

**SEMI-ANNUAL REPORT
FALL 2010**

DEVELOPMENT OF THE OFFICE OF THE AUDITOR GENERAL (OAG)

September 28, 2009 saw Larry E. Munroe begin his tenure as the inaugural Municipal Auditor General, Halifax Regional Municipality. From that date to April 1, 2010, the Auditor General (AG) worked with one assistant to gather information, meet staff and administration, and learn processes currently in place within the organization. At April 1, 2010 the office (OAG) was staffed with 3 additional members of the former Business Systems and Quality Control Group. Additionally, 2 university co-op students joined the OAG for the summer, one of whom has chosen to continue their association with the office. The office is now completely functional and members of the Office of the Auditor General are working as a solidly integrated team of 5.

While the role of the Auditor General is defined by legislation within the Halifax Regional Municipality Charter, the practical role of the AG and the office has been developed and clarified within the context of the organization. This speaks to oversight as opposed to operational involvement, advisory as opposed to decision-making, and independent as opposed to entrenched within the organization.

WORK PLAN

Throughout the initial 6-month period, the first Work Plan for 2010/2011 was developed and subsequently released in May, 2010. The Work Plan was developed based on a risk-based assessment process coupled with current staff experience, skill sets and overall resources. At the time of preparation, the Work Plan shows for the project cycle being contemplated, the issues or projects the Auditor General saw as significant with consideration given to:

- An appropriate mix of projects (compliance, performance, emerging, etc.)
- Priorities as identified within the various project categories
- The need to allow time for Emerging Issues based upon compliance, performance, higher risk, or unforeseen matters
- Environmental analysis
- The overriding need to be flexible

Also, on a yearly basis, an attempt will be made to use a theme to validate the draft plan and make the final determination of work to be undertaken. Given the economic and budgetary concerns which Halifax Regional Municipality is facing, Performance or Value for Money projects were given priority within the inaugural Work Plan.

As was reported, while working on investigations and reviews during these first months, it became necessary to add projects or expand those which were in progress. Changes were due primarily to additional risks identified within a project or emerging issues which developed. Also, various Illegal and Irregular Conduct investigations (Administrative Orders 40 and 41) were conducted or completed.

This plan is a dynamic document as it holds defined priorities based on risk assessments and resources, being flexible enough to adjust to emerging issues which arise, causing the Office of the Auditor General to open or expand files. Periodic updates are listed on the OAG webpage (www.halifax.ca/auditorgeneral) indicating necessary changes to the Work Plan.

SECONDMENTS

Secondments from various HRM business units have been and will continue to be encouraged and resourced. In the past 6 months, the Office of the Auditor General has had one secondment and has one more arranged for the Fall of 2010. This leveraging of valuable experience and knowledge from business units provides the OAG with much needed resources as well as a learning experience for the staff member through a transfer of knowledge of the OAG, its functions, standards, and processes which are hopefully brought back to the business units. A positive experience is achieved for all concerned. The OAG continues to enjoy great interest from HRM employees in joining the office temporarily to assist with particular projects.

PROJECTS/AUDITS/REVIEWS

The Office of the Auditor General has developed standardization of reporting, whether reports result from Illegal and Irregular Conduct (IIC) investigations, reviews, or full audit projects. The processes are listed on the OAG webpage (Procedures Manual). As the Office progresses, these processes continue to be developed, added to and fine-tuned with consideration given to the immediate need for their development as well as continuing with the Work Plan.

Currently, we have 8 active projects in various stages of completion: 1. Recreation Area Rates, 2. Grants, Donations, and Contributions, 3. Mayor and Council Expenses, 4. Procurement (specifically RFP process), 5. District Capital Funds, 6. Data Sovereignty, 7. Organizational Overtime and 8. Consultants.

To date, we have closed 16 investigations through the Illegal and Irregular Conduct administrative orders. At present we have delivered a total of 8 reports to Management for response. The Office of the Auditor General is pleased to report to date, we have received 100% concurrence with our recommendations.

The Office of the Auditor General has responded to several matters which have been brought to our attention by the public. These matters have resulted in at least 3 reports in which the OAG has been able to provide significant recommendations to Management to assist the organization with systems and value for money.

These emerging issues have resulted in new or expanded files in the following areas:

1. Procurement's RFP process: the method used to conduct certain procurements; includes the technical component and achieving a 75% score before proceeding to the costing envelope. This review was not undertaken as a result of our belief there is a systemic organizational non-compliance to policy. It was started as a result of feedback we received from vendors, HRM staff as well as our own observations. We are seeking additional knowledge of whether the current policies and their interpretation are serving HRM's needs on an efficient and effective basis. An internet survey is being used to solicit information from HRM vendors as well as facilitated round table discussions held with stakeholders to assist with the completion of the project and development of recommendations to Management.
2. Overtime: on a corporate-wide basis
3. Overtime: effect on other costs including health, absenteeism, accidents, benefits and pension costs (increases)
4. Purchasing cards: use and approvals
5. Theft of Transit Coin: various follow-up work around controls
6. Best value concerns: employee positions, title and salary

CONCURRENT PROJECTS

With the tremendous resources available to Management, their review of a particular project is of enormous value to the Office of the Auditor General in the successful completion of the yearly Work Plan. Currently there are two projects where the OAG is either relying on or working concurrently through joint sponsorship: 1. Rationale of Fleet Size and Use, and 2. Greater Halifax Partnership, Destination Halifax and World Trade and Convention Centre.

