

AUDITOR GENERAL

Halifax Regional Municipality



Follow-up Review – 2017 Reports

Contract Management

Halifax Water – Management of Drinking Water Safety

Management of Surplus Buildings and Land

February 2020

February 12, 2020

This **Follow-up Review – 2017 Reports**, 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

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Auditor General
Halifax Regional Municipality

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Contract Management
Halifax Water – Management of Drinking Water Safety
Management of Surplus Buildings and Land

90 %
Recommendations
completed

✓
High rate of
implementation

22

Recommendations

2

Recommendations
outstanding

1

Recommendation
no longer applicable



Contract
Management

- Contract monitoring activities improved
- Vendor performance evaluated at end of contracts



Halifax Water –
Management of
Drinking Water
Safety

- Improvements to utility-wide risk management and manual processes
- Detailed plans and timelines to improve information used in capital planning for aging water infrastructure needed



Management of
Surplus Buildings
and Land

- Improved overall management and information reported to Regional Council
- Need lease and facility agreements with all groups occupying municipal-owned property

This demonstrates that HRM and Halifax Water have worked to correct known issues.

Summary

We completed follow-up reviews of three reports released in 2017.

- Contract Management
- Halifax Water – Management of Drinking Water Safety
- Management of Surplus Buildings and Land

Ninety percent of the recommendations in the three reports completed to date. We are pleased to see a high rate of implementation. This demonstrates that HRM and Halifax Water have worked to correct known issues in these areas.

- 22 recommendations issued to four business units and Halifax Water
 - 19 recommendations implemented
 - Two recommendations outstanding
 - One recommendation no longer applicable
- Outstanding recommendations
 - Halifax Water needs to develop plans and timelines to improve the information used to identify and prioritize replacement of aging water infrastructure
 - Lease agreements need to be established with outside groups occupying all municipal-owned properties
 - Rights and responsibilities may not be clear without agreements
- Contract monitoring activities have improved across the four business units audited. Vendor performance is evaluated at contract completion and submitted to Procurement.
- Halifax Water has made significant improvements to utility-wide risk management and manual processes.
- Management of surplus buildings and land has improved. Updates have been made to the real estate policy and to the information reported to Regional Council on surplus and vacant properties.
 - Lease agreements have not been established for all groups occupying municipal-owned property

Contract Management – June 2017

Overall, management implemented all four of the recommendations from the Contract Management audit. A fifth recommendation is no longer applicable.

Management has improved:

- dedicated group established to manage external service contract requirements at Corporate and Customer Services Business Unit
- monitoring contract terms for all business units audited
- evaluating vendor performance at the end of a contract

The remaining recommendation issued is no longer applicable. Legal Services told us that penalty clauses may not be enforceable, and other measures are used to protect HRM's interests when contracting. We confirmed contracts included these additional measures, including liquidated damages, performance security and holdbacks.

Implementation Status by Recommendation

Recommendation	Business Unit	Status
1. The Operations Support business unit should review current contract terms to ensure terms are reasonable given the amount of staff time management wishes to allocate to ongoing monitoring. New contracts should balance the need to monitor and available resources.	Corporate and Customer Services	
2. All business units audited should monitor to confirm that both the Municipality and the vendor comply with all contract terms, including those for standing offers.	Corporate and Customer Services Parks and Recreation Transportation and Public Works Finance, Asset Management and ICT	
3. All business units audited should evaluate vendor performance at the end of contracts and, if appropriate, at intervals during contracts.	Corporate and Customer Services Parks and Recreation Transportation and Public Works Finance, Asset Management and ICT	
4. The Procurement division should establish processes to ensure vendor evaluations are completed and used in later procurements as applicable.	Finance, Asset Management and ICT	
5. All external services contracts, including those for standing offers, should require a payment penalty clause.	Finance, Asset Management and ICT	No longer applicable

Halifax Water – Management of Drinking Water Safety – November 2017

Overall, Halifax Water implemented 89% of the recommendations (eight of nine) from the Management of Drinking Water Safety audit.

Improvements have been made to:

- utility-wide risk management
- manual processes – weekly sampling, annual reports, alert settings
- IT access settings – limited to those who require it
- tracking action items from Nova Scotia Environment

One recommendation is still outstanding. Halifax Water has made improvements in identifying long-term water infrastructure needs. However, the information used to identify and prioritize aging infrastructure for replacement still needs improvement. Detailed plans and timelines to achieve this have not been developed.

