

**Internal Audit Update: Q4-2020**

Item 2D

February 5, 2021

Building Investment, Finance and Audit Committee

Report: BIFAC:2021-06**To:** Building Investment, Finance and Audit Committee
("BIFAC")**From:** Manager, Internal Audit**Date:** January 12, 2021**PURPOSE:**

The purpose of this report is to provide BIFAC with an update on the work conducted by the Internal Audit Department ("IAD") up to December 31, 2020.

RECOMMENDATION:

It is recommended that the BIFAC receive this report for information.

REASONS FOR RECOMMENDATION:**Background:****Q4-2020 Work Plan Update:**

The Q4-2020 Work Plan Update is set out in Attachment 1 to this report. There are three tables, as follows:

- 1) **Table 1 - Status of 2020 Projects:** New engagements that were completed or substantially completed in 2020;
- 2) **Table 2 - Status of Standing Items:** Engagements that are being completed every year;
- 3) **Table 3 - Other Items:** Other Internal Audit activities not categorized as New Projects or Standing Items (above).

Resource Requirements

We believe we have the resources available to complete all engagements for the year 2020 as detailed in the Q4-2020 Work Plan Update.

IMPLICATIONS AND RISKS:

IAD will provide BIFAC with quarterly updates on the status of the Internal Audit engagements.

SIGNATURE:

“Karim Jessani”

Karim Jessani
Manager, Internal Audit

ATTACHMENT:

1. December 31, 2020 Internal Audit Department Work Plan Update.

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Attachment 1 - December 31, 2020 Internal Audit Department Work Plan Update

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	December 31, 2020 Update	% completion as of December 31st
Table 1 - Status of 2020 Projects						
Insurance Coverage & Claims Review	A review of the adequacy of insurance coverage and claims management.	<ul style="list-style-type: none"> > Company assets are inadequately insured. > Insurance claims are not filed on a timely basis. 	<ul style="list-style-type: none"> 5- Operational Process 17- Non-compliance with legislations & regulations 	Legal (ERM)	Completed. Final Audit Report with Management Action Plan being presented to BIFAC on February 05, 2021.	Completed
IT Asset Management Review	A review of ITS processes to manage IT assets.	<ul style="list-style-type: none"> > IT assets are inadequately inventoried and managed. > IT assets' lifecycle is not optimized. 	<ul style="list-style-type: none"> 1- Information Technology Systems 5- Operational Process 	ITS	Initial planning completed and fieldwork started during Q3 2020. Due to resource reprioritization towards other projects (see Management's Request section below), audit will be completed during Q1 2021.	35%
Hiring and Onboarding Review	A review of HR end to end hiring and onboarding process.	<ul style="list-style-type: none"> > Hiring policies and procedures are not followed. > Applicable legislative compliance is not achieved. > Suboptimal onboarding process. 	<ul style="list-style-type: none"> 6- HR Process 17- Non-compliance with legislations & regulations 	HR	Completed. Final Audit Report with Management Action Plan being presented to BIFAC on February 05, 2021.	Completed
Payroll Process Review	A review of HR payroll process including Public Sector Salary Disclosure	<ul style="list-style-type: none"> > Payroll policies and procedures are not followed. > Applicable legislative compliance is not achieved. > Inaccurate payroll processing. 	<ul style="list-style-type: none"> 6- HR Process 17- Non-compliance with legislations & regulations 	HR	Initial planning completed and fieldwork started during Q4 2020. Due to resource reprioritization towards other projects (see Management's Request section below), audit will be completed during Q1 2021.	43%

