



Audit of the Property Assessment Function

November 2001

Audit Department

Winner of the 2000 Knighton Award for performance auditing

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Executive summary

Audit objectives and scope

Based upon an organization-wide risk assessment conducted in 2000, the property assessment function was selected as an audit candidate. We reviewed the function from three perspectives as captured in the following audit objectives:

- *To determine progress made by the City with respect to the recommendations of the Scurfield Report.*
- *To assess the extent to which risks associated with the 2002 general assessment have been identified and plans developed and implemented to mitigate significant risks.*
- *To identify opportunities to improve systems and processes for subsequent assessments.*

In addition to reviewing processes within the Property Assessment Department, we looked at processes in the Planning, Property and Development Department that provide information that can impact on the quality of the assessment. In addition, since performance cannot ultimately be measured without reference to the results of appeals, the scope of our review also included the first-level appeal processes that are the responsibility of the Board of Revision.

Audit approach

In conducting the audit, we employed a variety of methodologies including conducting extensive interviews with

managers, staff, Board of Revision members and key stakeholders; surveying other jurisdictions to develop performance benchmarks; analyzing documentation, policies and processes; attending Board of Revision hearings; and conducting Control and Risk Self-Assessment workshops with Property Assessment Department staff.

Audit conclusions

Based on the evidence gathered during the audit process, we concluded that

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- *Significant progress has been made towards implementation of the Scurfield Report recommendations.*
 - *In general, with the exception of certain risks associated with commercial properties, key risks related to the 2002 general assessment were successfully identified and mitigated to a satisfactory level.*
 - *Opportunities exist for longer-term improvements to the Property Assessment function with respect to both the valuation and appeals processes.*
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Key observations and recommendations

The past: The Scurfield Report recommendations

With respect to the recommendations made in the Scurfield Report, the majority have been implemented or are in the planning stage. For example, there have been changes in organization with the appointment of a new City Assessor in 1997 and the reporting of both the Property

Assessment Department and Corporate Finance Department to the Chief Financial Officer to enhance cooperation and improve control. Several new initiatives have been implemented, such as the preview program for residential properties, the use of Advisory Groups and technical experts to strengthen the assessment process, and the creation of a multi-departmental appeals task force. In addition, the Board of Revision has lengthened the tenure of its members, improved its training programs and designated certain members to hear the more complex non-residential appeals. Legislative changes have also been made. While challenges are still outstanding, the City is to be commended on the progress made to date.

The present: The 2002 general assessment

In assessing the risks associated with the valuation process, we identified several successful strategies that were employed by the Property Assessment Department to mitigate the risks associated with the assessment of residential properties. At the same time, we were not as confident about the success of actions taken with respect to non-residential property valuation. We believed that the inherently complex nature of commercial property assessment, the degree of volatility in valuations of some commercial property types and the need to improve internal quality assurance processes contributed to a higher degree of concern about the quality of the valuation of the non-residential properties.

In fact, the subsequent rate of appeals to the Board of Revision has suggested that our risk assessment was accurate. To the credit of the Property Assessment Department, residential appeals have been reduced by 50% over the last general

assessment. Non-residential appeals, however, have increased slightly reflecting the higher level of concern about the quality of valuations. Until the final results are known, when appeals have been exhausted at both the Board of Revision and Municipal Board, we will not know to what extent the Department will be successful in upholding the assessment values.

In assessing the risks associated with the appeals process, we again were able to point to several successful strategies to manage risks associated with providing a fair, transparent and effective process with appropriate recognition for potential financial losses. At the same time, we noted the potential risks associated with a delay in the commencement of hearing commercial appeals and the absence of providing a rationale for decisions made by the Board.

The future: Opportunities for improvement

Finally, we turned our attention to the future. While not minimizing the gains made by the City in the past several years, we suggested that actions can be taken to enhance the effectiveness of the function for the next general assessment. We divided this portion of the report into two parts: the *Valuation Process* and the *Appeals Process*. Each part reviews the achievement of business objectives from two perspectives—current performance and opportunities to improve future performance.

The valuation process

In the absence of formal accountability reporting which we believe is the responsibility of management, we looked to standards established by the Department, professional organizations and assessment

authorities in other jurisdictions to identify key indicators against which to comment on the current performance of the process. These indicators are *quality of assessments*, *timeliness of information*, *cost-effectiveness of administration* and *accountability to the community*. Overall the results indicate the relative success of the residential assessment process both in increasing accessibility to the public and in lowering the appeal rate. The results are not as positive for the commercial program. It is also clear that improving cost-effectiveness should be made a higher priority. We recognize that a number of factors exist that impact on the comparability of City of Winnipeg's performance against other jurisdictions and these are discussed in the report; at the same time the cost of providing valuation services appears to be higher than other jurisdictions surveyed and this needs to be explored in more depth. Our statistics clearly demonstrate the benefits associated with economies of scale and open the door to the consideration of resource sharing or consolidation with the provincial government. While recognizing the need for continued improvement in current performance, the Department has also identified a number of new business opportunities including the introduction of marketable products and the provision of services to other organizations.

It was clear in reviewing the performance of the assessment function that the City's legislative regime impacts on its effectiveness. While some strides have been made in revising legislation, we are recommending that the Department consider the merits of a transition to more frequent general assessments that is the trend across the country. We pointed to the need to improve business planning and risk assessment, update the policy framework

and formalize performance reporting. The well known challenges faced by the Property Assessment Department in the years since the Scurfield Report have led to a long history of organizational problems which have been exacerbated by the magnitude of change that has been initiated by the current City Assessor. These problems have been well articulated by managers and staff within the Department and are apparent to those who deal with the Department on a frequent basis. While efforts have been made to address concerns, more needs to be done to provide a healthy working environment and ensure that business objectives will continue to be achieved. It is crucial that issues of inconsistent leadership and the sustainability of staff expertise be addressed.

Several initiatives have been implemented which have led to a greater confidence on the part of residential property owners. This is reflected in the significant drop in the appeals rate. At the same time, we believe that there are opportunities to continue to strengthen the assessment process for residential properties. For example, the field inspection program conducted during 2000 resulted in information changes to 78% of properties inspected and identified an additional \$28 million in assessed value. We believe that these results prove the merits of a formal inspection program. In addition, clearing the building permit backlog needs to continue to be a priority; our analysis indicated that the value of unprocessed building permit backlog as of July 2001, related to residential properties, exceeded \$80 million. While the proportion of value that translates into lost tax revenue is not easy to calculate because the information may have been captured through other processes such as inspections, it is clear

that the City has probably lost tax revenue in the hundreds of thousands of dollars through processing delays. For permits that relate to 1998 and prior, an opportunity for tax recovery no longer exists as the window for revisions to the tax roll for these years has expired.

Our report also discusses opportunities to better coordinate building permit activities with the Planning, Property and Development Department through shared inspections and electronic interfaces.

For non-residential property valuation, we discuss several areas where we believe that more diligence and rigour needs to be incorporated into the process. The commercial preview program should be expanded to all commercial property owners. Sanctions should be applied consistently when property owners do not provide information required for the valuation. Inconsistent enforcement makes the assessment process unfair and is disrespectful to those citizens who cooperate in its administration. Quality assurance practices must improve to ensure that valuations conform to industry standards and provide assurance that values are reasonable. In addition, while the transition to a neighbourhood assessor model has been accepted as appropriate and useful from a client service perspective for residential property valuation, there is a general concern about the appropriateness of this model for commercial assessment that is shared by professional staff and supervisors. With the relative success of the residential property valuation process for the 2002 general assessment, we believe that the focus must shift to realizing the same improvements to the higher value and more complex commercial properties.

The appeals process

Two parties contribute to the achievement of the business objective related to the appeals process: the Property Assessment Department and the Board of Revision. In preparing our Report on Performance, we selected five indicators: *quality of appeal decisions, responsiveness, cost-effectiveness, accountability for decisions and potential financial liability*. There is no doubt that the City has achieved its goal of providing a timely first-level appeals process. Residential appellants also report that the process has been fair from their perspective. And both the Board of Revision and the Property Assessment Department have taken action to ensure that there will not be a repeat of the 1990s debacle where the City was presented with an unanticipated \$54 tax liability. At the same time, we concluded that opportunities exist for improvement to both the cost-effectiveness and quality of the appeals process when comparing results to those of other jurisdictions.

In the past few years, the priority for both the Board of Revision and the Property Assessment Department has been on addressing the timeliness of the conduct of hearings and eliminating the backlog of appeals. In addition, the Board has prided itself on having an accessible and economical process where all citizens can exercise their right to be heard and be treated fairly and courteously. These are noble goals and Board members can be congratulated on having achieved them.

But times have changed and, as times and conditions change, priorities and processes should also change. And new opportunities emerge. The premium placed on timeliness may have impaired the ability of the Board of Revision and Property Assessment Department to ensure a quality outcome.

We have heard from the assessors, themselves, that they are not able to prepare a proper defense given the heavy workload at the Board of Revision. Tax agents and board members have echoed this concern and noted that it reflects on the credibility of the valuation process when Property Assessment staff appear unable to defend their values with confidence. The Board Chair counters that an earlier release of the assessment roll would provide more time to hear appeals before the setting of the City's budget. We are concerned that individual citizens and businesses may have won a victory at the Board of Revision at the expense of the public at large because of the inability of the assessors to prepare their best case. While we should keep in mind that only 10% of Board of Revision decisions are appealed to the Municipal Board, at the same time, only 23% of decisions are upheld. Furthermore, over 84% of the dollars in dispute at the Municipal Board relate to the larger value commercial and multi-residential appeals which will not be settled before the tax roll is set, defeating the purpose of a speedy process in these cases.

The initiatives implemented by the Assessment Department have led to a dramatic drop in the number of residential appeals and a shift to a larger percentage of the Board of Revision workload being dedicated to commercial appeals. We believe that an opportunity exists to better structure the appeals process to capitalize on such initiatives as the preview program and customer website to place a larger onus on the Property Assessment Department, which has the accountability for fair valuations, to resolve complaints and disputes in the first instance. At the same time, the formal Board of Revision process should move from a *one size fits all* approach to recognize the considerable

differences in the complexity of matters and significance of value in the types of appeals being considered. Right now, we use the same process to deal with a single-family dwelling as a first class downtown hotel. Our analysis shows that non-residential appeals cost three times as much as residential appeals and yet are treated with the same rigour.

Other jurisdictions have implemented processes that recognize that parties should have their disputes resolved fairly, at the earliest possible time, and at the least possible cost. Encouraging and facilitating the informal resolution of as many issues as possible can produce the best result for all parties. Encouraging (by legislation or policy) communication between the parties, case screening, case streaming and procedural pre-hearing conferences are all methods of resolving matters fairly, quickly and cost-effectively. Where matters cannot be settled without a formal hearing, adjusting the panel size can reduce the cost of the process without diminishing its value. Formally communicating a minimum tolerance for appeal adjustments or introducing a fees structure to discourage frivolous appeals may also reduce the number of applications filed.

Transparent tribunal processes instill public confidence in the justice system and strengthen the confidence of a party to a proceeding in the outcome of the proceeding. It is not enough that members act in a manner that is fair; the parties must be able to see for themselves that the process is fair. In this regard, we have suggested formal criteria for member selection, adoption of *rules of practice and procedure* and, most importantly, the provision of a written rationale to support decisions made to demonstrate quality and consistency. Both parties to an appeal

should be able to ascertain the board's reasons and logic used in making a decision. We are advised by both assessors and tax agents that this is currently not the case.

It was also clear in discussions with both parties to the appeal process that there is a need to improve the communication and cooperation between the Property Assessment Department and the Board of Revision. The friction between the two organizations is having an impact on the morale of assessment staff; if this impacts their ability to successfully represent the Department's position, the public is the loser. While it is important to have a certain degree of separation between the two organizations for reasons of independence, from the perspective of the citizen, it is one function. We believe that it is important for the two parties to support each other in delivering quality service to their joint clients.

The Board of Revision has successfully delivered an efficient process to the citizens of Winnipeg that has given all individual and business taxpayers an opportunity to challenge their assessments in an economical and risk-free environment. It is evident that there is a strong commitment to serving taxpayers and meeting their needs. We also heard compliments on the overall capability of the current board members and the desire of participants to retain a process that is less onerous than that of the Municipal Board for the majority of appeals. In addition, the appeals process provides an excellent quality control on the valuations process and provides assurance the public that they are paying their fair share of tax. Given its importance, we believe that it is time to formally review the Board of Revision strategy, organization and processes. We

are recommending that a structure be put in place to consider both legislative and procedural amendments. In the report, we have pointed to differences in legislative regimes that more clearly establish protocols for the appeals process and practices in several jurisdictions that, in our opinion, better balance the rights of the citizen to have fair access with the costs of delivering this service. We have also discussed many suggestions for strengthening the process and making the Board's accountability more transparent. Many of the recommendations are not new. They have been made before but have not been acted upon. We recognize that the changes may require a shift in priorities and the cooperation of the Province. We believe, however, that the time for change has come.



Chief Administrative Officer Secretariat • Secrétariat de la directrice municipale

January 7, 2002

All Members of City Council
Ms. Shannon Hunt, City Auditor

Thank you for the opportunity to respond to the recommendations of the *Audit of the Property Assessment Function*. I appreciate the time and the hard work that the City Auditor and her staff have devoted to reviewing this function, and to helping us identify opportunities for further improvement.

As the audit notes, we have made significant, measurable progress. The 1996 *Scurfield Report* was a clear call for prompt action on the part of the civic administration, action to rectify serious shortcomings in our assessment system. That action has been taken.

Over the past several years, we have been engaged in a comprehensive process of reform and business improvement in our Property Assessment Department. The backlog of outstanding appeals has been virtually eliminated. Winnipeggers now have access to the most comprehensive preview process in Canada. Our valuation methods have been brought up-to-date, consistent with other jurisdictions across Canada, and our staff are better trained than ever before. The 2002 assessment roll was issued early, to allow Board of Revision appeals to be heard before tax bills are generated – safeguarding the City's financial integrity.

I am pleased that this audit documents these improvements, observing that we have made significant progress toward implementation of the *Scurfield Report* recommendations, and adding that key risks related to the 2002 general assessment have been successfully identified and mitigated. Nonetheless, as an administration, we are keenly aware that this process of renewal is ongoing. It is continuing, in our corporate planning, and departmental planning, and our day-to-day operations; it must continue, because the equitable distribution of the costs of government is crucial to good government. It must be fair to every taxpayer, sound for the sake of our City's stability, and efficient – as every service we provide must be efficient. We cannot and will not lose sight of those goals.

Embrace the Spirit • Vivez l'esprit

This audit helps us look forward, to see the next steps in this process. Its recommendations are very much in tune with the program of improvement in which we have been engaged. We are taking action to address each one of these recommendations: we are conducting a comprehensive study to benchmark our cost-effectiveness against the leaders in the field, to help us find ways to do better; we are broadening and strengthening our training processes, to help us further improve our valuation performance; with the 2002 general assessment complete, we are turning our attention to clearing the building permit backlog – significant progress will be achieved by year’s end. And internally, we continue to adopt new techniques and technologies, like the Property Information Tracking Application (PITA), to help us make better use of our staff.

Of course, as our responses indicate, not all of the improvements we would like to make can be undertaken by the City alone. We agree with the audit’s recommendations regarding the potential benefits of a shortened assessment cycle, a more robust compliance regime, and a streamlined appeals process. Any of these changes would require legislative amendments; but, further to this audit, we will certainly be bringing forward recommendations for Council’s consideration.

Once again, thank you for the opportunity to respond; we look forward to our continued work in support of quality assessment service to the City and the taxpayers of Winnipeg.

Yours truly,

“original signed by”

Gail Stephens
Chief Administrative Officer



Board of Revision • Comité de Révision

January 11, 2002

Shannon Hunt
City Auditor
3rd Floor – 185 King Street
Winnipeg, Manitoba
R3B 1J1

I would like to commend the Audit Department on the “Audit of the Property Assessment Function”. To step into a complex environment and become this knowledgeable so quickly is quite a task, one which I feel the Audit Team effectively carried out as evidenced by the quality and scope of your report.

The Board of Revision welcomed your efforts and co-operated fully; allowing you full access to our hearings, members and any information you required.

While specific recommendations can be debated and considered later, it is important to focus on the Audit observations and general opinions on Process Performance and Future Goals and Direction.

I recognize and concur with the identified areas requiring improvement as well as the need for further enhancement in the quality of the process. The time cost associated with any changes must still, in our opinion, be encompassed in a calendar that recognizes timeliness. The Scurfield Report, above all else, emphasized this. The further removed from the debacle of the mid-nineties we become, the more we should be mindful of the lessons learned.

As the Audit Report indicates, I have consistently lobbied and encouraged the City of Winnipeg to expand the overall appeal process opportunity by issuing assessment notices earlier.

In addressing the future direction for the Board of Revision, the Audit Report mentions consideration of the Board as a Special Operating Agency. Most of the recommendations directed at the Board of Revision in the report can be encompassed in the creation of such an agency. This new organizational structure could accept all the challenges identified in the Audit Report and incorporate a higher perception of independence.

Embrace the Spirit • Vivez l'esprit

Opportunities also exist for the Board of Revision, as a Special Operating Agency, to step in and provide similar services to other municipalities, where there is a growing realization, that the current practice of Rural Municipal Councillors serving as the local Board of Revision and rendering decisions on their own assessment base, may not be appropriate.

In the interim this Board of Revision will consider the Audit Report as an important critique of its function and the opinions expressed will be incorporated in the Board's ongoing program of improvement, change and development.

Yours truly

"original signed by"

Randy T. Gibbons
Chairman, Board of Revision

RTG/lm

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Background

During 2000, the Audit Department conducted an organization wide risk assessment to determine audit priorities. The results were presented to the Audit Committee and formed the basis for the 2000 Audit Plan.

The Audit Committee identified the Property Assessment process as an audit candidate based on the significance of the 2002 general assessment to the City of Winnipeg.

Committee members were also interested in the progress made since the release of the *City of Winnipeg Property Tax Assessment Inquiry Report* (Scurfield Report) in 1996.

Audit objectives

We established three objectives for the review as indicated below.

- *To determine progress made by the City with respect to the recommendations of the Scurfield Report*
 - *To assess the extent to which risks associated with the 2002 general assessment have been identified and plans developed and implemented to mitigate significant risks*
 - *To identify opportunities to improve systems and processes for subsequent assessments*
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Audit scope and approach

The audit was approached from both a short-term and long-term perspective. We initially focused on those business objectives that had to be met to ensure a successful 2002 general assessment. Our intent was to be able to provide assurance that key risks had been identified and managed. We then focused our audit on identifying improvements to systems and processes that would be beneficial to the property assessment process in the long run and would enhance sustainability and cost effectiveness. This focus included a review of the progress made towards implementing those recommendations made by the Scurfield Report that are relevant to improving the property assessment process. We also considered possible legislative changes that would be required to facilitate those improvements.

In addition to reviewing processes within the Property Assessment Department, we reviewed processes (for example, building permits) originating in the Planning, Property and Development Department that provide information that can impact on the quality of the assessment. In addition, since performance cannot ultimately be measured without reference to the results of appeals, the scope of our review also included the first-level appeal processes that are the responsibility of the Board of Revision.

We approached our review in three phases:

- Preliminary survey phase
- Field work phase
- Reporting phase

In conducting our activities, we employed a variety of methodologies:

- We interviewed the director, managers and staff of the Property Assessment Department, managers and staff of the Planning, Property and Development Department and the Chair, Board members and administrative staff of the Board of Revision as well as key stakeholders such as Corporate Finance.
 - We surveyed other assessing authorities, first level appeal bodies and property-planning departments in other jurisdictions (see Appendix A) and reviewed professional association publications to benchmark City of Winnipeg processes.
 - We identified key business objectives relating to the success of the 2002 general assessment and performed a *Risk and Control Assessment* that was presented to Department managers, the Board of Revision and the Audit Committee.
 - We reviewed and analyzed relevant background information and documentation, operating information and processes, policies and procedures, independent consulting reports and industrial publications and market trends.
 - We attended several Board of Revision hearings to observe the process and spoke to tax agents to gain their perspective.
 - We retained our External Auditors, *Ernst & Young*, to assist us in the information technology portion of our audit and their observations and recommendations have been incorporated.
 - We held three Control and Risk Self-Assessment (CRSA) sessions with Property Assessment Department staff at the end of the audit to validate issues raised during the review and solicit their assistance in generating solutions. A *CRSA Summary Report* was issued to participants and managers and comments have been incorporated into this report where appropriate.
 - We communicated the results of our review on an on-going basis and presented a formal report to the Directors of the Property Assessment and Planning, Property and Development Departments, the Chair of the Board of Revision, the City Clerk, Senior Management, and Audit Committee at the end of the audit.
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The audit has been conducted in accordance with *generally accepted auditing standards*. In preparing our report, we have relied upon extensive interviews with administrative staff and others and information, data, and other documentary evidence provided to us. The conclusions reached in this report are based upon information available at the time. In the event that significant information is brought to our attention after completion of the audit, we reserve the right to amend the conclusions reached.

Audit conclusions

- *Significant progress has been made towards implementation of the Scurfield Report recommendations.*
 - *In general, with the exception of certain risks associated with commercial properties, key risks related to the 2002 general assessment were successfully identified and mitigated to a satisfactory level.*
 - *Opportunities exist for longer-term improvements to the Property Assessment function with respect to both the valuation and appeals processes.*
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Acknowledgements

The Audit Department wants to recognize and thank the many individuals who participated in the review and, in particular, the managers and staff of the Property Assessment Department, the Board of Revision and the Planning, Property and Development Department. Their comments and insights assisted us in completing our analysis and provided the foundation for many of the report recommendations.

The Audit Team

*City of Winnipeg
Audit Department*

*Ernst and Young
(IT Review)*

Lloyd Baker (Project Leader)
Autumn Robbie-Draward
Donna Woytowich
Martha Lywak (Phase 1)

Barry Safiniuk
Jeff Murray

Brian Whiteside
Audit Manager

Shannon Hunt
City Auditor

Winnipeg, Manitoba
November 2001

Introduction to the property assessment function

Brief history

Until the 1980's, the basis for all real property assessment was primarily a historical cost approach. In 1983, the Supreme Court of Canada handed down its decision in a specific case against the City, which was that taxpayers had the right to be assessed at values that bore a fair and just relation to the value of other properties in Winnipeg. The years following this decision resulted in assessments that generated high volumes of appeals from taxpayers.

In early 1994, a multi-departmental task force was created to manage the appeals process, to expedite the hearings and resolution of appeals, and to regularly monitor and evaluate the appeals process results. The number of appeals filed at the Board of Revision resulting from the 1994 general assessment amounted to almost 20,000. Due to the implementation of an action plan developed by the task force, the majority of these appeals were heard by February 1995.

During 1995 and 1996, the cost of successful assessment appeals continued to escalate. The Property Assessment Department estimated high-valued commercial appeals from the 1990 general assessment to be a liability of \$54 million.

Due to the significant impact of the \$54 million liability on the City, an independent inquiry was launched and completed under the direction of John Scurfield in July 1996. The Scurfield

Report outlined a number of deficiencies within the City of Winnipeg, generally, and the Property Assessment Department, specifically, and offered a range of recommendations.

In 1998, The Property Assessment Department conducted a general assessment based on the 1995 reference year. The Department prepared and delivered the 1998 general assessment rolls on June 30, 1997. This was an advanced delivery date to ensure the stability of the assessments for the 1998 budget process. The number of appeals heard by the Board of Revision resulting from the 1998 general assessment was just over 12,000. The Board of Revision heard all of these appeals prior to the issuance of the 1998 tax bills.

The Department brought forward a customer service program as part of the 1998 general assessment, which comprised several specific initiatives. These included the creation of assessment advisory groups, implementation of a preview program to discuss issues with property owners prior to the formal appeals process, the engagement of a call centre information line for the initial screening of customer inquiries and the introduction of a Customer Service Centre to meet client needs.

Since the 1998 general assessment, a heavy emphasis has been placed on reducing the volume of appeals in backlog. As of April 2001, realty appeals pending at the Municipal Board amounted to less than \$1.0 million in estimated tax losses.

The Property Assessment Department

The City of Winnipeg is entitled to levy real property, personal property and business occupancy taxes for all assessable properties within its boundaries. The basis for the tax roll for the City is the assessment roll. The City Assessor is required to create the assessment rolls every year and provide the requisite notices to taxable parties.

Real property and personal property is assessed at market value, which means the amount that the property might reasonably be expected to realize if sold in the open market in the applicable reference year by a willing seller to a willing buyer. Business assessment is assessed on base market rent of the premises plus utility costs, which reflects the *comfortable cost* of occupancy.

The City Assessor is responsible for carrying out a general assessment every four years, as well as issuing annual maintenance rolls and amending the assessment rolls in accordance with legislative provisions. A general assessment applies to the year in which it is made and to the three years following that year. The reference year, the year in which the assessor shall make assessments of all assessable property, is the year following the year of the previous general assessment.

The Property Assessment Department's role in providing fair and equitable assessments with respect to property valuation and annual assessed values is significant with respect to the proportion of total tax revenue received by the City. Approximately 58% of all tax-supported

revenue relates to property taxes and another 8% relates to business taxes.

Inaccurate assessments, which may be difficult to defend during appeals processes, present a financial risk to the City of Winnipeg. Additionally, when the City loses an appeal that results in a refund, the City funds the entire tax adjustment that includes the education tax dollars. There is also a risk that an undetermined amount of taxes are not collected due to under-valuation of property assessments.

The Property Assessment Department has the responsibility to appropriately defend appeals at the various appeal levels and reduce the likelihood of successful taxpayer appeals where the assessment is based on fair and equitable valuations. To assist in the mitigation of financial risk relating to appeals that have been filed, the Department also provides valuation information to Corporate Finance, which can assist the City in estimating and budgeting for projected losses on appeals.

The Department has recently introduced a new organizational structure based on a geographic or neighbourhood assessor model of service delivery. This structure is intended to enhance customer service and enable assessment staff to be more available and accessible to citizens, with the opportunity to develop a rapport and a sense of integration within the community over time. The Department is now organized under six divisions: Field Services, Research Services, Quality Services, Finance and Administration, Data Services and Development, and Communications and Customer Service.

Property Assessment Department Divisions

Field Services is responsible for the assessment of real and personal property values for property assessment purposes and annual rental values for business assessment purposes.

Research Services is responsible for researching emerging trends in assessment, interpreting and monitoring legislation, ensuring that procedures are linked to appraisal theory and legislation, and ensuring that procedures are documented.

Quality Services is responsible for developing a quality management system that supports quality assurance, performing system audits to ensure that all functions meet Department objectives and establishing and delivering training programs in quality disciplines.

Finance and Administration is responsible for financial activities such as budgeting and financial reporting as well as administrative functions in areas such as payroll and central records maintenance.

Data Services and Development is responsible for systems development, implementation and maintenance as well as project management, desktop/client support and infrastructure support to the Department.

Communications and Customer Service is responsible for communications initiatives that support the Department's activities, the development and implementation of a department-wide customer service program and the Department's compliance with provisions of the French Language Services By-law.

For 2001, the Department has budgeted for 159 full-time positions, with 17 staff represented by WAPSO, 8 staff that are WAPSO-exempt and 133 staff represented by CUPE. For 2001, the expenditure budget for the Department is \$12.5 million, of which \$8.7 million is salaries and benefits and \$3.8 million is for other operating expenses.

The Board of Revision

Established by the Municipal Assessment Act, the Board of Revision is a quasi-judicial body appointed by Council to hear appeal applications against the assessed value and classifications of properties within the City of Winnipeg. It also has the responsibility to hear applications against the assessed rental value or classification for business assessment tax within the City. The Board is independent of the assessment authority, the City of Winnipeg Property Assessment Department.

The purpose of the Board is to provide an independent forum to hear appeals respecting assessment issues for property and business assessment. It performs this responsibility by holding scheduled meetings at the Board's offices as well as at various community committee offices throughout the City.

By virtue of Council motion, the Board has a maximum of 37 citizens who are appointed by the Selection Committee of the Executive Policy Committee to fulfill their role as Board members by hearing and deciding on appeal applications. Hearings typically consist of panels of three members and are scheduled through the year to hear appeals relating to assessments.

The City Clerk's Department has the responsibility through an organizational by-law to provide administrative, policy and procedural support to the Board. Support services also include the convening of hearings and the communication of decisions.

In preparation for the appeals relating to the 2002 general assessment, the Board member complement has been expanded to 32 members with 2-year terms expiring December 31 2002. For 2001, the Board of Revision expenditures are budgeted at approximately \$1.0 million, which are primarily comprised of City Clerk administrative staff salaries of \$0.5 million and Board member remuneration of \$0.3 million.

Observations and recommendations

The remainder of report documents the results of the audit process. Our observations are organized under each of the three *Audit Objectives*. In doing so, we can comment on the past, the present and the future of the Property Assessment Function in the City of Winnipeg.

Audit objective one

The past: Progress made on the Scurfield recommendations

The Scurfield Report made a large number of recommendations to the City, many of which related to the Property Assessment Department and the Board of Revision concerning the performance of the assessment and appeals activities. Our first audit objective was to determine the progress made on the implementation of the key recommendations in the Scurfield Report.

Significant progress has been made in addressing issues and concerns identified by Scurfield and the City is to be commended on the actions taken. Key recommendations that have been implemented or are in progress are shown on the next page.

What has been accomplished?

- A new City Assessor was appointed in 1997.
- The City Assessor and Director of Corporate Finance now report to a Chief Financial Officer to enhance coordination and cooperation between the two departments.
- The Property Assessment Department has been pro-active regarding implementation of several new initiatives, such as development of an award winning website that has been deemed a great success.
- Training and education have been made available to Department staff.
- External expertise in such areas as regression modeling, valuation guidelines and quality assurance has been acquired to assist in performing a high quality assessment.
- Customer service initiatives for the taxpayer, such as a preview program and call-in centre, have been implemented.
- A multi-departmental task force was implemented to expedite the hearing of appeals and to facilitate interaction and coordination.
- Advisory groups comprised of representatives from the private sector have been created for the past two general assessments to act as a forum for exchanging information and addressing concerns.
- Since the 1997 roll year, the roll delivery date has been advanced to enable the Board of Revision to hear all appeals prior to the setting of a mill rate.
- An assessment appeals control system was implemented for tracking appeals and appeal outcomes. As well, the Department has been monitoring actual losses against projections for Municipal Board decisions as a means to manage financial risk to the City.
- Legislation, effective January 2002 and impacting assessment rolls commencing with the 2003 roll year, will empower the Boards to increase property assessments, if appealed, at the request of the City Assessor.
- Executive Policy Committee has struck a selection committee to screen a list of candidates from which it makes recommendations for appointments to the Board.
- While separate branches have not been created, the Chair of the Board of Revision has designated certain members, based on expertise and experience, to hear the generally more complicated commercial appeals.
- Terms of Board of Revision members have been extended to two years, which allows members to become more experienced in rendering decisions.
- The Board of Revision has cooperated with the Department in the scheduling of appeal hearings.
- The Chair of the Board of Revision has introduced a three-level training program for Board members and developed a training manual with information on legislation and the valuation and appeals processes.

In addition to those recommendations that have been implemented, several are in the planning phase.

What is being planned or partially implemented?

- A review of the structure and classification of assessor positions is in process, which could result in a consolidation of assessor positions, re-alignment of roles and responsibilities, and identification of possible skill gaps and identification of potential efficiencies.
- According to the *Property Assessment Department Business Plan*, the Department plans to build an integrated information system that captures and maintains current and accurate assessment data for both business and realty purposes.
- The Department is currently enhancing the reporting capability of the appeals application and control system, which will include automating the tracking and reporting of actual appeal losses of Municipal Board decisions in relation to potential losses and providing similar reporting for Board of Revision decisions.

We reiterate that significant progress has been made. At the same time, some recommendations have not been implemented and some challenges must still be met. We recognize that, in some cases, circumstances have changed since the Scurfield Report was released and the recommendations may no longer be appropriate. In other cases, we concur with the recommendation and believe that it should still be addressed.

What recommendations have not been implemented?

- Monitoring and evaluation of staff should be done on a systematic and regular basis at all levels.
- The right to appeal against the assessment of residential property should be limited to a hearing before the Board of Revision.
- The selection of Board of Revision members should be carried out according to well-defined criteria established by an independent selection committee.
- An under-assessment unit should be established to track and deal with those properties that are potentially under-assessed.
- Fees for filing applications for revision should be imposed as to defer frivolous appeals.
- A single Board member should hear residential appeals.
- Board members should be required to provide a brief summary of the rationale for their decisions on a standardized form.

All of the recommendations are considered later in our report under *Audit Objective 3* in the context of the relevant business objectives.

Audit objective two

The present: The 2002 general assessment

Our second objective was to assess the extent to which risks associated with the 2002 general assessment have been identified and plans developed and implemented to mitigate significant risks. We structured these risks against three key business objectives that we determined had to be achieved in order for the upcoming general assessment to be successful.

Key business objectives

- 1. Valuations are accurate, fair and timely.**
 - 2. Valuations are accessible and understandable to the public.**
 - 3. The appeals process is fair, transparent and effective and the liability for potential financial losses has been appropriately recognized.**
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Business objectives 1 and 2

We have provided a separate risk assessment and analysis for the first two objectives related to the valuation process and for the final objective that relates to the appeals process.

The process for assessing the risk associated with the general assessment

was completed in two stages. In the planning phase of our audit, we conducted a preliminary risk assessment based on risk factors that could impede the achievement of the three business objectives and our preliminary review of controls in place to mitigate each risk. Our preliminary risk assessment enabled us to identify what we considered to be the areas with the highest residual risk.

This served two purposes. First, it allowed us to provide Property Assessment Department management with a report (February 2, 2001) on our preliminary findings and thereby give them an opportunity to make any adjustments that they deemed necessary to facilitate the successful completion of the general assessment. Second, it enabled us to focus our review on high-risk areas and to identify key controls that should be tested for effectiveness. At that point in time, we determined that the highest risk areas concerned commercial property valuations and the Department's ability to appropriately defend these valuations during the appeals process.

