

report indicating that the original two recommendations were “Incomplete”. The Committee subsequently directed the Chief Administrative Officer to prepare this report on staff’s progress to finalize the report’s recommended actions.

DISCUSSION

The November 2019 AG audit report’s first observation leading to a recommendation for management to action is as follows:

HRM had systems and procedures to plan the LED streetlight conversion project; however, improvements were needed.

Comprehensive risk assessment not completed

Management did not complete a comprehensive assessment of project risks for the LED streetlight conversion project. The project charter included a section outlining key program level risks. Management’s report to Regional Council for project funding approval stated the risk to the project was relatively low. However, there was no overall project risk ranking in the project charter and, therefore, a lack of support for that statement. It is important that information reported to Regional Council is accurate and adequately supported. We expected management to have a documented risk register for a significant capital project of this nature and to monitor those risks throughout the project.

Recommendation 1

HRM should develop a comprehensive risk assessment process for planning significant capital projects.

Management Response

Agreed. The Enterprise Asset Management (EAM) Office will define what a significant capital project is for the purposes of risk management and working with the Corporate Planning division will provide guidance to business units on risk identification and processes for mitigation.

Staff identified three key areas to provide improved risk management for capital projects.

1. A significant amount of work related to capital planning has been undertaken by staff since 2019, with the implementation of a formal corporate asset management business system with accompanying policies and strategies, including the Asset Investment Framework, Capital Prioritization Framework, and the Long-term Capital Strategy. These new practices were introduced to Regional Council during the 2020-21 capital budget preparation process and each require risk factors to be considered.
2. Accompanying the updated Procurement Policy (Administrative Order 2020-004-ADM) in July 2020, a staff checklist was designed specifically for project Procurement which requires a review of risk. Staff monitor all purchase order changes for appropriate authorization at the level based on the cumulative amount of change from the original PO, rather than each individual change order amount.

3. The third initiative staff had planned but did not have implemented in time for the April 2020 AG Follow-up Review of the 2019-20 Audits, is a separate capital business case requirement for large and complex capital projects to provide more in-depth understanding of project requirements and impacts for planning and decision-making.

Next Steps: Staff are drafting an update to the 2019 draft business case template for significant projects. Governance will be implemented during 2023-24.

The November 2019 Auditor General audit report's second observation leading to a recommendation for management to action is as follows:

We encountered issues obtaining supporting project documentation partly because there was no central project file. Staff may have kept individual files. However, many staff involved in project planning are no longer employed with HRM. This limited our ability to verify whether information on the purchase of streetlight assets from Nova Scotia Power, LED installation costs and ICT analysis reported to Regional Council, were accurate and complete. It also limits management's and Regional Council's ability to effectively evaluate project results against project plans.

Recommendation 2

HRM should develop a policy related to significant capital project files. This should include assigning overall project file responsibility and determining what documents to include in project records.

Management Response

Agreed. Working with capital project managers the EAM Office will provide guidance on project file contents and structure.

Presently, all procurement and accounting documentation related to a project must adhere to the corporate record retention policy (Administrative Order #2015-001-GOV). In recent years, partially encouraged by the pandemic with staff working from home, it is current practice that SAP (HRM's financial enterprise system) purchase order records have related invoices, communications, and other relevant documentation attached for reference as electronic record.

Staff had planned to address this AG recommendation in correlation with a bigger enterprise system project to implement a new project management module which has been significantly delayed. In light of this, staff are proceeding with policy and process reviews and changes separately.

Next Steps: Staff are drafting an update to the corporate Tangible Capital Asset Policy, with a supplementary, more detailed guidance document. This work has identified other capital-related corporate policies needing to be refreshed or created, which can now proceed with increased staff capacity, to be completed by end of the 2023 calendar year. The staff policy work will incorporate the AG's recommendation.

FINANCIAL IMPLICATIONS

The remaining work to complete implementation of the Auditor General's 2019 audit recommendations can be accommodated within current staffing complements. The results of all efforts to implement improved corporate risk management for significant capital projects should reduce long-term municipal costs.

COMMUNITY ENGAGEMENT

No community engagement was required.

ATTACHMENTS

None.

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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