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	December 31, 2020 Update	% completion as of December 31st
Continuous Controls Monitoring (CCM) Follow-up Project	Data analytics to identify unusual transactions/trends and identifying areas where internal controls can be strengthened.	IAD is a small team with 2 corporate audit analysts and one manager to audit all the risks in the organization. CCM provides an efficient and effective means to focus on high or medium risk areas.	5- Operational Process	Various	Follow-up in progress for the actions taken based on analysis conducted during 2019. Project will be completed in conjunction with 2021 CCM project.	61%
Management's request	Special assignment requests. Due to the recent restructuring, we expect assignments in various business areas.	Various	Various	Various	<ol style="list-style-type: none"> 1. Reviewed Appliances related processes to evaluate adequacy of internal controls and operational efficiency. Draft report is being finalized to obtain management's action plan. 2. Overhoused process analysis performed to identify RGI overhoused households where overhoused process was not followed. Results and findings were presented to the Management. 3. Market rent table analysis for DM and CM properties was performed to identify households where Annual Rent Increase Guideline was not followed. Results and findings were presented to the Management. 4. Utility charges were analyzed for consistency. Results and findings were presented to the Management. 5. Supported Investigations Unit on request received from SSHA on files referred by AG's office. 6. Following analysis are in progress: <ul style="list-style-type: none"> - Arrears analysis for DM & CM. - Data analysis on units transferred from CM to DM. 	Ongoing

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Table 2 - Status of Standing items						
Follow Up on the Implementation of Recommendations from Previous Internal Audit Reports	This is the review of the status of recommendations made in previous Internal Audit reports including reviewing supporting audit evidence. BIFAC will be provided 2 status updates during the year.	The risks identified in the initial audits are now known but not adequately mitigated.	Various	Various	Follow-up is ongoing with process owners for open recommendations. Status update on audit recommendations, as of Dec 31, 2020 will be presented in March 2021 BIFAC meeting.	87%
RGI continuous auditing	This includes: > PwC / KPMG RGI Review > Future Dated Review > Contract Management Review - New samples. > Contract Management Review - Follow-up samples. > Special requests such as from AG's office, etc.	The External Auditors identified a significant financial risk in 2015 in relation to the accuracy of the RGI calculation. Management set up a program in 2016 and then transferred this function to IAD in February 2017. Now the 3-member RGI team performs various RGI related reviews throughout the year.	5- Operational Process 10- Brand and Reputation 12- Records Management 16- Operational Funding 17- Non-Compliance with Legislation & Regulations	Operations	- Following projects were completed during the period: 1. External Auditor RGI Review (2019 RGI Audit) 2. Contract Management Review - New samples. 3. Contract Management Review - Follow-up samples. Summary of Internal Audit findings on 2020 CM review (items 2 & 3 above) was presented to Senior Director, Business Operations. We also arranged a debrief session with Greenwin staff to provide feedback based on our CM Reviews (items 2 & 3 above). External Auditor RGI Review (2020 RGI Audit): Coordinating with the External Auditor (KPMG) for RGI Review (2020 RGI Audit). Information requested by KPMG was provided and awaiting their response. Future Dated Review: Future Dated Review was suspended due to COVID -19.	96%

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Information Technology and other Advisory Services	As and when requested, the Manager, Internal Audit will participate on Committees for IT projects or procurement of various IT assets to provide independent and objective advisory services.	TCHC is going through a company-wide transformation by procuring an Enterprise Resource Planning system to replace more than 30 legacy systems. The risks are: change management; time, budget and scope creep.	1- Information Technology Systems 5- Operational Process	ITS	Internal Audit provided feedback on the following during the year: 1. Queries received from iHMS Business Lead related to HoMES project; and 2. New Arrears Collection Process being developed by the Working Group.	Ongoing
Annual Audit Plan, Rolling Plan & Risk Assessment refresh	The Manager, Internal Audit will revisit operational risks and will update it to reflect current processes and other factors in the organization. This would be done in consultation with ERM and will be used to prepare the Annual Audit Plan for 2021 and to update the Rolling Plan for 2022-24.	IAD's workplan should align with the corporation's priorities. By performing this operational risk assessment refresh, IAD ensures that its services yield value to the Management.	19- Strategic Alignment	Various	Internal Audit Work Plan for 2021 and Rolling Plan for 2022-24, being presented to BIFAC on February 05, 2021, for approval.	Completed

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Table 3 - Other Items

BIFAC Status Reporting	Quarterly status update to BIFAC providing progress on Annual Audit Plan.				Ongoing	
Internal Audit Manual	To guide the Corporate & RGI Audit Teams.				Ongoing	
Document Standardization	To guide all IAD team members and promote audit efficiencies.				Ongoing	
Staffing, training, etc	Ongoing.				Ongoing	

Note: Time commitment for each of the above item varies depending upon the stage of completion, etc.