Near the conclusion of our fieldwork phase, and just prior to the delivery of the assessment roll of July 30, 2001, we provided a revised risk assessment. The results of this assessment were presented to Audit Committee on July 17, 2001.

Business objectives:

1. Valuations are accurate, fair and timely.
2. Valuations are accessible and understandable to the public.

Potential impacts of failure to meet business objectives:

- Higher rate of appeals
- Insufficient time to process first level appeals prior to setting of tax roll
- Inability to defend appeals
- Inequitable distribution of taxes
- Possible loss of tax revenue

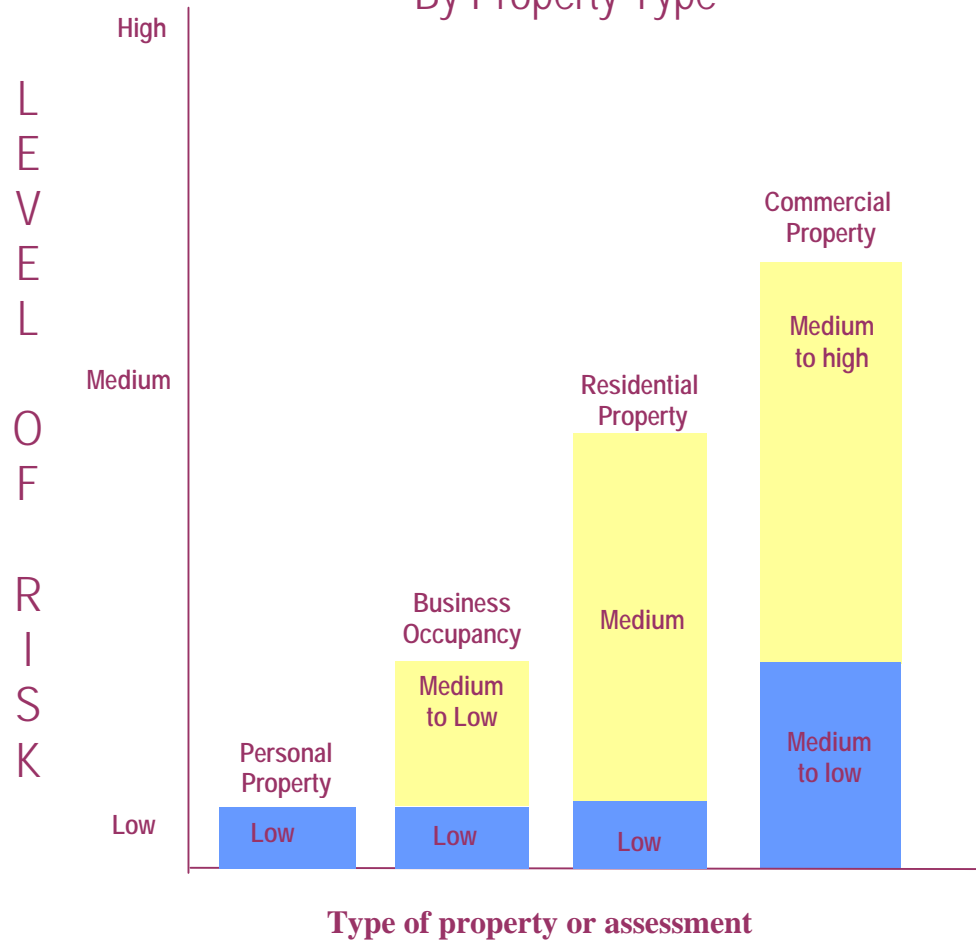
Inherent risks (may vary with assessment type):

- Complexity of valuation process and methodologies
- Degree of judgment required in valuation process
- Volatility of the market given 4 year assessment cycle
- Legislation that holds City responsible for 100% of tax refunds
- Extent of organizational change in the Property Assessment Department
- Introduction of new methodologies and technologies

In providing the results of the risk assessment, we reported on the risks separately for the four assessment types: residential, commercial, and personal properties and business assessment. The following indicates the level of financial exposure the City has in terms of assessed value and related tax revenue based on the 2001 budget information.

- Real property valuation accounts for \$25.4 billion in assessed value and \$381.0 million in real property tax revenue for the City. Within real property, residential property containing four or less dwelling units accounts for \$14.5 billion (57%) of assessed value and \$209.0 million (55%) in real property tax revenue while commercial/industrial/institutional property accounts for \$8.1 billion (32%) of assessed value and \$124.0 million (33%) in real property tax revenue.
- Business occupancy valuation accounts for \$560.0 million in annual rental value and \$52 million in tax revenue for the City.
- Personal property valuation accounts for \$4.0 million in tax revenue from 130 personal property records with an assessed value of \$178.0 million.

Risk and Control Assessment By Property Type



Risk assessment and analysis

Our risk assessment of **personal property** resulted in a *low* rating because the volume of properties, assessed values and related tax revenue are relatively low.

With respect to **business occupancy**, at the time of the preliminary assessment, the risk was assessed as *medium/low* because the business assessment process had not yet commenced. Our subsequent fieldwork indicated that processes are in place to ensure that the business assessment roll will be reasonably complete and based on current information. Our risk assessment, therefore, has been reduced to a *low* rating.

Our risk assessment of the **residential property** valuations was reduced from the original *medium* rating to a *low* rating because of the numerous actions taken by the Department to address the risks relating to the valuation of residential property.

Our risk assessment of **commercial property** was lowered from *medium/high* to *medium/low* based on the mitigation strategies identified through our review. However, we could not reduce the risk to a lower level because of the inherently complex nature of commercial property assessment, the degree of volatility in valuations of some commercial property

types and concerns expressed by the external quality assurance consultants about the adequacy of documentation. In addition, uncertainty exists about how the two month delay in the delivery of the roll, which we were advised was due to a directive by EPC and the need to await a decision on proposed legislative amendments, could impact on the Department's ability to prepare and defend appeals at the Board of Revision before the striking of the tax roll.

Successful mitigation strategies

Since 1996, the Department has focused on the management and elimination of appeals to decrease risk and establish financial stability, reliability and credibility. The backlog of appeals from previous reassessments and accompanying fiscal risk has been eliminated. While still maintaining this focus, in recent years the Department has made a concerted effort to improve services in four key areas:

- Accuracy of valuations
- Integrity of data
- Reliability of methodologies and tools
- Client relations

This focus, along with several specific initiatives is responsible, in our view, for the successful mitigation of the key risks associated with the 2002 general assessment. Successful strategies include

- Establishment and partial implementation of the Quality and Research Services divisions
- Implementation of the Computer Assisted Mass Appraisal (CAMA) system
- Inspection of 80,000 residences to ensure integrity of data
- Formation of six advisory groups to assist in the methodology review

- Use of external expertise to assist and train staff in residential modelling
- Use of external expertise to benchmark appraisal of various property types
- Introduction of several customer service initiatives such as the preview program for residential properties, award-winning website, call centre and open houses
- Re-organization of the Department to a neighbourhood assessor model

We commend the Department on these successful initiatives and anticipate that application of such strategies to the commercial property portfolio in future years will drive down the risk associated with that property type.

Business objective 3

Business objective:

- The appeals process is fair, transparent and effective and the liability for potential financial losses has been appropriately recognized.

Potential impacts of failure to meet business objective:

- Appeals not heard before the finalization of the tax roll
- Loss of credibility and confidence in the fairness of the assessment process
- Increase in appeal refunds
- Loss of revenue in future years for specific and comparable properties
- Impact on budget and funding sources for underestimated liability
- Higher rates of appeal to Municipal Board

Inherent risks:

- Nature of a public process can lead to enhanced or reduced reputation
- Legislation does not require a fee to deter frivolous appeals
- Loss of staff expertise may impact on defense of appeals
- Increase in number of private tax consultants may increase number and success of appeals
- Lack of understanding of the decision because no reasons are provided
- Estimation of liability requires assumptions and prediction of future events

Risk assessment and analysis

Overall, we believe that the City has reduced the key risks associated with the appeals process for the 2002 general assessment to a *medium to low* level. Similar to the valuation process, however, we believe that more risk is associated with appeals of commercial property due to the complexity of the valuation, delayed completion of the assessment roll and loss of expertise in the Assessment Department to defend appeals. In addition, the absence of a requirement to provide a rationale for decisions may increase appeals to the Municipal Board.

Successful mitigation strategies

Both the Property Assessment Department and the Board of Revision have been involved in actions and strategies to reduce the risks associated with the appeals process. Initiatives include

- Several departments sit on the Assessment/Tax Communications Task Force to focus effort on timely resolution of appeals.
- Scheduling of appeal hearings has been improved to ensure completion before the finalization of the tax roll.
- The Property Assessment Department has introduced a mentoring program to develop expertise on the part of assessors handling appeals.
- City lawyers have been dedicated to support assessors in defending appeals.
- The Chair of the Board of Revision has introduced new Board members and developed a code of conduct.
- The Chair has also created a three-level training program, circulates a periodic newsletter and annual report to members and holds mentoring and focus group sessions with Board members.

-
- The Board of Revision has introduced a survey for residential appellants to evaluate and improve customer service.
 - The Board of Revision has scheduled commercial and residential appeals concurrently to ensure that high value properties are heard early.
 - The City’s External Auditors have expanded procedures to provide assurance on the reasonability of liability estimates.

We commend the City on the success of these initiatives in reducing the risks associated with the 2002 general assessment. Recommendations to enhance overall effectiveness of the process in the future are discussed in the next section.

Audit objective three

The future: Opportunities for improvement

Our third audit objective was to identify opportunities to improve systems and

processes for subsequent assessments. Since many of the fundamental risks are the same from assessment to assessment, much of what we have learned about challenges identified during the 2002 assessment process has been used as a basis for identifying areas of future improvement.

The report on *audit objective 3* is divided into two parts: the *Valuation Process* and the *Appeals Process*. Each part reviews the achievement of business objectives from two perspectives. Initially, we attempt to provide a high-level discussion about the current performance of each process. We identify key indicators and compare performance to standards established by the City, professional associations or authorities in other jurisdictions. Secondly, we identify weaknesses in the control environment that contributed to performance gaps and make recommendations for improvement to the valuation and appeals processes. As part of this analysis, we also identify opportunities to enhance the future effectiveness of the property assessment function as a whole.

A note on accountability reporting

Governments are under increasing pressure to be more accountable. Taxpayers, voters and consumers of goods and services, are all stakeholders who demand accountability from those whose actions affect their lives. In order for accountability to be effective, credible and timely information should be reported to demonstrate the performance achieved (results) and what has been learned. The City of Winnipeg has responded to the demand for accountability by introducing corporate and business planning. A key element of business planning is the establishment of performance measures and performance targets. At this stage in the implementation of business planning, performance measurement and reporting still requires development. As a result of this initiative, we expect, in the future, that Administration will report complete accountability information on performance. As accountability reporting matures at the City of Winnipeg, this type of performance related information should be regularly reported by Administration to Council and the public. At that time, the Audit Department would be in a position to provide assurance on the fairness and reliability of these management representations.

In the absence of comprehensive performance reporting on the performance of the property assessment function, we obtained and analyzed performance related information from the Property Assessment Department, Board of Revision, Planning, Property and Development Department and other property assessing and appeal authorities. This information forms the basis for our report on current performance.



THE VALUATIONS PROCESS

Two fundamental goals exist for effectively structured assessment systems:

- **The assessment system should estimate property values at market value in a cost-effective manner.**
 - **The assessment system should estimate property values uniformly in a cost-effective manner.**
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The first goal identifies the importance placed on the accuracy of the assessors' estimates of value, as measured by the selling prices of properties on the open market. The second goal recognizes that assessors' individual assessments should be equitable. Both goals acknowledge the limitations of time, personnel, and financial resources.

1. Current performance—where are we now?

Performance of the Property Assessment Department

Operating environment

Property assessment activities are carried out in an environment that is very much in the public eye. Since the financial crisis of the mid-1990's, the function has

undergone a number of studies, the most well known being the Scurfield Report.

Due to the nature and frequency of the general assessment process, the Property Assessment Department operates in four-year cycles. Unfortunately, the Department has been caught in a re-active mode for at least the past four general assessment cycles. As a result, management and staff were spending a great deal of time addressing appeals from prior assessments and particularly prior general assessments. This has adversely impacted their ability to be pro-active in dealing with regular maintenance activity as well as preparing for the next general assessment. This process of 'looking in the rear view mirror while driving forward' had become a standard way of doing business in this Department.

At the same time, expectations have been placed on the Department to arrive at fair and equitable valuations that do not result in a large number of appeals and lost value relating to appeal decisions. In response to these expectations, major changes have been introduced to move the Department to be more customer-focused, market-based and electronically driven in its mass appraisal approach to assessment valuations. The Department has been in the midst of a transition to a new organizational structure over the past three years, which has placed additional pressures on staff to manage new roles and responsibilities while new systems and processes are under development. In addition, the Department went through a physical re-location to a new building.

In combination with these changes, budgeted staffing levels at the professional assessor level have been gradually

decreasing while a number of staff with a significant amount of knowledge and practical experience have either retired or are near retirement. Relatively significant turnover and movement in divisional management have also impacted on the continuity of leadership and direction provided to staff. These staff movements have made managing the large number of significant changes an even more challenging task.

Two key business objectives have been identified as relevant to the valuation process.

Key business objectives

- **Valuations are accurate, fair and timely.**
- **Valuations are accessible and understandable to the public.**

The following performance criteria have been taken from the *Property Assessment Department Business Plan 2001-2003*:

- **Quality of assessments**
- **Timeliness of information**
- **Cost-effectiveness of Administration**
- **Accountability to the community**

In the following discussion, we will highlight some key performance indicators against which to measure the achievement of the Department's key business objectives.

Quality of assessments

Performance related to the quality of assessments is measured by the accuracy and uniformity of assessed values and the completeness of the realty assessment roll. Indicators of performance include results of ratio studies and consistency with industry standards, the level of confidence that all assessable properties have been included in the roll and the number of appeals launched and the outcome.

1. Results from ratio studies

Valuations are determined for each property type based on the data obtained and the valuation approach used. On an overall basis, the International Association of Assessing Officers (IAAO) *Standards on Ratio Studies* establishes a number of statistical standards that an assessing authority should meet when measuring the level and quality of the assessment. The assessment/sales ratio study measures how well an assessment authority estimates property at market value, as well as the uniformity of the assessment.

Measuring the level and quality of the assessment

The assessment/sales ratio study, a comparison of the estimated market values to the sales prices of a set of properties, offers a number of statistical tools to evaluate property assessments. The median sales ratio is one measure that shows the central tendency of the ratio, that is, how close assessment value is to market value. Assessments should have median sales ratios between 90 and 110 percent, according to the standards set by the IAAO.

Other statistics measure the uniformity of the assessment. The coefficient of dispersion (COD) measures the tightness of the individual ratios around the median sales ratio. Low CODs indicate acceptable uniformity among assessments; high CODs indicate inconsistent assessments.

The price-related differential (PRD) measures whether assessments are regressive, that is, whether estimates are higher on lower-valued homes than they are on homes of greater value. A PRD of 1 indicates no bias between lower- and higher valued properties. Assessments with PRDs greater than 1 are considered regressive, while those less than 1 are considered progressive.

Source: International Association of Assessing Officers, *Standards on Ratio Studies*

The following table summarizes the results from ratio studies conducted by the external consultants.

Results of ratio studies on general assessment

IAAO Standards				
	Assessed Value (\$ Billions)	Measure of Central Tendency	COD	PRD
Residential	\$14.92	Met Standard	Met Standard	Met Standard
Condominiums	0.94	Met Standard	Standard not met	Met Standard
Multi-residential	1.84	Met Standard	Met Standard	Met Standard
Commercial	5.34	Met Standard	Standard not met	Standard not met
Industrial	1.83	Met Standard	Met Standard	Met Standard
Vacant Land	.31	Met Standard	Standard not met	Standard not met
Vacant Land (Residential)	.15	Met Standard	Met Standard	Standard not met
Farm	.13	Met Standard	Met Standard	Standard not met
Other (not included in the Ratio Study)	2.27			
Total	\$27.73			

All property types met the IAAO standard for central tendency. In addition, the general assessment of residential properties, multi-residential properties, and industrial properties met all three IAAO standards. In total, these property types represent approximately \$19 billion in assessed value and the majority of properties in the City.

The commercial property assessment, however, did not meet the standard for two of the three key measures at the time the ratio study was conducted. Although this did not necessarily mean that the values were not reasonable, it is an indicator that the Department had not adequately reviewed assessment to sales ratios to identify and explain any extreme ratios. As well, with respect to commercial properties, those quality assurance processes relating to sales comparisons were not completed.

2. Completeness of the assessment roll

The Property Assessment Department has two specific performance goals that deal with the completeness of the assessment roll:

1. All assessable property is identified and on the assessment rolls.
2. Information on properties including property descriptions, income, expense and sales data, and other property attribute data is accurate and reliable.

While the Department has made progress in improving the completeness of the assessment rolls in the past general assessment, this is an area that continues to require ongoing attention. We are including information that reflects on performance in this section; however, reference should be made to later sections

of the report for detailed comments pertaining to the activities mentioned below.

Real property assessment roll

The Department undertakes several activities to address the completeness of the real property assessment roll:

Processing of building permits

Building permits are a primary source of information that the Department uses to update the property characteristic data on its database with respect to newly constructed properties and improvements to existing properties. We found that the Department has been experiencing increasing backlogs of unprocessed building permits and permit values over the past few years. It is likely, however, that the assessed value of the backlog is much less than the permit value since not all improvements result in a dollar for dollar increase in assessed value. As well, other activities conducted by the Department to ensure completeness of the assessment roll, such as field inspections and property income and expense questionnaires, may have identified these changes. Currently, the Department is unable to determine to what extent other processes have captured the changes to properties resulting from building permits.

As of July 2001, our review of the building permit database maintained by the Department indicated that 16,140 permits with approximately \$1.2 billion in permit value had not been processed. This value represents approximately 4% of the Real Property Roll.

Field inspection program

Field inspections provide another means of detecting changes to property that may affect assessed value. The Department does not have a strategy in place to

regularly inspect properties in the City. For properties that are valued through either the sales comparison approach or cost approach, the currency and accuracy of property data is critical.

In 2000, the Department completed a data collection initiative, otherwise known as the Field Inspection Program. This effort resulted in the full or partial inspection of approximately 50% of the residential properties in the City. The results were significant; approximately \$28 million in assessed value was identified through this process. We were informed that information changed on 78% of the properties inspected.

Income/expense questionnaires

A significant number of high-value property types, such as commercial and industrial, are valued through the income approach. As a result, the quality of the valuation is highly dependent on the amount and quality of the income/expense data collected. In order to obtain this data, the Department sends out questionnaires to all the owners of rental properties or their representatives to obtain the necessary information.

In preparation for this general assessment, the Department encouraged property owner compliance to the information request by incorporating relevant provisions from the *Municipal Assessment Act* regarding the obligations of the owners and the problems associated with non-compliance. These changes to the data gathering process resulted in a much higher response rate (67%) than in prior years. While the increase in the compliance rate is encouraging, a significant number of properties still exist where information has not been confirmed through this mechanism.

Industrial properties

The City of Winnipeg generally interprets real property as that which is permanently affixed to the building. We understand that some industrial properties have equipment, such as conveyer belts, furnaces, tanks and manufacturing equipment, which are affixed to the building, but are not assessed by the City. We have been advised that these types of property have not been assessed because research is required to determine how to value it and resources will be required to inspect these properties in order to obtain an inventory for assessment purposes. We are unable to determine the value of equipment that could be added to the real property assessment roll.

Business assessment roll

Business occupancy tenants, who ultimately pay business taxes based on business assessment valuations, have a much larger turnover than property owners. As a result, where existing business occupants have closed down or new businesses have been established, there is an increased risk that the City will have difficulty in identifying all businesses and collecting business taxes.

For the 1998 general business assessment, the Department undertook a canvassing effort that resulted in the identification of approximately \$4.5 million in additional tax revenue. Since that 1998 canvas, the Department has performed ongoing maintenance to the assessment roll by canvassing all notified changes to tenancy. In addition, the Department is currently in the processing of canvassing those business properties that are shown as vacant on its database to determine if a business occupant has filled the space.

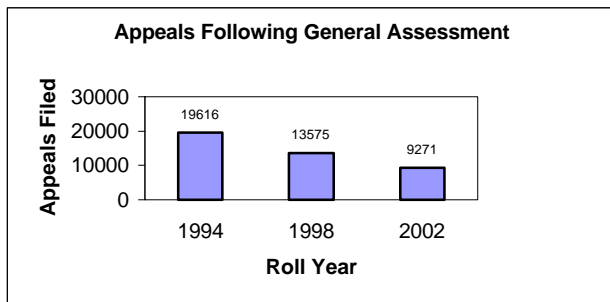
Personal property assessment roll

In the Municipal Assessment Act (MAA), personal property means “goods and chattels and, without limiting the generality of the foregoing, includes inventory, machinery and equipment but does not include an intangible item of personal property or goods or chattels that are improvements.”

Currently, the MAA requires the City to assess personal property on gas distribution systems, spurs and railway sidings, and oil, natural gas or salt production equipment. Accordingly, the *City of Winnipeg Act (CWA)* requires a by-law change for any further property assessments. The resulting potential impact on the assessment roll is not known at this time.

3. Level of appeals

The overall number of appeals filed at the Board of Revision has dramatically decreased over the past three general assessments.



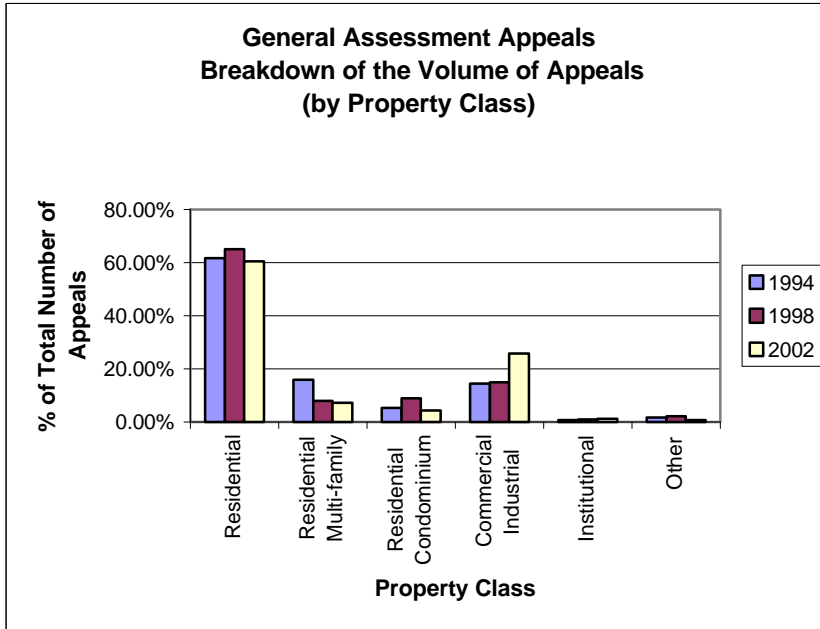
The number of assessment appeals filed at the Board of Revision for the last three general assessments are captured below by property type.

Assessment Appeals General Assessments			
Assessment Year	1994	1998	2002
Total Appeals Filed	19,616	13,575	9,271
By Property Type			
Residential – Single Family Dwelling	12,104	8,824	5,612
Residential –Multi-family	3,149	1,080	670
Residential – Condominiums	1,039	1,199	399
Commercial and Industrial	2,864	2,023	2,390
Institutional	119	139	122
Other	341	310	78
Overall Appeal Rate	10.2%	7.0%	4.7%

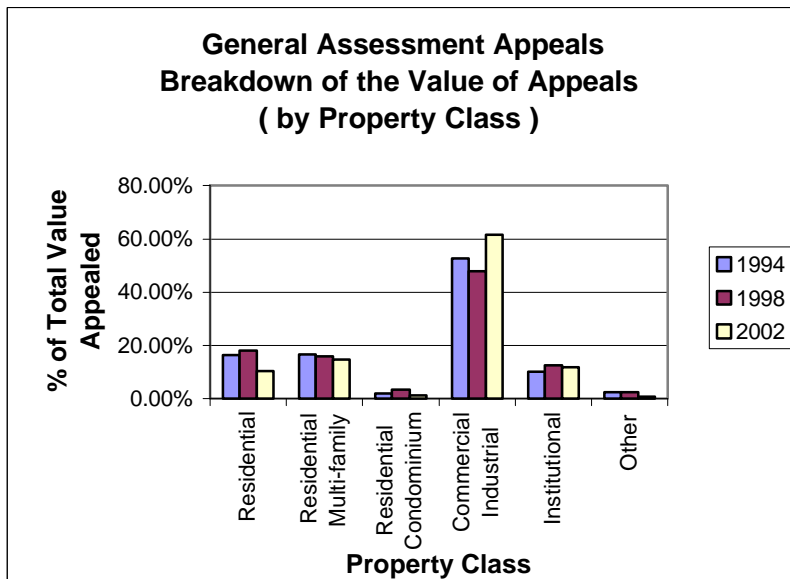
While there is a positive trend emerging in the overall appeal rate, the appeal rate in Winnipeg is still higher than that of other jurisdictions. Cities surveyed (see Appendix A) reported appeal rates ranging from 0.8% to 3.2%. However, we acknowledge that there are some key legislative differences in the City of Winnipeg legislation, such as onus on appeals being with the assessor as opposed to the appellant and the lack of downside risk for a property owner to appeal its assessed value (until new legislation becomes effective in January 2002), that create an inherent risk of incurring higher appeals in this jurisdiction.

Analysis of 2002 appeals to the Board of Revision

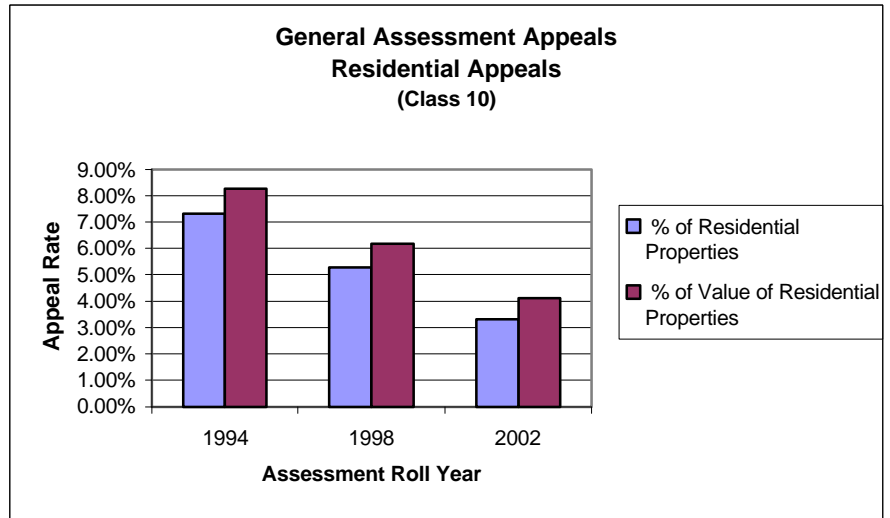
Over 60% of the appeals filed at the Board of Revision with respect to the 2002 general assessment are for residential properties. Commercial/industrial property assessment appeals account for nearly 26% of the appeals filed.



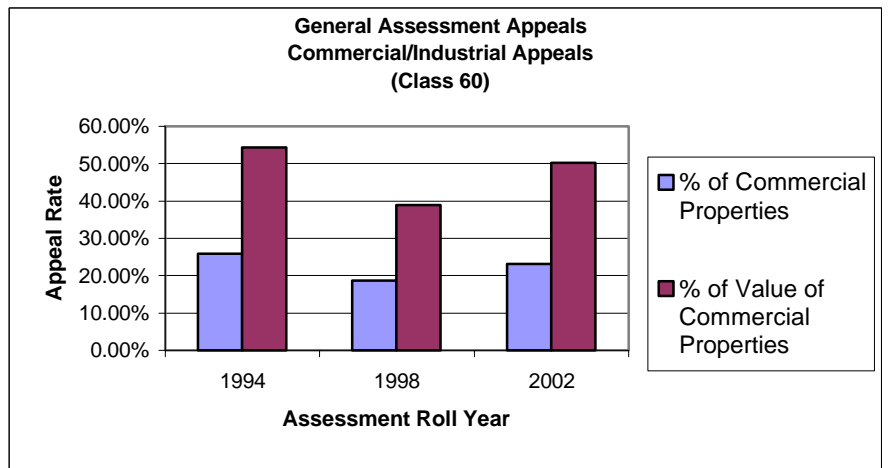
For the 2002 general assessment appeals, the value related to commercial/industrial properties accounts for over 61% of the total value of property appealed, while the value related to residential properties appealed is about 10%.



The appeal rate for residential properties has dropped from 7.3% for the 1994 general assessment to 3.3% for the 2002 general assessment. The value of residential property appealed has also declined from 8.3% of the assessed value of residential property for the 1994 general assessment to 4.1% of the assessed value for the 2002 general assessment.



The only property class showing an increase in the volume of appeals compared to the 1998 general assessment is the commercial/industrial property class. The appeal rate has increased from 18.7% in 1998 to 23.1% for the 2002 general assessment. The value of commercial/industrial property appealed has increased from 38.9% of the total assessed value of commercial/Industrial property for 1998 to 50.3% of the total assessed value of commercial/industrial property for the 2002 general assessment.



Appeal rates are consistent with the results of our risk assessment and the review performed by the external consultants. Mitigation strategies employed by the Department to reduce the risks associated with residential appeals have been successful and the positive trend reflects this success. On the other hand, although advisory groups for various types of commercial property were established to mitigate the risk of higher appeals, the lack of a full preview program for commercial properties and the inability to complete quality assurance processes due

to other priorities has created higher risk or uncertainty in the commercial property assessments and this is reflected in the higher rates of appeal for this property type. The impact of a four-year cycle is also more apparent on the more volatile, higher value commercial properties.

4. Results from appeals

We have reviewed the experience of the Department at the Board of Revision as an indicator of the quality of assessments. For the 1998 General Assessment, we found

that appeal losses accounted for 9.42% of the property value appealed and resulted in a 1.5% reduction in the value of the assessment roll. We also found that commercial appeals had the highest loss rate for all property classes at 12%.

1998 Appeal Losses at the Board of Revision		
Property Class	Percentage Loss in Value of Appealed Properties	Percentage Loss in Value Of Property Class
Residential	7.45%	0.44%
Residential multi-family	11.65%	4.32%
Condo-miniums	4.98%	0.75%
Commercial/ industrial	12.08%	3.36%
Institutional	4.18%	1.38%
Other	8.49%	3.63%
Total	9.42%	1.50%

Department. Commercial/industrial appeals, on the other hand, accounted for only 15% of the volume of appeals but 48% of the value and 54% of all appeal losses. Other property types accounted for the remainder.

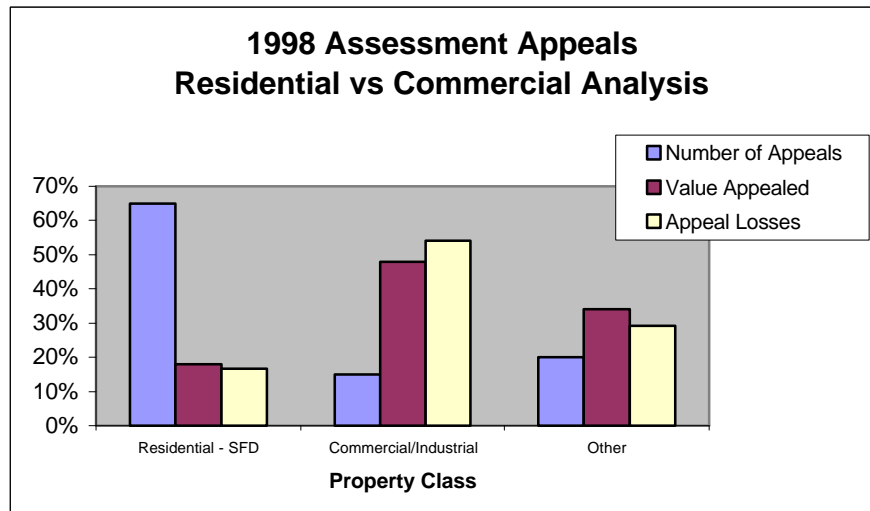
Timeliness of the release of the assessment roll

The legislative deadline for release of the assessment roll is December 31. The Department, however, establishes an earlier deadline to plan for each year. The earlier the delivery of the roll, the more likely it is that all first level appeals will be heard and resolved before the mill rate is set in February.

An external consultant study completed by the Department indicated that the average percentage reduction received by properties under appeal in the City was higher than the study average for other jurisdictions.

We reviewed the appeal losses for the 1998 General Assessment and found that, while the vast majority of appeals were for residential assessments, the majority of value was lost on commercial and industrial appeals.

Our analysis of the 1998 general assessment indicated that 65% of all appeals related to single-family dwellings. These residential properties accounted for only 18% of the total appealed property value and 17% of the total appeal losses incurred by the



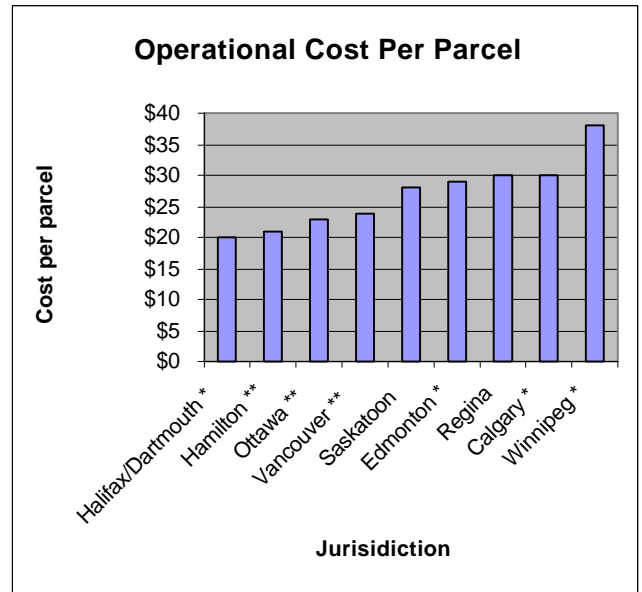
Property Assessment Realty Roll Delivery				
Roll Year	Planned Delivery Date	Delivery Date	Met Legislative Deadline?	Met Planned Deadline?
1998	June 30 1997	June 30 1997	Yes	Yes
1999	May 29 1998	May 29 1998	Yes	Yes
2000	May 31 1999	May 31 1999	Yes	Yes
2001	May 31 2000	May 31 2000	Yes	Yes
2002	May 31 2001	July 30 2001	Yes	No

Although the legislative deadline was met, the 2002 Annual Realty Roll was not produced prior to May 30, 2001 as planned. We were advised that this was primarily due to an EPC-directive to delay the roll as well as the Department's desire to await the outcome of proposed legislative amendment relating to the Board's authority to revise appealed values in both directions.

