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**Item No. 8**  
**Budget Committee**  
**January 16, 2019**

**TO:** Chair and Members of Budget Committee  
(Standing Committee of the Whole on Budget)

**SUBMITTED BY:** Original Signed  
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Evangeline Colman-Sadd, Auditor General

**DATE:** January 7, 2019

**SUBJECT:** Proposed 2019/20 Multi-year Office of the Auditor General Budget Plan

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**ORIGIN**

As per Administrative Order 1 and the Budget and Business Plan consultation schedule presented to Regional Council on October 16, 2018, staff is required to present the draft 2019/20 Business Unit Budget and Business Plans to the Budget Committee for review and discussion prior to consideration by Regional Council.

**LEGISLATIVE AUTHORITY**

Halifax Charter, section 35 (1) The Chief Administrative Officer shall (b) ensure that an annual budget is prepared and submitted to the Council.

**RECOMMENDATION**

It is recommended that the Budget Committee direct staff to prepare the Office of the Auditor General 2019/20 Multi-year Budget and Business Plan, as proposed in the accompanying presentation, and to prepare Over and Under items for that Plan as directed by Regional Council.

## **BACKGROUND**

As part of the design of the 2019/20 Budget and Business Plan development process, the Budget Committee is reviewing each Business Unit's budget and proposed plans, in advance of completing detailed HRM Budget and Business Plan preparation.

At the November 13, 2018 and December 4, 2018 Committee of the Whole meetings, Regional Council considered and confirmed their Council Priority Outcomes and on November 27, 2018 provided fiscal direction for the 2019/20 Multi-year budget, directing staff to: "develop the 2019/20 Budget and 2020/21 Budget in Principle according to Council's approved priorities, and preliminary fiscal direction, including:

- maintaining the appropriate level of existing services with the addition of the new services previously approved by Council;
- a three-year capital budget that recapitalizes assets, funds growth related issues and is balanced to the fiscal framework
- a responsible debt position;
- appropriate reserve balances that allow for risk mitigation, future obligations, and opportunities; and,
- alignment of the current average tax bill for residential homes and commercial properties under two scenarios:
  - a) 1.9% increase for 2019/20;
  - b) 2.1% increase for 2019/20;
  - c) 2.9% increase for 2019/20.

## **DISCUSSION**

Staff has prepared the proposed 19/20 Multi-year Budget and Business Plan consistent with the preliminary fiscal direction received from Council on November 27, 2018 and aligned with Council Priorities as approved on November 13, 2018 and December 4, 2018. The proposed Budget aligns with a 2.9% increase in the average tax bill for both residents and businesses.

Following direction from the Budget Committee, staff will proceed to complete the detailed Budget and Business Plan for inclusion in the proposed 2019/20 Multi-Year Budget and Business Plan documents to be presented to Council, as per the process and schedule approved in the October 16, 2018 staff report.

As part of the Budget process, Regional Council will be provided with a list of possible services increases and decreases that will allow them to more fully direct changes to the budget. As part of this "Over and Under" process, staff will provide budget options for Council's consideration that would achieve an alternative tax bill increase of either 2.1% or 1.9%.

## **FINANCIAL IMPLICATIONS**

The recommendations in this report will lead to the development of a proposed 2019/20 Multi-year budget. There are no immediate financial implications from these recommendations. The broader financial implications will be discussed and debated as the budget is developed in more detail.

## **RISK CONSIDERATION**

Although there is no immediate risk related to financial decisions, there may be risks associated with individual decisions during the budget debate as they could favour short-term results over longer term strategic outcomes. Individual decisions made during budget debate will however, be considered for both short- and long-term impacts to levels of service, asset condition, and cost.

In addition, the administration seeks to reduce these risks in three ways; by providing Regional Council with several fiscal options to assist in the achievement of longer term strategic outcomes; by assessing both corporate and capital project risk and by providing the opportunity to draw Regional Council's attention to project or program related risk when reports are presented for consideration.

HRM implemented Enterprise risk management in 2015; corporate risks are evaluated annually during the business planning process and mitigating strategies are implemented to reduce the overall risk to the organization. Project related risk is evaluated during the capital planning process; project managers using the same risk assessment tools as those used to assess corporate risk, rate the relative risk of each discreet projects.

### **COMMUNITY ENGAGEMENT**

No community engagement was sought for this report; however, the current budget consultation process seeks to solicit public comment on community priorities; members of the public are invited to provide feedback following each business unit budget and business plan presentation.

The Citizen Survey completed in September 2018 has also provided valuable information for assessing community priorities and expectations and has been incorporated into the planning work.

### **ENVIRONMENTAL IMPLICATIONS**

None

### **ALTERNATIVES**

The Budget Committee can choose to amend the Budget and Business Plan as proposed in the accompanying presentation through specific motion, and direct staff to proceed to prepare the Budget and Business Plan for inclusion in the proposed HRM Budget and Business Plan documents.

### **ATTACHMENTS**

- Office of the Auditor General 2019/20 Multi-year Budget Presentation

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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.

Report Prepared by: David Marr, Audit Manager, Office of the Auditor General, 902.240.2492

Original Signed

Report Approved by: 

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Evangeline Colman-Sadd, Auditor General, 902.490.8407

**AUDITOR  
GENERAL**

Halifax Regional Municipality

# Office of the Auditor General

**2019/20 and 2020/21**

**Multi-Year Budget**

Committee of the Whole

16-Jan-2019

# Office of the Auditor General

## Our Values

### Integrity

We value honesty and accountability, holding ourselves to high professional and ethical standards.

