

DATE: JANUARY 31, 2019

TO: MAYOR AND MEMBERS OF COUNCIL

FROM: TIM SIMMONDS, INTERIM CITY MANAGER
MICHAEL CORONEOS, CHIEF FINANCIAL OFFICER AND CITY TREASURER

RE: FINANCE, ADMINISTRATION AND AUDIT COMMITTEE – FEBRUARY 4, 2019
DRAFT 2019 BUDGET AND 2020-2022 FINANCIAL PLAN

Recommendation

The Interim City Manager and Chief Financial Officer and City Treasurer recommend:

1. THAT the draft 2019 property tax operating budget be amended to add a new additional resource for a full-time permanent complement of an Internal Audit Project Manager position;
2. THAT a fiscally net neutral 2019 budget adjustment be made from Vaughan Public Libraries to Internal Audit to cover expenses related to the additional resource, in the amount up to \$70,000 as determined by the Interim City Manager; and
3. THAT the Draft 2019 Budget Book Volumes 1, 2 and 3 be amended to reflect this budget adjustment.

Purpose

This communication is to report back to Council regarding the financial and business considerations of additional resources requested for the City's Internal Audit program.

Background

A report entitled *Internal Audit Report – 2019 Internal Audit Risk Based Work Plan* (the "Report") was presented at the January 21, 2019 Finance, Administration and Audit Committee meeting. The Report indicated that:

- The core responsibilities of Internal Audit are to conduct risk based operational and compliance audits and to provide independent, objective assurance and consulting activities designed to add value and improve the City's operations.
- A list of priority projects for 2019 was established based on current available resources of a staffing level that includes a Director and two Audit Project Managers.
- Based on the entity-wide risk assessment, 6 of the 11 very high-risk areas and 25 of the 32 high risk areas will not be reviewed in 2019, nor have they been reviewed in the past 5 years. Current estimates indicate that a staff of six would be required to do all relevant identified projects over the 2019-2022 term.

- Additional staff may be required if the risk profile changes significantly or if there is a demand for more audit services.

Council directed staff to report back regarding the opportunities for one additional full-time equivalent (FTE) for Internal Audit, including financial ramifications and a proposed work plan for said additional FTE.

Analysis

The Draft 2019 Budget and 2020-2022 Financial Plan supports the City's vision of being a "City of Choice" by focusing investments in transformational city-building and Service Excellence Initiatives. The City continues to invest in initiatives that enhance services levels, improve efficiencies, mitigate risk, and address new regulatory requirements.

The City promotes government transparency and accountability. Internal Audit plays an integral role in supporting this objective by fostering a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The 2019 cost for one additional Internal Audit Project Manager FTE is estimated at approximately \$70,000, which is based on a projected hiring in mid-2019. Staff have reviewed potential funding sources for this additional FTE and propose a fiscally net neutral budget adjustment by reducing the 2019 Vaughan Public Libraries operating budget previously earmarked for the scheduled opening of the Vaughan Metropolitan Centre Library ("VMC Library"). Through the tender process, the timing for the grand opening of the VMC Library facility, which was slated for December 2019, is being adjusted to early 2020. A modest amount of budget remains needed to ensure sufficient resources are in place in preparation for the VMC Library opening. Annualized operating costs for resources required for both Internal Audit and VMC Library would need to be incorporated into the operating budgets for 2020 and beyond.

The proposed tax rate increase for 2019 is three percent which reflects the continued commitment that tax rate increase does not exceed three per cent for this Term of Council. The Draft 2019 Budget and 2020-2022 Financial Plan ensures that Vaughan continues to maintain one of the lowest property tax rates in the Greater Toronto Area.

Respectfully submitted,



Tim Simmonds
Interim City Manager



Michael Coroneos, CPA, CMA
Chief Financial Officer and City Treasurer

Memo Prepared by:

Maggie Wang, MBA, CPA, CGA, A.I.M.A.
Manager of Corporate Financial Planning & Analysis