Cost-effectiveness of administration

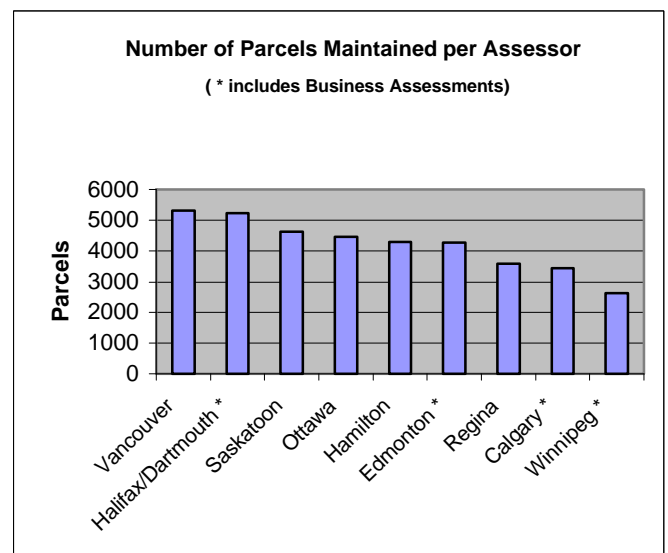
This category measures performance related to the cost of delivering assessment services and the comparability of costs to other assessment agencies. There are two key indicators of performance: *operational cost per parcel* and *number of parcels maintained per employee*.

Winnipeg's operational cost per parcel is the highest of the cities surveyed. However, we recognize that there are a number of factors, such as legislative differences, smaller economies of scale, higher levels of appeal and, in two cases, more complex methodologies that must be considered in analyzing the reason for this.



*Includes business assessment
 ** Regional Office of Provincial Assessment Corporation

Winnipeg maintains the lowest number of parcels per Assessor of all cities surveyed:



The details are contained in the chart below.

Comparison to other jurisdictions		
Jurisdiction	Parcels to Assessor Ratio	Cost per Assessment
Comparison to Cities		Operating Cost**
Winnipeg*	2,623	\$38
Regina	3,589	\$30
Calgary	3,441	\$30
Edmonton	4,273	\$29
Saskatoon	4,621	\$28
Vancouver	5,320	\$24
Ottawa	4,472	\$23
Hamilton	4,306	\$21
Halifax/Dartmouth	5,228	\$20
Comparison to Provincial Authority		Full Cost***
Winnipeg*	2,623	\$60
British Columbia	4,329	\$35
Ontario	3,702	\$34

* Includes business assessment

** Operating cost excludes debt charges, facility charges, IT support, legal services and taxation services. For cities that operate under a provincial authority (Ontario and B.C.), head office costs (i.e. policy, research, finance & administration) may not be included.

*** Full cost includes all charges (except legal services) to be comparable to the Winnipeg budget/allocation.

Again, more work will have to be done to confirm this analysis and account for the differences among jurisdictions. It is interesting to note, however, that provincial authorities when fully costed appear to be significantly more economical than city-based authorities.

Accountability to the public

Over the past three general assessments, the Department has made considerable progress towards improving taxpayer accessibility to property assessment information.

Processes for Increasing Accessibility of Assessment Information to Property Taxpayers	1994	1998	2002
Call Centre Info Line	No	Yes	Yes
Preview Letters – Residential	No	No	Yes
Open Houses – Residential	No	No	Yes
Property Data Website – Residential	No	General	Property Specific
Commercial Preview Program	No	Minimal	Partial
Advisory Groups	No	Yes	More Extensive

For residential properties, where most of the effort has been concentrated, the impact on performance is clear. The number of appeals launched (as previously discussed) has dropped dramatically over the last three general assessments. According to its most recent business plan, the Department will also initiate customer surveys as a tool to solicit feedback from taxpayers in such areas as acceptability of the assessment process and understandability of the information provided to them.

Current performance—summary of performance results

We have not attempted to provide a full report on the performance of the Property Assessment Department. As indicated in the preamble to this section, we believe that accountability reporting is the responsibility of management. At the same time, we have identified some key indicators that demonstrate the current level of performance.

Overall, the results indicate the relative success of the residential assessment process both in increasing accessibility to the Public and in lowering the appeal rate. Where strategies were not implemented fully for the commercial assessment program, the results are not as positive. The increase in the appeal rate can also be attributed, in part, to changes to the legislation that can result in increased assessments for appellants. The amendments were passed before the Assessment Roll was issued last summer, but did not go into effect until January 1, 2002. The result of this timing was a final year of no-risk appeals for appellants. Another factor is that values for commercial properties have increased this year to a greater extent than previously. In

any case, the challenge for the next assessment is to focus more attention on the higher risk commercial property portfolio.

It is also clear that improving cost-effectiveness should be made a higher priority now that new methodologies and technologies have been implemented. The cost of providing valuation services to the City of Winnipeg appears to be higher than other jurisdictions surveyed. A joint CUPE/City benchmarking study to be conducted this year should investigate this issue in more depth and either rationalize or confirm our results. If the latter proves to be the case, the study should provide the basis for a strategy to bring down costs.

Since 1996, Department has focused on managing and eliminating appeals in order to decrease risk and establish financial stability, reliability and credibility. The second focus has been on improving the product for the 2002 General Assessment. While still recognizing the need for continued improvement, the Department has identified a number of opportunities for new business development and the establishment of new revenue streams. There are current opportunities to improve the efficiency and effectiveness of the Department through expanded use of technology and better integration with other City Departments. The Department will also look at alternative service delivery and new lines of business that can move the Property Assessment Department from a tax-supported public service to a self-supported public enterprise. Some areas of potential are data sale, technology transfer and providing services to financial institutions.

The Department is looking to make a dramatic shift over time to becoming a self-supporting public service with marketable products that can be made available to other levels of government and business interests beyond the boundaries of the City of Winnipeg. With the pending retirement of the Provincial Assessor, opportunities may exist to explore the sharing of resources or the feasibility of a move towards a single assessing authority for the province, as is the case in other jurisdictions. The performance statistics provided in this section clearly point to the cost benefits associated with economies of scale.

In the next section, we will review, in depth, the strengths and weaknesses in control that we believe have contributed to the current performance of the valuation function. We will also indicate strategies that the Property Assessment Department is pursuing to improve operations or to make recommendations for strengthening the control portfolio.

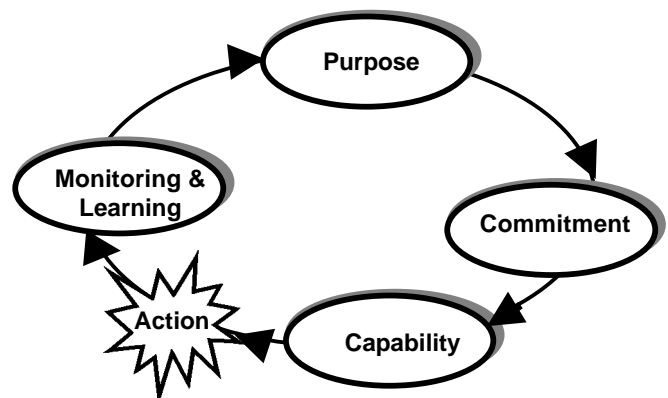
2. Future performance—where do we go from here?

Based on our determination of the risks that can adversely impact on the accomplishment of each of the three business objectives of the property assessment process, we identified key controls that we would expect to be in place to mitigate these risks. Where effective controls are not in place, the organization may have gaps in performance, in the short term, or an inability to fully realize opportunities to enhance performance in the longer term. In this section, we will report our observations on the strengths and weaknesses of the control portfolio under each business objective. Where control weaknesses are identified, we make recommendations that will likely strengthen control and optimize the current processes. We also discuss opportunities to implement new processes or delivery methods that would enhance the future effectiveness of the function.

Control framework

A *control framework* provides a way of understanding the important elements of control. We used the control framework developed by the Canadian Institute of Chartered Accountants for the purposes of this review. The framework uses the *Criteria of Control (CoCo) Model* that employs twenty criteria and groups these into four essential components of control—*purpose, commitment, capability,* and *monitoring and learning*. The model suggests that effective control over these components is essential to ensure the achievement of business objectives.

The CoCo model



*See Appendix B for a detailed explanation of the *CoCo Model*.

Purpose: A sense of direction

Clear objectives are essential to providing overall direction. Policies should support the achievement of objectives and the management of risks. Understandable policies communicated throughout the organization and translated into specific practices, provide direction on how operations are to be conducted and reflect a judgement as to which risks are deemed acceptable. Planning translates objectives and risk assessments into strategies, action plans and targets against which progress can be measured and monitored. Specific *purpose* components considered include

- Objectives (including mission and strategy)
 - Risks (and opportunities)
 - Policies
 - Planning
 - Performance targets and indicators
-

1. *Four year cycle for assessment impacts on fairness and timeliness of valuations*

General assessment based on market values is conducted every four years in accordance with the *Municipal Assessment Act*. This means that assessments are based on market values relevant to a reference year that is between three and six years prior to the current year, depending upon the roll year in the four-year cycle. As a result, changes in market values during the course of the cycle are not reflected in the assessment valuation process. The fairness and timeliness of these valuations is impacted by the fact that they are not based on current market values for assessable properties. A similar concern

also applies to the business assessment process.

In addition, recognizing cumulative change in value in one year can have significant tax implications to property owners resulting in more appeals in those cycles having upswings in valuations even though the valuation changes are warranted under the existing systems for determining assessments. We have seen this issue surface in the 2002 assessment with respect to hotels and certain types of office buildings as well as with downtown properties in general.

Our survey of assessing authorities in other Canadian jurisdictions revealed that four of the eight respondents are conducting general assessments annually while two others are in the process of moving toward an annual general assessment basis (see Appendix A).

The Department recognizes the need to more frequently conduct general assessments and intends to move toward this objective. However, such a change will require an amendment to existing legislation.

Recommendation 1

The Property Assessment Department should be evaluating its readiness to conduct annual general assessments and establish a long-term plan to increase the frequency from the current four-year cycle. The City should then initiate the process of requesting the Province of Manitoba to amend existing legislation to permit more frequent general assessments.

Property Assessment Department response

The Property Assessment Department strongly supports the concept of shortening the four-year assessment cycle. The Department's organization structure, training and technology implemented over the past four years have all been directed at meeting the objective of a shorter assessment cycle. The Department has eliminated the backlog of appeals and is now working on the backlog of building permits. However, the effects of shortening the assessment cycle go far beyond the Department since the City cannot operate independently of other municipalities. Such a change would affect the entire province and the Provincial Assessment Authority. Other legislative changes would also be required to shorten the assessment cycle.

2. Assessment valuation must be seen as distinct from tax issues

Tax implications resulting from shifts in property assessment valuations can have a significant impact on other City objectives such as encouraging private acquisition of heritage buildings and revitalizing the downtown district. Shifts in valuations of some property types, such as commercial/industrial, have resulted in concerns being raised by stakeholders such as CentreVenture.

Council must be aware that the City Assessor cannot compromise the basis for valuing properties because of the need to address other competing objectives. Council objectives, such as downtown revitalization, should not be achieved through adjustments to the calculated assessment valuations or through introduction of non-market factors into the

determination of assessment values. This will impact the integrity of the assessment valuation process and could adversely impact the market valuation of other similar properties by setting a precedent. In a similar context, the Scurfield Report stated that management should be focused on carrying out its business responsibilities, such as providing supportable assessments, and that the political decision-makers should address political issues, such as the tax implications for other groups, as a separate process.

The City Assessor has indicated, correctly, that changes to property valuations will only be made on the basis of market-based data using appropriate assessment valuation approaches.

Recommendation 2

To reconcile competing corporate objectives, the City Assessor should continue to ensure that Senior Management and Council are clear about the distinction between assessment value and tax policy. Options such as heritage credits, portioning, and phasing in of tax increases can be explored as a means of facilitating the accomplishment of various policy objectives. More frequent general assessments would also likely reduce the severity of the tax policy issues facing the City.

Property Assessment Department response

The Department will continue to ensure that Senior Management and Council are made aware of the distinction between Tax Policy/Objectives and the limitations within the Property Assessment system to achieve those objectives.

3. Operational plans should be formalized and communicated

The City of Winnipeg has several planning and policy documents that describe the vision and mission of the property assessment function and its importance to the organization: *Plan Winnipeg...2020 Vision*, the *Corporate Plan*, and *Serving Citizens – The City of Winnipeg’s Action Plan 2000 – 2002*.

The *Property Assessment Department’s Business Plan* builds on this vision and mission and provides a discussion of departmental strategic directions. The business plan contemplates both the short-term challenges of the Department and the future business opportunities that exist. It is ambitious in its scope and looks at both opportunities for alternative delivery and the potential for revenue generation. Service goals are established for each key business with appropriate strategies and actions. Responsibility for each action is assigned to a division and the year of intended completion and current status is provided.

While this is an excellent start, strategic objectives and priorities identified in the Department’s business plan should cascade into operational objectives that establish the specific priorities and actions required by each division on an annual basis to ensure the achievement of overall business objectives. The core business of the Property Assessment Department is to

provide assessment valuations and defend these valuations when they are appealed. The Field Services Division has primary responsibility for delivering these core services while all other divisions in the Department exist to support that division in the delivery of these services. To ensure that the Department meets objectives related to a successful general reassessment, it is imperative that divisional plans be coordinated. Risks associated with a lack of specific plans include

- Divisions may be unable to carry out their responsibilities effectively or efficiently.
- Activity among divisions may not be coordinated, thereby hampering a focus on corporate objectives.
- Management may be unable to monitor divisional progress and performance against plans, thereby precluding initiatives for corrective action.

In the Property Assessment Department, relative priorities have not been clearly established in the business plan. While each division submits a high-level list of annual objectives to the City Assessor and shares these at Department management meetings, these objectives are not accompanied by more detailed operating plans that contain anticipated milestones, deadlines and resource requirements. In addition, divisional plans were not consolidated to coordinate and prioritize each division’s contribution to the current reassessment cycle.

This planning deficiency had the most apparent impact on the Quality Services and Research Services Divisions. Quality Services was unable, to a large extent, to fulfill its responsibilities for providing quality assurance services to the

Department and Research Services had to curtail many of its planned activities. The primary reason for this was the reassignment of staff to the EPC-directed building permit initiative during the reassessment process. While re-deployment of staff resources is perfectly acceptable, it was frustrating to managers and staff accountable for these functions to be unable to adjust their plans to recognize the changes required to meet departmental priorities. It also created gaps in the overall framework developed for the Department to ensure the quality of the general assessment, although this was mitigated, to some extent, by the use of external consultants to handle certain functions.

During our CRSA sessions, staff expressed frustration that they were not involved in the business planning process and not privy to the details of the business plan. They believe that they have valuable experience to contribute. Some staff were uncertain whether an operational plan existed, citing a “*crisis management*” environment and lack of consistency in approach, while others believed that “*there may be a plan, but if so, it hasn’t been communicated.*” We believe that staff involvement in and communication of business plans is integral to enhancing the ability of management and staff to work effectively towards the achievement of common objectives.

Recommendation 3

We recommend that the departmental business plan establish clear priorities on an annual basis and that each division prepare operational plans based on the strategic objectives and priorities identified. These plans should contain specific objectives, prioritization of activities, anticipated milestones and deadlines, and an assignment of resources to achieve divisional objectives. Divisional plans must be consolidated and conflicting priorities identified and reconciled by the management team or the City Assessor. Staff input should be encouraged in the planning process and business plan priorities and strategies communicated upon its completion.

Property Assessment Department response

The Department agrees, in part, with this recommendation. As indicated in the audit, clear priorities are laid out in the business plan with divisional responsibilities assigned, as well as the year of anticipated completion. The Department agrees that operational plans for each division, based on the priorities set within the Business Plan, are appropriate. These individual divisional plans will be coordinated to ensure that they all support the direction of the Department. The Field Operations Division’s plan of action will be the focal point of that coordination. We will continue to encourage managers and supervisors to keep their staff informed of departmental plans and activities through regularly scheduled meetings. However, some components of the Business Plan,

such as human resource issues and financial information, may not be shared, or developed with staff. To supplement the meetings individual managers and supervisors have with their direct reports, opportunities will be created for all staff to have direct discussions with senior managers about Departmental priorities. The Department is proceeding with the development of an Intranet application for sharing information.

It should be noted that the events that led to this comment in the audit report (the removal of audit and research staff from pre-determined assignments) were not the result of an action initiated by the Department.

4. Risk management strategy needs to be articulated

The business plan has two sections, *Information Technology* and *Human Resource Planning*, where a *strengths, weaknesses, opportunities and threats (SWOT)* analysis has been performed. Although these are critical components of the Department, the confining of a SWOT analysis to these areas is a concern because it does not provide an overall inventory of the obstacles that can impede the Department's ability to achieve its goals.

In order for the business plan to be used as a comprehensive risk-based document, a need exists to identify all major risks relating to the achievement of the Department's goals, to evaluate those risks in terms of likelihood and significance and then to determine strategies and actions necessary to mitigate the most critical risks. Without this process, the Department cannot provide assurance that

it is managing all significant risks in an effective manner.

In addition, as mentioned previously, the business planning process did not incorporate staff involvement in the development of these plans to the extent that should be expected. Staff participation in the identification of major risks and the development of required actions can contribute to the successful management of risks facing the Department.

Recommendation 4

For future business planning, emphasis should be placed on evolving the business plan into a risk-based document. For this to happen, it will be necessary for the Department to identify all major risks that can adversely impact its ability to achieve its goals. Staff involvement in this activity should facilitate this process. Once all major risks are identified through processes such as a SWOT analysis or a control and risk self-assessment workshop, management should develop and clearly prioritize mitigating strategies and actions.

Property Assessment Department response

A corporate risk framework has been developed that encompasses all major risk categories (not just financial risk but operational, organizational and legal risks among others). This framework can be used to develop a comprehensive analysis of risks (and opportunities) facing the Department as part of our next business planning cycle.

The risks can be identified through Control Self-Assessment Workshops. Staff will be consulted on appropriate areas of the plan. The identified risks can then be quantified (using a “risk matrix” approach), prioritized, and mitigation strategies developed, implemented, and monitored. This process can take place within the present SWOT analyses simply by expanding their scope.

5. Policy framework should be implemented

Policies prescribe how things should be done and, when communicated throughout the organization, translate into specific practices providing direction on how operations are to be conducted. A lack of current, complete, comprehensive and organized policies can result in the following:

- Staff inefficiencies in attempting to determine direction.
- Inconsistent treatment of similar situations and taxpayers.
- Public perception that the property valuation process is not fair and equitable.

The Property Assessment Department receives policy direction from several sources. The assessment valuation process and assessment administration are guided by specific industry standards that flow from either requirements of enabling legislation that direct specific actions of the assessor, or are developed by professional assessing associations. The International Association of Assessing Officers (IAAO) is the recognized authority in the assessment profession. The Property Assessment Department has adopted standards established by the IAAO.

The Department recently obtained guidelines on valuation from the International Property Tax Institute (IPTI) that will be useful in conducting the next general assessment. These guidelines, which incorporate the IAAO standards relating to mass appraisal and the three valuation approaches to mass appraisal, are intended to facilitate consistent handling by professional assessor staff. Under the re-organization to a neighbourhood assessor model, where staff will be expected to be more knowledgeable about different property types, the development of these guidelines as a reference tool for staff becomes even more important.

In the development of operational policies regarding the application of these valuation guidelines, it is necessary to take into account the unique environment in which the Department operates, for example, the impact of the governing legislation and appeal board processes. Currently, many of the policies specific to the Department are found in sources such as training manuals and departmental communications. Overall, however, little or no time has been devoted to policy development to ensure that key policies and procedures are in place to provide the necessary guidance and direction to staff and management in specific circumstances. In our CRSA sessions, staff were concerned that the reorganization into six regions has resulted in inconsistent practices across regions that, in some cases, might be mitigated through better policy direction.

The development of operational policies and procedures should reflect the roles and responsibilities related to the new geographic-based organization structure and the introduction of new information

technology such as the CAMA System. In addition, any existing policies relating to data collection and internal quality assurance activities as well as data or valuation revisions resulting from external enquiries through the preview program and call centre initiatives should be formalized and consolidated.

Examples of areas where departmental policies or procedures may be necessary include

- Under what circumstances assessors can deviate from IAAO standards.
- Nature, extent and timing of the inspection of different types of property.
- Appropriate action to take when property owners do not comply with property characteristic, sales or income/expense information requested by the Department.
- Protocol for updating data or values involving staff-owned properties.
- Parameters for negotiating valuations with property owners.
- When to acquire legal expertise for board hearings.

Recommendation 5

The Department needs to review all existing policies and procedures to identify where gaps exist and to develop a clear, complete and comprehensive policy framework.

Property Assessment Department response

The review of all policies and procedures is an ongoing process and one of the main duties of the Research Services Division. The first priority identified was the

production of the Valuation Procedures referred to in the Audit Report. These procedures focus on non-residential property types, which have been the source of the historic risk factor for the City. This approach is supported by the process suggested in Recommendation 4.

6. Performance measures need refinement

Under the *Performance Measurement* section of the business plan, the Department has identified performance measures relating to the quality of the assessment, appropriateness of the assessment methodology and the timeliness/currency of information. These performance areas identify objectives and corresponding standards and targets. In addition, the framework incorporates benchmarks from other jurisdictions that provide a measurement of the relative cost effectiveness of the Department. While these performance measures are appropriate for evaluating the accuracy, fairness and timeliness of valuations, we believe that the Department should also measure the outcomes of the valuation process through tracking the rate of appeals and decisions made by the Board of Revision and Municipal Board. These results should be benchmarked against other jurisdictions and differences analyzed. Such an analysis may provide a lever to introduce changes in legislation or business practice.

In the business plan, the Department has identified customer surveys, focus groups and advisory groups as the performance measurement processes to evaluate the openness and transparency of the assessment process and to ensure that the public is becoming more knowledgeable. However, the Department has not established measurable targets for

evaluating the extent to which the Department has achieved its customer service objectives. We also noted that the performance measurement framework does not include any internally developed customer service standards to assist them in evaluating their customer service performance. Areas where service standards can potentially be developed relate to turnaround or response times on various customer service activities such as inquiries. As one staff member noted in the CRSA session, it is important to communicate performance standards: “Don’t promise what you can’t deliver!”

have a better understanding of how the property tax system works. A two-week turnaround time standard already exists for correspondence.

Recommendation 6

We recommend that the Department continue to refine its performance measurement framework related to valuation and customer service activities.

Property Assessment Department response

The Department agrees with this recommendation and will continue to refine the performance management framework related to valuation and customer service activities. However, the use of appeal volume as compared to other assessment jurisdictions as a measure of performance is only appropriate if the legislative framework around appeals is comparable. New reports from the appeals management system are being developed to allow for the monitoring of adjustments by property type, assessor, and board chairman. The Research Services Division monitors Municipal Board decisions to see if changes in valuation procedures are warranted. The monitoring of public opinion is important. One measure of success is whether people

Commitment: Accepting responsibility

All control ultimately rests on people assuming responsibility for their decisions and actions. Shared values are a part of an organization's culture and provide an unwritten code of conduct against which behaviour is measured. Expectations about behaviour must be clearly communicated and understood throughout the organization and be supported by the actions of senior administration and Council. The values lived out, particularly by the leadership group, must be consistent with those set out in approved policies.

The extent to which people recognize that they will be held accountable influences their decisions and actions. The words *accountability* and *responsibility* are often used interchangeably. They describe a relationship that comes into existence when an obligation is accepted. In an accountability relationship, *authority* is the power to make certain decisions within defined limits. *Responsibility* is the duty to perform those tasks. *Accountability* is the obligation to report on and answer for the performance of the responsibilities. An effective organization clearly defines and communicates people's roles and responsibilities and fosters an atmosphere of mutual trust to support the flow of information and performance towards achieving objectives.

Specific *commitment* components considered include

- Ethical values, including integrity
 - Authority, responsibility and accountability
 - Mutual trust
-
-

1. *Historical concerns and an ineffective change management strategy for the new organization have impacted on staff commitment, morale and performance*

Reports prepared for the Property Assessment Department in 1999 and 2000 and our own interviews indicate that departmental relationships need to improve in order to promote a healthy and productive working environment. This theme was echoed in our CRSA sessions. It is clear that a lack of trust and confidence exists on the part of many Department members and this, in turn, has led to poor morale and relatively high levels of absenteeism, grievances and staff turnover. There are many reasons for this

- The Department has a long history of staff/management problems that precedes the appointment of the current City Assessor. The Scurfield Report was critical of staff and management and, in addition, there was a perceived lack of support by political decision-makers and a sense of public discontent with the operations of the Department in the past.
- In the last few years, managers and staff have been expected to cope with changes in organization and staffing, changes in assessment methodologies and technology, and a physical re-location. The sheer magnitude of the change and the understandable skepticism based upon past experience has made the transition more difficult, especially during the pressure of a general reassessment. As one CRSA participant stated, "*A major change for us would be stability!*"

-
- Certain initiatives, as well as unpopular actions initiated under the current City Assessor, have tended to exacerbate the problems. For example, the plan for the new geographic-based organization did not clearly articulate the transition of the old structure to the new structure. As a result, the transition phase led to confusion on the part of management and staff. The move to this structure was intended to enhance customer service by enabling staff to be more available and accessible to the public. The expectation was that with specific staff assigned to specific regions, there would be an opportunity to develop a rapport and a sense of integration within the community. Divisional management, supervisors and staff generally believed that the transition would result in each assessor in each region being responsible for the valuation of all property types and their defence at appeals. The reality is that there are varying levels of specialization occurring within each region to handle certain property types. As well, some unique or special property types (for example, hotels) are still going to be handled city-wide.
 - Although the City Assessor formally introduced this new structure of service delivery, a detailed plan on how and when it was going to be implemented was never prepared by Department management. Furthermore, a mechanism or process was not developed to ensure that the transition was communicated to all staff in the initial concept stage and to track and communicate changes through implementation. This lack of information was adversely impacted by the high management turnover and

exacerbated by the absence of detailed operational plans for the divisions as noted in the previous section. As a result, divisional management have not had an overall *buy-in* by supervisors and staff of the new concept because of the uncertainty of what was intended and whether, in fact, this organizational change was practical within the City. In addition, a typical *resistance-to-change* reaction was experienced by some individuals.

- The prolonged transition to this geographic-based concept during the 2002 general assessment process has also been problematic because certain activities changed over to a regional basis while others remained under a centralized basis determined by property type. The change resulted in multiple reporting relationships between staff and their supervisors. This caused staff frustration and difficulty in terms of being able to prioritize their workload while causing the supervisors concern about whether they could delegate work to staff with the expectation of them completing it on a timely basis. Staff performance issues were also compounded by the fact that staff were physically located on different floors from their supervisors. Processes to address problems relating to the multiple reporting relationships that characterize a *matrix* organization, such as workload prioritization and clear descriptions of accountability, were not put in place.

Commencing with the appeals process resulting from the 2002 general assessment, the Department, to a large extent, will have moved to the geographic or regional basis. As staff become more comfortable with the

new organization, problems experienced during transition may become less of an issue. Notwithstanding this, staff remain skeptical that the regional concept makes sense for the commercial portfolio: *“Commercial property is based on the global market which is the City. Our clients want an experienced assessor who can see the whole picture. We miss opportunities to learn from each other when divided into regions; the expertise is spread too thin.”* As with any major re-organization initiative, a general belief exists that the model needs to shift to accommodate particular circumstances. In any case, once the organization is finalized, there will be a need to clarify roles and responsibilities and reporting relationships within Field Services Division and to ensure that position descriptions accurately reflect the expectations for the new service delivery model.

To recognize some of the concerns, the Department did propose a change management strategy that involved a number of short-term as well as long-term solutions. In addition, the Department has identified various measures aimed at creating a healthy and productive work environment. It is only recently, however, that the initiatives have started to be implemented and many staff remain uncertain about the outcome. For example, the Department hired a full-time Communications Manager whose responsibilities include improving communications within the Department. The divisional managers have taken leadership training to improve their leadership skills and the Department has recently hired a full-time Human Resources Manager. It is also conducting a joint City/CUPE cost study that will involve comparisons with other jurisdictions for the purposes of

identifying and benchmarking best practices and conducting a job classification review to identify skill gaps and efficiencies.

These initiatives are important first steps to accomplish improved union/management relations and a healthier work environment. They are essential elements that encourage staff buy-in, build staff confidence and garner union support. Any forthcoming changes should be implemented with staff understanding of what the rationale is for the change and how it will be implemented. With respect to the latter, staff input into implementation strategy would be a key factor in reducing skepticism and obtaining staff buy-in and union support.

Recommendation 7

To implement changes of this magnitude, the Department must ensure that it has a clear change management strategy that incorporates a formal plan to communicate new responsibilities and expectations and provide details on how the Department will complete the transition. In addition, the Department needs to develop a process to track implementation and make adjustments as required.

We would also suggest that a committee consisting of management and staff be established to review the merits of incorporating the commercial portfolio into the geographic-based model and provide a report to the City Assessor. His decision and rationale should be formally communicated to all staff. In addition, the committee can be used as a forum for staff to provide periodic feedback on how well management strategies are working and to present any other concerns that may have to be addressed.

Property Assessment Department response

In order to address the situation that led to the observations in the Scurfield report, accountability for assessments had to be established throughout the organization, technology had to be updated, and valuation approaches modernized. In order to meet the test of substantive change “by the next General Assessment” as articulated in the Scurfield Report, and the Committee on Tax Reform report “Rethinking Taxation—Making Winnipeg

Competitive”, it was necessary to make all of these changes at once.

The relocation of the office was the result of ongoing Health and Safety issues at the former location that were not being addressed in an adequate manner by the landlord.

The Neighbourhood Assessor or Geographic Assessment concept has been the source of much discussion and debate at the Property Assessment Department. The implementation of this system, which clarifies and identifies levels of accountability within the Department, in addition to improving service to the ratepayer, has been seen as the catalyst for a number of long-time middle managers leaving the Department. As these individuals left, the knowledge that had been developed about the concept, and how it was to be implemented, was lost. In recognition of this, discussions with the new Management Team about the concept will continue and an implementation plan will be established.

The matrix organizational structure, implemented to allow for the return of the 2002 reassessment while maintaining neighbourhood responsibilities, was part of the transition from a functional operation to a geographic based operation. It is planned that the necessary organizational adjustments will be made prior to the next General Reassessment to avoid a similar situation.

The other reason for dividing all property types on a geographic basis was to develop a number of second and third level managers with sufficient knowledge of the various property types, and how they are valued, to provide a pool of qualified future Managers of Field

Operations, and City Assessors. History has shown that functional organizational structures do not meet this objective.

Full time Communications and Human Resources positions have been created within the Department. This internal expertise will assist in a smoother transition to the new organizational structure from this point forward.

Staff input is always welcome when dealing with organizational structure or any other changes being considered at the Department. The Department agrees with the recommendation to establish a management/staff committee to review the merits of incorporating the commercial portfolio into the geographic-based model. That input will be considered in conjunction with all other information. One of the prime areas of concern that would have to be addressed in those discussions would be the impact on operating costs of the Department, and how those adjustments could impact on current organizational structure.

2. There is a need for a formal performance management system

The Department has adopted a set of fundamental principles to guide the delivery of services to the citizens of Winnipeg. These are known as the *FOUD* principles – *Fair, Open, Understandable* and *Defensible* and can be used to provide the basis for common and shared values by staff and management in the delivery of all public services. In addition, most professional staff belong to professional associations, which have governing codes of conduct or ethical practice. Staff membership in these associations provides some assurance to the City and property

owners that minimum standards are being maintained.

At the same time, a formal performance management system does not exist. Such a system provides the framework for communicating specific performance expectations and results, evaluating staff and establishing the basis for rewards, such as promotions. The absence of such a system inhibits the carrying out of these fundamental human resource management practices and hampers management's ability to identify staff training requirements and develop training and succession plans. In addition, the ability to promote on the basis of merit is restricted by the historical practice of promoting on the basis of seniority.

A contributing factor to the lack of an evaluation system is the fact that staff position descriptions are generally outdated. This is a fundamental prerequisite to performance management, as these descriptions should reflect the primary responsibilities and duties of the staff member. In addition, the performance measurement framework for the Department must identify and track specific indicators relevant to each key workload assigned to staff.

We recognize that the Department has been in a state of constant change over the past two or three years, resulting in the re-organization of the Department and the re-alignment of responsibilities. These change initiatives have contributed to the need to revise the position descriptions. We also recognize that management is in the process of conducting a job classification review that could potentially result in major changes to staff positions and associated responsibilities.

In the CRSA sessions, staff supported the concept of performance management but were cautious about its implementation, citing different approaches to similar performance issues in different regions. They stressed the need for consistency and on-going feedback. In particular, they were disappointed in the amount of positive reinforcement they receive in some cases and pointed out that staff meetings are few and far between. They also believe that a comprehensive performance management process should incorporate 360-degree feedback, giving staff an opportunity to provide input into the evaluations of their supervisors and managers. It was clear that the success of a performance management process will depend, to a large extent, on building a relationship of trust between management and staff in the Department.

Performance Evaluation System will include performance assessment, career planning, training and development, communication, coaching and a feedback process.

Currently there is a policy of review for newly hired employees in the Department that was implemented in the past four years.

