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**Item No. 4**  
**Halifax Regional Council**  
**October 31, 2017**

**TO:** Mayor Savage and Members of Halifax Regional Council

**SUBMITTED BY:** Original Signed  
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Councillor Bill Karsten, Chair, Audit and Finance Standing Committee

**DATE:** October 19, 2017

**SUBJECT:** Office of the Auditor General – Budget and Forecast Process

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### **INFORMATION REPORT**

#### **ORIGIN**

Information Item submitted to the October 18, 2017 Audit and Finance Standing Committee meeting.

#### **LEGISLATIVE AUTHORITY**

Sec. 21 of the Halifax Regional Municipality Charter RE Standing, Special and Advisory Committees

Sec. 6 of the Audit and Finance Standing Committee's Terms of Reference – "Notwithstanding section 49 of the HRM Charter outlining the role, independence and report relationship of the Municipal Auditor General, the Audit and Finance Standing Committee shall act as a liaison and communication link between the Auditor General and the Council."

#### **BACKGROUND**

At the October 18, 2017 meeting of the Audit and Finance Standing Committee, the Committee received information from the Auditor General on the Office of the Auditor General's budget and forecast process. The Committee considered this matter and passed a motion to forward it to Regional Council for Council's information.

**FINANCIAL IMPLICATIONS**

NA

**COMMUNITY ENGAGEMENT**

NA

**ATTACHMENTS**

Attachment 1: Office of the Auditor General – Halifax Regional Municipality- Budget and Forecast Process

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A copy of this report can be obtained online at [halifax.ca](http://halifax.ca) or by contacting the Office of the Municipal Clerk at 902.490.4210.

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Historically, the Office of the Auditor General has been treated the same as any business unit for budget and forecast purposes. This meant the CFO and CAO approved the Office's budget. Additionally, the CFO approved the Office's monthly and quarterly forecasts. This compromises the Office's independence.

It is important that an Auditor General be independent, both in perception and fact, from the organization she audits. When an Auditor General has to rely on management to provide approvals for the Office's operations, such as budgets and forecasts, a reasonable observer might conclude the Auditor General is not fully independent.

This document outlines a new approach (details below) to the Office of the Auditor General's budget and forecast. These changes will significantly enhance the Office of the Auditor General's independence from HRM management and will bring our processes in line with good practices for AG functions.

**Budget Process:**

- Director of Finance/ Chief Financial Officer will provide the Auditor General with the budget process dates. This will allow the Office of the Auditor General to complete its budget process independently, while still providing information to Committee of the Whole of Regional Council at the same time as the rest of HRM.
- Finance staff will continue to provide the Office of the Auditor General with the Office's salary model for the upcoming fiscal year. The Office requires this information to complete its budget.
- Finance will also provide the Office of the Auditor General with the base increases it plans to use for all non-salary items in HRM. This will assist the Office in developing its budget estimates for non-salary items.
- The Auditor General will provide the Office's proposed budget and any related information directly to Committee of the Whole.
- The Office will also provide its budget to Finance for inclusion in HRM's overall budget. However, this will be for information purposes only. The Director of Finance/ Chief Financial Officer and Chief Administrative Officer will not have a role in approving the Office of the Auditor General's proposed budget.
- If the Auditor General is proposing an increased Office budget, this information will be provided to the Director of Finance/ Chief Financial Officer in advance. This will allow the Director to be aware of any budget pressures which could arise from the Office of the Auditor General. Any proposed increases would have to be approved by Committee of the Whole.
- The Auditor General will be available to Committee of the Whole during the budget recommendation and approval process.
- If the Office of the Auditor General is requesting capital funds, this request would also go directly to Committee of the Whole, with appropriate supporting documentation explaining the request.

**Office of the Auditor General – Halifax Regional Municipality  
Budget and Forecast Process**

**Forecast Process:**

- Business units and the Office of the Auditor General provide details of actual expenses to date as well as forecasted expenditures to year end.
- The Office of the Auditor General will prepare quarterly forecasts and submit these directly to the Audit and Finance Standing Committee, at the same time as the quarterly report from the rest of HRM is submitted.
- The quarterly report will also be provided to the Director of Finance/ Chief Financial Officer for information purposes. The Director will not approve the Auditor General’s quarterly forecast.
- If there are any significant variances in the Office’s quarterly forecasts, the Auditor General will be available at the Audit and Finance Standing Committee meeting to address any questions Committee members may have.