

Date: 2023-06-02

Subject: **Development Charges 2023**

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Report Number: CAO's Office-2023-513

Improvement Required**Recommendations:**

1. That the report titled: Development Charges Audit Report 2023, to the Audit Committee Meeting of June 12, 2023, be received and the recommendations contained in **Appendix 1: Development Charges Audit 2023 Report** be approved.

Executive Summary:

The report highlights inefficiencies, control risks, and system limitations in the development charge billing process that could reduce billing accuracy.

The overall audit was rated as **“Improvement Required.”**

The audit noted the following strengths relating to controls and processes around Development Charges;

- In general, development charges are applied correctly and in accordance with relevant by-laws
- Development charge funds collected on behalf of the Region of Peel and the two school boards are remitted as per agreement.
- Processes and system controls are in place to ensure building permits are issued only after all development charges have been paid in full
- Funding activity from development charge reserves to capital projects is reviewed, approved and monitored

The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Development Charges Audit 2023 Report**.

See **Appendix 2** and **Appendix 3** for the criteria for rating findings and audit report rating.

Please also see **Appendix 4** for the presentation slides for this audit report.

Internal Audit discussed the following improvement opportunities with Development Finance:

Process	Finding	Rating
1. Billing – Processing invoices with frozen rates	Staff must manually enter applicable rates and interest charges for invoices with development charge rates that are frozen. Manually entering multiple fields for each invoice line is inefficient and increases the risk of incorrect development charge amounts being billed.	P2
2. Billing – Updating current DC rates to existing invoices	When rates decrease, the system does not automatically apply the new lower rate to existing invoices and the user is not notified of the rate change. The systems limitations to update invoice amounts when rates are reduced increases the risk of billing inaccuracies	P2
3. Billing – Updating development charge rates in AMANDA	<p>Development rates entered into AMANDA, the City’s IT system, have not always been vetted and approved.</p> <p>i) A report showing development charge rates in AMANDA is not available in excel, which does not allow for an efficient review of newly entered rates; and</p> <p>ii) Updated rates in AMANDA are not always approved by a Manager</p>	P2
4. Monitoring of Insurance Certificates	Current certificates of insurance are not always on file and follow-up emails to developers requesting updated certificates are sometimes sent months after the policy has expired.	P2
5. Standard Operating Procedures (SOPs)	There are no standard operating procedures (SOPs) within Development Finance. There is a work instructions document, however, it is from 2016 and does not reflect current processes or systems.	P2

These issues and associated management action plans are discussed in more detail in **Appendix 1**. These issues are rated as per the criteria described in **Appendix 2**.

Conclusion:

Overall, development charge processes operate effectively, and proper oversight is in place through reviews, approvals and reconciliations. Nothing has come to our attention that indicates that development charges are applied incorrectly or contradict the development charges By-laws. However, we have noted the following combination of inefficiencies, control risks, and system limitations in the development charge billing process that could reduce billing accuracy:

- Inefficiency in processing invoices with frozen rates due to system limitations
- Lack of automatic adjustments to development charges when rates decrease
- Lack of comprehensive controls in the process of updating development charge rates in the system

Staff should implement IT enhancements and strengthen the rate update process to improve billing controls and efficiency.

Additionally, staff should improve the monitoring of insurance coverage to ensure that the City always has updated Certificates of Insurance on file for developments.

The overall report rating is determined per the audit report rating criteria explained in **Appendix 3**.

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Attachments:

- Appendix 1: Development Charges Audit Report 2023
- Appendix 2: Criteria for Evaluating Audit Findings
- Appendix 3: Criteria for Audit Report Rating
- Appendix 4: Presentation Slides