Recommendation 8

A formal performance management system should be implemented to facilitate communication of performance expectations as well as to provide a tool for evaluation of staff performance and identification of training needs. Successful implementation would be enhanced by staff involvement in the development process.

Property Assessment Department response

The development of, and training on, a Performance Management Career Planning system is one of the assignments for the new Manager of Human Resources. The new system will have to integrate with a broader Corporate system currently being developed. The Corporate

Capability: Having the right stuff

Capability is about ensuring that the organization has the right resources to get the job done. An effective organization provides its people with the appropriate knowledge, skills and tools they need to achieve corporate objectives. It also ensures that communication processes support the efficient flow of timely, relevant and reliable information down from its strategic leaders, upwards to key decision-makers and horizontally across the component parts of the organization. There must be a reasonable relationship between what is expected and the authority and resources available. The decisions and actions of different parts of the organization must be coordinated to the benefit of all.

Specific *capability* components considered include

- Knowledge, skills and tools
 - Communication processes
 - Information
 - Coordination
 - Control activities
-

Human resources

1. A lack of consistent and coordinated leadership has impacted on operational effectiveness and staff morale

An important factor for success in an organization is the stability and continuity of its leadership, specifically personnel in management and supervisory positions. Furthermore, it is critical that management be perceived by staff to share a common understanding of business objectives and coordinate their efforts to achieve these

objectives. Positive role models can enhance the morale and effectiveness of all staff.

With respect to the Property Assessment Department, our review of recent history has disclosed a high turnover in management and supervisory positions over the recently completed four-year general assessment cycle. In addition, concerns had been expressed over the coordination and cooperation of the management group as a whole.

Divisional management

Starting with the organizational structure that preceded the existing divisional model in 1998, the Department has had several changes in the management personnel who were directly in charge of the delivery of assessment and field services. This has resulted in extended periods of time where a full-time manager was not in place. This position, the *Manager of Field Services*, was last filled in late 1999 through a secondment of a manager from the Corporate Finance Department who does not possess property assessment experience. Typically, an incumbent for this position would have a professional background in property assessment. Furthermore, this position has been vacated again recently.

As well, three of the other divisional management positions have undergone changes over the past year. The Manager of Finance and Administration moved to the Quality Services Division upon the departure of the incumbent. This individual has no background or experience in quality assurance. An individual from Corporate Finance was recruited, on a secondment basis, to fill the vacated Finance and Administration management position. Recently, however, this position has been filled with a

permanent manager. In addition, the Data Services and Development management position has recently undergone a personnel change.

The discontinuity in key management positions, the use of secondments to replace managers, and the lack of related experience on the part of some of the managers is problematic. Furthermore, the lack of commitment to the positions has not inspired confidence in the staff. Some managers have been overheard to denigrate the Department and remark that they have no intention of accepting the position on a permanent basis. We do not believe that this behaviour is professional or consistent with the expectations for leadership in this organization. In our CRSA session, staff expressed concern that they were not listened to or respected for their knowledge and experience and that managers were not always able to communicate their specific issues to the City Assessor because of a lack of understanding of technical matters. They believe that this could impact on decisions made.

Supervisory positions

The Field Services Division, includes six supervisors, otherwise known as Geographic Area Coordinators (GACs) who report to the Manager of Field Services. Under the new geographic-based structure, these GACs are responsible for managing the daily operations, which includes establishing property values and defending assessments in their respective regions. However, for the 2002 general assessment, GACs were responsible for specific property types across the City rather than a geographic portfolio.

Over the past two years, these positions have had a large amount of turnover, where personnel have left Winnipeg,

transferred to other City Departments or joined property tax consulting firms. As a result, the continuity of leadership in these positions has suffered, particularly with respect to those re-assessment teams involved in commercial properties. As well, the Department had difficulty replacing its departed GACs with individuals with commensurate experience in the area of commercial properties. In some cases, staff were concerned that they were directed to take certain actions contrary to what they believed was appropriate. They did not believe that their opinions were taken into account and felt that this impacted on their professional integrity and reputation as well as the integrity of the assessment process. In talking to the coordinators, it was clear that there may have been business reasons for some of these decisions, for example, to concede a small value appeal to focus resources on matters with a broader impact, but apparently the rationale has not been well communicated or understood in all cases.

With the full implementation of the geographic-based organization, the GACs will have responsibility for overseeing the valuation of all property types within a region. This will place additional pressure on the Department to ensure that its supervisory positions are staffed with individuals who have knowledge and experience in all property types.

In our CRSA sessions, staff also expressed some concern that the new organizational model has resulted in competition among the regions and inconsistency in expectations on the part of the various coordinators. They also seem to have different priorities in some cases. Not all coordinators appear to staff to have the same access to information, which

frustrates those reporting to these individuals.

Overall, the continuity of management and supervisory staff with the appropriate knowledge and experience will be crucial to the long-term success of the Department. We recognize the difficulty in filling these positions with personnel who have the necessary qualifications and experience from outside the Department. It is important, therefore, to implement a strategy that will encourage the retention and development of the Department's professional staff for the eventual filling of the supervisory positions as well as those management positions involving assessment expertise. We also recognize that the move to a geographic-based concept, in itself, may enable staff to be exposed to various property types, which will be an asset for upward mobility in the Department.

It is critical that the management group be seen to act as a team in support of common objectives and to create a positive environment for the organization. Staff must feel confident that they can take their concerns forward to their supervisor or manager and that these concerns will be heard and acted upon. They should also be encouraged to recognize and build on Department successes. Ideally, staff would prefer to have experienced managers who understand the business issues; if that is not the case, they need to feel that they are trusted and valued for their knowledge and experience. Staff spoke of being held accountable as a professional, yet feeling that they were not accorded the respect due a professional. They don't believe that the Department is capitalizing on the strengths of staff to the extent possible and necessary given the current composition of the management group. In our sessions,

we were impressed with the *team spirit* and mutual respect that exists among the professional assessors and their commitment to their position.

Recommendation 9

We recommend that the Department identify the reasons why management and supervisory staff have departed, and where possible, attempt to address these factors in order to reduce the likelihood of future departures for similar reasons. We also recommend that the Department prepare a formal succession plan to facilitate the development of staff for supervisory and management positions from within the Department as well as identifying and recruiting expertise from outside.

We also suggest that the City Assessor ensure that his managers and supervisors understand their shared responsibility for the leadership of the Department and, with the assistance of the new Human Resources Manager, develop strategies to provide opportunities for staff to build on recent successes in the Department and feel valued for their contributions.

Property Assessment Department response

Managers/Supervisors have left the Department for a number of reasons including: retirement, to become City Assessors outside of Winnipeg, promotions within the City, spousal transfer, personal reasons, dismissal, and to seek alternative employment. Exit interviews are conducted for all employees leaving the Department, and an analysis of the reasons employees have left over the past

two years will be performed and used as a baseline.

The department is working to establish a formal succession plan that will entail, in part, a human resource inventory based on key competencies required, and identification of areas of training and experience needed. The performance evaluation system will be an integral part of this plan in the future.

One of the expected results of the job classification review, currently taking place, will be an emphasis on the leadership responsibilities of managers and supervisors. The Geographic Assessment system is designed to prepare future supervisors, managers and senior managers. We will also continue to look outside the organization for the necessary expertise. We will continue to reinforce at all levels the shared responsibility for the leadership and success of this Department.

2. Sustainability of staff expertise must be addressed

The Department has a great deal of experience and knowledge in assessing property values and defending valuations at Board hearings. Their ability to complete the 2002 general assessment in light of ongoing changes to the organization, systems and processes illustrates this ability. At the same time, the Department has had a number of retirements over the past year as individuals are taking advantage of early retirement opportunities. We believe that the amount of change that has and will continue to take place and the historical concerns with the operating environment within the Department have also contributed to the number of departures.

While staff capability is adequate for the assessment of residential properties, the Department does not have a sufficient quantity of expertise with respect to the assessment of commercial properties. For the 2002 general assessment, the Department compensated, to some extent, by using specialized re-assessment teams that were responsible for specific property types for the whole City. In addition, the Department supplemented its internal knowledge and skill base with external expertise in areas such as regression modeling and commercial valuation where internal expertise was not sufficient or available within the tight timelines of the general assessment process. The Department also contracted out the appraisal of certain types of unique and complex properties in order to establish benchmark values for these property types.

In February 2001, the Department conducted a skills survey of its professional assessor staff and a number of conclusions were made relating to the long-term sustainability issues. These included

- The Department must supplement staff or streamline the current systems for greater efficiency.
- The Department must soon address the gaps between workloads and skills as staff numbers continue to decline.
- As the Department regionalizes, training is necessary to cover gaps in assessor expertise.

The skills survey also reviewed assessor eligibility for retirement and determined that within the next two years, 10 professional assessors will be eligible for retirement while 22 will be eligible within 5 years. Since this survey, a number of these staff have already retired. Therefore,

by the time of the next general assessment, approximately 30% of staff could be retired, which does not include departures for any other reason.

These pending retirements are critical not only because the Department is losing expertise and experience, but also because it is difficult to find qualified assessors in the labour market to replace existing staff. There is also more competition for qualified assessors with the entrance into the market of more property tax consulting firms. At the same time, the Department has recognized that the retirements create an opportunity to re-balance the workforce. While the overall staffing complement may not change, it is clear that the new geographic organization and CAMA system will require new competencies and enhanced job skills. There will be a shift from skills needed to capture property attribute information to skills needed to value property in specialized areas such as regression modeling.

The Department has identified in its business plan a number of components in its human resource plan that could alleviate the loss of staff. Specifically, gaps have been identified in the areas of recruitment and staffing, training and development, performance measurement and communication. Some of the strategies relating to these gaps have been implemented while others have not yet been initiated. For example, the

Department has provided training to those staff involved in specific operational activities such as the data collection and the preview program. Within each activity-training module, instruction was provided in CAMA, while staff who were directly involved in regression model development obtained training as well as mentoring from private consultants. In addition, a large number of professional staff have been enrolled in a Real Property Program offered by the University of British Columbia.

In our CRSA sessions, staff were concerned about the loss of expertise in the Department due to current and pending retirements. They believe that a need exists to introduce junior level positions to handle activities requiring less experience, with the expectation that these staff can develop into the more senior positions over time. They suggested the use of teams working together to learn from each other and retain the knowledge as individuals retire.

The City Assessor has been attempting to recruit professional staff from outside the province. In addition, he has had discussions with the University of Manitoba with the purpose of having the University include a professional accreditation program similar to the one provided in British Columbia. We recognize these as important strategies to supplement the existing workforce and to address long-term requirements.

Recommendation 10

We recommend that the new Human Resources Manager take the lead in developing a comprehensive plan that will provide details on the transitioning strategy to prepare staff for the organization of the future. Identification of core competencies and specific succession and training plans would be key components of the overall strategy as well as recognition of the need to involve union representatives. In addition, the Department should also be looking at ways to retain its existing staff by identifying and resolving some of the organizational issues that may be triggering departures.

Property Assessment Department response

Revised job descriptions are being drafted and will be reviewed with union representatives. Core competencies will flow from these job descriptions, which once established in conjunction with an analysis of the reasons for the departure of past employees, will allow the Department to establish a formal succession plan and identify training requirements. The Department is also working with the University of Manitoba to develop an in-province training program for assessors to create a pool of this core expertise.

Most people leaving the Department are taking advantage of retirement options, some of which (sick leave cash-out) will disappear if not exercised. The Department agrees that it is important to examine organizational issues that may trigger departures.

3. Effectiveness in Quality and Research Services Divisions can be enhanced

With the changeover to the existing divisional structure, two separate divisions were created: Quality Services and Research Services. These divisions were subsequently staffed with professional assessors who were transferred over from the Field Services Division. Almost all of the professional staff that were transferred over are at or near early retirement age. Since the transfers, a number of these staff have exercised their early retirement option.

Quality Services

The staff that were transferred over to Quality Services did not have experience or a specific background in quality assurance practices. Furthermore, comprehensive training was not provided to these staff pertinent to the carrying out of quality assurance responsibilities.

During the course of the 2002 general assessment process, Quality Services was unable to fully carry out all of its responsibilities and core services for a number of reasons. First, divisional staff were periodically assigned for extended periods of time to unanticipated special projects, such as the EPC-directed building permit processing initiative. Second, the lack of training of staff impacted on their ability to perform their assigned responsibilities. The staff capability issue in Quality Services was compounded by the fact that the current Manager's experience and expertise are not in the area of quality assurance. Third, plans or processes were not in place to coordinate the involvement of the Quality Services Division with the Field Services Division, which would have been a primary beneficiary of these services.

Research Services

Research Services has provided training to many of its staff to assist them in carrying out their responsibilities. The only exception to the provision of training was to those staff transferred from Field Services because of the limited benefits that could be realized by the Division in relation to the training cost investment. Although the capability of most staff is being enhanced through staff training, the effectiveness of Research Services has been primarily hampered by having its divisional staff being periodically assigned for extended periods to projects such as the building permits initiative.

During the CRSA sessions, staff questioned the value that has been provided to date by these two divisions. While they appreciated the intent in theory and recognized the need to address the building permit backlog, they did not feel that they received value-added service from these divisions during the general assessment process and believed that the experienced staff might have been better utilized on assessments and appeals. They also wondered if the two divisions could be combined into one.

Recommendation 11

The Department should review the existing skill inventories of staff within the Research Services and Quality Services Divisions and establish a plan to address significant gaps. In conjunction with this, the Department should attempt to recruit those staff having the appropriate knowledge and experience required for these positions. If this is not possible, then extensive training should be provided to those who are eventually recruited. We also recommend that processes be established to ensure that the activities of these divisions are coordinated with the operating and project plans of other divisions and clearly communicated to all staff.

Property Assessment Department response

The Department agrees with the recommendation. The current Manager of Quality Services has written a discussion paper identifying a number of organizational and training options for the division. No decisions have been made regarding those options.

The original Manager of Quality Services dedicated significant time to trying to teach Quality concepts, and had implemented a plan that complimented the objectives of the Field Operations Division. Data collection training and implementation was thoroughly quality checked, and adjusted to reflect audit findings.

There is a benefit to having senior staff involved in writing procedures, interpreting court decisions and checking to see if procedures meet quality

objectives since it is these people who should have the most detailed knowledge in these areas.

We have identified a training source to impart the necessary information about how to initiate a quality system within an assessment jurisdiction and a number of staff members have received initial training. We are also reviewing the current staffing of these sections to see if different non-assessor skills sets would be of more benefit in certain areas.

Processes and tools

4. Commercial preview program should be extended to all commercial property owners

For the 2002 general assessment, the Department initiated a number of different processes to educate the public and its key stakeholders. Advisory groups comprised of residential and commercial industry representatives were used as a forum to exchange information and discuss concerns. Information brochures were distributed to the public and a call centre was re-established for the initial screening of enquiries. An award-winning internet web site was developed containing access to specific property data on residential property that would enable the taxpayer to review assessment valuations against other properties. And, finally, a comprehensive residential preview program was implemented that involved sending out a preliminary notice of assessment to all residential property owners followed up by a series of open houses to discuss concerns about property assessments. The large reduction in residential appeals this year when compared to prior general assessments speaks to the success of the preview program.

At the same time, the Department recognized that commercial properties involve several different segments of the market relating to different audiences with different concerns. In recognition of these differences, the Department had more extensive involvement of the various commercial property advisory groups in the development of property values in terms of reviewing methodologies and specific components (that is, capitalization rates) impacting on the valuation. With respect to property-specific information, the commercial preview program was targeted at major commercial property owners and handled through individual meetings rather than open houses. As of July 2001, about 42% of total commercial property value had been previewed with the owners or their representatives.

However, the fact that all commercial property owners did not have the same opportunity to review and discuss their valuations prior to roll delivery compromises the principles of fairness and equity. In addition, the continuing high number of commercial appeals suggests that the program needs to expand.

Recommendation 12

For future general assessments, the Department should extend the commercial preview program to all commercial property owners.

Property Assessment Department response

The Department agrees that it would be beneficial to offer a preview of the assessment to all commercial property owners during a general reassessment. However, staffing and training issues will

have to be addressed before this is possible. This is of particular importance to those property owners who have cooperated by supplying full and complete income and expense information when requested to do so.

5. Sanctions should be applied consistently for non-compliance with Property Assessment Department requests for information

A significant number of high-value property types, such as commercial and industrial, are valued through the income approach. As a result, the quality of the valuation is highly dependent on the amount and quality of the income/expense data collected. In order to obtain this data, the Department sends out questionnaires to all owners or their representatives to obtain the necessary information. Historically, the response rate has been poor.

In preparation for this general assessment, the Department encouraged property owner compliance to the information request by incorporating relevant provisions from the *Municipal Assessment Act* regarding the obligations of the owners and the problems associated with non-compliance. In addition, the Department followed up non-responses from the first mailing with a registered follow-up letter. These changes to the data gathering process resulted in a much higher response rate (67%) than in prior years.

The *Municipal Assessment Act* provides a sanction for the non-compliance of property owners with information requests. The registered letter can be used as evidence at Board hearings in situations where the taxpayer appeals the assessment

and had failed to comply with an information request. The Board would be required to deny the owner the first year benefit of any decision involving a reduction in value.

It is our view that the majority of taxpayers expect to pay their fair share of the tax burden and are not sympathetic to those who are uncooperative. The system provides ample opportunity to *get it right* through direct dealings with the Department and through two levels of appeal. Participants in our CRSA sessions echoed this sentiment. We agree with the action taken this year to encourage compliance on the part of commercial property owners. In the future, the same practice should be followed. Furthermore, if the Department decides to use an information questionnaire as one method of maintaining the residential database, we believe that the same practice should be followed to encourage compliance on the part of residential taxpayers.

Recommendation 13

We recommend that the Department continue to take appropriate action to encourage compliance on the part of taxpayers to information requests where provided for under the legislation. In addition, there needs to be changes made to existing legislation in order to strengthen requirements for compliance by taxpayers, similar to the legislation in place in the Province of Alberta.

Property Assessment Department response

The Department will continue to press for application of the legislative penalties in the current legislation for non-compliance.

The Department agrees that a strengthening of the penalties as outlined in legislation is required.

6. Opportunities exist to increase the assessment roll

Opportunities exist to increase the assessment roll with respect to personal property and real property.

Personal property

In the Municipal Assessment Act (MAA), personal property “*means goods and chattels and, without limiting the generality of the foregoing, includes inventory, machinery and equipment but does not include an intangible item of personal property or goods or chattels that are improvements.*”

Currently, the CWA requires the City to assess personal property on gas distribution systems, spurs and railway sidings, and oil, natural gas or salt production equipment. Accordingly, a by-law change is required for any further property assessments.

The City Assessor acknowledges that there is opportunity under the MAA to increase the assessment base in this area in the future, but has prioritized the Department’s time and resources around activities relating to the 2002 general assessment.

Real property

Various jurisdictions have differing interpretations of what constitutes real property. Some consider property such as equipment and furniture as real property,

whether or not they are affixed to the building. The City of Winnipeg interprets real property as that which is permanently affixed to the building.

We understand that some industrial properties have equipment, such as conveyer belts, furnaces, tanks and manufacturing equipment, which is affixed to the building, but are not assessed by the City. A primary reason why this has not happened is that the City Assessor has yet to establish the precedent with the Municipal Board to broaden the assessment roll to include these property types. A secondary reason is because research is required to determine how to value it and resources will be required to inspect these properties in order to obtain an inventory for assessment purposes.

By not realizing the opportunities to add personal and real property to the assessment roll, the City is not maximizing the property tax base and, in fact, is increasing the burden on the remaining property taxpayers.

Recommendation 14

The City Assessor should investigate the feasibility and benefits of adding the currently un-assessed personal and real property to the assessment roll. This will require determining the political implications and the legal requirements associated with this opportunity. It may be prudent to find out what other jurisdictions are doing in the area of personal property assessment.

The Department should also estimate the amount of property value that could be added to the assessment roll and relate it to the cost of placing these properties on the roll.

Property Assessment Department response

The Assessment Department must assess property in a fair and equitable manner, as laid out in legislation, and based on how the Courts and Tribunals interpret that legislation. We revise our assessment methodology as either the legislation or the interpretations change.

Discussions about changing what personal and real property should be assessed would be appropriate at the Assessment Task Force Committee that has been created by Council. The Department, through its Research Services Division, can provide the necessary administrative support for this type of initiative.

7. Completeness of business assessment roll

Business occupancy tenants, who ultimately pay business taxes based on business assessment valuations, have a much larger turnover than property owners. As a result, where existing business occupants have closed down or new businesses have been established, there is an increased risk that the City will have difficulty in identifying all businesses and collecting business taxes. Our preliminary risk and control assessment of business occupancy valuation revealed concerns about potential lost opportunities for business tax assessment due to the lack of systems in place to identify business occupancies on a timely basis.

The Department relies on a number of sources to identify occupancy changes and new occupancies. These are listed as follows:

- Business occupants corresponding with the Department on changes (that

is, moves or downsizing of leased area)

- Business occupancy permits provided by the Community Services Department
- Tenancy changes provided by business improvement zones
- Returned business assessment notices resulting from the tenant no longer residing at the mail location and related follow-up by the Department
- Building permits for new commercial building construction are followed up for new businesses
- The database on commercial property (FoxPro) used for realty valuation is used to confirm or obtain data required for business assessment purposes

Although these sources are used to update the business occupancy database, each does not ensure completeness of all business occupants. However, the combination of all these sources provides an increased level of assurance that the business assessment roll is more complete.

Currently, there is an integrated application capability between the commercial property realty roll and the business assessment roll, which can facilitate the comparison of tenant information between the two rolls. However, the business process to fully utilize the application has not been completed. As a result, the efficient and effective use of the Department's commercial realty property database for business assessment purposes is hampered. The Department's business plan has listed the building of an integrated system in its future planned achievements.

For the 1998 general business assessment, the Department undertook a canvassing effort that resulted in the identification of

approximately \$4.5 million in additional tax revenue. Since that 1998 canvas, the Department has performed ongoing maintenance of the roll by canvassing those locations where occupancy changes have been notified to the Department. These changes relate to businesses vacating properties or moving to another City location. In preparation for the 2002 general assessment, a canvassing effort is currently in progress that is focusing on all vacant business locations to identify any new tenancies that have occurred but not reported to the Department. Where changes are identified from this canvassing effort, the Department will be able to recover the tax implications of the changes for the current roll year and two years previous.

Recommendation 15

The project to build an integrated system between the realty and business assessment databases which is supported by the necessary business processes should be completed in order to facilitate the use of commercial property data for business assessment purposes and enhance the completeness of the business assessment roll.

The Department should continue to canvas businesses using a risk-based inspection strategy that focuses on locations, such as vacant properties, that have higher risk of incorrect data being contained within the Department's database. However, this strategy should be carried out on a regular basis to reduce the risk of not picking up changes on a timely basis from a tax recovery perspective.

Property Assessment Department response

The Department agrees with this recommendation. We have identified the system changes required to ensure that, from a functional perspective, we are able to integrate these two processes. Completion is part of the 2002 Business Plan.

Vacant commercial units have been prioritized as part of 2002 Business Roll preparation. Maintenance processes over past four years are reducing the degree of change found through the canvass, which means the City is getting its revenues sooner and less revenue is lost through non-assessment.

8. Physical inspection program should be implemented

A best practices review in the State of Minnesota indicated that it is important to conduct regular property inspections, including a high percentage of interior inspections to identify conditions, amenities and other structural features not apparent from the outside. The results of our jurisdictional survey revealed that four of the eight respondents perform inspections on a cyclical basis for various property types. In two of the jurisdictions, the frequency of the cyclical inspection is a legislative requirement (see Appendix A).

The Department is in the process of implementing a formal program to regularly inspect properties in the City. For properties that are valued through either the sales comparison approach or cost approach, the currency and accuracy of property data is critical. Residential properties, including owner-occupied condominiums are valued on the basis of

property attributes and currently account for 92% of the parcels in the City and 56% of the revenue-generating (portioned) assessed value.

Since the start of the 1990s, inspections have been generally performed on an ad hoc basis in response to building permits, appeals or sales verification requirements. Because of the need to update its residential database with current information and additional detailed information for regression modeling purposes, the Department completed a data collection initiative, otherwise known as the Field Inspection Program, in 2000. This effort resulted in the full or partial inspection of approximately 50% of the residential properties in the City. The results were significant; approximately \$28 million in assessed value (\$600,000 in annual tax revenue) was identified through this process. We were informed that information changed on 78% of the properties inspected.

In many cases, changes were identified where owners were either not required or did not obtain a building permit for improvements undertaken. These changes would not have been picked up, therefore, through building code inspections. We believe that these results prove the merits of a formal program.

Recommendation 16

The Department should complete the implementation of a formal inspection program for the various property types in the City. The program should consider various risk factors, alternative sources of information and the merits of cyclical review of all properties over a certain period of time.

Property Assessment Department response

Residential inspections will continue to be conducted on the basis of where most change is anticipated. This will be determined through the monitoring of change rates on sales properties and variance in assessment-to-sales ratios on a geographic area basis. The Department is also preparing to initiate a self-inspection program in those areas already canvassed, or not requiring physical inspection by the Department.

The rate of assessment appeal on commercial/industrial properties provides an opportunity to refresh our physical property database for much of this group. In addition, the inspection of sales and building permits will also add to the accuracy of this sub-set of data. The use of the income approach has an impact on the importance of the physical data for assessment purposes.

9. Delay in processing building permits has a negative impact on tax revenue

Building permits are a primary source of information that the Department uses to update the property characteristic data on its database. For property types, such as residential properties which are valued on a sales comparison valuation basis using regression models, this data is particularly important because the quality of the valuation is dependent on the accuracy of the property attribute data. In addition, properties valued by the cost approach (institutions such as universities, hospitals and nursing homes) are also dependent on the accuracy of the property characteristic data maintained within the CAMA database.

Over the past few years, the Department has been performing building permit

maintenance. Work has been prioritized on the basis of value, taxable status, and year of permit completion. The strategy has been to leave the higher value non-taxable permits and lower value taxable permits rather than divert resources from more value-added or higher risk activities such as defence of appeals. Since 1995, approximately \$1.5 billion has been added to the assessment roll. However, notwithstanding these efforts, the Department has still been experiencing increasing backlogs of unprocessed building permits over the past few years. In the latter part of 2000, the Department re-allocated assessor resources from the Research and Quality Services Divisions to address some of this backlog. This short-term initiative was directed at unprocessed high-value building permits relating to commercial and industrial properties involving new construction and major renovations.

The City can revise the tax roll for the current year as well as the two preceding years. Therefore, any increases in assessed value resulting from the unprocessed permits prior to 1999 would be lost.

As of July 2001, our review of the building permit database maintained by the Department indicated that approximately \$1.2 billion in permit value had not been processed, of which more than \$500 million relates to permits issued in 1998 or earlier.

Unprocessed Building Permits (As of July 2001)*			
Year	No. of Permits	Dollar Value	% of Total
Unknown	307	\$27,803,582	2.5%
1980 to 1985	38	\$5,604,000	0.5%
1986 to 1990	245	\$54,169,400	4.8%
1991 to 1995	889	\$168,648,516	15.0%
1996	832	\$42,116,248	3.7%
1997	1,107	\$52,892,852	4.7%
1998	1,897	\$157,354,703	14.0%
1999	2,733	\$148,700,685	13.2%
2000	4,176	\$280,836,387	25.0%
2001	3,916	\$184,860,771	16.5%
Total	16,140	\$1,222,987,144	100.00%

*About one-third of building permits included in the database do not have property codes. In order to complete our analysis, we assumed that the composition of the unidentified building permits was the same as the building permits with property code information.

Potential tax losses related to unprocessed commercial property permits

Our analysis disclosed that almost \$1 billion of the backlog did not relate to either residential or cost-valued properties. We believe that the majority of this amount relates to commercial property. It is unclear, however, what percentage of this amount may translate into an increase in assessed value or potential tax losses. This is for two reasons. First, as indicated above, the recent project to clear the permit backlog focused on new construction and major renovation permits, which should have removed the higher value permits from the backlog. Secondly, since commercial properties are valued using the income approach, the increase in assessed value may have been picked up through the increase in revenue streams. This would be true so long as the Department has up-to-date income and expense information. For the 2002 general

assessment, approximately 67% of income and expense questionnaires were returned for commercial properties.

Potential tax losses related to unprocessed residential and cost-valued properties

The table indicates the value of unprocessed permits related to residential and cost-valued properties.

Value of Unprocessed Permits for Residential and Cost-Valued Properties		
Permit Year	Residential	Cost-valued Properties
1998 and prior	\$26,613,100	\$101,637,700
1999 to 2001	\$54,032,700	\$50,060,300
Total	\$80,845,800	\$151,689,000

Recognizing that there is not a dollar for dollar impact between building permit value and assessed value, we have used a range of values to estimate the portion of permit value that would translate into assessed value for residential properties and the associated potential tax losses. Based on discussions with two residential Geographic Area Coordinators, we used a range of between 50% and 80%.

Potential tax losses related to unprocessed residential permits				
Increase in Assessed Value	50%	60%	70%	80%
<i>1999, 2000, 2001</i>				
Estimated Assessed Value Impact	\$27,016,400	\$32,419,600	\$37,822,900	\$43,226,200
Estimated Tax Impact	\$390,700	\$468,900	\$547,000	\$625,200
<i>1998 and Prior</i>				
Estimated Assessed Value Impact	\$13,306,500	\$15,967,900	\$18,629,200	\$21,290,500
Estimated Tax Impact	\$192,500	\$230,900	\$269,400	\$307,900

These percentage estimates on residential building permits suggest that a one-time tax recovery relating to 1999, 2000 and 2001 unprocessed permits ranges between \$0.4 million and \$0.6 million. For building permits relating to 1998 and prior years, we estimate the one-year tax impact in the year those permits were issued to be between \$0.2 million and \$0.3 million. It must be recognized, however, that the latter taxes can no longer be recovered because the two-year window for retroactive tax recovery has closed.

Since tax estimates are cumulative for subsequent years (less depreciation, if any), the estimated tax impact figures are probably conservative. At the same time, we acknowledge that some of the increase in assessed value may have been recognized through field inspections.

Based on physical changes identified from the Field Inspection Program, approximately \$28 million in assessed value changes were generated and applied either through applicable sections of *the City of Winnipeg Act* against prior years' tax rolls or through applicable sections of the *Municipal Assessment Act* against the current year's assessment roll. This translates into approximately \$600,000 in annual tax revenue. It is not clear to what extent the \$28 million relates to unprocessed permits as opposed to non-compliance with permit requirements.

Because of the possibility of impacting on new owners, the Department has made a decision to only retroactively tax one prior year, rather than the allowed two years, for changes relating to renovations. In addition, based on extrapolating the findings to houses that were not inspected, there is another \$600,000 that potentially has not been identified in the current year as well as for each of the two preceding years. However, we caution that this

extrapolation of tax may be higher than actual because the houses inspected were older and more likely to have changed.

Potential tax losses related to unprocessed cost-valued property permits

For cost-valued property, we estimate that approximately \$151.7 million in permits are in backlog, of which \$101.6 million relates to 1999, 2000 and 2001. Although the value relating to these years can still be recovered, we have not quantified the tax impact because of the difficulty of identifying the relationship between permit value and assessed value.

Recommendation 17

The Department should continue to view the need to clear the building permit backlog as a priority. A formal plan should be established to identify dedicated resources and reasonable timeframes.

Property Assessment Department response

The Department's entire workload backlog has been prioritized over the last three to four years by considering financial impact and legislated deadlines. Permits are scheduled to be addressed in 2002, and significant progress should be made by year-end.

As the Auditor has noted, the Department prioritizes annual permit work based on value, taxable status and year of permit completion (oldest first), which has left high value non-taxable permits and lower value taxable permits to be processed. Many of the permits for income producing properties will not generate new assessment since the values are produced from rents which have been adjusted to reflect new situation but permits not removed from inventory. Legislative deadlines and fiscal risk to the City have been the factors, which have impacted on work

prioritization over the past four years. Experience has shown that the use of a project approach with a single focus leads to longer-term problems for the City and the Department so permits will be approached on a geographic basis to reinforce customer service aspects. The new Department-wide Property Information Tracking Application (PITA) is being developed to better manage permits.

10. Opportunities exist to coordinate building permit activities with Planning, Property and Development Department

Electronic interface

Based on discussions with Department staff, a significant reason for the building permit backlog is that the existing system for obtaining and processing permit data is not accomplished through an electronic interface with the Planning, Property and Development (PP&D) information system known as AMANDA. A direct interface between AMANDA and CAMA would significantly reduce processing time.

Our survey of five other Canadian jurisdictions revealed that three either have or are in the process of obtaining an electronic interface between their buildings permits system and the property assessment system (see Appendix A). Research Services has been given the responsibility for reviewing the existing building permit process. This will include the improvement of the building input process from PP&D and the development of procedures and quality standards to ensure that permits are processed on a timely basis. Currently, they are in the definition stage of this project.

Building permit inspections for residential properties

PP&D has the responsibility to enforce the safety codes relating to many types of renovations being initiated by property owners. Upon receipt of an application for a

building permit, PP&D sends out a building inspector to review the work to ensure compliance to various codes with respect to building, plumbing/mechanical or electrical work.

Based on our review of the type of data required by Property Assessment for assessment purposes on residential properties, we believe that this type of data could be obtained by PP&D during their inspection process relating to building permits. Estimates provided by Property Assessment regarding the time required to collect the required data were relatively small. It appears that the majority of the time spent is in the travel to and from the residence. Therefore, the time effect on building inspectors who are trained in all facets of residential housing would also be expected to be quite small.

In the year 2000, approximately 11,000 residential permits were issued by PP&D for building, plumbing/mechanical and electrical work. Of this total, 4,400 permits related to building work that would typically require an assessor to physically inspect. PP&D conducted about the same number of inspections on these renovations during the course of the year. With a checklist and some additional training for building inspectors, the residential building inspections would satisfy assessment inspection data requirements. In the recently completed Field Inspection Program, Property Assessment Department hired students and clerical staff and trained them to complete this program under the direction of professional assessors.

