine whether the risk associated with this agreement is sufficient to improve the monitoring of and required reporting from HRCE. Council's request for our office to investigate this implies a higher level of concern than is evident with the existing monitoring.

Background

The Office of the Auditor General, Halifax Regional Municipality, was asked by Regional Council to examine Halifax Regional Centre for Education's and Conseil scolaire acadien provincial's supplementary education programs. *The Halifax Regional Municipality Charter (the Charter)* permits Regional Council to make this request and allows the Auditor General to determine how to accommodate the requested work into the office's scheduling. We determined a review was appropriate in this instance.

Per Section 80 of the *Charter*, HRM is to provide supplementary funding to the Halifax Regional Centre for Education (HRCE) in at least the amount provided to the Halifax District School Board and Dartmouth District School Board in the fiscal year beginning April 1, 1995. The *Charter* permits Regional Council to decrease the funding by a maximum of ten percent per year, unless HRCE agrees to a further reduced amount. Section 81 of the *Charter* entitles the Conseil scolaire acadien provincial (CSAP) to be allocated supplementary funding based on student enrollment, relative to HRCE. For the 2022-23 fiscal year, ninety-four percent of the \$14 million in HRM supplementary funding was allocated to HRCE. Therefore, we limited the scope of our review to HRCE. HRM recovers this funding through a property tax rate for supplemental education.

An agreement between HRM and HRCE effective July 2019, directs that this funding be used to support fine arts programming and other school supports including library support specialists and social workers. The agreement includes a proposed budget for these programs, number of full-time positions the funding is intended to cover, and annual reporting HRCE must provide to HRM.

Objective and Scope

We completed a review of supplementary education funding provided by HRM to the Halifax Regional Centre for Education.

The period of review was for the fiscal year of April 1, 2022 – March 31, 2023.

Our objective was to provide review level, or limited assurance, on HRCE's compliance with the supplementary education funding agreement. A limited assurance engagement provides a lower level of assurance than an audit. Conclusions are based on reasonability of what management tells us, and limited testing, rather than detailed testing, as would be found in an audit.

Our approach included discussing the programs with HRCE staff; reviewing annual reporting on program spending; discussing monitoring processes with HRM management; and other procedures we considered necessary.

This limited assurance engagement 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.

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