



Internal Audit Update: Q1 2021

Item 2D

May 18, 2021

Building Investment, Finance and Audit Committee

Report: BIFAC:2021-39

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: Manager, Internal Audit

Date: April 14, 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 March 31, 2021.

RECOMMENDATION:

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

REASONS FOR RECOMMENDATION:

Background:

Q1-2021 Work Plan Update:

The Q1 2021 Work Plan Update is set out in Attachment 1 to this report.

There are four tables, as follows:

- 1) **Table 1 - Status of 2021 Projects:** New engagements that will be completed or substantially completed in 2021;
- 2) **Table 2 - Status of Standing Items:** Engagements that are being completed every year;
- 3) **Table 3 - Status of 2020 Projects:** 2020 engagements completed and/or presented in 2021; and

- 4) **Table 4 - Other Items:** Other IAD activities not categorized as New Projects or Standing Items.

Resource Requirements

We believe we have the resources available to complete all engagements as detailed in the Q1 2021 Work Plan Update.

IMPLICATIONS AND RISKS:

IAD will continue to provide BIFAC with quarterly updates on the status of our Work Plan.

SIGNATURE:

“Karim Jessani”

Karim Jessani
Manager, Internal Audit

ATTACHMENT:

1. March 31, 2021 Internal Audit Department Work Plan Update

STAFF CONTACT:

Karim Jessani, Manager, Internal Audit
416-981-4052
Karim.Jessani@torontohousing.ca

Amyn Bhayani, Internal Audit Analyst
416-688-6767
Amyn.Bhayani@torontohousing.ca

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	March 31, 2021 Update	% completion as of March 31st
------------------	-------------	----------------	-----------------------------------	----------	-----------------------	-------------------------------

Table 1 - Status of 2021 Projects

Annual Unit Inspection Process Review	A review of the effectiveness of TCHC's process of annual inspection of residential units.	<ul style="list-style-type: none"> - Non-compliance with policies and procedures. - Health & Safety - Reputational Risk 	4- Operational Processes 16- Health & Safety 20- Non-compliance with Legislations & Regulations	Operations	Initial planning completed and fieldwork started during Q1 2021.	17%
Business Continuity & Disaster Recovery Plan Review	A review of TCHC Business Continuity & Disaster Recovery plan.	<ul style="list-style-type: none"> - Inadequate measures in place to prepare and respond to emergencies or service disruptions. - Reputational risk due to unavailability of information or services. 	2- Data Governance & Integrity 13- Organization Resiliency	ITS, Operations, ERM	Will be initiated in Q2 2021.	Not Started
Budgeting & Monitoring Process Review	A review of financial planning, budgeting and monitoring process.	<ul style="list-style-type: none"> - Inadequate policies and procedures to manage the budgeting process. - Inadequate or ineffective monitoring of the approved budget. 	4- Operational Processes 8- Records Management	Finance	Will be initiated in Q2 2021.	Not Started
Capital Projects Close-out Process Review	A review of the inspection process that supports the issuance of the substantial completion certificate.	<ul style="list-style-type: none"> - Ineffective close-out process, resulting in financial loss to the company. - Criteria for substantial completion not adequately documented. - Non-compliance with laws & regulation. 	4- Operational Processes 20- Non-compliance with Legislations & Regulations	FM	Will be initiated in Q3 2021.	Not Started

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	March 31, 2021 Update	% completion as of March 31st
Continuous Controls Monitoring (CCM)	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.	4- Operational Process	Various	Will be initiated in Q4 2021.	Not Started
Management requests	Due to the organizational restructuring, we expect assignments in various business areas. Corporate & RGI team members will carry-out special projects, analysis, regional/hub-level operational reviews and other Management requests.	Various	Various	Various	<ul style="list-style-type: none"> - Incorrect Annual Review Data Analysis for DM: To identify accounts where rent reviews were not done properly in HMS. Results and findings are being finalized for sending to the Management for review. - Mileage and Fleet Cost Analysis: To evaluate reasonability of mileage claims and fleet costs. Preliminary findings were sent to the Management for review. - Arrears Analysis for CM and DM: To provide the trend of the Arrears' movement. Results and findings were sent to the Management for review. 	Ongoing

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	<ul style="list-style-type: none"> - Status update on open audit recommendations as of Dec. 31, 2020 was presented to BIFAC on March 11, 2021. - Follow-up is ongoing with process owners. Status as of June 30, 2021 will be presented to BIFAC in Sept. 2021. 	19%
---	---	--	---------	---------	---	-----

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	March 31, 2021 Update	% completion as of March 31st
RGI continuous auditing	<p>This includes:</p> <ul style="list-style-type: none"> > Support to KPMG for their 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. 	<ul style="list-style-type: none"> - Inaccurate RGI rent calculation resulting in recording inaccurate revenue in the financial statements. - Overcharge to tenants resulting in reputational risk due to tenant complaints. - Inadequate documentation supporting rent calculation resulting in non-compliance with applicable legislation and regulations. 	<ul style="list-style-type: none"> 3- Brand and Reputation 4- Operational Process 8- Records Management 20- Non-Compliance with Legislation & Regulations 	Operations	<ul style="list-style-type: none"> - Communicated with KPMG for their RGI Review requirements. Awaiting their response on sample selection to initiate the fieldwork. - Initiated planning for Contract Management Review. 	17%
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 implementing an Enterprise Resource Planning system to replace more than 30 legacy systems. The risks are: change management; time, budget and scope creep.	<ul style="list-style-type: none"> 4- Operational Process 7- Information Technology Systems 	ITS	Participating in HoMES testing where requested and providing input to the Management.	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 2022 and to update the Rolling Plan for 2023-25.	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.	22- Strategic Alignment	Various	Will be initiated in Q4 2021.	Not Started

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	March 31, 2021 Update	% completion as of March 31st
------------------	-------------	----------------	-----------------------------------	----------	-----------------------	-------------------------------

Table 3 - 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's Action Plan was 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 is in progress.	45%
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's Action Plan was 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	Completed. Final Audit Report with Management's Action Plan was presented to BIFAC on March 11, 2021.	Completed

Table 4 - 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	

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	March 31, 2021 Update	% completion as of March 31st
Internal Audit Charter	It is a formal document that defines Internal Audit Department's purpose, authority, responsibility and position within the organization.				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.