The impact of having building inspectors obtain the required data during the course of their regular building inspections is three-fold. First, from a customer service perspective, the property owner would only have to deal with one inspector and would have a smaller number of inspection visits. This would be at

the expense of extending the building inspector's visit for a nominal amount of time. Second, the assessor availability issue with respect to the inspection of building permit work would be addressed, thereby alleviating one key factor impacting on the timely processing of building permits. Third, assessors now employed in this activity could be re-deployed to other priorities including random inspections of other properties as part of a risk-based inspection program.

Non-compliance with building permit regulations

Both Property Assessment and PP&D staff stated a significant level of non-compliance exists with building permit requirements by property owners. However, because compliance is really an issue of completeness of building permit applications being taken out when required, it is very difficult to quantify the extent of this problem. As we have discussed previously, however, the recent Field Inspection Program revealed a 78% change rate on the information relating to existing information maintained by the Department. Of the changes identified, it is estimated that 70% were the result of property owners not taking out a building permit or situations where a building permit was not required.

At the same time, we were informed that no process is currently in place to alert PP&D of non-compliance situations discovered by the Property Assessment Department during their field inspections for assessment purposes. This is important for safety considerations. Furthermore, appropriate sanctions exist that can be exercised in this situation. We believe that uniform enforcement of by-laws dealing with non-compliance is important for maintaining public confidence.

Recommendation 18

As part of the review of the building permits process and integration with PP&D systems, the Department, in consultation with PP&D, should investigate the feasibility of having the residential assessment inspections performed by building inspectors where appropriate. In addition, the feasibility and benefits of an electronic database between AMANDA and CAMA should be fully explored. Finally, the Property Assessment Department should ensure that incidents of non-compliance with building permit regulations that are detected through the Field Inspections Program are provided to PP&D so that appropriate action can be taken.

Property Assessment Department response

Property inspection and materials recognition are the foundation of training for an appraiser/assessor. Some basic factual information on new construction can be garnered from Planning, Property and Development (PP&D) files, but it is imperative that value-oriented decisions, such as quality and condition, remain within the direct control of the assessor responsible for the valuation of the property. This will help ensure fiscal stability for the City through the appeal process. As the Auditor's report notes (Background Information), no other assessment jurisdiction surveyed gathers assessment information in this manner.

The Department recognizes that safety issues created by the non-issuance of building permits are a concern for all of us. However, if assessment inspections triggered sanctions by PP&D, the access rate to properties would probably be reduced resulting in inaccurate

values, higher appeal rates, and a costlier system with more fiscal risk.

Director of Planning, Property and Development Department response

I believe there are opportunities for coordination between our department and Property Assessment. The first steps would be to assess the impact the proposal would have on the workload of inspectors, the type of information required by Property Assessment and the time required to obtain the data they require. There might also be some CUPE implications. The bottom line is that there is merit in further examining the feasibility of the proposal.

11. Quality assurance practices need to be improved

The fundamental purpose of the quality assurance processes relevant to the Property Assessment Department is to ensure the quality of data being gathered for valuation purposes and the accuracy of valuation calculations.

Property and income/expense data

The Department has gathered and entered a large amount of its residential physical characteristic data from various sources such as the Field Inspection Program. As well, correction of data is provided through the inquiry management process, in which the property owner initiates an inquiry based on information obtained through the web site and open house preview program. The Department also gathered a large amount of income/expense data from questionnaires for market analysis purposes as well as to be entered into the specific files for each property.

The Department has developed controls that would help to prevent data collection and entry errors. The data collection, entry and revision processes were supported by the development of a comprehensive training manual, forms to

standardize the collection of data, and training on data gathering and entry processes and manual and computer edit checks. At the same time, the quality assurance process was hampered by the lack of effective detection controls that would identify problems and data errors associated with the collection, entry and maintenance of data. As well, the documentation of the results of the quality assurance process was not complete. Although the need to review the quality of the data was identified in the manuals guiding the process, the extent to which the data was reviewed was left to the discretion of the individuals directly involved in these activities. This resulted in inconsistent levels of testing of data and lack of documentation of quality assurance test results. As a result, no assurance over the level of quality control was being achieved. The external quality assurance consultants who were involved in reviewing existing quality assurance processes arrived at the same conclusion.

One reason for these deficiencies is the fact that the Quality Services Division, to a large extent, was not involved in providing quality assurance support with respect to data gathering and processing. Therefore, a quality assurance program consisting of quality assurance guidelines, standards, testing and documentation of results was not effectively established to ensure the quality of data on properties. As a result, this adversely impacted on Field Services staff, who have the direct responsibility for performing quality control and to provide the required level of assurance over the quality of data collected and the reasonableness of the determined property valuations.

Valuations

Valuations are determined for each property type based on the data obtained and the valuation approach used. A recognized technique to provide assurance over the reasonableness of the figures is to compare

valuations to bona fide sales of the subject or similar properties. On an overall basis, the *IAAO Standard on Ratio Studies* establishes a number of statistical indicators that a jurisdiction should meet when comparing valuation results to sales values for various types of properties.

While the IAAO Standards for residential properties were met, those quality assurance processes relating to sales comparisons for commercial properties were not completed. The fundamental problem was that all properties sold in the reference period did not go through a complete sales verification process on a timely basis. This can impact on the quality of the capitalization rate studies that are necessary when using an income valuation approach, and also on the Department's ability to evaluate the reasonableness of its income-produced values against sales of the subject or similar properties.

Ultimately, the valuation of properties should be related back to bona fide sales transactions, which is the best indicator of market value. The external quality assurance consultants made similar observations in their final report. In addition, our jurisdictional review of other cities revealed that all respondents that value property under the income and cost approaches use bona fide sales of similar properties in the reference period to verify the reasonableness of the values determined under those approaches (see Appendix A).

In addition, the Department did not adequately perform a timely quality review on its commercial property valuations using statistical indicators recommended under *the IAAO Standard on Ratio Studies*. As part of their review, the external consultants concluded that the commercial properties did not meet IAAO standards. Although this does not necessarily mean that the values are not

accurate, it was an indicator that the Department did not perform procedures to provide assurance that values are reasonable.

Recommendation 19

The Department should review its quality assurance process over data collection, entry and maintenance to ensure that effective detective controls are in place and that the results of the quality assurance process are documented. The Department should consider providing quality assurance training to the Quality Services Division staff to ensure that an effective quality assurance process is maintained.

Sales verification is a fundamental process that is required to ensure the reasonableness of valuations that are calculated using any valuation approach. As a result, the Department should clearly articulate the requirements of the sales verification process for commercial properties. Once this is done, resources should be allocated to perform this process on a timely basis and to test how well this process is being completed.

Property Assessment Department response
The Department agrees with the recommendations. A review will be completed and process controls implemented once the data collection operational plan and the procedures and policies have been developed. The training of Quality staff was addressed in the discussion paper identified in Recommendation 11. Plans are currently being made to carry out the Sales Investigation function on an ongoing basis.

The Quality Services staff has been given training in Quality concepts, as have some Field Operations staff and the Manager of Research Services. Some staff members have been enrolled in the Quality Certificate course offered through the University of Manitoba. The Statistician in the Quality Services Division has received her Doctorate in Industrial Engineering with a focus on Quality Assurance/Control. The intent is to continue to expose staff to quality concepts through the use of outside expertise while developing and implementing process controls and audits for all aspects of the assessment function. Sales verification and analysis is one of the basics of appraisal, and its importance will continue to be reinforced with staff in the Department.

12. A strategy is required to identify under-valued properties

The Department has established a number of initiatives, such as open houses, which enable the taxpayers to review data and valuations relating to their properties, and to identify concerns or inaccuracies relating to the valuations. However, these initiatives usually result in taxpayers identifying changes that lower property values, as most taxpayers are not likely to bring forward facts that relate to valuation increases.

We recognize that the Department's data collection initiative to inspect 50% of residences in the City identified missed changes relating to property improvements, many of which resulted in increases in valuation. However, this was a one-time blitz to update the existing database on property characteristics and to add new data required for regression modeling purposes. The review of reports on unusual changes in property values between assessments is a quality assurance process that can identify property values that are either under or over-estimated. The City Assessor has also discussed sending

questionnaires to taxpayers to have them self-report changes to property and expanding the use of the geographic information system to identify unreported changes.

We also recognize that the Department has prepared a list of properties, primarily commercial, that the City Assessor appealed after the delivery of the 2002 roll because of inadequate income and expense data on the property. This was prompted by the fact that recent legislation changes allowing boards to increase valuations will not be effective until January 2002.

Notwithstanding the above, the Department does not have a specific strategy in place to identify under-valued properties. For example, properties that have not been recently inspected, sold or appealed are at higher risk to be under-valued because no update exists on property data or no specific basis to relate valuation to market value exists. The practice used by one assessing authority is to use sales listings to assist in the identification of under-valued properties. Another jurisdiction indicated that it maps key qualitative and quantitative data on property types in relation to assessed values to identify questionable valuations. It also follows-up on customer enquiries, which could lead to identifying under valued properties (see Appendix A).

The Scurfield Report made a specific recommendation that an under-assessment unit should be established to track and deal with those properties that could be or are under-assessed in value. Although the creation of this unit is not consistent with the re-organization of the Department to a neighbourhood assessor concept, this does not eliminate the need to establish processes that will identify and address under-valued properties.

Recommendation 20

The Department should formalize a strategy to identify and investigate potentially under-valued properties. Assessors should undertake appropriate activities as part of their regular responsibilities.

Property Assessment Department response

The Department's focus is on determining proper values for all properties. Through statistical methods the Quality Services and Field Operations Divisions are addressing anomalous values. Statistical checks, such as Price Related Differential, are used to ensure there is no under or over-valuation. In addition, the Department is using the appeal process to get more data and adjust values where there has been no cooperation on income collection.

13. Quality of documentation is inconsistent

Adequate documentation provides a fundamental foundation for the valuation process and an important tool for the successful defence of appealed properties.

Throughout our review, it became apparent that the quality and level of documentation prepared by the assessors and assessment teams varied significantly. Our concern about documentation was confirmed by the observations made by the external quality assurance consultants. Documentation tended to be poor in areas such as assumptions made in analysis, linkage of analytical results to final figures, rationale for decisions and evidence of quality control.

Recommendation 21

With the support of the Quality Assurance Division, adequate documentation standards should be developed and implemented. Supervisors should be held accountable for monitoring adherence to standards.

Property Assessment Department response

The Department agrees with this recommendation. Training to teach process controls to Field Operations Managers and staff has started. Procedures have been developed for most property types. They will become procedural standards against which managers can measure results. Audits from the 2002 reassessment will also form the basis for future process controls

14. Central file system must be improved

Information maintained in the central file system contains various documents such as field forms, sketches, board orders and related correspondence for each property in the City. In addition to what is on CAMA and its satellite systems, staff refer to additional historical information in these files when valuing properties and preparing for upcoming appeals. However, the existing central file system has been in a state of disrepair and has become even more dysfunctional since the physical move to the Confederation Building. The organization of the file system is inefficient as there are numerous files for each parcel of property.

Until recently, dedicated staff have not been assigned responsibility for maintaining the central file system and no formal sign-out procedure for information removal is in place. As a result, documentation was frequently either misfiled or not returned.

The absence of a well-running central file system impacts on the Department accomplishing its objectives by

- Consuming large amounts of staff time trying to locate information.
- Hampering staff's ability to prepare values or defend valuations when appealed.
- Delaying responses to taxpayer inquiries.

The Department hired an external consultant who reviewed and made recommendations on the file system in February 2000. In response to these recommendations, the Department established a committee under the responsibility of Research Services to address the central file concerns. In mid-2001, to address some of the problems, the Department assigned a staff member to the central file system whose responsibility is to track files and maintain the filing system.

Recommendation 22

We recommend that all the improvements to the central file system identified by the consultant be implemented on a timely basis.

Property Assessment Department response

A dedicated staff person, responsible for retrieving, tracking, and storage of all files, has been hired for the Central File Room. In addition, a new filing system will be implemented in the first quarter of 2002. Interim filing procedures have been developed and adopted for use until the implementation of this new, comprehensive records management system is complete.

The Department will be consolidating property information from numerous files to, at most, two files and will be adopting the use of colour and bar-coded file folders. These consolidated, coded files will result in more

accurate and efficient management of information. In addition, mobile filing units will be utilized to maximize use of limited space and ease of retrieval and storage of documents. Ultimately, the Department intends to move to an electronic filing system.

Information technology systems

Information Technology (IT) systems support the completion of the assessment roll in terms of ensuring complete, accurate and secure data. A number of systems and applications exist that are utilized by the Department for analyzing various types of data (that is, property characteristic data), generating property valuations and enhancing accessibility to the property tax owners. The primary property valuation system, which supports computer-assisted mass appraisal (CAMA), is the Sigma System. It contains many modules and has the capability of supporting the valuation of multiple realty property types as well as the valuation of business assessment.

Currently, all the valuation modules of the Sigma System have not been implemented. Management decisions have been made to rely on the external applications of SSPS for multiple regression analysis valuation and FoxPro for commercial income valuation. Rationale for using the SPSS application includes technical flexibility, the familiarity of the private consultant with this tool and the fact that training programs in Canada use SPSS to teach the multiple regression analysis methodology. With respect to FoxPro, familiarity and comfort by staff with this tool was the primary basis for remaining with it for the 2002 general assessment. However, there is a long-term plan to review the feasibility of implementing the internal income tool in Sigma.

We have focused our review of these IT systems on areas relating to security over applications and database, application reliability and functionality, and reliability of application interfaces.

15. Security over applications and database

The Department maintains a large portion of its data and valuations electronically, primarily within the Sigma System. Adequate backup procedures and off site storage are therefore critical security controls over the Department's electronic assets. Data Services and Development Division (DS&D) has satisfactory backup procedures and off site storage, which minimize the risk of lost or disrupted data. Adequate arrangements have also been made with vendors to provide hardware and database support to the Department in the event of a physical or electronic disaster affecting its major computer systems.

For the 2002 general assessment, the Department has enhanced accessibility to assessment information through the development of an internet web site. With increased accessibility, security risks are increased relating to the data being provided through this web site and to the Sigma database. Appropriate controls and management practices have been established to support the secure delivery of assessment data to the general public through this web site.

The property assessment valuations contained within the Sigma System are updated onto the Manta System, which is the system that serves as the electronic representation of the certified assessment roll and ultimately produces all the assessment notices. It is therefore critical that DS&D has processes and controls in place to ensure that the two systems are in balance. To test the Department's controls, we compared the property assessment information between

the Sigma and Manta systems in June 2001 and determined that all the valuations contained within Sigma were accurately transferred to the Manta System.

We have identified the following areas that require improvement:

Review process for property assessment changes should be implemented

Controls for application and database security include protecting and restricting access to business information stored on the Sigma System and associated sub-systems. These controls have to be managed and maintained in a manner that ensures that authorized users of the system have an appropriate level of authority to fulfill their job functions. Currently, Sigma property assessment changes applied by assessors from the Field Services Division are not being reviewed for accuracy. Although our test review of changes made to properties of current employees revealed no improprieties, the lack of a regular review and approval process, particularly for changes that affect assessment value, increases the risk of error and data integrity problems.

Recommendation 23

Responsibility for the review and approval of property assessment changes needs to be established within the Field Services Division or other business user divisions within the Department. Along with the assignment of this responsibility, the tools, training, and documentation of the procedures to support this effort must be completed to support the establishment of this new role.

Property Assessment Department response
The Property Assessment Department recognizes the importance of this recommendation and agrees with it. We

anticipate the project will be complete in late 2002.

Profile documentation needs to improve

The security environment should be documented, monitored and maintained in a timely fashion to reflect the ongoing requirements of the Department as it changes in terms of staffing, roles and responsibilities. Profiles, which are required to define similar access requirements to property assessment information by staff performing similar functions and to facilitate the administration of security, are inadequate for security administration purposes while the current profiles created on the Sigma System are excessive. Without having adequate and current profile documentation, the administrative effort over security administration increases and the accuracy and efficiency of the security administration process is reduced. Although DS&D has completed an initial draft of additional profile documentation and a project has been initiated to clean up the profiles, these tasks have not yet been completed.

Recommendation 24

The profile documentation and cleanup should be completed as soon as possible and profile access permissions should be in alignment with the currently defined assessor responsibilities.

Property Assessment Department response

The Department agrees that the security profiles underlie a critical part of our control process. As such, the work related to the recommendation has now been completed.

Security administration and access request procedures are inadequate

Security administration procedures and access request procedures for the Sigma application

are inadequate. Although DS&D has already initiated steps to provide more formal documentation (that is, Sigma access request forms) in this area, this task has not yet been completed.

Recommendation 25

Security administration procedure documentation and access request form development should be completed as soon as possible as this is a key component for improved management of Sigma application security.

Property Assessment Department response

The Department agrees that the security administration procedure documentation and access request form are vital components of our security strategy. As such, the Access Request Form is complete, and will be rolled out to the user community in the first quarter of 2002. The security administration procedures are presently under review, but are also planned for implementation in the first quarter of 2002.

16. Application reliability and functionality

DS&D coordinates and provides system maintenance for Sigma, which primarily supports the business requirements of the Field Services Division. Because Sigma is a purchased system, DS&D also provides communication and relationship management with the vendor on behalf of Field Services. Sigma-related repairs, functionality changes, new features and problem investigation are negotiated with and performed by the owner.

We determined that DS&D has established a well-defined problem management and change control process as well as good vendor relations to ensure the ongoing successful operation of the System. This is a challenge in light of the fact that the vendor is relatively

small in size and does not have the resources to devote to client support. In addition, the user documentation that currently exists for Sigma was custom developed and is better than the vendor-provided documentation package. This facilitates the functionality and usability of the System by its users. The following areas, however, require improvement:

Process for managing information technology initiatives requires refinement

The IT portion of the business plan is the primary tool for identifying and prioritizing the major IT initiatives for the Department. Through a review of its services, systems and client needs from an information technology perspective as well as an environmental scan of other jurisdictions, the Department has identified priority system projects and included them in the IT section of its business plan.

In conjunction with the information in the business plan, there needs to be an ongoing process for monitoring the progress of the initiatives, introducing new initiatives and reprioritizing the revised inventory of initiatives. DS&D currently has the responsibility for providing the tracking, coordination, and ongoing management of IT initiatives for Sigma and associated systems. The Departmental Management Committee (DMC) meeting is periodically used by DS&D to review IT initiatives with business managers with respect to status, priority and ranking of these initiatives. The Departmental Management Team (DMT), which consists of DMC members plus key business users such as Geographic Area Coordinators and supervisors, also meets to discuss emergency requests that are initiated by Property Assessment staff.

Although management team meetings are being used to discuss IT initiatives, DS&D management have indicated that there is a

need to improve the existing process by getting more active involvement from business users in prioritizing IT initiatives, reviewing the initiatives more regularly, and formalizing the request process for managing IT initiatives. An opportunity exists for Field Services and the other business units in the Department to provide direction in terms of the IT initiatives that are undertaken by DS&D particularly in terms of identification of system enhancements, prioritization of projects, and timing and delivery of system improvements.

The risk of not having more frequent involvement by business users in establishing priorities and timing of initiatives and a more formal request process for IT initiatives is that the delivery of key Department productivity requirements and improvements associated with the CAMA System can be adversely impacted.

Recommendation 26

Field Services and other divisions should coordinate with DS&D to enhance the procedures associated with the capture, tracking and management of IT initiatives. Once procedures have been enhanced, they should be communicated to all Department business users who are responsible for initiating IT work orders. The forum for discussion of IT initiatives should either be the DMT meetings or a combination of DMT and DMC meetings.

In addition, the agenda and format for the DMT/DMC meetings should be adjusted to allocate sufficient time for management to review IT project initiatives and address any changes needed to the delivery schedule based on new initiatives being added, emergency requests tabled since the last meeting, and any other relevant factors affecting the delivery schedule.

Property Assessment Department response
The Department recognizes that this is an issue and is working toward improvements. Over the past four years we have been placing more emphasis on the co-ordination of I/T initiatives with business unit needs, both present and future.

17. Interface of information between Sigma and other systems needs development

The Field Services Division utilizes the Commercial Income Tool and SPSS for generating property assessment values, which are entered into the Sigma System. Situations also exist where assessors use spreadsheets to collect and analyze property information on other property types (that is, multi-family dwellings, hotels) in order to derive assessment values, which are then loaded into Sigma. The transfer of information, either into or from Sigma, is accomplished through a combination of manual intervention and interface scripts.

The degree of manual involvement associated with processing information through these interfaces is quite extensive. Consequently, the time delay incurred by users to process information through these interfaces is quite significant and counter-productive. The amount of manual effort involved with interface processing also significantly increases the potential for errors resulting in further processing delays. A project has been initiated to implement Sigma System functionality that is equivalent to, and will replace, the existing Commercial Income Tool.

In addition, procedure documentation does not exist for interfacing information from the Commercial Income Tool into Sigma. The lack of documentation presents a risk that without key staff who are knowledgeable about the process, the interface steps would be more difficult to carry out, more prone to error during the execution of the interface or more

prone to a full breakdown during the interface process.

Recommendation 27

To facilitate the planned implementation of the SIGMA module relating to income valuation, the Divisional Management Team (DMT) needs to provide management direction related to this project as well as any competing I/T initiatives to ensure that this project is completed in a timely fashion. DMT should also request DS&D to establish a project plan, schedule and project team resources as a part of the project management process to ensure deliverables and timelines associated with this project are met.

Until the SIGMA System functionality has been implemented for commercial income-valued properties, DS&D should develop interim procedures and documentation for the movement of information between the Commercial Income Tool and SIGMA. Any other interfaces feeding information to or from SIGMA should also be fully documented.

In addition, DMT should initiate a business case for further automation and integration of property assessment functionality to address the remaining issues associated with SPSS interface processing and manual spreadsheet processing.

Property Assessment Department response
The Department agrees with this recommendation. An overall project plan has been created. A more detailed implementation plan will outline 2002 initiatives.

Interim procedures are being implemented for the movement of data from the Commercial Income Tool to SIGMA. A two-phased approach is being used for the SPSS interface:

- *Current monthly batch mode has been documented*
- *The Department has located a vendor that has developed a real time solution for moving data from SPSS to SIGMA. Management is attempting to get single sourcing approvals to speed revenue capture for City.*

Monitoring and learning: Making things better

Monitoring and learning are critical to organizational improvement. Monitoring an organization's external and internal environments enables the organization to diagnose environmental changes early and respond to them promptly.

Monitoring and learning also involves periodically challenging the assumptions behind an organization's objectives, assessing information needs and systems, evaluating the effectiveness of control, and reporting the results to those responsible in the organization to complete the accountability loop. Whenever key changes or actions are to be implemented, follow-up should occur at various levels throughout the organization to confirm that they are carried out. Changes may involve changing objectives or plans, control activities or information systems.

Specific *monitoring and learning* components considered include

- Monitoring internal and external environments
 - Monitoring performance
 - Challenging assumptions
 - Reassessing information needs and information systems
 - Performing follow-up procedures
 - Assessing the effectiveness of control
-

1. Operational performance reporting can be improved

The monitoring of operational performance offers an opportunity to learn from experience. If progress toward objectives is not monitored and evaluated, underlying factors may not be discovered that require a revision of objectives or a re-prioritization of effort. To monitor

operating performance, management needs to have timely, reliable information on operating results.

Currently, most of the reporting on operations is presented through meetings at the divisional or departmental levels. The Department has regular management team meetings involving the City Assessor and divisional management. There is also a separate group of regular management meetings that include the Geographic Area Coordinators. In these meetings, various operational and administrative issues are discussed and progress is reviewed on key activities or objectives. Formal reports, however, are normally prepared only upon request on an issue or project-specific basis. Within each of the divisions, there are varying levels of formal or on-going reporting to divisional management. In general, however, there are no regularly generated operating reports containing status against plans, variance analysis, backlogs, or time required to complete activities.

One of the contributing factors, of course, is the lack of divisional planning, mentioned earlier, that would establish criteria against which to report. In addition, management information systems are not in place to report against all of the performance goals identified in the performance measurement framework of the business plan. For example, to support the *timeliness & currency of information* component of the framework, no reports exist indicating whether all new major improvements are inspected and valued within the targeted turnaround time of completion, or whether sales verification is performed within the targeted time frames. Without systems to support the performance measurement framework, management cannot gather the information needed to determine if planned goals are being achieved.

The CAMA System, which contains a significant amount of data on each property, is not used as a source for providing management information on a regular basis. Examples of potential areas of information would be the number of inspections conducted on sold properties, the percentage of properties inspected over a specified period of time, and the extent to which sold properties have been verified.

Recommendation 28

To supplement the regular meetings, divisional management should receive periodic reports against annual goals and objectives of the respective divisions. This information should then be rolled up for the purposes of reporting to the Director. Management information systems should also be established to support the information requirements of the performance measurement framework. In addition, the Department should use the reporting capacity of the CAMA System to provide basic management information.

Property Assessment Department response

The Department agrees with this recommendation. Now that the legislative deadline for reassessment has been met, management resources have been directed to identifying information needs at all stages of the assessment process.

The Property Information Tracking Application (PITA) will be the first stage of meeting the reporting requirements of this management system. Since single sourcing for this project was not considered appropriate, an RFP has been developed to identify a contractor to begin the development of this system early in 2002.

2. *Comparisons with other jurisdictions indicate opportunities to improve efficiency of operations*

An important process for determining whether or not existing practices are optimal is to compare them to other jurisdictions.

Benchmarking is a continuous process that assists an organization to measure and compare its processes and services to other organizations. It also helps an organization to identify its critical success factors and to subsequently identify performance gaps. Recognizing these gaps is an important first step towards establishing action plans to improve performance.

The Department, to date, has done some benchmarking against other jurisdictions and reviewed business practices and processes that could be implemented. The City Assessor's previous work experience in the Province of Ontario has also provided him with practical knowledge of what has been carried out in that province. As well, organizations within the assessment profession are periodically surveying and benchmarking assessing authorities. As a result, when the Department participates in these surveys, it benefits from the findings of studies conducted by these organizations.

The International Property Tax Institute (IPTI) conducted a benchmarking study in 2000 by surveying assessing agencies in North America. The purpose was to identify best practices, processes and opportunities for improvement for these organizations. A comprehensive questionnaire was submitted to these assessing agencies. However, only a small number responded, including the City of Winnipeg.

The major finding of the study was a large variation exists between respondents for many

critical parameters, including efficiency measures generated in the study as well as for key parameters characterizing the methods and approaches used by the agencies that participated in the study. The study made comparisons using several key measures and indicators of efficiency, including *the ratio of operating budget over parcels*, *operating budget over number of assessment function staff* and *the number of property parcels over assessment function staff*. The City of Winnipeg did not rank well in most areas. However, we caution that this may be misleading as there may be differences in areas such as costing and scope of responsibility that impact on the comparability of the results among the various jurisdictions. We also conducted our own survey of other Canadian jurisdictions, which included a request for operating and cost information. We recognized and attempted to account for all significant variations such as responsibility for business assessment and cost accounting differences between the City of Winnipeg and other jurisdictions. Based on our results, the City does not appear to be operating as efficiently as other jurisdictions when looking at such performance indicators as *the number of assessments to professional staff* and *operating budget to number of assessments* (see Appendix A).

We recognize that a number of factors can impact on the comparability of the City of Winnipeg's performance against other jurisdictions. From a legislation perspective, rights of access to properties by the assessor are more restrictive, requirements for property owners to supply requested income/expense information to the assessor are not as stringent, onus is placed on the assessor to prove assessed value and the property owner does not face downside risk to appeal assessed values (until new legislation becomes effective in January 2002). These legislative differences increase the amount of time and funding required by the Department to prepare and

defend the assessment. In addition, there are other factors such as methodology differences, economies of scale and the organization (centralization) of activities that also impact on the comparability of the figures.

Currently, the Department is developing a benchmarking survey to use in conducting a joint CUPE/City study involving a detailed comparison of costs and best practices with other jurisdictions. Once completed, the survey questionnaire will be sent to other jurisdictions.

Recommendation 29

Once the results of the Departmental survey have been obtained, compiled and analyzed, it will be important for the Department to develop a comprehensive action plan if, in fact, cost comparisons do reveal that the City of Winnipeg Property Assessment Department is not operating as efficiently as others surveyed.

Property Assessment Department response
We agree with this recommendation.

3. Technology initiatives should be fully costed

Budgeting and accounting for costs relating to major system acquisitions such as Sigma, and related change orders are tracked through the Department's accounting system. However, the Department does not budget or track internal resource costs when allocating staff to work on major information technology projects. With respect to CAMA, the manager of DS&D stated that, in addition to funds expended on the Sigma acquisition and related change work provided by the external systems developer, a significant amount of staff time

has been allocated that has not been quantified.

As a result, the Department is not aware of the total staff time that could have been deployed to other activities and the true cost of CAMA development. The absence of this type of information hampers management's ability to control all costs relating to a project of this size, to evaluate past decisions, and to budget for similar projects in the future.

Recommendation 30

We recommend that the Department budget and account for the full cost of major technology projects to ensure that the project is adequately controlled and that total project costs are captured.

Property Assessment Department response
The Department agrees that budgeting and accounting of the full cost of major projects is important. The Department is currently piloting a time tracking software package, which we plan to roll out in 2002. This system will allow staff to enter their time and associate the time with an operational task or a project activity. This will allow us to accurately account for internal costs, and in the future, to budget for this cost.

Currently, we effectively track purchase costs to a project, including costs of external resources, be they goods or services. Tracking staff time as well will allow the Department to allocate staff salary costs to specific projects. In addition, an appropriate factor for overhead will be applied to make the determination of full costs of major projects.

THE APPEALS PROCESS

An effective appeals process has two fundamental goals:

Appeals goals

- **The process should offer a fair and objective forum to appeal property assessments.**
 - **The process should be understandable, easy to use and effective for all participants.**
-
-

The first goal's intent is that a property owner with an assessment dispute should have a viable opportunity to be heard and understood and that all those with similar circumstances should receive equitable treatment. The second goal emphasizes the value of an appeals process that meets the needs of the three parties: property owners who may not be familiar with property assessment and appeals, assessors whose job it is to complete property value assessments, and Board members who sit in judgment of assessors' estimates of value.

Pursuant to legislation, a formal and independent Board of Revision has been established with accountability for the appeals process at the first level of assessment appeal. In addition, there is a mechanism for citizens to appeal decisions of the Board of Revision to the Municipal Board and to the Court of Queen's Bench.

Board of Revision mission statement and goal

The Board's mission statement states that *"The Board of Revision is independently established to hear appeals respecting assessment issues in a fair, efficient and judicious manner with consideration given to the City of Winnipeg fiscal time frame."*

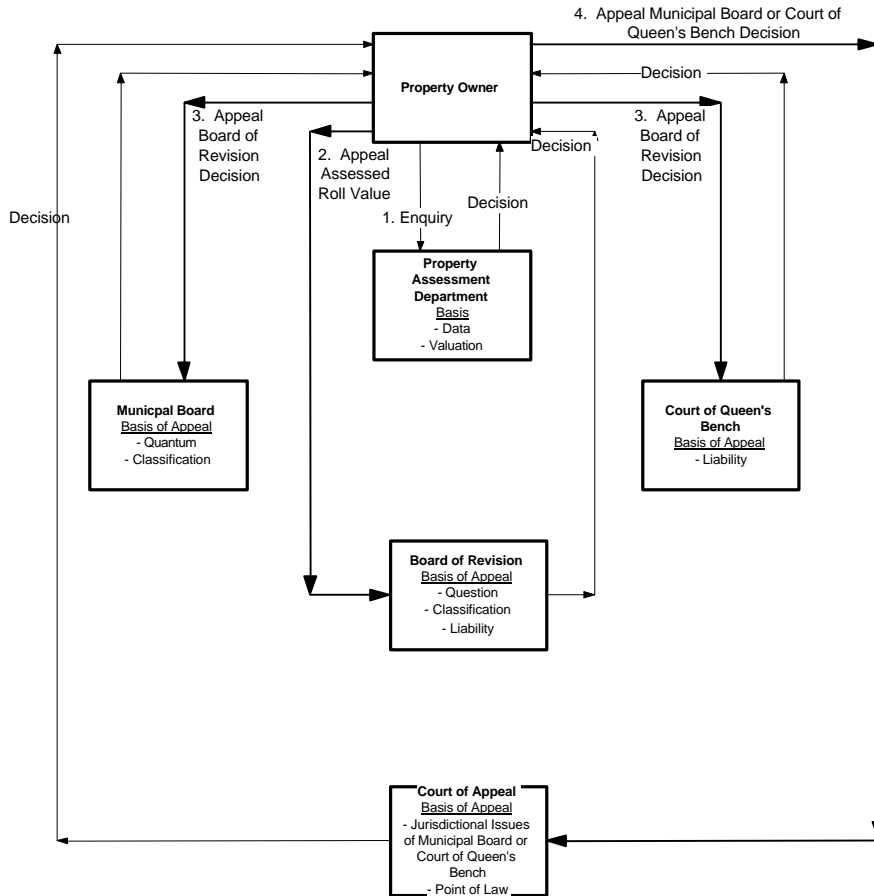
The goal of the Board is *"to ensure that all parties to an appeal irrespective of the decision rendered leave the hearing and appeal process with the perception that they have been treated fairly, professionally and without bias."*

Property Assessment Department appeals goal and strategy

The Property Assessment Department's business plan incorporates a goal to *"reduce the financial risk related to appeals* and a strategy to *expand initiatives to reduce both the number of appeals and the risk associated with outstanding appeals."* In addition, a measure of the timeliness and currency of information for the Department is to *"complete all Board of Revision appeals before the roll is used for taxation purposes."*

The diagram below depicts the property assessment appeal process in the City of Winnipeg:

APPEALS PROCESS



Notes

- 1) The numbers represent the order of steps for processing enquiries and formal appeals.
- 2) The City Assessor can similarly file appeals with the Boards and Courts.

1. Current performance—where are we now?

In assessing the overall performance of the appeals process, we used the following business objective:

Business objective

The appeals process is fair, transparent and effective and the liability for potential financial losses has been appropriately recognized.