Implementation Status by Recommendation

Recommendation	Status
1. Halifax Water should develop a utility-wide risk framework.	
2. Halifax Water should develop detailed plans with timelines to improve the information it uses to assess long-term capital needs to replace water infrastructure.	
3. Halifax Water should clarify reporting requirements with Nova Scotia Environment for all samples not collected by Regulatory Services.	
4. Halifax Water should compare all scheduled samples to recorded sample results in its system to identify missed samples on a timely basis.	
5. Halifax Water should have an independent staff person review annual compliance reports to Nova Scotia Environment to confirm the reports were prepared accurately.	
6. Halifax Water should establish a process to ensure access to edit alert settings is limited to only those staff who require it. It should also review all those who currently have access to confirm if this access is needed for current job requirements.	
7. Halifax Water should establish a process to ensure access to the system is updated as employees move within the organization and removed on termination of employment.	
8. Halifax Water should periodically review settings for all automated alerts (those internal to Halifax Water and those sent to Nova Scotia Environment) to confirm the settings are accurate.	
9. Halifax Water should centrally track the status of action items required by Nova Scotia Environment for regulatory compliance.	

Management of Surplus Buildings and Land – November 2017

Management has implemented 88% of the recommendations (seven of eight) from the Management of Surplus Buildings and Land audit.

Management improved:

- real estate policy – Administrative Order 50
- information reported to Regional Council
 - operational costs related to surplus and vacant properties
 - environmental and legal reviews obtained
- assigning responsibility for operational management when building or land is declared surplus
- tracking of surplus and vacant property information

One recommendation is still outstanding. HRM management needs to:

- Establish lease and facility agreements with outside groups occupying all municipal-owned properties
 - Example – land without a lease agreement since 2004

There is a risk HRM may be liable for issues that arise when an outside group is occupying municipal-owned properties as the rights and responsibilities may be unclear.

Implementation Status by Recommendation

Recommendation	Business Unit	Status
1. Finance, Asset Management and ICT should evaluate the property inventory review process required under Administrative Order 50 to determine whether an annual review is reasonable. If a longer review timeframe is suggested, management should recommend to Regional Council that Administrative Order 50 be amended accordingly.	Finance, Asset Management and ICT	
2. Once Administrative Order 50 has been updated, or a decision made to maintain annual reviews, Finance, Asset Management and ICT should comply with Administrative Order 50.	Finance, Asset Management and ICT	
3. Corporate and Customer Services should regularly provide Regional Council with a list of properties declared surplus, associated costs, and current statuses (e.g.: for sale, demolition planned).	Corporate and Customer Services	
4. Finance, Asset Management and ICT should include environmental risks in the standard section of reports to property review committees and Regional Council. Environmental risks should be evaluated, and the Real Estate division should disclose all such risks it is aware of.	Finance, Asset Management and ICT	
5. Finance, Asset Management and ICT should request a legal review for properties recommended for community use before asking Regional Council to approve them as surplus. The results should be included in the report to Regional Council.	Finance, Asset Management and ICT	
6. As part of the requirements of Administrative Order 50 for disposal of surplus properties, Finance, Asset Management and ICT should assign responsibility for managing surplus properties.	Finance, Asset Management and ICT	
7. HRM should establish lease or facility agreements with outside groups occupying all municipal-owned properties.	HRM	
8. Finance, Asset Management and ICT should track detailed information on surplus or vacant property in a central file, including: status, comments, building condition, and environmental assessments.	Finance, Asset Management and ICT	

Background

In 2017, the Office of the Auditor General, Halifax Regional Municipality established a follow-up process to review progress on implementing recommendations 18-months after a report is released.

Objective and Scope

We completed a follow-up review of three reports released in 2017.

- Contract Management
- Halifax Water – Management of Drinking Water Safety
- Management of Surplus Buildings and Land

Our objective was to provide review level or limited assurance on HRM’s implementation of recommendations from these reports. A limited assurance engagement provides a lower level of assurance than an audit. Conclusions are based on reasonability of what management tells us, rather than detailed testing as would be found in an audit. This allows us to focus limited resources on new audits while still providing assurance that management is addressing the issues we identified in past audits.

Our approach included discussing implementation with staff; reviewing applicable legislation, policies, guidelines and processes; 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 Control 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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