

November 1, 2018

## 2018 Property Tax Audit

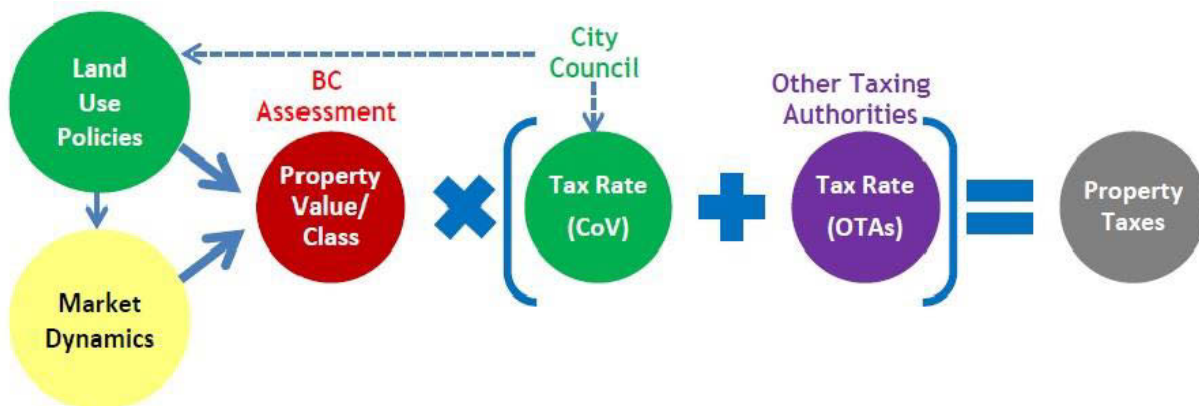
### Background

Property taxes are the primary source of revenue for the City. The property tax process is managed by Revenue Services of the Finance, Risk & Supply Chain Management Department.

The property tax process involves billing and collection of property taxes from over 205,000 commercial and residential properties. For the 2017 property tax year, approximately \$1.6 billion for 204,000 folios were issued notices by Revenue Services. This amount includes the totals for other tax authorities; the City's share was \$753 million.

There is an advance bill sent to the taxpayer in February and a main bill in July each year. The City's general tax levy, City utility charges and levies from the Vancouver School Board and other taxing authorities are included in the Property Tax notice.

The figure below shows the key drivers and stakeholders within the property taxation framework<sup>1</sup>.



See Appendix 1 for more details

<sup>1</sup> Targeted Land Assessment Averaging Council Report

### Scope

Our audit objective was to provide reasonable independent assurance that the existing internal controls and business processes relating to property tax processes are adequate and effective.

The audit reviewed property tax processes, compliance to applicable policies, procedures and the internal control framework to verify the effectiveness and efficiency of the property tax billing, collection and refund process.

The audit reviewed:

- The adequacy of controls in reviewing property tax assessment rolls;
- The completeness and accuracy of tax billing processes including the calculation of tax notices and distribution of notices to residents;
- Calculation and billing of property taxes and payments in lieu of taxes for government owned properties;
- Controls over the collection of payments;
- Property tax refunds; and
- The adequacy of IT access controls.

The Empty Homes Tax was out of scope for this audit as a review has been completed in 2018.

The audit is not designed to detect fraud. Accordingly there should be no such reliance.

### Conclusion

Property tax processes require improvement. Management has committed to strengthen internal controls and enhance operational efficiency by improving process documentation, management oversight, validation of the average roll and formalization of the process.

The more significant findings and recommendations are:

#### **E.1 Establish Property Tax adjustment approval process and management oversight**

To ensure penalty adjustments are accurate and valid management approval over a certain dollar threshold should be implemented.

### E.2 Document methodology for average roll validation

The average roll validation could benefit from a robust average roll validation methodology.

Given the importance of the average roll creation and validation it would be beneficial to establish responsibility for reviewing the validation work completed.

Findings and recommendations have been discussed with management and work is underway to address them.

Finance Management has also agreed to improve property tax process documentation and knowledge transfer, automate manually intensive processes and reconcile the expected number of tax notices to the actual number produced.