Operating environment

Making an application to have a property assessment appealed at the Board of Revision is a low risk option for the taxpayer. Differences in rules applicable to the appeals process for the City of Winnipeg and other jurisdictions are important to keep in mind when assessing the performance of the process. For example, under existing legislation, the burden of proof is on the assessor to defend valuations that have been appealed. Our survey of other assessing authorities across Canada confirmed that all other jurisdictions require the appellant to prove that the market value is incorrect or that the value is inequitable with other similar properties (See Appendix A). In addition, a filing fee is not required to inhibit frivolous appeals and the Board only has the responsibility to revise values downward for appeals initiated by property owners.

Since the Scurfield Report focused attention on the deficiencies that led to the backlog of high-valued commercial appeals and associated \$54 million liability related to the 1990 general assessment, preventing a recurrence of this situation has been a priority for the City. While

this has led to positive actions such as the creation of the Assessment/Tax Communications Task Force to coordinate efforts, it has also resulted in a preoccupation with clearing appeals prior to the freezing of the tax roll. Later in the report, we discuss what impact this may have had on the quality of appeals being heard.

Performance results

The Board of Revision heard over 20,000 appeals in the last four-year cycle with more than 12,000 hearings concerning the 1998 assessment. Over the last four-year period, more than 67% of all hearings concerned residential property assessments.

*Board of Revision Decision Appeals
1998-2001 Roll Years*

Appeals	Hearings	% of number of appeals	% of Value
By Property Type			
Residential – Single Family Dwelling	13615	67.6%	18.4%
Residential – Condominiums	1638	8.1%	2.9%
Multi-Residential- Commercial and Industrial	1432	7.1%	11.9%
Institutional	290	1.4%	12.3%
Other	310	1.5%	1.5%
Total	20150	100%	100%

Two parties contribute to the achievement of the business objective related to the appeals process: the Property Assessment Department and the Board of Revision. As we discussed in the valuations process of this report, in the future we would expect to be able to comment on complete performance reporting from the management of the accountable organizations. In the interim, we have selected five performance criteria:

- Quality of appeal decisions
- Responsiveness

- Cost effectiveness
- Accountability for decisions
- Potential financial liability

adjustments of less than 5% as indicated in the following chart.

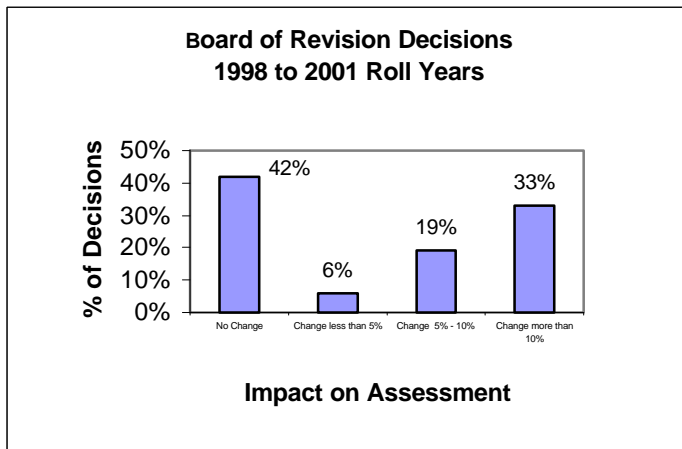
In the following discussion, we will highlight some key performance indicators against which to measure the achievement of the joint business objective.

Quality of appeal decisions

1. Analysis of Board of Revision decisions

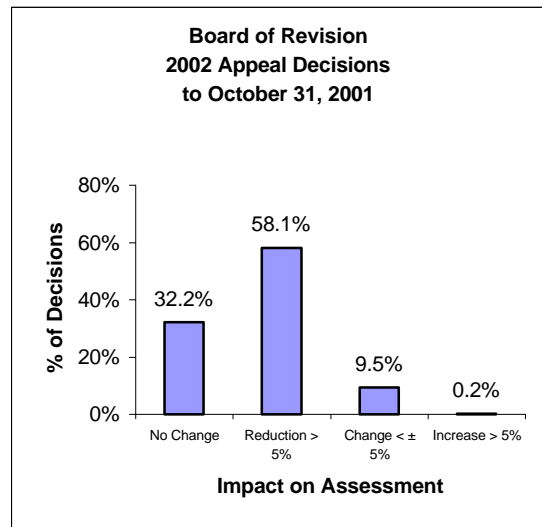
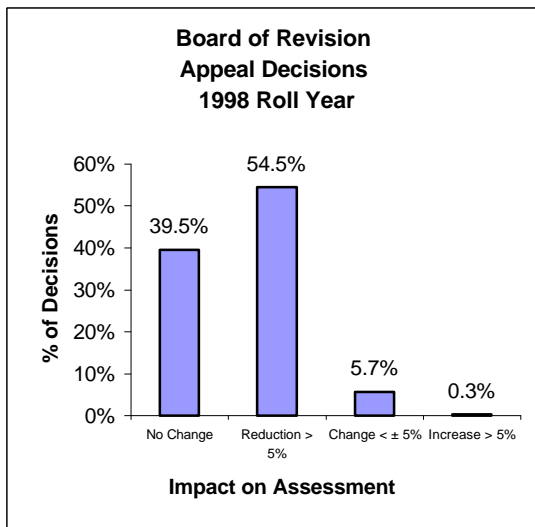
Because assessment is not an exact science, it is generally recognized that there is an acceptable range in which a reasonable assessment valuation can fall. The *Municipal Assessment Act* states that a board shall not change an assessed value that “bears a fair and just relation to the assessed values of other assessable property”. There is no definition of what constitutes that “relation” but we did note that the Municipal Board has a guideline with respect to the minimum amount of a revision that they would make against an appealed value. In its *Board Orders*, it has stated that an assessment within 2.5% of the appealed value is considered to be within an acceptable range and, therefore, the Board would only make changes that are greater than that percentage. The Chair of the Board of Revision advised us that the Board also uses an informal guideline of 2.5% although this has not been communicated publicly.

We noted that one other jurisdiction, Calgary, has a tolerance of 5%. For comparative purposes, we completed an analysis of all Board of Revision decisions relating to the 1998, 1999, 2000 and 2001 roll years to assess the magnitude of revisions made. The results of this analysis confirmed that the Board of Revision has made relatively few revisions to property values that have been assessed within the informal tolerable range. Furthermore, our analysis disclosed that fewer than 6% of all decisions resulted in

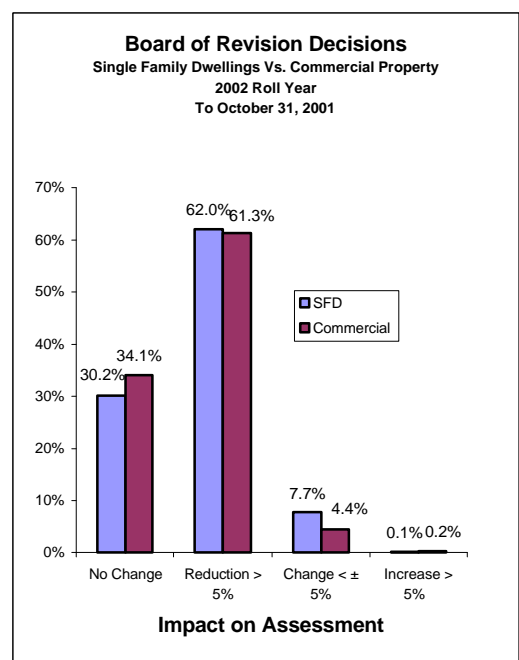
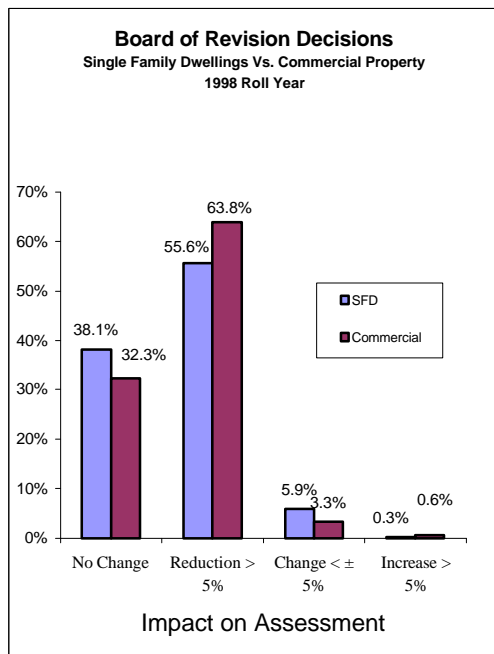


It is also possible that some of the smaller changes relate to *certificates of agreement* arising from settlements made prior to a hearing. We did note, however, that the decisions rendered to October 31, 2001 on the 2002 Assessment are more likely to be for less than 5% than has been the case in the past. While assessments were changed in this amount for only 5.7% of decisions made with respect to the 1998 Assessment, for 2002, the rate of minor revisions was 9.5%. It is probably too early to determine whether this is an anomaly or the start of a new trend.

These results are indicated in the charts shown below:



We further analyzed decisions relating to single-family-dwellings (SFDs) and commercial properties and found that small revisions were more likely to occur in the former property type.



We recognize that an adjustment of less than 5% may be worth pursuing from the perspective of the individual taxpayer, particularly for a residential property, in a low risk environment. Furthermore, the adjustment would have minimal impact on the City's overall tax assessment. At the same time, the cost of administering these changes has to be considered. If the Board of Revision were to adopt and communicate a formal 5% tolerance limit, it may discourage property owners from requesting a small change in value in the first place and encourage them to address their concerns directly with the Department through the preview and inquiry processes.

2. Appeals to the Municipal Board

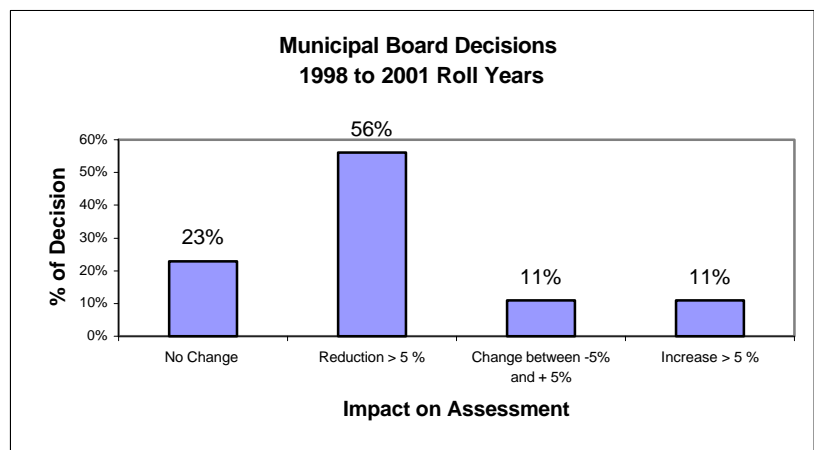
Our analysis of Board of Revision decisions for the Assessment years 1998 to 2001 indicated that approximately 10.2% of the over 20,000 decisions made were appealed to the Municipal Board as indicated below:

Board of Revision appeals to the Municipal Board 1998 to 2001 Roll years					
Appeals	No. of appeals to Municipal Board	% of Board decisions appealed	% Value of decisions appealed	% MB appeals by property type	% MB appeals by Assessment Value
By Property Type					
Residential – Single Family Dwelling	1034	7.6%	6.5%	50.4%	5.1%
Residential – Condominiums	69	4.2%	5.4%	3.3%	0.7%
Multi-Residential	330	23.0%	20.2%	16.1%	10.3%
Commercial and Industrial	503	17.6%	32.8%	24.5%	74.1%
Institutional	48	16.6%	16.8%	2.4%	8.8%
Other	68	21.9%	4.8%	3.3%	1.0%
Total	2052	10.2%	23.5%	100%	100%

We also noted that while residential appeals make up the majority of appeals referred to the Municipal Board, a higher percentage of properties valued using the income approach (commercial and industrial and multi-residential) are appealed to the next level. The value of these appeals represents over 84% of the dollars in dispute at the Municipal Board.

3. Results of Municipal Board decisions

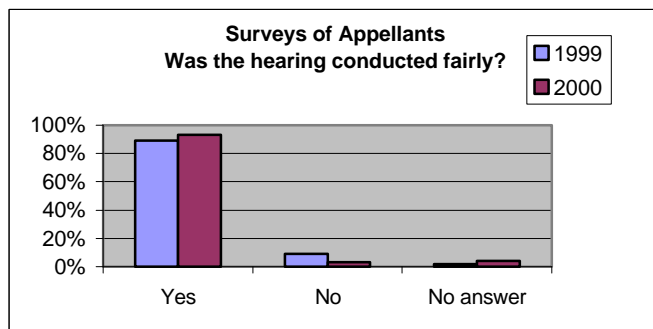
Approximately 10% of Board of Revision decisions are appealed to the Municipal Board and, of these, only 23% of decisions were upheld for the assessment roll years 1998 to 2001.



We recognize, however, that new evidence may have been introduced at the second level. At the same time, the absence of written decisions by the Board of Revision prevents analysis to determine where the two bodies may have disagreed on common evidence presented.

4. Surveys of appellants

The Board of Revision surveyed residential appellants on their perspective of the fairness of the appeals process. In 1999, 173 appellants completed the questionnaire and, in 2000, an additional 74 responded. The overall results were very positive with 90% of appellants believing that the hearing was conducted fairly. These results are indicated below:



We noted, however, that a similar survey has not been circulated to assessors who attend appeal hearings. This is contrary to the Board's stated goal *"to ensure that all parties to an appeal. . . leave the hearing and appeal process with the perception that they have been treated fairly, professionally and without bias"*. Furthermore, our interviews and the results of the CRSA sessions indicate that the outcome may be far less positive from the perspective of the Property Assessment Department. This is discussed further in later sections of the report.

Responsiveness of appeals process

1. Timeliness of appeal hearings

Appeals heard by the Board of Revision prior to issuance of property tax bills are indicated below by roll year:

	Roll Year 1998	Roll Year 1999	Roll Year 2000	Roll Year 2001	Roll Year 2002
Appeals Filed	13,575	4,163	2,218	1,600	9,271
Notices mailed	June 30 1997	May 29 1998	May 31 1999	May 31 2000	July 30 2001
Date of Last Hearing	December 1997	December 1998	December 1999	Dec. 2000	Feb. 2002
Date of tax bill update	March 18 1998	March 1 1999	April 21 2000	April 16 2001	By March 2002*

* Planned date of completion

In all years, the Board of Revision has worked hard to ensure that appeals are cleared expeditiously and the efforts of members and the Chair should be commended. At the same time, while it is convenient to have all appeals heard before the finalization of the City budget and tax roll, not all jurisdictions are so concerned about timing. Ontario, for example, has a "reconsideration" process that lasts for a year after the delivery of the assessment roll to encourage taxpayers to resolve their disputes through the assessment authority and save the costs of a formal appeal process. As long as an adequate contingency is made for potential losses, we believe that efficiency, while a worthwhile goal, should not take precedence over the quality of the results.

In our CRSA sessions with Property Assessment staff, we repeatedly heard that crowded schedules made adequate preparation difficult, particularly for commercial properties, and reduced the ability of both assessors and tax agents to most effectively argue their case. Tax agents we interviewed echoed this sentiment. If the primary purpose of the appeals process is to ensure "fair value", this may be a concern and a possible

explanation for the number of decisions overturned at the next level where both parties have access to a more formal process and adequate preparation timeframe. In this regard, we note that the Chair of the Board of Revision has consistently advocated an earlier release date for the assessment roll to provide an expanded schedule to hear appeals.

Cost-effectiveness of administration

1. Board of Revision costs

The annual budget of the Board of Revision is approximately \$1,000,000. We measured the relative cost of the City of Winnipeg Board of Revision by surveying other jurisdictions from the perspective of two key indicators: the remuneration of members and the size of the appeal board panel.

The results are shown below:

Appeal Board Panel Member Composition and Compensation		
Jurisdiction	Remuneration (3 hour session)	Number of members on Panel
Nova Scotia	\$165	1
Edmonton	\$125 Panel Chair \$110 Member	1 to 3
Regina	\$ 125 Panel Chair \$ 100 Member	3
Calgary	\$120 Panel Chair \$ 102.50 Member	Normally 3
Winnipeg	\$112.50 Panel Chair \$75 Member	3
Toronto	\$102 Panel Chair \$102 Members	Normally 1, 2 on complex cases
Vancouver	\$80 Panel Chair \$62.50 Member	3
Saskatoon	\$62.50 Panel Chair (plus \$1500 honorarium annually) \$62.50 Members) plus time for preparation, deliberation and writing decisions)	3

Our analysis indicates that our members are paid in the mid-range. While Nova Scotia pays a premium over the other jurisdictions, all members are required to be lawyers and the authority uses single member panels exclusively. Other authorities have also reduced costs by using one or two member panels, particularly for the less complex cases.

2. Property Assessment Department costs

We attempted to analyze the cost of the Property Assessment Department staff attendance at the Board of Revision hearings, based upon a typical general assessment year. We used an *average* docket size of 15 hearings/docket for residential and 8 hearings/docket for non-residential properties. The Department suggested that a residential docket occupies 3 days of assessor time on average and a non-residential docket about 10

days. We used an average bi-weekly salary plus benefits to calculate approximate costs.

The results are shown below:

Property Assessment Department Cost of Defending Appeals (first level)			
Property Type	No. of Appeals	No. of Dockets	Assessor costs
Residential	6011	400	\$264,000
Non-residential	3260	408	\$897,600
Total	9271	808	\$1,161,600

We have used *assessor time* as the basis for our calculation. In fact, costs associated with supervisory and clerical support would have to be added to present full costing.

3. Total costs for first level appeals

Based upon the analyses described above, we estimated the total cost of appeals to the Board of Revision in the first year of a general assessment. For the Board of Revision costs, we allocated total budget proportionately to residential/non-residential dockets.

Total Costs for First Level Appeals				
Property Type	Property Assessment	Board of Revision	Total Cost	Average Cost per Appeal
Residential	\$264,000	\$490,000	\$754,000	\$125
Non-residential	\$897,600	\$510,000	\$1,407,600	\$432
Total Cost			\$2,161,600	

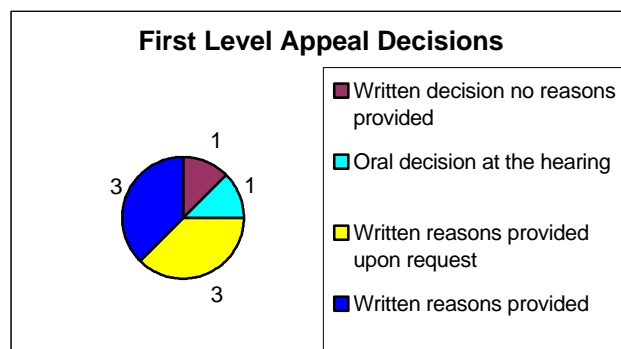
We recognize that this analysis represents an estimate only. It is also relevant only in the first year of a general assessment when the bulk of appeals are launched. Nevertheless, it illustrates that an appeal process is expensive, particularly for the more complex non-residential properties. We believe that a base line is important to establish before looking at the various factors that might result in cost savings. These are discussed in the next section of the report.

The cost of proceeding to the Municipal Board has not been included since its activities are not within the scope of the audit. At the same time, it is evident that reducing the number of appeals to the second level would save costs associated with assessor preparation time (more extensive than at the first level) and costs associated with legal support (estimated to be about \$300,000 in the first two years following a general assessment).

Accountability for appeal decisions

1. Transparency of decision-making

Board of Revision decisions on appeal hearings are submitted to both parties, the City and the property owner/business occupant, in writing, through a *Board Order*. However, the Board does not provide written rationales for decisions. We surveyed first level appeal boards in ten cities from six provinces in Canada to determine whether a written rationale is provided on hearing decisions in other jurisdictions.

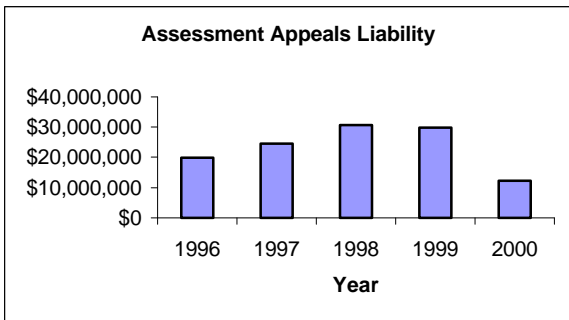


We found that in three of the six provinces there are province-wide appeal boards; therefore, for the ten cities in our survey, there are eight appeal boards. The results of our survey indicate that six of eight appeal boards provide a written rationale for decisions, although three of the six provide it only “upon request”. (See Appendix A.) Those with appeal volume levels similar to the City tend

to provide a written explanation for appeals on a request basis. The impact of the lack of transparency in decision-making is discussed in a later section.

Liability for assessment appeals

Due to the efforts of all parties to the appeals process through their contribution to the Assessment/Tax Communications Task Force, there is no backlog of appeals at the Board of Revision level and the backlog at the Municipal Board has been significantly reduced from 1996 to 2000. This is reflected in the assessment appeal liability figures shown in the chart below:



Furthermore, the potential liability related to assessment appeals has been reviewed by the City's external auditors who have provided assurance on the reasonableness of the assumptions and approach used in making the calculation.

Summary of performance results

There is no doubt that the City has achieved its goal of providing an efficient first-level appeals process. Residential appellants also report that the process has been fair from their perspective. And both the Board of Revision and the Property Assessment Department have taken action to ensure that there will not be a repeat of the 1990s debacle.

At the same time, we concluded that opportunities for improvement exist to both

the cost-effectiveness and quality of the appeals process when comparing the results to other jurisdictions. In some cases, our legislative environment impacts on the effectiveness of the process and adds costs that could be avoided. We also believe that the transparency of the process would be enhanced through more accountability on the part of the Board of Revision in rendering its decisions. We will elaborate on these themes further in this report.

2. Future performance—Where do we go from here?

Once again, we have used our *Criteria of Control (CoCo) Model* to organize our report observations and recommendations. Please refer to Appendix B for details.

Purpose: A sense of direction

Clear objectives are essential to providing overall direction. Policies should support the achievement of objectives and the management of risks. Understandable policies communicated throughout the organization and translated into specific practices, provide direction on how operations are to be conducted and reflect a judgement as to which risks are deemed acceptable. Planning translates objectives and risk assessments into strategies, action plans and targets against which progress can be measured and monitored.

A performance management framework for regulatory and adjudicative agencies, developed by the Province of Ontario, has identified eight key goals for an effective assessment appeals process:

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- **Timeliness** – the performance of tasks within established time frames based on reasonable expectations
 - **Accessibility** – the ability to provide information and services that are simple and easy to use
 - **Courtesy** - the demonstration of respect to everyone who comes into contact with the process
 - **Fairness** – the provision of service and performance of statutory functions in an impartial, lawful and unbiased and just manner
 - **Transparency** – the use of policies and procedures that are clear and understandable to everyone involved
 - **Quality and consistency** – the production of accurate, relevant, dependable, understandable, and predictable information and results, with no errors in law or in fact
 - **Expertise** – the possession and use of skill, knowledge and technical competence required to discharge all statutory responsibilities and maintain public confidence
 - **Optimum Cost** - the provision of services at a cost that is based on best practices and is cost effective for everyone involved
-
-

While organizations should strive to achieve all of these goals, some goals will be more mission critical than others at different times and in different situations. In the next section, we will discuss these goals in the context of the Board of Revision.

1. Board of Revision needs to review its strategy, objectives and goals

It is clear that over the past several years the first priority for both the Board of Revision and the Property Assessment Department has been to address the timeliness of the conduct of hearings to eliminate the backlog of appeals that were costing the City millions of dollars. More appeal hearings were scheduled at a faster pace and rules were relaxed (including the requirement to file briefs seven days in advance of hearings) to accommodate a more aggressive schedule. At the time, it was the right thing to do given the financial consequences facing the City. In addition, the Board of Revision has prided itself in having an accessible and economical process where all citizens can exercise their right to be heard and expect to be treated fairly and courteously. These are noble goals and Board members can be congratulated on having achieved them.

These are different times. As times and conditions change, priorities and processes should also change in response. And new opportunities may emerge. The Board of Revision and the Property Assessment Department have successfully addressed the backlog of appeals at the Board of Revision. The number and composition of appeals over the last three general assessments has dramatically changed. The number of appeals following a general assessment has fallen from 19,616 for the 1994 assessment to 9,271 for the 2002 assessment. At the same time that the overall number of appeals has significantly dropped (by more than 50%), the composition of the appeals has shifted from residential

properties to commercial and industrial properties. Appeals related to commercial and industrial properties for the 2002 assessment account for more than 25% of all appeals compared to less than 15% related to the 1994 assessment.

While timeliness of decisions is important to an effective appeals process, an inordinate focus on quicker decision-making can impact on the transparency of the process, the quality and consistency of decisions and, ultimately, reduce public confidence in the system. We are not advocating that the City lose sight of the importance of resolving as many valuations in dispute as possible before the tax roll is set. At the same time, decisions reached on inadequate evidence because of time constraints may very well end up at the Municipal Board, extending the appeals process. While not typical, we are aware that as a result of not being able to ascertain the rationale for decisions or because of time constraints, property owners, in some cases, are not presenting arguments to the Board but choosing to save the substance of their appeal for the Municipal Board. Assessors also do not always prepare their best cases because of inadequate time to prepare and because, in any event, they anticipate a second level of appeal. Management and staff of the Property Assessment Department do not believe that the Board has always been impartial but, at times, has focused on the individual taxpayer to the detriment of the fairness of the process as a whole. Whether or not this is valid, it is a strongly held perception that is only reinforced when the rationale for the decision is not clear.

We believe that the initiatives implemented by the Property Assessment Department and the significant reduction in the number of appeals present an opportunity to consider what changes could be implemented to better serve the public as a whole and to capitalize on opportunities to increase the value of the Board of Revision process.

The Property Assessment Department is responsible for producing fair and reasonable assessments. New mechanisms to reduce the number of appeals such as the preview program and the website need to be optimized, recognizing that it is the Property Assessment Department's responsibility to get the assessment right. The appeals process should be structured to maximize the ability of the Property Assessment Department to resolve complaints and disputes with property owners on its own where possible. This seems to be the case in other jurisdictions where the appeal rates are lower. We believe that it also enhances accountability to place the burden for resolving valuation issues on the Property Assessment Department in the first instance. Transparent tribunal processes instill public confidence in the justice system and strengthen the confidence of a party to a proceeding in the outcome of the proceeding. It is not enough that the members act in a manner that is fair, the parties must be able to see for themselves that the process is fair. The Board of Revision currently does not have formal criteria for the selection of members, leaving members open to questions about the reason for their appointment or their expertise. The Board also lacks formal rules and procedures for the appeals process that are communicated to all parties. Other jurisdictions have argued that *rules of practice and procedure* can be an invaluable tool for enhancing a tribunal's transparency to its clients. Clearly written rules advise parties or counsel what will be expected and what they can expect from the tribunal.

In addition, the Board does not provide a written rationale to support its decisions. Quality and consistency in decisions cannot be determined without reference to a documented decision-making process. Both parties to an appeal should be able to ascertain the members' reasons and logic used in making the decision. In complex cases, understanding

the calculations used to arrive at a change in valuation is essential. Members should be both consistent in their decision-making and responsive to the facts of the individual case. A test of the quality of the decision-making process is that similar situations should, over time, be dealt with in a similar manner. While members are not obligated to follow the precedents established in previous tribunal decisions, where previous decisions are relevant and not followed, the decision should explain the reason for the departure.

One of the reasons that administrative tribunals were created was to provide the public with more expeditious alternatives to the courts in obtaining everyday justice. For appeals to the Board of Revision, each case generally proceeds the same way through the system to a formal hearing and decision, regardless of the simplicity or complexity of the case, and be the property in question a single-family dwelling or a first class downtown hotel. This *one size fits all* approach does not adequately take into account the considerable differences in the complexity of matters before the Board nor the significance of the value of property being appealed. Furthermore, as our analysis has shown, non-residential appeals cost more than three times as much as residential appeals and yet are treated with the same level of rigour. Practices adopted in other jurisdictions make this distinction and also recognize that communicating with the parties early in the hearing process and encouraging the parties to communicate with each other through a discovery process may have an enormous impact on the quality, timeliness and cost of later proceedings. Case screening, case streaming, and procedural pre-hearing conferences fall into this category. Resolving disputes without having to conduct a full hearing can resolve problems, fairly, quickly and cost-effectively and lessen the likelihood of appeals to the next level.

The adjudicative process should be both efficient and fair. Parties should have their problems resolved fairly, at the earliest possible time, and at the least possible cost. Encouraging and facilitating the informal resolution of as many issues as possible, including the settlement of all issues, can produce the best result for all parties. Where matters cannot be settled without the need for a formal hearing, adjusting the panel size to reflect the complexity of the matters heard can reduce the cost of the process without diminishing its value. In minimizing cost, members serve the parties, the City and the public in general. The costs to the parties are not just in dollars spent to participate in a hearing but also in opportunity costs such as lost time or resources and stress.

We believe that the current emphasis on timeliness and accessibility must be tempered with the need to have a transparent appeals process that produces high quality and consistent results at an optimal cost.

Recommendation 1

We recommend that the Board of Revision review its strategy, objectives and goals in the light of the current environment. Specifically, the identification of and relative priority given to performance goals should be examined. The Board of Revision should build on the accomplishments achieved with respect to timeliness and accessibility, but recognize there are opportunities to improve the transparency of the process, the quality and consistency of results, and to consider the adoption of best practices to deliver a quality service at an optimum cost.

Chair of the Board of Revision response
I agree with this recommendation. The Board of Revision should review its strategies and objectives on an on-going basis.

2. Revise the performance measurement framework for the appeals process to align with the revised goals

The Board of Revision's mission states its intention to hear and decide all appeals within the City's fiscal time frame, which means prior to the setting of the City's budget. The Property Assessment Department also includes this as a goal and a strategy. The efficiency of the appeals process in this regard can be measured and has been achieved.

The Board of Revision Chair tracks the performance of members in terms of the average percentage decrease awarded by member and uses this information to form balanced panels. Currently, the Board of Revision's emphasis for performance measurement is on the timeliness of hearings and the fairness of the process. The Board has established measures for its performance with respect to timeliness of appeal decisions and for determining whether members of the public involved in the residential appeals process believe that they have been treated fairly. The Board measures its performance with respect to fairness of the appeals process through surveys. Although the Board has surveyed its residential applicants, targets have not been established for the level of performance to be achieved. More importantly, no information is available on the level of satisfaction of commercial appellants or the Board's other major client, the Property Assessment Department.

Once the Board of Revision revisits its strategy, objectives and goals it will need to ensure that a performance measurement

framework is in place to support the achievement of the intended results. For example, we believe indicators of performance should be considered with respect to the quality of the Board's decisions. These indicators could include the percentage of Board of Revision decisions appealed to the next level and the percentage of those appealed decisions that are upheld by the Municipal Board. While important information, we recognize that caution must be exercised in analyzing these results in that new evidence can be introduced at the Municipal Board that would affect the outcome. The Board should also establish a baseline to measure the costs of the current process and to evaluate the merits of process changes.

With respect to the Property Assessment Department, information on the results of appeals should be tracked at the department, region, property-type and assessor levels to provide a basis for performance evaluation, training and process improvements. We recognize that the ability of the Department to produce meaningful analysis on the Board of Revision results is currently hampered by the lack of rationale provided for Board decisions.

Recommendation 2

We recommend that the Board of Revision and Property Assessment Department establish a performance measurement framework that incorporates measurable goals and targets for all of the key aspects of performance related to the appeals process.

Chair of the Board of Revision response
I would support a move to develop additional methods of tracking Board of Revision performance.

Property Assessment Department response
We will discuss this recommendation with the Board of Revision.

Commitment: Accepting responsibility

All control ultimately rests on people assuming responsibility for their decisions and actions. Shared values are a part of an organization's culture and provide an unwritten code of conduct against which behaviour is measured. Expectations about behaviour must be clearly communicated and understood throughout the organization and be supported by the actions of senior administration and Council. The values lived out, particularly by the leadership group, must be consistent with those set out in approved policies.

1. The Property Assessment Department and the Board of Revision must operate in an environment of mutual respect and cooperation

It was clear in discussions with both parties that there is a need to improve the communication and cooperation between the Property Assessment Department and the Board of Revision. While it is important to have a certain degree of separation between the two organizations for reasons of independence, from a taxpayer perspective, it is one function. We believe that it is important for the two parties to support each other in

delivering a quality service to their joint clients in the City of Winnipeg.

Some precedents have been established where the organizations have worked together. For example, both contributed to an Advisory Committee struck by Executive Policy Committee to look at recruitment standards for future appointments to the Board of Revision. The Board of Revision manager sits on the Assessment/Tax Communications Task Force with the City Assessor, CFO and other members. In addition, although assessors expressed concern about the past scheduling of hearings, the former Manager of Field Services stated that the level of cooperation has been improving between the Board administration and the Department. Board administration has generally been providing the Department with hearing schedules sufficiently in advance of the hearing date. To accommodate the new geographic-based organization, the Board administration has agreed to have its dockets, where possible, organized by region and by property type. This arrangement has enabled the Department to be represented, in most cases, by one assessor per docket.

While these are important indicators of cooperation, throughout the audit process, we were advised that the two organizations do not “respect” each other. Assessors believe that the Board is not neutral in hearing from both parties to an appeal but clearly favours the taxpayer. Assessors also commented that they were not always treated professionally when appearing before the Board of Revision in the same way that they are at the Municipal Board, for example, where the process is more formal. While we did not observe instances of discourtesy or disrespect on the part of any Board members during hearings we visited, it is a fairly widespread perception on the part of staff. Furthermore, while the Board of Revision formally solicits the feedback of

taxpayers about the quality of an appeals hearing, it does not have a process to invite feedback from Property Assessment Department staff. This is despite the Board’s stated goal of *ensuring “that all parties to an appeal ...leave the hearing and appeal process with the perception that they have been treated fairly”*.

The lack of written decisions by the Board has enhanced the perception of bias in some cases because staff do not understand the basis for the decision made. A lack of confidence in Board decisions by the Department can have an adverse effect on how the Departmental representatives view the first level of appeals process and whether they believe that their best efforts are compromised by the decisions of the Board. This type of skepticism is not healthy either for the Department or the Board because it impacts on the integrity of the assessment process.

