



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Toronto Building Division – Building Permit Fees, Improving Controls and Reporting

Date:	January 23, 2012
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

The Auditor General's Annual Audit Work Plan included a review of the administration of building permit fees. The objective of this review was to assess compliance with legislative requirements and City policies and procedures for charging, collecting and reporting on building permit fees.

Our report includes 11 recommendations related to the administration of building permit fees. Included in the report is a management response to each of the recommendations.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council request the Chief Building Official in consultation with related City divisions review, revise and monitor the accuracy and completeness of information used to calculate building permit fees on an annual basis.
2. City Council request the City Manager formalize service level agreements with key divisions supporting the Toronto Building Division permit process. Service level agreements should set forth anticipated service levels and applicable charges.

3. City Council request the City Manager to ensure that the 2005 and 2008 internal review recommendations made as a result of work conducted by the Internal Audit Division and Policy, Planning Finance and Administration are implemented on a timely basis. Follow up audits should be conducted annually in order to verify that recommendations have been implemented. The results of these follow up audits be reported to the City Manager.
4. City Council request the City Manager to ensure proper financial controls exist at each customer service center. Procedures should ensure timely reconciliation, deposit and the recording of funds collected.
5. City Council request the Chief Building Official develop policies and procedures for issuing refunds and voiding transactions.
6. City Council request the Chief Building Official ensure data contained in IBMS and SAP is accurate and complete and routine reconciliations of building permit fees collected are conducted.
7. City Council request the Chief Building Official in consultation with the Chief Information Officer take steps to automate the interface between IBMS and SAP.
8. City Council request the Chief Building Official to ensure that the annual report on building permit fees includes additional information explaining the differences between building permit fees collected and the amounts included in the annual report.
9. City Council request the Chief Financial Officer ensure the requirement for a triennial review of the *Building Code Act* Service Improvement Reserve Fund is met.
10. City Council request the Chief Building Official ensure that building permit fees in IBMS and the Toronto Municipal Code are current, complete and accurate.
11. City Council request the Chief Building Official in consultation with the Chief Information Officer to ensure that any revisions to permit fees in IBMS are in accordance with generally accepted practices. Furthermore, steps should be taken to improve the process for uploading revised and new permit fees, including the potential for automation.

Financial Impact

This report has no significant financial impact.

DECISION HISTORY

The Auditor General's Audit Work Plan included a project to review controls related to building permit fees. The Auditor General's work plan is available on the City's Web site at: <http://www.toronto.ca/audit/2011/auditworkplan-jan12.pdf>

ISSUE BACKGROUND

The *Building Code Act* governs building construction in Ontario. According to the Act, any person intending to build or demolish a structure is required to obtain a building permit. Toronto Building staff issue a permit after all project plans have been reviewed and approved. This review ensures compliance with the Ontario Building Code, local zoning by-laws and other applicable laws defined in the legislation.

The *Building Code Act* authorizes Council to set and collect building permit fees. Building permit types and related fees are set forth in the Toronto Municipal Code Chapter on Building Construction and Demolition. Authorized fees are intended to recover costs and are not permitted to exceed anticipated reasonable costs to administer and enforce the *Building Code Act*.

COMMENTS

The approved gross operating budget for Toronto Building in 2011 was approximately \$47 million with an anticipated indirect cost recovery of approximately \$10.7 million. These indirect costs are incorporated into the operating budgets of other divisions supporting Toronto Building.

The *Building Code Act* requires the Chief Building Official to report to City Council annually on building permit fees collected and total costs incurred to administer and enforce the *Building Code Act*.

According to the *Building Code Act*, if a reserve fund has been established, the reserve fund amount should be included in the annual report. In 2005, Toronto Building established a Service Improvement Reserve Fund. The reserve fund balance at the end of 2010 was approximately \$11.2 million.

The audit report entitled "Toronto Building Division – Building Permit Fees, Improving Controls and Reporting" is attached as Appendix 1. Management's response to the audit recommendations is attached as Appendix 2.

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SIGNATURE

Jeff Griffiths, Auditor General

10-TBD-01

ATTACHMENTS

- Appendix 1: Toronto Building Division - Building Permit Fees, Improving Controls and Reporting
- Appendix 2: Management's Response to the Auditor General's Review of Toronto Building Division - Building Permit Fees, Improving Controls and Reporting