



STAFF REPORT ACTION REQUIRED

Administration of Municipal Land Transfer Tax, Revenue Services Division

Date:	June 16, 2010
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's annual work plan included a review of the Revenue Services Division's administration of the municipal land transfer tax.

Our review identified areas where opportunities exist to ensure that this new tax program is effectively managed and administered according to the intent of City Council. Accordingly, we have issued a report which contains nine recommendations.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Deputy City Manager and Chief Financial Officer:
 - a. review with the Province the potential of coordinating audit resources in order to conduct a joint audit of Teranet Enterprises Inc.'s systems
 - b. in consultation with the Province, give consideration to requesting Teranet Enterprises Inc. to provide to the City and the Province an independent auditor's report on controls at a service organization (Canadian Institute of Chartered Accountants Handbook Section 5970 report).
2. The Deputy City Manager and Chief Financial Officer formalize policies and procedures designed to mitigate the risk of errors in the services rendered by Teranet Enterprises Inc.

3. The Deputy City Manager and Chief Financial Officer request from Teranet Enterprises Inc. its Compliance Monitoring Report. The Compliance Monitoring Report be reviewed to ensure it is independent, can be relied upon and any areas of concern are adequately addressed.
4. The Deputy City Manager and Chief Financial Officer request Teranet Enterprises Inc. to ensure that only those fees approved by City Council are charged on municipal land transfer tax transactions. Further, Revenue Services Division establish a process to ensure Teranet complies with the provisions contained in the Municipal Land Transfer Tax By-law No. 1423-2007.
5. The Deputy City Manager and Chief Financial Officer complete a sample review of municipal land transfer tax rebates granted by Teranet Enterprises Inc. during the seven-month period ending August 31, 2008 to ensure that the City's rebate eligibility criteria were met.
6. The Deputy City Manager and Chief Financial Officer review the level of ongoing resources required in order to effectively audit the various documentation provided by third parties to support the payment and rebate of municipal land transfer tax. Such a process be conducted in collaboration with the Province in order to leverage the current provincial audit program.
7. The Deputy City Manager and Chief Financial Officer consider the possibility of recovering staff costs relating to the processing of manual rebate and refund applications on electronically registered conveyances.
8. The Deputy City Manager and Chief Financial Officer encourage prompt payment by developing policies to implement interest, financial penalties and other enforcement measures permitted by the Municipal Land Transfer Tax By-law No. 1423-2007.
9. The Deputy City Manager and Chief Financial Officer:
 - a. in consultation with the City Solicitor, review the Municipal Land Transfer Tax By-law No. 1423-2007 to identify any provisions requiring clarification or amendment, and report to City Council, if necessary, on any revisions identified
 - b. develop clear written guidelines to ensure consistent application of provisions in the Toronto Municipal Land Transfer Tax By-law No. 1423-2007 by staff of the Revenue Services Division.

FINANCIAL IMPACT

The implementation of recommendations in this report may result in cost impacts or additional revenues although not all of them can be quantified at this time.

DECISION HISTORY

This report provides the results of the Auditor General's review of the administration of municipal land transfer tax, Revenue Services Division. This review was conducted as part of the Auditor General's Annual Work Plan.

COMMENTS

The Auditor General's report entitled "Administration of Municipal Land Transfer Tax, Revenue Services Division" is attached as Appendix 1. Management's response to each of the recommendations contained in this report is attached as Appendix 2.

CONTACT

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SIGNATURE

Jeffrey Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Administration of Municipal Land Transfer Tax, Revenue Services Division

Appendix 2: Management's Response to the Auditor General's Review of Administration of Municipal Land Transfer Tax, Revenue Services Division