The Property Assessment Department has also expressed concern at some opinions expressed by the Chair of the Board of Revision in his periodic newsletters that appear to attack the position taken by the Department. The CFO has suggested that this may impact on the perceived neutrality of the Board. While not questioning the right of the Chair to discuss the disposition of cases with his panel members, we agree that the tone of the newsletters is not always respectful of the Department’s right to challenge matters in court. We believe that the two organizations should demonstrate a respect for each other in any material that can find its way into the hands of the public.

At the same time, the Board Chair noted that his input had not been solicited in terms of recommended legislative changes initiated by the Department. We believe that his experience may well have provided important information or perspective on some of the

suggested changes. The Chair may have been able to suggest other changes that would enhance the quality or efficiency of the property assessment function. The Chair and tax agents we talked to also pointed to instances where Property Assessment Department staff arrived late to hearings without explanation or dressed in a disrespectful manner prompting a reaction on the part of Board members. We were advised that members are occasionally impatient when the assessor has quite obviously not prepared a case properly (for whatever reason) which appears to be disrespectful of the process.

It is clear that there is a need to strengthen the relationship between the two organizations. Independence does not mean disrespect. While the majority of users of the process are probably unaware of the friction, the negative attitude demonstrated in the examples we have provided is clear to property assessment staff and is affecting morale. If this impacts on their ability to successfully represent the Department's position, the public is the loser.

Recommendation 3

We recommend that the Chair of the Board of Revision and the City Assessor establish a formal mechanism through which to communicate topics of mutual interest, evaluate relative performance or resolve concerns expressed by either staff or Board members.

Chair of the Board of Revision response
Sensitive to the need to maintain its independence and appearance of independence, I would agree that a more formal environment for the Board and the Assessment Department to communicate would be an improvement over the current less formal practices.

Property Assessment Department response
The Department agrees that communication vehicles should be enhanced between the City Assessor's office and the Board of Revision, keeping in mind that the independence of both organizations must be, and seen to be, maintained.

2. Enhancements suggested to Board of Revision code of conduct guidelines

A code of conduct is an important document that assures the public that appointed adjudicative decision-makers are governed by a common set of principles. The Board has recently developed a *Code of Conduct* to ensure that its Board members have guidelines on how to fulfill their responsibilities to the Board and to the citizens of Winnipeg. This document contains principles relating to conflict of interest, bias, impartiality, competence, independence, diligence, fairness and collegiality. This is an important document and we commend the Board Chair on this initiative.

Under the competence principle, the code states that members should be knowledgeable about the relevant portions of *The City of Winnipeg Act* and *The Municipal Assessment Act*. The code also discusses the need to participate in ongoing professional development and directs members to make decisions based on “*evidence presented*” and “*their own opinions and good sense.*”

We believe one area could be strengthened. The code states, “*Adjudicative independence is best served by competent members who are not bound by any formalized decision-making system that would interfere with members ability to render their own fair decision.*” While we support the need for independence and fairness, we also believe that it is important to provide clear parameters or criteria that are understood by members and

the parties on both sides of the assessment appeal. Criteria should be linked to accepted professional standards and legal precedents where relevant. Parties to the appeals process should be able to expect a consistent approach to hearing appeals, evaluating evidence, and reaching a similar decision in similar circumstances. While the Chair provides educational opportunities and circulates certain *Municipal Board Orders*, without formal guidelines or a rationale for decisions made, we are unsure how the Board is ensuring consistency in similar circumstances. We believe that the *Code of Conduct* would be strengthened by more clearly articulating this important principle.

Recommendation 4

The *Code of Conduct* guidelines should be enhanced through a clear articulation of the importance of consistency in similar circumstances and alluding to the criteria to be relied upon by members in making Board decisions.

Chair of the Board of Revision response
I disagree as I believe instruction on decision making or matters relating to criteria are best left to training programs and not appropriate for a “Code of Conduct.”

Capability: Having the right stuff

Capability is about ensuring that the organization has the right resources to get the job done. An effective organization provides its people with the appropriate knowledge, skills and tools they need to achieve corporate objectives.

There must be a reasonable relationship between what is expected and the authority and resources available. The decisions and actions of different parts of the organization must be coordinated to the benefit of all.

Human resource issues

1. Selection criteria and remuneration of Board of Revision members should be reviewed

The recruitment of new Board members commences with a request for applications through a newspaper advertisement. Applications require that each applicant disclose important information such as academic qualifications and business experience to assist in the selection decision. The recruitment decision of new members for the Board is made through a selection committee within EPC. While the selection decisions appear to be made with diligence involving careful review and discussion of applicants, the fact that recruitment decisions are made without formal criteria makes the selection process less transparent. In discussions with Property Assessment Department staff and management, some concerns have been expressed about the qualifications of some Board members. This is attributable, in part, to the fact that they are not aware of the requirements that applicants must meet in order to be recruited to the Board. At

the same time, tax agents interviewed expressed the view that the current Board is quite strong and that the majority of members hearing the more complex appeals are experienced and well informed. In hearings that we attended, we observed that the members, and particularly the panel chairs, had an obvious understanding of due process and regard for the participants and asked appropriate questions for the circumstances.

In 1999, an advisory committee was created for the purpose of recommending a recruitment process for the selection of Board members. A draft report was prepared containing recommendations in the areas of criteria for individual members, overall composition, and process for selection. However, the report and its recommendations were never formally adopted.

We talked to the Chair and several current Board members about their views on the composition and fee structure of the Board. They believe that a variety of backgrounds would be preferable but that more stringent qualifications are probably required to hear commercial appeals or to act as a panel chairperson. One member thought that the demographics of the Board were not consistent with the business community and that a major factor was the level of compensation for members. The member suggested that the level of commitment is difficult to meet for professionals who are currently running a business. The Chair indicated that he is proactively attempting to seek out new members and is cognizant of demographics in his recruiting activities. He has also been an advocate of an increase in fees to ensure the ability to continue to attract qualified members.

Our survey of other jurisdictions(Appendix A) indicated that most have formal criteria in place for recruiting members to their appeal boards. One of the jurisdictions, the City of Edmonton, has a comprehensive policy in place for recruitment. Within this policy, the board administration has the responsibility to identify skills, knowledge and experience required of the board position, to draft member and chair profiles, and to draft interview questions and testing criteria. The selection committee is responsible for approving the member/chair profiles and interview questions and testing criteria and for conducting interviews using those criteria. The Government of Ontario has recently published a comprehensive document to assist boards in establishing practices and policies in various areas. One of these areas is a competency framework for appointees.

Our survey also indicated that our members are paid in the mid-range. Alberta and Saskatchewan pay more for both members and panel chairs. We also note that some jurisdictions include an annual honorarium for the Chair or include compensation for preparation and writing of decisions.

Given the other responsibilities of the Chair in terms of developing training material and overseeing the performance of the Board members, we do not believe that it would be unreasonable to reimburse these services separately from the payment for panel participation. At the same time, the responsibilities and reimbursement policy should be clearly articulated in a formal contract to be administered by the Board of Revision manager.

Recommendation 5

We recommend that the recruitment process be reviewed and formalized in terms of establishing minimum competencies for prospective members and specific criteria for selection. Consideration should be given to outreach activities and the level of compensation required to attract the desired candidates. A formal contract should be prepared for the Board Chair.

Chair of the Board of Revision response
I am very pleased with the current Board membership and selection process. I agree that more can and should be done to further enhance the quality of the membership and performance of the Board. I support a review of remuneration and the furtherance of outreach recruitment activities.

2. Board Members suggested training enhancements

The Chair currently provides an orientation program for new Board members that includes topics such as conducting hearings and understanding the legislative authority. A Board of Revision Manual has also been prepared that includes a more extensive explanation of the assessment process and hearing procedures. The Chair is currently developing a three-level training program to ensure that members are given opportunities to review material as they gain experience. He holds periodic focus groups and meetings and circulates newsletters and Municipal Board decisions to update members on current topics of interest.

We asked current Board members if training received was adequate. In many cases, the

member brought knowledge and experience to the position and felt quite comfortable from the outset. One member commented that more frequent feedback of key or unique decisions made by other panels to ensure consistency would be appreciated. Another believed the training would be improved by more classroom training, particularly for commercial property valuation. Several Assessors we interviewed shared this view.

We noted that in one jurisdiction, British Columbia, new members are briefed by area assessors on general assessment trends prior to hearing the annual appeals to provide context for making decisions. The Chair informed us that the Board would be cautious of such an approach because it might impact on the perceived neutrality of the Board.

We recognize that attracting a more diverse membership for the Board may mean that more training may have to be provided to new members. Competencies identified during the recruitment program should form the basis for the training program.

Recommendation 6

We recommend that the Chair of the Board of Revision review the training program to ensure that needed competencies are developed. The Chair should also consider incorporating the suggestions made, as appropriate, into the training program.

Chair of the Board of Revision response
I agree with this recommendation. As I am currently updating the training manual, these suggestions can be accommodated.

3. Capability of assessors at appeal hearings could be improved in some cases

Concern has been expressed about the ability or preparedness of assessors appearing before the Board of Revision, particularly in defending appeals of commercial properties. This is a perception shared by Board members, tax agents and the assessors themselves. In our interviews and during the CRSA session, several factors were cited as contributing to this situation:

- Commercial expertise generally has been lost in the Department and the remaining expertise has been deployed across six regions and to the quality assurance and research functions. Staff believe that the expertise “*is spread too thin.*” Furthermore, the number of private tax consultants who represent the appellant has grown, some of whom are former departmental employees with a good deal of experience in commercial assessment.
- No recent training has been provided to staff in the process of defending appeals. In the past, Legal Services has provided training sessions on *expert witness* and *advocacy* to assist assessors in how to prepare and present their arguments in a Board hearing. However, these training sessions have not been provided in recent years.
- Commencing with the appeals process relating to the 2002 general assessment, the Department has shifted to a regional approach for defending appeals from specialized citywide re-assessment teams that were used to establish the values (with the exception of the hotel portfolio which has dedicated assessors). This change has increased the likelihood that the staff who were involved in the development of the assessments are not involved in the defense of the values at the Board. While

we do not believe that the same person who prepares the assessment must defend it, clearly adequate support in the file must be available for the second individual to provide an acceptable defense. We are informed that this is often not the case.

- The new organizational model has placed some staff under supervisors who have little or no commercial expertise. Furthermore, a planned mentoring program to provide assistance to staff who do not have adequate experience has not been implemented as intended due to time constraints.
- Both staff and tax agents believe that the dockets are too heavy, giving them insufficient time to prepare an adequate defense. For example, one Board member noted that while comparative properties are provided automatically to assessors with respect to residential appeals, it appears that they have not been reviewed in depth nor have inspections been performed in many cases to substantiate the comparisons. Tax agents echoed this concern. For commercial properties, the appellant has not provided the information requested by the Department in many cases.
- The Board of Revision does not require a full exchange of information prior to the hearing (a discovery process) with time allocated to deal with the material provided and, frequently, an assessor is presented with a large brief of information at the hearing with no opportunity for review and analysis. Tax agents informed us that often they are unable to prepare material ahead of time because of the heavy schedule and that even where they attempt to provide information to the Department ahead of time, the assessors

may advise that they simply do not have time to deal with it prior to the appeal.

- The assessors have a strong perception that for higher value commercial appeals, the Board of Revision process is a “*practice run*” before an appeal is launched to the Municipal Board where more time and rigour enables better preparation and results. In support of this view, City legal staff are rarely utilized in first level appeals while a lawyer or other expert often represents the appellant. Tax agents also informed us that it was apparent in many cases that staff were not fully prepared. This led one agent to comment on the credibility of the Department and question its confidence in its valuations as a whole. This is also a concern both from a cost-effectiveness perspective and because of the fact that not all first level losses are appealed to the Municipal Board, which means that there will not be a second opportunity “*to get it right.*”

From the perspective of the assessors, these factors have contributed to results that are less than optimal. They believe that appellants may be winning at the Board of Revision through lack of an appropriate defense rather than because of the merits of their position. This impacts on both the integrity of the assessment system and the personal professionalism and integrity of the assessors. It is also possible that these factors have contributed to the results contained in an external consultant study, which indicated that the average percentage reduction received by properties under appeal in the City of Winnipeg was higher than the study average for other jurisdictions. This is significant given that our performance analysis showed that the majority of value lost on appeal was for higher value commercial and multi-residential properties.

Recommendation 7

Because of the significant impact that appeal losses can have on the City’s assessment base and tax revenue once the mill rates have been set, it is critical for the Department to ensure that their assessors are properly trained or mentored to defend valuations at Board hearings. This training requirement is particularly important with respect to commercial/industrial property appeals where the financial exposure is greatest and where professional expertise is most likely to be retained by property owners.

The training process should be comprehensive in nature and should address all relevant skill sets, such as technical knowledge and presentation skills, that are required by an assessor to be effective in a Board hearing. Consideration should be given to reinstating the courses formerly delivered by the Legal Services Division.

Property Assessment Department response
The Department concurs with this recommendation. Property Assessment Department staff received significant training in 2001. It included Technical Commercial Valuation, mentoring by senior assessors, training provided by Legal Services on procedures and practices when appearing at the various boards, and Customer Service training. A short course on the subpoena process was delivered in December 2001. A more comprehensive course covering presentation of evidence, and cross-examination will be scheduled in 2002.

Observations and recommendations regarding process issues are discussed in the next section.

Process and systems issues

1. Legislative changes should be considered to strengthen the appeals regime

It appears that other jurisdictions have legislation in several areas that is more supportive of the assessment authority or facilitates a more cost effective function. The provisions discussed below would require a legislative amendment to implement, which would mean obtaining the approval of the Province.

Authority for City Assessor to make changes to the assessment roll

In Winnipeg, changes to the assessment roll, once delivered, can only be made by the Board of Revision or Municipal Board. In Ontario, the City Assessor has the authority to amend the assessment roll for the 12-month period of the year of assessment (the *Reconsideration Period*). Since the Property Assessment Department is responsible for setting the roll, we believe that the Department should have the first opportunity to rectify any errors or omissions. While the preview program accomplishes this to some extent, we question the necessity to have mutually agreed to changes to the roll involve the appeal authorities.

Burden of proof

The City of Winnipeg is the only jurisdiction where the burden of proof in an appeal resides with the assessor in almost all situations. In British Columbia, for example, communication to the public informs prospective appellants “*Assessment law requires the complainant to prove that an alternative value is appropriate.*” In some jurisdictions, there are opportunities to dismiss an appeal at several stages prior to a hearing where the appellant does not make a credible

case to suggest that a valuation may be wrong or misses the deadlines for an information request. In our process, the assessor must defend the assessment before the Board hears whether the appellant’s arguments have merit. The only exception is where the appellant did not respond to the Department’s request for income and expense information and the Board is required to shift the onus to the appellant. In the past (for reasons discussed later), this was rarely done.

Furthermore, it is possible (and has happened) that the appellant can provide no case before the Board of Revision and, when the decision is rendered to uphold the assessment, the appellant simply appeals to the Municipal Board. This allows the appellant access to the Department’s supporting evidence while not disclosing their own case. This is neither efficient nor cost-effective.

Right to inspect property

The *Municipal Assessment Act* only permits access to a property by a member of assessing authority where the owner approves. In hearings, inspection of a property where the valuation is in dispute is considered significant evidence. While not a frequent event, the possibility that an assessor could be prevented from obtaining evidence necessary to support the valuation is unacceptable in our view.

Single member panels

While many jurisdictions surveyed retain a three-member panel for all hearings, some authorities, notably Nova Scotia, Ontario and Edmonton, employ one and two member panels for less complex cases. The relevant legislation in Alberta describes under what circumstances this is permissible. We also noted that Scurfield had recommended single member panels for residential property hearings in Winnipeg. We were also advised that a legal opinion had been obtained in the past that would permit a two-member panel.

Board members, when queried, noted that most decisions were achieved through consensus. At the same time, most disliked the idea of a single member panel because it limited the exchange of ideas and increased the risk of subjectivity. In observing hearings ourselves, we did not see the need for three members to deal with some of the cases that we heard, particularly on the residential side. Combined with other case management methods such as file review, discovery or pre-hearings (discussed in the next section), we believe that cost savings associated with a reduced panel size could be re-directed to more value-added activities such as the documentation of the rationale for decisions.

Option to appeal directly to Municipal Board for commercial property appeals

As we discussed in the *Purpose* section of the report, we believe that the process used by the Board of Revision for hearing commercial properties needs to be reconsidered. Currently, the lack of differentiation with the residential property appeal process has ignored relative risk and reduced effectiveness. It was clear in discussions with staff and in observing hearings ourselves that some of the commercial appellants and the departmental assessors use the Board of Revision as a practice run for an appeal to the Municipal Board. Although not frequent, in a few cases as noted above, the appellant does not even make an argument.

This perspective is substantiated through the statistics—while about 18% of Board of Revision decisions related to commercial/industrial properties are appealed to the Municipal Board, these cases represent 74% of the dollars in dispute at that level. Furthermore, only 23% (overall) of Board of Revision decisions are upheld at the Municipal Board. We are also concerned about the decisions that are not appealed. In the absence of written decisions, it is not possible to

conclude on the merits of the decision or why it was not appealed to the next level.

In Alberta, if both parties to a complaint apply and the Assessment Review Board agrees, the complaint can proceed directly to the second level of appeal. In Winnipeg, no such option exists. Currently, the process requires the Board to reach a decision even where the appellant does not make a case. The real merits of the dispute are then transferred to the Municipal Board.

We believe that consideration should be given to the option whereby the parties to an appeal can save time and money by proceeding directly to the Municipal Board where the issues of the particular case merit such an approach. In the event that a more rigorous process is implemented for non-residential appeals (as discussed in the next section), this may not be as important a consideration; in fact, if it were to become a frequent occurrence, we would suggest that it implies that a stronger process is needed.

Fees for first level appeals

More than half of the jurisdictions surveyed impose a fee for first level appeals. Fees for residential property appeals range from \$20 to \$50 and, for non-residential appeals, from \$50 to \$600. In some cases, the fee is refundable if the appeal is won at the Board.

We believe that a modest fee may discourage frivolous appeals or appeals of little merit and, if refundable, would not provide a barrier to citizens exercising their rights. At the same time, it would help to defer the costs of providing this service. Tax agents were not supportive of fees for residential appeals but one agent did not think it would deter commercial property owners. The agent cautioned, however, that a refund of fees should be linked to the merits of the case

presented; just because a case is lost does not make it frivolous.

Recommendation 8

The Board of Revision and Property Assessment Department, in consultation with Legal Services, should review the legislation applicable to the appeals process and recommend appropriate changes to Executive Policy Committee for consideration in their negotiations with the Province. Areas for review include

- Authority for City Assessor to amend assessment roll
- Change in the burden of proof
- Right to inspect property
- Discretion over panel size
- Option to by-pass the Board of Revision for non-residential appeals
- Introduction of fees

Chair of the Board of Revision response

I agree that the Board of Revision should have a role in recommending appropriate changes to assessment legislation.

Property Assessment Department response

The Department agrees that the Board and the Property Assessment Department, in conjunction with the Legal Services Branch, should make recommendations for legislative changes. Some recommendations may be the purview of the Property Assessment Department while others will be the purview of the Board of Revision.

2. Changes to appeals processes would enhance accountability and effectiveness

While the legislative changes discussed above require the approval of the Province and cannot be enacted unilaterally, there are process changes that fall within the authority of the Property Assessment Department and the Board of Revision. In the case of the latter, the *Municipal Assessment Act* gives the Board the right to “*determine the rules of practice and procedure*” but states that Council must approve the rules. Rules of practice are an invaluable tool for enhancing a tribunal’s transparency to its clients. Clearly written rules advise parties/counsel what will be expected and what they can expect from the tribunal.

Below we discuss several process changes that have been suggested through our review of appeals processes in other jurisdictions. We believe that these practices should be evaluated for applicability to the City of Winnipeg.

Date of release of assessment roll

A consistent theme in our CRSA sessions, reiterated by the Chair of the Board of Revision and the tax agents we interviewed, is that one of the factors that contribute to the workload of assessors is a shortened period available to hear appeals. This year, for various reasons already discussed, the assessment roll was not delivered until July 30, 2001 two months later than the planned date of May 31, 2001. In prior years, the planned date has been met. Nevertheless, we believe that the Property Assessment Department should attempt to release the roll at the earliest possible date to provide the Board of Revision a longer timeframe in which to schedule appeals. This is particularly important so long as we maintain a four-year assessment cycle that magnifies the changes in valuation from cycle to cycle. A longer appeal period would relieve the pressure on assessors by providing lighter dockets and more time to prepare an appropriate defense. We also

recognize that a reduction in the number of appeals would allow for more time to dedicate to valuation activities and an earlier delivery of the assessment roll.

Enforcement regime related to Information requests

It is absolutely critical for properties that are valued using the income approach that the Property Assessment Department has the complete income and expense information it requires to complete the valuation. The *Municipal Assessment Act* recognizes this fact and has clear provisions to deal with non-compliance. In the past, there has not been a consistent enforcement of these provisions by either the Property Assessment Department or the Board of Revision. This lack of enforcement of available sanctions has likely led to inconsistent valuations and appeal decisions and is unfair to those taxpayers who follow the rules in good faith.

The *Municipal Assessment Act* requires that information be provided to an assessor within 21 days of a written request. Where this is not done, Section 64 of the Act provides for a penalty of \$25 a day until the information is supplied. In addition, where an applicant fails to comply with a request for information, the Board shall place the burden of proof on the applicant rather than the assessor to prove the issues raised and may disregard inconsistent information presented by the appellant. The Board must also specify in its order that any reduction in value that results from the hearing will not take effect until the following year. The Act also provides the ability to subpoena a person to produce documents or appear to present evidence before the Board.

In the past, the Board has not invoked the sanctions available; however, the reason has been the Department's inability to provide evidence that the appropriate person received the request. This year, to overcome this concern, second letters were sent by registered mail. In the second letter, the Department

clearly advised that it would be "demanding" that the Board invoke the appropriate sanctions with respect to reversing the burden of proof and delaying the tax decrease. There was no mention made, however, of levying a financial penalty and we understand from Legal Services that a by-law has never been introduced to permit this. In addition, the Department has not consistently requested that the Board subpoena the information prior to the hearing.

This year, where the Department has proven that an appropriate representative received the letter and no information was submitted, the Board has cooperated in reversing the burden of proof. However, we understand that the Board is accepting financial statements as demonstrating substantial compliance with the information requested in the case of hotels. It is the view of the Department and its legal advisors that the financial statements do not provide the level of detail required by the Department. While we agree that it would be helpful if the request letters clearly stated that financial statements alone are not acceptable, we believe that by permitting this, the Board runs the risk of reinforcing the notion that compliance with Department requests is discretionary. As an alternative, the Department could request the Board to subpoena the necessary additional documentation. It is our view that a lack of consistent enforcement contributes to the perception that the Board of Revision is a practice run for the more serious process at the Municipal Board. And this adds costs to the appeals regime without adding value.

It is important that the City act consistently in communicating its expectations to taxpayers. The Property Assessment Department should ensure that its requests are timely and appropriate—that only required information is requested at the earliest opportunity. Consequences should be clearly stated. The

Board of Revision should ensure that it is clear to the Department what the expected standard of proof will be and, so long as it is met, support the Department in sanctioning those who do not comply. Inconsistent enforcement is disrespectful to the assessment process and to those citizens who cooperate in its administration.

Guidelines for the negotiation process

The Department is regularly involved in negotiating settlements with property owners or business occupants after an appeal has been filed at either the Board of Revision or the Municipal Board. Some of these negotiations involve professional assessors while other more significant and complex negotiations may involve the City Assessor and Legal Services.

The Department, however, does not have formal guidelines in place with respect to the negotiation process. In our CRSA sessions, staff indicated that they were not always comfortable with the changes suggested or aware of how the settlements were determined. In addition, concerns have been expressed about the failure to consistently involve Legal Services in negotiations, particularly with respect to those involving high value properties. The absence of formal guidelines can result in inconsistencies with respect to the Department's involvement in and approach to negotiating settlements and, ultimately, with respect to the basis of the settlement. This can adversely impact on the accurate determination of property values and preservation of the assessment base.

Our survey of other assessing authorities revealed that three of the six respondents have guidelines in place when negotiating settlements outside of the Boards. These guidelines include direction with respect to when to negotiate, who should be involved, how to negotiate, basis of settlement and authorization required.

Tolerances for valuation changes

As we discussed in the *Performance* section, we believe that establishing a minimum tolerance for appeal adjustments may have a positive impact on the cost effectiveness of the function and is within the spirit of the *Municipal Assessment Act* which states that a panel “*shall not change an assessed value where the assessed value bears a fair and just relation to the assessed values of other assessable property*”.

While the Board's informal tolerance guideline may be responsible for the small number of adjustments within this range, as we indicated, our analysis shows that a greater number of minor adjustments have been made in decisions made to date for the 2002 general assessment. The Scurfield Report also suggested that an assessment should be upheld if it falls within the recognized tolerances of the valuation profession.

Since valuations are not meant to be precise, we believe that effective communication of a 5% tolerance would persuade citizens that the costs of appeal outweigh the benefits of minor changes to individual taxpayers.

Restructuring the appeals process

The purpose of all tribunals is to resolve disputes. What some jurisdictions are attempting to do is to resolve disputes less through adjudicative hearings and more through non-hearing based methods. The goal is to resolve the matter quickly, and at the least cost, while maintaining fairness. To achieve this goal means adjusting the process to accommodate different levels of risk or complexity. Some ways that appeal authorities can streamline processes include

- Identifying preliminary issues and addressing or resolving them early
- Effectively focusing and narrowing issues during the course of a hearing

-
- Issuing oral decisions where appropriate

As we discussed in the *Purpose* section, the Board of Revision does not have formal rules of practice. And while members do make an effort to focus on contentious issues during the hearing, a discovery process to identify and attempt to narrow issues is not available prior to the hearing. In practice what this can lead to, particularly with respect to commercial appeals, is a considerable amount of information tabled with the assessor at a hearing with no opportunity for review, analysis or the preparation of a proper defense. Furthermore, the process is identical for residential and non-residential property appeals although the latter are more likely to be complex, higher value and argued by professional agents. Finally, oral decisions are not given in any circumstance.

Application processes

The trend in other jurisdictions is to first place the onus for correcting a valuation on the assessment authority. For example, in Ontario, while there is only one level of formal appeal, for the entire taxation year to which the assessment relates, the complainant has access to the “*request for reconsideration*” process through the assessment authority. The Assessor has the authority to make changes that result from this process. If the process is not completed before the appeal deadline (normally the end of March) or where the complainant does not receive satisfaction through the process, the complainant can register a formal appeal to the tribunal. The assessment authority can make changes throughout the taxation year. While this is similar to the preview program, it has been extended.

Ontario also has two levels of screening: *administrative screening*, which is the process of refusing an application or suspending processing due to incompleteness, and

adjudicative screening or the process for dismissing an application without a full hearing. Example of the latter might be a jurisdictional issue. Screening is based on a clear set of criteria that are provided to all prospective parties.

In Nova Scotia, property owners must appeal within 21 days of receiving their assessment notice. The Assessment Office reviews it first and sends an amended notice (either increase or decrease). The property owner has 7 days to appeal the amended notice. If the office does not agree to amend the notice, it is referred to the first level appeal authority directly.

In British Columbia, the complainant directs the complaint to the assessor who completed the valuation by January 31 of the year subsequent to the assessment year. If an agreement is reached by March 16, no hearing is held. The assessor recommends the change to the review panel. Otherwise, a hearing is scheduled or applicants can submit a written submission in lieu of attending.

In Calgary, the “*issue statement*” completed as part of the process for dealing with higher value properties (discussed below) must include a statement that *the “complainant and the respondent have discussed the complaint”* and giving details of the date and outcome or “*if the complainant and the respondent have not discussed the complainant, specifying why.*” Calgary also requires specific reasons why an appeal has been made. The information package advises, “*Stating that the assessment is too high is not sufficient.*”

Streaming processes

Other jurisdictions, notably Ontario and Alberta, have introduced a streaming concept that differentiates the type of appeal by complexity. Streaming is used to direct cases to a standardized set of processing steps that will result in the most expeditious resolution

possible while maintaining fairness. Streaming can result in several different processes such as pre-hearing conferences, consensual dispute resolution and adjudication.

Ontario has recently implemented a very complete set of rules of practice and procedure that describes, in detail, the interpretation of rules and the options available throughout the appeals process. Complaints involving commercial, industrial and multi-residential properties are frequently scheduled for a pre-hearing. Generally these are properties with high-assessed values or where the issues involved in their valuation make the assessment process more complex. The purpose is to discuss and clarify the issues in dispute in person or by teleconference. The result may be a settlement or a narrowing of the issues that must proceed to a full hearing. Furthermore, Ontario is exploring the use of mediation as a tool to assist parties in resolving the issues in dispute.

Alberta legislates (through regulation) the procedures that complainants must adhere to after a complaint has been filed. There is a detailed discovery process for complaints dealing with non-residential and multi-residential properties with an assessed value greater than \$250,000 and for businesses with an assessed value greater than \$50,000. It also covers residential properties where the same person (agent) files five or more complaints to be heard together. For non-residential property appeals under \$250,000, there is a similar but modified process.

The discovery process includes the filing of an issue statement twenty-one days prior to the hearing that discloses documentary evidence to the Board and City Assessor including a summary of testimonial evidence and written arguments to be introduced. Furthermore, the issue statement must estimate the amount of time required to present evidence. The City

Assessor must respond within seven days of the hearing to the complainant and the complainant must rebut the City Assessor's arguments three days prior to the hearing. If the issue statement is not filed, the complaint will be dismissed, or if the issue statement does not comply with the prescribed format, the clerk can refuse to file it. If evidence is not disclosed in accordance with the regulation, the Board can refuse to hear it.

Edmonton holds two types of hearings: a *preliminary hearing* to deal with the validity of a complaint or the jurisdiction of the Board to hear a complaint and a *merit hearing* to deal with the merit or substance of the complaint. Parties can file written presentations in accordance with the rules rather than attend in person.

In some of the cases we observed at the Board of Revision, it appeared that the Panel Chair was acting more as a facilitator or mediator in attempting to have the two parties clarify the relevant facts, present the issues of agreement and disagreement and come to a resolution that would be satisfactory to both. It was not clear to us why a formal hearing and a three-member panel were required to bring about this outcome. We also believe that it does not make sense to have the same process to handle simple, low value appeals as to deal with complex, multi-issue disputes. Tax agents we interviewed were very supportive of more information sharing prior to a formal hearing and argued the benefits of a settlement in terms of saving the time and costs associated with a formal appeal.

Communicating decisions

The consideration in the decision-making process is that like situations should, over time, lead to like results. Transparency requires that a tribunal's decisions be clear. The parties to a proceeding should be able to

ascertain the members' reasons and the logic used in making the decision.

The Board of Revision issues written decisions but does not provide a reason for the decision. The Chair believes that that written reasons will cause a delay in the process and may lead to an increase in appeals to the next level. He also believes that, in some cases, the participants can ascertain the outcome by the questions asked and the evidence presented.

While the issuance of reason would add time to the process, we believe that it would also add value. In the hearings that we observed, it was not always clear to us or to the assessor involved what the decision would be. We have been told by the Property Assessment Department that they are often unclear as to how the Board reached a certain decision, particularly for non-residential appeals that may have multiple and complex issues. This makes it difficult to learn from Board decisions and contributes to a perception that members do not always have a logical basis for their decisions. We talked to tax agents who also agreed that written decisions are important, although they would not like to see the delays that are sometimes experienced at the Municipal Board. One agent suggested that for commercial properties, at a minimum, the Board should provide a copy of the calculation used to arrive at a the decision as this is not always obvious when multiple issues are to be resolved.

It is also difficult to hold the Board accountable for its decisions. It is not possible, for example, to determine how frequently the Municipal Board agrees with the Board of Revision where the same facts were in evidence.

We also believe that written decisions may lead to a reduction in appeals to the Municipal Board. In combination with a discovery or pre-hearing process, written decisions may encourage participants to focus on issues in dispute and resolve them. It may also prevent

future appeals where the participants better understand the valuation process.

The process for delivering decisions should be as efficient as possible in the circumstances. Oral decisions should be delivered, if possible, for less complex cases. Templates can be used to provide very brief decisions on residential properties. More detailed reasons should be provided for complex issues although it should not be too difficult to standardize the reasons that are similar on similar cases. It also makes sense from a cost perspective to provide written reasons only upon request.

In Edmonton, the decision is normally given at the hearing although it can be "reserved" at the discretion of the panel. Written reasons can be requested at the hearing. In Alberta, the Assessment Review Board must provide reasons if requested at the hearing. And in Ontario, in most cases, the case presented will be summarized and an oral decision will be delivered, although the Presiding Member may require additional time to consider the evidence. Any party may request a written decision at the hearing or within 14 days after the hearing.

In the *City of Winnipeg Act*, the Board of Revision is required to provide written reasons for its decisions with respect to license in lieu of business tax appeals. Although the volumes are significantly lower than realty appeals, this clause indicates that there is already a precedent for this requirement in the existing legislation. The Board, however, is not complying with this legislative requirement.

Recommendation 9

The Property Assessment Department and Board of Revision should examine the alternatives suggested in more depth and recommend to Executive Policy Committee those that would facilitate a more effective and efficient appeals process. Attention should be paid to aligning the processes to the complexity and value of the matters under dispute and, in particular, the relative level of rigour needed for residential and non-residential appeals. Areas for consideration include:

- Earlier release date for assessment roll
- More consistent enforcement regime
- Guidelines for the negotiation process
- Introduction of tolerances for valuation changes
- Restructuring the appeals process

Chair of the Board of Revision response
I agree with this recommendation.

Property Assessment Department response
The Department agrees with and is fully supportive of this complete section of the Audit. Discussions about changes to the Appeals process will be considered by the Assessment Task Force Committee that has been created by Council.

