

To:	Warden Halliday and Members of Grey County Council
Committee Date:	January 25, 2018
Subject / Report No:	FR-CW-08-18
Title:	Results from Canada Revenue Agency (CRA) Harmonized Sales Tax (HST) Audit
Prepared by:	Mary Lou Spicer, Deputy Director of Finance
Reviewed by:	Kevin Wepler, Director of Finance
Lower Tier(s) Affected:	none
Status:	Recommendation adopted by Committee as presented per Resolution CW45-18; Endorsed by County Council February 8, 2018 per Resolution CC24-18;

Recommendation

1. That Report **FR-CW-08-18** regarding **Results from Canada Revenue Agency HST Audit** be received for information.

Executive Summary

Grey County was selected by CRA in 2017 for an HST audit for the period January 1, 2015 to April 30, 2017. CRA staff was on site five days in July and August, a letter has been received that no significant errors were found and there is no need to reassess Grey County's HST returns.

Background and Discussion

Staff was contacted by CRA in June 2017 to advise that Grey County had been selected for an HST audit. CRA staff was onsite five days in July and August to obtain electronic records, review HST filings and discuss County processes for ensuring the appropriate tax rebates or tax charged have been made. Subsequent to the onsite review, further queries were received throughout the fall and the required information was provided. Notification has been received that the review is complete, there were no significant errors and as a result, there is no need to reassess the HST returns for the periods that were reviewed.

Prior to the HST audit, in sessions provided by municipal associations various municipalities advised that CRA HST audits had been conducted and shared common areas to review for compliance. As a result, staff reviewed those areas and found no adjustments were required.

Prior to learning Grey County had been selected for a CRA review, Scott Merry an Indirect Tax partner from BDO conducted an onsite review and was available to answer staff queries; there were no issues detected as a result of this review.

Staff has a number of internal control procedures in place for review of accounts payable and receivable invoices, examining documents to determine whether HST is applicable and the calculation of HST filings. If staff requires further clarification, research is done and if required, the query is forwarded to a partner at BDO who specializes in Indirect Tax or in some cases, written rulings are obtained from CRA.

The independent reviews conducted by CRA and BDO validate the processes in place are working; staff continues to review and update these processes.

Legal and Legislated Requirements

HST is a federally administered tax

Excise Tax Act

Financial and Resource Implications

Staff time was required to gather the data requested, meet with the CRA IT Specialist and Auditor as well as deal with follow up queries; this was done without incurring overtime costs. The cost for the HST review conducted by BDO in early 2017 was approximately \$2,500.

Relevant Consultation

Internal: Finance Staff

External: Scott Merry CPA, CA Partner, Indirect Tax BDO Canada LLP

Appendices and Attachments

Letter from CRA dated stamped December 19, 2017 as attached.



Canada Revenue Agency
Agence du revenu du Canada

DEC 19 2017

Corporation of The County of Grey
595 9th Ave E,
Owen Sound ON N4K 3E3

Attention: Mary Lou Spicer

Your file / Votre référence
10697 9388RT0001
Our file / Notre référence

Anil Tuli
Section : 691-01

Dear Ms. Spicer,

Re: Audit of Goods and services tax/Harmonized sales tax (GST/HST) returns for the period from January 1, 2015 to April 30, 2017.

Account Number: 10697 9388RT0001

The audit of your GST/HST and rebate returns for the period 2015-01-01 to 2017-04-30 is complete. We are pleased to tell you that we found no significant errors and there is no need to reassess your returns.

Although a further review of your records is not planned at this time, the *Excise Tax Act* requires that you retain your books and records, including those in electronic format. For additional information, please see GST/HST Memorandum 15.1, *General Requirements for Books and Records*, which can be found on the Canada Revenue Agency Web site at www.cra-arc.gc.ca.

Thank you for the assistance you provided during the audit.
If you have any questions about this matter, please contact me at (437) 333-9609.
My team leader, Richard Steinbock, may also be reached at (905) 803-7328.

Sincerely,

Anil Tuli
Audit Division

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Facsimile: 905 - 803-7849
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Mississauga, ON L5A 4E9

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