STANDARDS AND OFFICE ADMINISTRATION

As the Office of the Auditor General is a new operating body, professional standards and processes need to be researched, developed, and put in place. Many hours have been spent researching and consulting with other Auditors General to develop standards which will hold up to professional peer review as well as support the vision of the office. This development is no small feat and will continue to take place as we move through our first Work Plan.

In the first year of development, we have been working to balance many factors such as budget constraints, staff skills, backgrounds, extended sick time, and experience levels. Naturally all these factors require regular attention. This time has also seen the appointment of an Administrative Officer, whose duties will include the Office's adherence to professional standards and ensuring a high level of service.

ADVISORY ROLE

In addition to responding to numerous inquiries from staff within business units, the Office of the Auditor General provides advice on a regular basis to Regional Council, managers, directors and Executive Management Team (EMT). The Auditor General meets monthly (separately) with the CAO, the deputy CAOs, the Mayor as well as with the Chair of the Audit Committee.

In some cases we have provided a type of ombudsman service to residents in terms of dealing with red tape: callers not knowing who or how to reach the appropriate staffer has led to residents' frustrations and subsequent contact with this office. While not technically part of the mandate of the OAG, we assist where practical to "cut through" the red tape.

AUDIT COMMITTEE

We assist Audit Committee with carrying out their duties and have begun a regular update of financial reporting and other matters, e.g. The New Audit Reporting Model, External Auditor Performance, as well as oversight regarding the timing and update of the external audit process. Meetings take place regularly with members of the Committee to assist with defining their roles and responsibilities. The relationship between the Office of the Auditor General and the Audit Committee continues to be extremely positive and encouraging.

ADMINISTRATIVE ORDERS 40/41 (Illegal and Irregular Conduct)

The successful integration of the Business Systems and Quality Control team has provided continuous coverage and oversight of issues arising from Administrative Order 40 and Administrative Order 41. The Office of the Auditor General is developing with Administration a more rigorous process to continue conducting or overseeing the investigations resulting from 40/41 issues. This involves enlisting more resources and engagement from the various business unit management teams while continuing to record the types of issues reported and actions taken, and provide reports to the CAO/ Audit Committee. Projects have resulted from the Administrative Orders; they in turn have been added as Emerging Issues to the current Work Plan.

CONTACT LINE

The development of the Office of the Auditor General Contact Line is in the final stages. The contact line will operate under the branding banner T.I.P.S. - Taking Improvement and Performance Seriously.

The purpose of the line is to provide HRM employees as well as residents a dedicated phone line to reach the office and to speak directly to a trained staff member in a completely confidential manner. Matters commonly defined as "fraud and waste" can also be brought forward.

OUTREACH

The Auditor General has had numerous speaking engagements both within and outside the organization. Our webpage www.halifax.ca/auditorgeneral points out the various methods to contact the Office of the Auditor General: by phone, by email, by our new T.I.P.S. line, or by regular postal service. We continue to receive and respond to steady inquiries via these methods of contact.

Mr. Munroe has also conducted many interviews with local media and continues to enjoy a positive relationship with these contacts. The OAG has had 2 students working in the office this past summer through the co-operative education programs at local universities. Their knowledge and enthusiasm are wonderful additions to the OAG.

The Auditor General has met with other Auditors General throughout the region in addition to conversations with various AG offices across the country. The Office of the Ombudsman, Province of Nova Scotia has also become a regular contact. There has been collaboration on issues brought to the OAG or to the Office of the Ombudsman, as well as participation in a sharing of information and resources, resulting in strong and positive working relationships between like-minded and similarly-orientated offices.

These various methods of engaging the community have added greatly to acknowledging the role and presence of the Office of the Auditor General, recognition of its value to the taxpayers, as well as raising the profile of the organization's responses to important issues.

The staff of the Office of the Auditor General continues to support and contribute within HRM to initiatives such as EMO and on behalf of the organization to various bodies such as Canadian Association of Municipal Administrators (CAMA), Association of Municipal Administrators (AMA), and Federation of Canadian Municipalities (FCM).

SUMMARY

In a short span of months, the creation, development and staffing of the Office of the Auditor General has been a tremendous experience. The growth potential is huge, the resources which can be leveraged are substantial and the resulting efficiencies for the organization and the 400,000 taxpayers of the Halifax Regional Municipality are significant. The growth of the OAG continues as we move forward with our initial Work Plan. We are very pleased to report our progress thus far and look forward to the continued support and cooperation with the Management and residents of the Halifax Regional Municipality.