3. Board of Revision should consider Alternative Service Delivery (ASD) models

The City Clerk's Department, in its most recent business plan, has established a goal to prepare an ASD case for looking at different ways to deliver the service provided by the Board of Revision. The manager of the Board of Revision commented on the current difficulties in providing dedicated staff and budget for the Board's activities given the cyclical nature of appeal hearings. He suggested that they may be an opportunity to combine resources to support other adjudicative functions such as the Board of Adjustment and that a Special Operating Agency (SOA) model might be more appropriate. It would also clearly demonstrate that the Board of Revision is independent of the City assessment process. The Chair of the Board has also expressed an interest in the SOA model and proposed that the Board of Revision, if a separate agency, may be in a position to assist other municipalities on a fee for service basis.

We support the notion of exploring different organizational models, particularly if the Property Assessment Department moves in this direction. We agree that this should form part of the review of the function, its strategic direction and processes.

Recommendation 10

As part of the review of the activities of the Board of Revision, alternative service delivery options should be explored using the model and processes established by the City.

Chair of the Board of Revision response
I would encourage the position that the Board of Revision be considered for Alternative Delivery Service status.

4. Management information available from AACS can be better utilized

The Appeals Application and Control System (AACS), which is a shared system with the Board of Revision, has been primarily used by the Department to track appeals as they are processed through the hearing process. It contains such information as when the appeals have been filed and heard, the type of property appealed, the original assessed value and the decision at the Board of Revision and, where applicable, the Municipal Board level. The system has been primarily used to determine the status of decisions on specific appeals.

To date, there has been limited management reporting out of AACS due to the inability to easily extract this information from the system. As a result, Department management has either not been obtaining information at all or has not done so in an efficient manner. The limited utilization of AACS as a management information system hampers management's ability to measure various indicators of Department or assessor performance with respect to appeals. AACS has the capacity to provide Department performance information by property type including win/loss ratios and valuation changes which can be analyzed to determine where the Department should be focusing its efforts. This can translate into additional training for individuals or groups of assessors, staff re-alignments at appeal hearings, or point to a need for supplemental resources (for example, legal).

We utilized AACS to provide us with information to assist us in identifying high-risk areas. We were also able to produce information that we used in preparing our report on performance. We believe that this type of information can assist Department management in determining where process and performance may require improvement.

The Department is currently enhancing the reporting requirements of the AACS. The planned enhancements include performance reports containing win/loss results at both board levels and performance results by region or by assessor. These enhancements are expected to be ready later this year.

Recommendation 11

Since AACS contains a large amount of data relating to appeals, the Department should regularly assess its information requirements for operational and accountability purposes to determine the need and appropriate use for reports that can be generated from this system.

Chair of the Board of Revision response
I support this recommendation.

Property Assessment Department response
The Department has utilized reports from AACS to monitor performance related to 2002 appeals. As a result, a consultant has been retained to assist with identifying weaknesses in valuation of certain property types, with the intent of improving performance at the Board of Revision.

Monitoring and learning: Making things better

Monitoring and learning are critical to organizational improvement. Monitoring an organization's external and internal environments enables the organization to diagnose environmental changes early and respond to them promptly.

Monitoring and learning also involves periodically challenging the assumptions behind an organization's objectives, assessing information needs and systems, evaluating the effectiveness of control, and reporting the results to those responsible in the organization to complete the accountability loop. Whenever key changes or actions are to be implemented, follow-up should occur at various levels throughout the organization to confirm that they are carried out. Changes may involve changing objectives or plans, control activities or information systems.

1. First level appeal process should be formally evaluated and restructured to meet the current and future needs of the City

The Board of Revision has been successful in delivering an efficient process to the citizens of Winnipeg that has given all individual and business taxpayers an opportunity to challenge their assessments in an economical and risk-free environment. It was evident in discussions with the Chair and various Board members, and in viewing several hearings, that the Board has a strong commitment to serving taxpayers and meeting their needs. Many of those to whom we spoke were complimentary about the overall capability

of the current board and its members. All members of the Board should be commended on the work they have done to this end. It is also good to keep in mind that the appeals process ultimately provides an excellent quality control on the work of the Property Assessment Department in establishing property values and this provides added assurance to members of the public that they are paying their fair share of tax.

At the same time, as we have discussed in previous sections, we believe that it is time to re-think the purpose and process behind the intent. The premium placed on efficiency may have impaired the ability of the Board of Revision and the Property Assessment Department to ensure a quality outcome. We cannot be certain of the financial impact that this may have had on the City but we suspect that there are cases where individual taxpayers may have won a victory at the Board of Revision at the expense of the public at large. Clearly, assessors do not believe that they are always able to present their best case. And, clearly, the City is not always in a position to appeal all decisions to the next level even though the Department may disagree with the Board's decision. We have pointed to differences in legislative regimes that are more rigorous in the establishment of the appeals process and practices in several jurisdictions that, in our opinion, better balance the rights of the citizen to have fair access to an appeals process with the costs of delivering this service. We have also discussed many suggestions for streamlining the process and making the Board's accountability more transparent. We have also noted that new opportunities may emerge.

In conducting our review, we found several reports that had been prepared in the past

that made similar recommendations for change. In most cases, the recommendations were never acted upon. We recognize that changes of this magnitude may require a change in philosophy and a shift in priorities and, in some cases, cooperation by the Province. We believe, however, that the time for change has come—that opportunities exist to save costs in some areas and, at the same time, provide a higher quality process overall.

Recommendation 12

We recommend that Executive Policy Committee strike a steering committee of interested parties to review the recommendations of this report and oversee the actions required to move the report from recommendation to implementation. This may include the establishment of a working group to conduct further research in other jurisdictions, consult with stakeholders, and report back on a revised model or process for first level appeals. The report will have to clearly state the rationale for the suggested changes and the appropriate level of authority and actions required for effective implementation.

Chair of the Board of Revision response
I agree with this recommendation.

Appendices

JURISDICTIONAL SURVEY

Appendix A

Preamble

Assessing authorities, first level of appeal bodies and building permit inspection branches were surveyed across Canada. The overall purpose was to identify other practices that are in place and that could be potentially adopted by the City of Winnipeg.

With respect to the assessing authority survey, we obtained varying levels of information from eight cities and three provincial authorities. In addition to identifying practices, we also obtained operating and financial information that could assist us in determining levels of cost effectiveness. The responses from the assessing authorities revealed that responsibility is either at the city or the provincial level. In those jurisdictions where the province has the overall assessing authority for all the municipalities, the comparison of costs either with the province itself or the major cities within the province was difficult to perform because of the various types of costs included in the budget of the provincial authority and the varying level of cost allocation to the city offices. We attempted to adjust for these differences as well as adjust for budgeting differences between Winnipeg and other city assessing authorities.

Our survey of first level of appeal bodies obtained operating and practice information from two provincial appeal boards and nine cities, four of which are located within the two jurisdictions. Our survey of building permit inspection branches obtained information from six other cities and focused on legislation, systems and practices that facilitate more complete and timely property characteristic data for property assessment purposes.

Information for the City of Winnipeg portion of the assessing authority survey was primarily obtained from the 2001 - 2003 Business Plan, the City response to the International Property Tax Institute survey or other sources (e.g. interviews) during the course of our audit. Information for the City of Winnipeg portion of the first level of appeals survey was obtained from the 2000 Annual Report of the Board of Revision, the Appeals Application and Control System or other sources during the course of our audit. Information in the building permit inspection was obtained through discussions with staff within the Property, Planning and Development Department.

Aside from the survey information obtained on the varying practices, we used the financial and operating information obtained from the assessing authority and first level of appeals surveys to measure and compare performance of the overall assessment appeals process between the jurisdictions. Using three performance indicators, performance was measured in terms of number of assessments per assessor staff complement, the operating budget per number of assessments and the appeal rate of properties by residential and commercial/industrial property type.

Jurisdictional Survey Assessing Authorities

BACKGROUND INFORMATION

Comparison Against Other City Assessing Authorities/City Offices

JURISDICTIONS		City Assessing Authorities					Winnipeg (2002)	Winnipeg Ranking Against City Assessing Authorities	City Offices of Provincial Assessing Authorities			
		Edmonton	Calgary	Saskatoon	Regina	Vancouver			Ottawa	Hamilton	Halifax/Dartmouth	
Organization		City of Edmonton	The City of Calgary	City of Saskatoon	City of Regina	City of Winnipeg		BC Assessment	Municipal Property Assessment Corporation	Municipal Property Assessment Corporation	Service Nova Scotia & Municipal Relations	
How many assessments do you perform in the following areas on an annual basis?	Realty Assessment	250,300	314,700	64,700	64,600	196,800		159,600	241,500	155,000	142,900	
	Business Assessment	23,200	22,500	0	0	13,000		0	0	0	8,700	
	Personal Property Assessment	1,100	Non-taxable	0	0	100		0	0	0	0	
	Total	274,600	337,200	64,700	64,600	209,900	3rd Highest Number of Assessments	159,600	241,500	155,000	151,600	
What is the number of real properties in the following categories?	Residential (including condominiums)	189,900	294,200	59,200	58,700	180,400	3rd Highest Number of Residential Real Properties	142,000	220,000	120,000	126,800	
	Multi-residential (over 4 units)	21,600	2,900	800 - Over 3 units	700	3,300		2,700	3,000	2,000	Included in commercial	
	Commercial & Industrial	8,200	10,400	4,500	5,100	10,300	2nd Highest Number of Commercial/Industrial Properties	13,400	8,600	16,000	16,100	
	Institutional	10,900	6,900	0	Included in commercial	1,400		1,500	4,400	4,000	Included in commercial	
	Other (e.g. farm)	19,700	300	200	100	1,400		0	5,500	13,000	Included in commercial	
	Total	250,300	314,700	64,700	64,600	196,800	3rd Highest Number of Real Properties	159,600	241,500	155,000	142,900	
How many staff are assessors and technicians?	Assessors	52	78	13	16	71		30	53	36	29	
	Technicians	12	20	1	2	9		0	1	0	0	
	Total	64	98	14	18	80	2nd Highest Number of Assessor/Technicians	30	54	36	29	

Note: The costs included in the operating budget are primarily comprised of salaries of professional, clerical/secretarial and managerial/supervisory staff as well as direct operating costs (e.g. travel, material, telephone). Costs excluded from these figures are primarily debt charges, facility charges as well as operating costs relating to I/T support, legal services and taxation services.

Jurisdictional Survey Assessing Authorities

ANALYSIS OF BACKGROUND INFORMATION Comparison Against Other City Assessing Authorities/City Offices

Performance Indicator	Edmonton	Calgary	Saskatoon	Regina	Winnipeg	Winnipeg Ranking	Vancouver	Ottawa	Hamilton	Halifax/Dartmouth
What is the annual operating budget of your assessing authority (revised for differences)?	\$7,900,000	\$10,000,000	\$1,840,000	\$1,940,000	\$7,900,000	<i>2nd Highest Operating Budget (tied)</i>	\$3,900,000 <i>(does not include H.O. costs)</i>	\$5,500,000 <i>(does not include H.O. costs)</i>	\$3,200,000 <i>(does not include H.O. costs)</i>	\$3,000,000 <i>(does not include H.O. costs)</i>
# OF ASSESSMENTS TO ASSESSMENT STAFF LEVELS										
<u>Realty and Business Assessment</u> Number of Assessments (Realty Parcels & Business Assessment Tenancies) divided by Number of Assessors/Technicians	273,500/64= 4,273	337,200/98= 3,441	N/A	N/A	209,800/80= 2,623	<i>Lowest # of Assessments to Staff levels</i> Includes B.A.	N/A	N/A	N/A	151,600/29= 5,228
<u>Realty Assessment Only</u> Number of Assessments (Realty Parcels only) divided by Number of Assessors/Technicians (IAAO Standard of 5,000 per Assessor)	N/A	N/A	64,700/14= 4,621	64,600/18= 3,589	196,800/71= 2,772	<i>Lowest # of Assessments to Staff levels</i> Excludes B.A.	159,600/30 = 5,320	241,500/54 = 4,472	155,000/36 = 4,306	N/A

Jurisdictional Survey Assessing Authorities

Performance Indicator	Edmonton	Calgary	Saskatoon	Regina	Winnipeg	Winnipeg Ranking	Vancouver	Ottawa	Hamilton	Halifax/Dartmouth
OPERATING BUDGET TO # OF ASSESSMENTS <u>Realty and Business Assessment</u> Operating Budget divided by Number of Assessments (Realty Parcels and Business Assessment Tenancies)	\$7.9 mill/ 273,500= \$29	\$10.0mill/ 337,200 =\$30	N/A	N/A	\$7.9 mill/ 209,800=\$38	Highest Operating Budget to # of Assessments Includes B.A.	N/A	N/A	N/A	\$ 3.0 mill/ 151,600=\$20
<u>Realty Assessment Only</u> Operating Budget/Realty Parcels	N/A	N/A	\$1.84 mill/64,700 =\$28	\$1.94mill/64,600=\$30	\$7.1 mill/ 196,800= \$36	Highest Operating Budget to # of Assessment Excludes B.A.	\$3.9mill/159,600 = \$24 <i>Facility Costs have been removed for comparison purposes</i>	\$5.5mill/241,500 = \$23	\$3.2mill/155,000 = \$21	N/A
<u>Operating Budget to number of assessments (full costing)</u> <u>Realty and Business Assessment</u> Operating Budget divided by Number of Assessments (Realty Parcels and Business Assessment Tenancies)	N/A	N/A	N/A	N/A	\$12.5mill/ 209,800 = \$60 (excludes legal services)	Highest Operating Budget to # of Assessments Includes B.A.	British Columbia N/A	Ontario N/A	Nova Scotia \$14.7mill/545,400 = \$27 (excludes legal services of \$.2 million)	
<u>Realty Assessment Only</u> Operating Budget/Realty Parcels	N/A	N/A	N/A	N/A	\$11.7mill/ 196,800 = \$59 (excludes legal services)	Highest Operating Budget to # of Assessment Excludes B.A.	\$60.2mill/1,731,600 = \$35 (excludes legal service costs of \$1.0 million)	\$139.2 mill/4,105,200 = \$34 (excludes legal service costs of \$4.1 million)	N/A	

Note: The operating costs of provincial assessing authorities include facility and debt charges, IT support, financial administration and legal services. With respect to the city offices is that operate under provincial assessing authorities, the operating budgets of these offices do not contain a full allocation of the head office costs (that is, policy, research, IT support, finance and administration). We have shown both numbers to provide a more complete comparison.

Jurisdictional Survey Assessing Authorities

BACKGROUND INFORMATION

Methodology

Surveyed Cities		Edmonton	Calgary	Saskatoon	Regina	Winnipeg	Vancouver	Ottawa	Hamilton	Nova Scotia
1. Do you use IAAO Standards?		Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. How frequently do you perform a re-assessment?		Annually	Annually	4 years	4 years	4 years	Annually	Currently 2 years. Moving to annual	Currently 2 years. Moving to annual	Annually
3. What is the basis for valuation (e.g. market value)?		Yes	Yes	Fair value – market adjustment cost approach.	Fair value – market adjustment cost approach.	Yes	Yes	Yes	Yes	Yes
4. Is a mass appraisal of properties performed on any of the following property types?	Residential	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Multi-Residential	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Commercial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Institutional	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
	Industrial	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5. Do you use multiple regression models to assist in mass appraisal for the following property types?	Residential	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No
	Multi-residential	Yes	No	Yes	Yes	No	No	No	No	No
	Commercial	Yes & No	No	Yes	Yes	No	No	No	No	No
	Industrial	Yes	Yes & No	Yes	Yes	No	No	No	No	No
	Institutional	No	No	Yes	No	No	No	No	No	No
6. Where a sales approach is not used, do you use bona fide sales of similar properties in the reference period to verify the reasonableness of the values?		Income – yes Cost - yes	Income – yes Cost - yes	Income approach not used Cost – yes	Income approach not used Cost - yes	Yes. However, sales verification was not done on all commercial properties for the current general assessment.	Income – yes Cost - yes	Income – yes Cost - yes	Income – yes Cost - yes	Income – yes Cost - yes
7. What processes do you have in place to identify undervalued property?	ASR's	✓	✓	✓	✓	✓	✓	✓	✓	✓
	% Change Reports	✓	✓	✓	✓	✓	✓	✓	✓	✓
	Other		Mapping products Customer feedback		Sales listing					
8. Does the assessing authority physically inspect properties on a cyclical basis?		Yes	No	Yes. Every 12 years.	Yes. Every 12 years.	No. However, completed an Inspection Program on a portion of residential properties.	Yes. Every 5 or 6 years..	No	No	No. However, in 3 of the past 4 years, properties have been inspected through an Inspection Program.

Jurisdictional Survey Assessing Authorities

Building Permits and Property Inspections

Surveyed Cities	Edmonton	Calgary	Saskatoon	Vancouver	Toronto	Winnipeg
1. Do you have an electronic interface between the building permits system and the property assessment system?	Yes	Yes	No. An automated system will be in place by January 2002.	No	No	No
2. Is there legislation relating to the onus placed on property owners to obtain a building permit?	Yes	Yes	Yes	Yes	Yes	Yes
3. What actions, penalties or other leverage can be taken by the jurisdiction for non-compliance?	Normally just a stop work order. When property is sold, fee is doubled if building permits were not taken out.	Order to obtain permit and then double permit fee. If non-compliance with order, then take owner to court, which can result in a fine up to \$15,000.	Correspond with owner to obtain permits. If work continues, issue a stop work order. If non-compliance, take to court for fines.	Permit fee is doubled up to \$5000 or removal of work if permit cannot be obtained. If owner does not comply, charges are laid that can result in fines laid by the courts.	First a verbal notice then a written notice to obtain a permit. Stop work order then court action, which can result in construction being removed.	Verbal notice to stop work and obtain permit. If non-compliant, a written notice, formal order and court order are subsequent steps. Permit fee penalties are applied on a discretionary basis.
4. Are these action fully exercised?	Yes, with respect to the double fee.	Yes	Yes	Yes	When necessary.	Yes. However, will go through the above steps. Also, opportunity for utilizing Common Offence Notices has not been taken.
5. Are building permits used as a basis for acquiring current property characteristic data for assessment purposes?	Yes	Yes	Yes	Yes	Yes	Yes
6. In addition to performing a building inspection, do your building inspectors gather data specifically required for property assessment purpose?	No	No	No	No	No	No

Jurisdictional Survey Assessing Authorities

Negotiations and Appeals

Surveyed Cities	Edmonton	Calgary	Saskatoon	Regina	Winnipeg	Vancouver	Ottawa	Hamilton	Nova Scotia
Do you engage in negotiations with property owners regarding assessment valuations?	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes
If yes, do you have guidelines and processes in place when negotiating settlements outside of the Boards and courts?	Yes	No	Yes	Yes	No	N/A	N/A	No	Yes. Presently not utilized.
Who has the burden of proof at the first level of appeal?	Appellant	Appellant	Appellant	Appellant	Assessor	Appellant	Appellant	Appellant	Appellant
Do you have human resources dedicated to preparing and defending appeals?	Yes	No	Yes. Only during the appeals period.	Yes	Yes	No	Yes	No	Yes

JURISDICTIONAL SURVEY FIRST LEVEL OF APPEALS

	Edmonton	Calgary	Saskatoon	Regina	Halifax	Winnipeg		Vancouver	B.C.	Toronto	Ottawa	Hamilton	Ontario
Organization	Assessment Review Board	Assessment Review Board	Board of Revision	Board of Revision	Regional Assessment Appeal Court	Board of Revision (at 1998)	Board of Revision (at 2002)	Property Assessment Review Panel	Property Assessment Review Panel	Assessment Review Board			Assessment Review Board
1. Average number of real property appeals filed following a re-assessment?	8,000	7,200 to 9,000	725 – 825	1,000	4,500	13,600	9,300	1,100 to 1,500	22,900	24,000	4,200	2,000	66,000
2. What is the percentage breakdown of appeals for residential, commercial/industrial, institutional, other?	Residential – 66%; Commercial/industrial 24%; Institutional – no answer; Other – 10%	Residential – 40%; Commercial/industrial – 40%; Institutional – 5%; Other – 15%.	Residential – 50%; Commercial/industrial – 50%.	Residential – 40%; Commercial/industrial – 50%; Other – 10%	Residential – 78% Commercial/Industrial – 22%	Residential – 73% Multi-Residential - 9 % Commercial/Industrial – 15% Institutional - 1% Other – 2%	Residential – 65% Multi-Residential - 7 % Commercial/Industrial – 25% Institutional - 1% Other – 2%	Residential- 40 to 50 %; Commercial/industrial – 40 to 45%; Institutional – no answer; Other – 5%	Residential- 60% Commercial/Industrial – 23% Other- 17%	Residential – 64%; Commercial/Industrial – 36%	Residential – 53%; Commercial/Industrial – 47%	Residential – 56%; Commercial/Industrial – 44%	Residential – 61% Commercial/Industrial – 39%
										Figures shown under commercial/industrial represent all "non-residential" complaints.			
3. What is the process for recruiting members to the appeal board?	Comprehensive Policy. Selection Committee will recommend to Council.	A committee of senior members including Chair interviews potential new members. Final selection recommended to Council.	No. An advertisement is placed in the paper to recruit candidates. Appointment made by City Council.	No. An advertisement is placed in the paper to recruit candidates. Executive Committee of Council makes recommendations to Council	Informal process. Recommendations by Director of Assessment to Provincial Government.	Recruitment is done through advertisement and EPC selection committee makes recommendations to Council.		Appointment by the Provincial Government		Appointments are coordinated through the Minister's Office of the Ministry of the Attorney General			
4. What are the minimum requirements for board members?	Understanding of Board function and role, accounting/financial/economic principles, assessment process including market value & real estate valuation.	Background in real estate specialties, i.e. appraisal, management, sales/leasing etc or law.	Desirable qualifications: - Experience and knowledge of assessment principles and practices - Ability to conduct hearings and write decisions	Tribunal experience and experience writing decisions	Law degree	Informal criteria in place.		Not provided.		Members generally come from the following backgrounds: law, real estate, business, political office, and accounting			

JURISDICTIONAL SURVEY FIRST LEVEL OF APPEALS

	Edmonton	Calgary	Saskatoon	Regina	Halifax	Winnipeg	Vancouver	B.C.	Toronto	Ottawa	Hamilton	Ontario
5. Are fees charged to first level appeals and if so, what is the fee?	No	Residential, and multi-residential and -- \$20; Split assessment class -- \$20 or \$50 based on the greater portion of the split; Non-residential -- \$50	Residential -- \$30; Commercial -- \$600	Residential -- \$50; Commercial and multi-residential -- \$50 per \$100,000 of assessed value up to \$600 maximum; Condominium -- \$30/unit up to \$600	No	No	No	No	Residential, managed forest, conservation land, and farmland -- \$50; Multi-residential, commercial and industrial -- \$125			
6. What is the remuneration rate for members and chair?	Chair -- \$125; Member -- \$100 (per half day)	Chair -- \$120; Member -- \$102.5 (per half day)	Chair and member -- \$125 per day. Both paid for additional time relating to preparation (1/2 day per week, deliberation (1/2 day per week) and writing the report. In addition, panel chair receives annual honorarium of \$1,500 per year.	Chair - \$125; Member -- \$100; (per half day) Both paid for 1 full day for writing decisions for every 4 days of sitting on panels	Member -- \$165 (per half day)	Chair -- \$75 per 2 hours Member -- \$50 per 2 hours	Chair -- \$80 Member -- \$62.50 day (per half day)	Chair and members -- \$34 per hour Also have salaried Chair and 4 Vice-Chairs				
7. How many board members sit at each hearing?	1 to 3	3 with some exceptions	3	3	1	3	3	Normally 1 member and sometimes 2 on complex cases				

JURISDICTIONAL SURVEY FIRST LEVEL OF APPEALS

	Edmonton	Calgary	Saskatoon	Regina	Halifax	Winnipeg	Vancouver	B.C.	Toronto	Ottawa	Hamilton	Ontario
8. What type of guidelines do the appeal board members have to follow in order to facilitate accurate and fair decisions?	Extensive orientation program for new members along with annual professional development.	Rely only on evidence presented at the hearing.	Principles in the Urban Municipality Act 1984. Saskatoon Assessment Agency Manual	There is Board policy to guide members on how the panels should be run. The panel has jurisdictions on how to handle the appeal based on the evidence presented.	As set out in Provincial Assessment Act and through orientation sessions.	Training manuals and orientation are provided to members on process. Relies on evidence. Code of Conduct	Training manuals and pre-hearing instruction on appraisal theory.		Assessment Act and Regulations Assessment Review Board Act ARB Rules of Practice and Procedure Statutory Power and Procedures Act Code of Conduct			
9. Are there any guidelines that prevent the board from making minimal adjustments?	No	Yes. Generally, +/- 5% is as typical of market tolerances. Minor changes are discouraged.	No	No	No	No	No	No	No			
10. Can the appeals board increase the property assessment value when the property owner appeals?	Yes. If an increase is requested.	Yes	Yes. The change would not show in taxation until the following taxation year.	Yes. However, it is typically not done.	Yes	Effective January 2002, when the City Assessor provides notice.	Yes	Yes. If the appellant does not request an increase, a notice to seek a higher assessment has to be filed prior to the hearing date.				
11. What type of information about the decision does the board provide to both parties?	Letter of decision with written reasons provided upon request.	Notice of decision in writing. Written reasons on request. Oral reasons at each hearing.	Detailed report outlining all preliminary issues, facts, evidence and arguments, analysis and conclusions. Basis for decision is included in report.	Board decision provides written information supporting the basis of the decision.	Written decisions for all appeals containing brief reasons.	Written decision with no rationale provided.	Verbal at the time of the hearing followed by a written copy of decision. No rationale provided.	In the majority of cases, the Board will deliver an oral decision at the hearing. The member may choose to reserve a decision or the party may request reasons for the decision. In these cases, the member will prepare written reasons for the decision and this decision will be issued to all parties.				

**Jurisdictional Survey
Appeal Rates
(Based on Latest Figures Available)**

All Real Properties

JURISDICTIONS	Edmonton	Calgary	Saskatoon	Regina	Winnipeg (1998)	Winnipeg (2002)	Winnipeg Ranking	Vancouver	B.C.	Toronto	Ottawa	Hamilton	Ontario	Halifax/Dartmouth
Average number of appeals filed following a re-assessment	8,000	7,200 to 9,000	725 – 825	1,000	13,600	9,300		1,100 to 1,500	22,900	24,000	4,200	2,000	66,000	4,500
Realty Assessment Parcels	250,300	314,700	64,700	64,600	194,700	196,800		159,600	1,731,600	No information provided	241,500	155,000	4,105,200	142,900
Appeal Rate	3.2%	2.6%	1.2%	1.5%	7.0%	4.7%	Highest Overall Appeal Rate	.8%	1.3%	Not determined	1.7%	1.3%	1.6%	3.1%

Residential Properties (Includes Owner-Occupied Condominiums)

JURISDICTIONS	Edmonton	Calgary	Saskatoon	Regina	Winnipeg (1998)	Winnipeg (2002)	Winnipeg Ranking	Vancouver	B.C.	Toronto	Ottawa	Hamilton	Ontario	Halifax/Dartmouth
Average number of realty appeals filed following a re-assessment	5,300	2,900 to 3,600	350 to 400	400	10,000	6,000		550 to 750	13,000	15,400	2,200	1,100	40,300	3,500
Realty Assessment Parcels	189,900	294,200	59,200	58,700	177,300	180,400		142,000	1,513,900	No information provided	220,000	120,000	3,544,000	126,800
Appeal Rate	2.8%	1.1%	.6%	.7%	5.6%	3.3%	Highest Residential Appeal Rate	.5%	.9%	Not determined	1%	.9%	1.1%	2.8%

Commercial/Industrial Properties

JURISDICTIONS	Edmonton	Calgary	Saskatoon	Regina	Winnipeg (1998)	Winnipeg (2002)	Winnipeg Ranking	Vancouver	B.C.	Toronto	Ottawa	Hamilton	Ontario	Halifax/Dartmouth
Average number of realty appeals filed following a re-assessment	1,900	2,900 to 3,600	350 to 400	500	2,000	2,400		500 to 700	6,800	8,600	2,000	900	25,700	1,000
Realty Assessment Parcels	8,200	10,400	5,500	5,100	10,800	10,400		13,400	103,900	No information provided	21,500	35,000	561,200	16,100
Appeal Rate	23.2%	31.3%	6.8% Represents appeal rate for all non-residential properties	9.8%	18.5% Represent appeal rate for all properties under Class Code 60 (Other)	23.1% Represent appeal rate for all properties under Class Code 60 (Other)	3rd Highest (1998) and 2nd Highest (2002) Commercial & Industrial Appeal Rate	4.5%	6.5%	Not determined	9.3% Represents appeal rate for all non-residential properties	2.6% Represents appeal rate for all non-residential properties	4.6% Represents appeal rate for all non-residential properties	6.2% Represents appeal rate for all non-residential properties

Appendix B

The *Criteria of Control Model*

“There is no such thing as perfect control and there is no such thing as free control... the challenge is to find the right balance.”—Michael Hammer

Since the objectives of our audit include assessing the adequacy of the control environment, we need to begin by explaining what we mean by control. Until recently, controllership was seen as the responsibility of financial staff, and was largely concerned with sound financial management. Modern controllership is based upon a much broader concept of control. It defines **controls** as all the elements that support the achievement of an organization’s business objectives, and **risks** as obstacles that may inhibit or prevent an organization from achieving those objectives. Modern controllership consists of those aspects of management aimed at ensuring the organization is *in control*. The message is that *control is everybody’s business*.

Formal or hard controls

- Regulations
- Policies
- Procedures
- Standards
- Direct supervision
- Duty segregation
- Physical security

But these controls alone do not guarantee organizational success. In the absence of a strong organizational culture, hard controls are not enough. Dramatic business failures in recent years have demonstrated that the best systems and processes are no substitute for an ethical workforce with competent leadership and clear objectives, staffed by people of integrity.

Informal or soft controls

- Ethical values
- Clear objectives
- Leadership
- Competence
- Communication
- Performance measures
- Reward systems

Taken together, the formal and informal controls comprise the main components of a modern management control system.

A *control framework* provides a way of understanding the important elements of control. We used the control framework developed by the Canadian Institute of Chartered Accountants for the purposes of this review. The framework uses the *Criteria of Control (CoCo) Model* that employs twenty criteria and groups these into four essential components of control—*purpose*,

commitment, capability, and monitoring and learning. The model suggests that effective control over these components is essential to ensure the achievement of business objectives.

The CoCo Model

These control components are found in successful organizations where people

Have a sense of **purpose**

- They know where they are going and how they want to get there.
- They understand risk and opportunity.

Have **commitment**

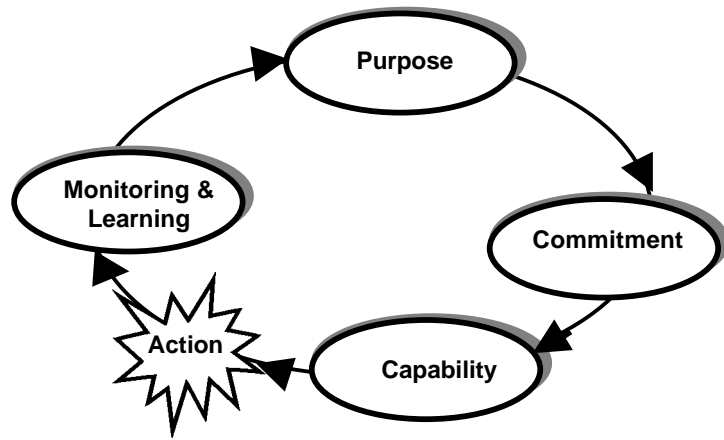
- They respect and trust each other.
- They share a common vision and sense of what is right and wrong.
- They understand and accept their responsibilities.

Have **capability**

- They know their jobs and have the right skills, tools and systems to get things done.

Monitor what they do and keep **learning**

- They constantly learn from what they do to make things better.



The *Criteria of Control* in the *CoCo Model* can be used as a basis for understanding control in an organization and for making judgments about the effectiveness of control. For the audit of the Property Assessment Function, we used the model as a basis for analyzing control strengths and weaknesses and developing recommendations to close control gaps identified. The twenty detailed *Criteria of Control* are attached.

Detailed Criteria of Control

Purpose

- A1 Objectives should be established and communicated.
- A2 The significant internal and external risks are faced by an organization in the achievement of its objectives are identified and assessed.
- A3 Policies designed to support the achievement of an organization's objectives and the management of its risks should be established, communicated and practised so that people understand what is expected of them and the scope of their freedom to act.
- A4 Plans to guide efforts in achieving the organization's objectives should be established and communicated.
- A5 Objectives and related plans should include measurable performance targets and indicators.

Commitment

- B1 Shared ethical values, including integrity, should be established communicated and practised throughout an organization.
- B2 Human resource policies and practices are consistent with an organization's ethical values and with the achievement of objectives.
- B3 Authority, responsibility and accountability should be clearly defined and consistent with an organization's objectives so that decisions and actions are taken by the appropriate people.
- B4 An atmosphere of mutual trust should be fostered to support the flow of information between people and their effective performance toward achieving the organization's objectives.

Capability

- C1 People should have the necessary knowledge, skills and tools to support the achievement of an organization's objectives.
- C2 Communication processes support the organization's values and the achievement of its objectives.
- C3 Sufficient and relevant information should be identified and communicated in a timely manner to enable people to perform their assigned responsibilities.
- C4 The decisions and actions of the different parts of the organization should be coordinated.
- C5 Control activities should be designed as in integral part of the organization, taking into consideration its objectives, the risks to their achievement, and the inter-relatedness of control elements.

Monitoring and Learning

- D1 External and internal environments should be monitored to obtain information that may signal a need to reevaluate an organization's objectives or procedures and processes.
- D2 Performance should be monitored against the targets and indicators identified in the organization's objectives and business plans.
- D3 The assumptions behind an organization's objectives should be periodically challenged.
- D4 Information needs and related information systems are reassessed as objectives change or as reporting deficiencies are identified.
- D5 Follow-up procedures should be established and performed to ensure appropriate change or action occurs.
- D6 Management should periodically assesses the effectiveness of control in its organization and communicate the results to those to whom it is accountable.