### Objectivity

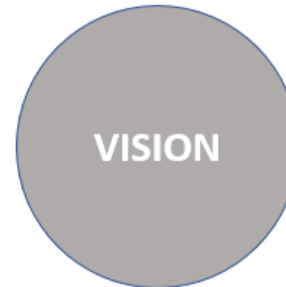
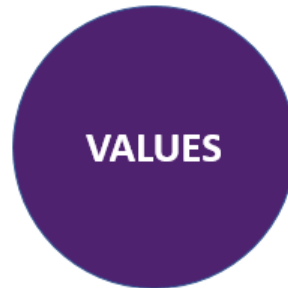
We are independent from management of the entities we audit and impartial in our assessments.

### Collaboration

We work together to focus on the significant issues and make practical recommendations for improvement.

### Excellence

We develop our knowledge and work to improve our processes.



## Our Mission



To deliver independent audits that strengthen accountability and encourage improved

## Our Vision

A relevant, valued, independent audit office, known for professional excellence

# Accomplishments – Snapshot

BUDGET FORECAST  
**ON TARGET**

**1%**    
from actual

**Six of Seven**  
2018/19 AUDIT PLAN  
ITEMS UNDERWAY



2019/20 AUDIT  
WORK PLAN IN  
DEVELOPMENT (March 2019)

STAFFING  
**FULL STAFF**



COMPLEMENT

**REPORTS**

**5** RELEASED

**4** IN PROGRESS



RECOMMENDATION  
FOLLOW-UP  
TABLED



**46%**

RECOMMENDATIONS  
COMPLETED

A REFINED  
**WEB  
PRESENCE**



ROLLED OUT BY  
END OF FISCAL

# Going Forward – Snapshot

BUDGET

**\$1,085,700**

OVERALL

**\$66k↑**

from 2017/18 budget

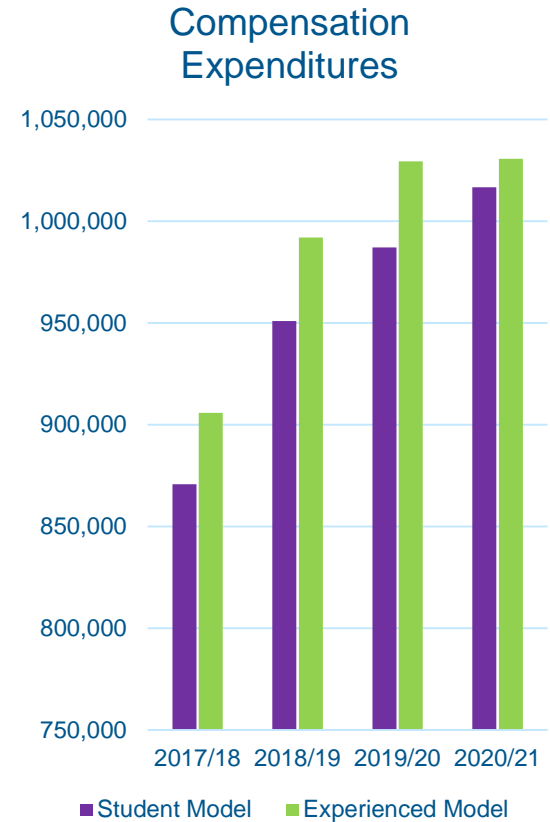


**91%** of BUDGET  
ASSOCIATED WITH  
COMPENSATION  
93% WITH PROFESSIONAL  
FEES



**STUDENT** vs  
**EXPERIENCED**  
STAFFING MODEL

**SOFTWARE**  
MAINTENANCE  
**COSTS**  
KICK-IN 2019/20



# Operating Budget Overview

Expenditures	2017 Budget	2018 Budget	2018 Projected	2019 Budget
Compensation and Benefits	984,800	950,900	943,400	987,000
Office	13,500	17,700	29,800	37,500
External Services	6,000	6,000	4,990	8,500
Equipment & Communications	2,000	2,000	1,000	2,000
Other Goods & Services	37,200	43,000	28,110	50,700
<b>Total Expenditures</b>	<b>1,043,500</b>	<b>1,019,600</b>	<b>1,007,300</b>	<b>1,085,700</b>
<b>Net Surplus/Deficit</b>	<b>1,043,500</b>	<b>1,019,600</b>	<b>1,007,300</b>	<b>1,085,700</b>



# Service Area Budget Overview

Service Area	2017-18 Actual	2018-19 Budget	2018-19 Projections	2019-20		2020-21 Budget
				Budget	Δ18-19 Budget	
<b>Office of the Auditor General</b>	916,027	1,019,600	1,007,300	1,085,700	66,100	1,085,700
<b>Net Surplus/Deficit</b>	<b>916,027</b>	<b>1,019,600</b>	<b>1,007,300</b>	<b>1,085,700</b>	<b>66,100</b>	<b>1,085,700</b>

# FTE Positions

Service Area	17/18 Approved	18/19 Approved	19/20 Proposed	20/21 Proposed
Office of the Auditor General	10	10	10	10
<b>Business Unit Total</b>	<b>10</b>	<b>10</b>	<b>10</b>	<b>10</b>

# Staffing

	17/18 Staffed	18/19 Staffed	19/20 Proposed	20/21 Proposed
Office of the Auditor General	8	10	10	10

# Summary of Proposed Budget Adjustments

Proposed Adjustments	Impact on Service Delivery	Projected 18/19 \$ Impact	Amount
<b>18/19 Approved in Principle</b>			<b>\$1,019,600</b>
Compensation	Salary Adjustments	36,100	
Budget Adjustments	Computer software and licenses	19,800	
	Membership dues, travel, training & education	10,200	
<b>Total Proposed Changes</b>			<b>\$66,100</b>
<b>Proposed 18/19 Budget</b>			<b>\$1,085,700</b>

\* Includes approved in principle 2-year changes from 17/18 budget discussions

# Questions and Discussions