Toronto Community Housing

Internal Audit Work Plan Update: Q4 2022
Item 9B
January 27, 2023
Building Investment, Finance and Audit Committee

Report:	BIFAC:2023-18
To:	Building Investment, Finance and Audit Committee ("BIFAC")
From:	Director, Internal Audit
Date:	January 13, 2023

PURPOSE:
The purpose of this report is to provide the BIFAC with an update on the work conducted by the Internal Audit Department ("IAD") up to December 31, 2022.

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

REASONS FOR RECOMMENDATION:

Background:

Q4-2022 Work Plan Update:
The Q4-2022 Work Plan Update is set out in Attachment 1 to this report.
There are four tables in the attachment, as follows:
1) **Table 1 - Status of 2022 Projects**: New engagements that have been completed, rescheduled or in progress at year-end;
2) **Table 2 - Status of Standing Items**: Engagements that are being completed every year;
3) **Table 3 - Status of 2021 Projects**: 2021 engagement that was completed in 2022; and
4) **Table 4 - Other Items**: Other IAD activities not categorized above.

Resource Requirements

We believe we have the resources available to complete all engagements as detailed in the Q4 2022 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"

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Karim Jessani
Director, Internal Audit

ATTACHMENT:

1. Annual Audit Work Plan Update for Q4 2022

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TCHC Internal Audit Department						
Quarterly Update as on December 31, 2022.						
Audit Engagement	**Description**	**Potential Risk**	**Alignment with ERM Priority Risks**	**Division**	**Status as on December 31, 2022.**	**% Completion as on December 31, 2022.**
Table 1 - Status of 2022 Projects						
Learning & Organizational Development Operational Review	An operational review of Learning & Organizational Development function including Performance Management Program (PMP).	- Inadequate identification/management of staff training needs. - Ineffective PMP process. - Sub-optimal value for money invested in organizational training.	13-Organizational Resiliency 14- HR Process	HR	Final audit report with Management's Action Plan was presented to BIFAC on June 17, 2022.	100%
Scholarship Programs Review	An operational and compliance review to assess the Scholarship programs in order to confirm the manner in which appropriate controls exist in the administration of those programs.	- Inadequate policies and procedures. - Inadequate oversight/controls over the disbursement and use of funds.	3- Brand and Reputation	Development	Final audit report with Management's Action Plan was presented to BIFAC on Sept. 08, 2022.	100%
Cyber Security & Access Controls Review	A follow-up review of ITS processes to manage IT cyber security risks and management of access controls for major IT Systems.	- Inadequate security leading to a potential leak/misuse of sensitive information. - Unavailability of information/data due to cyber attack. - Ineffective management of access controls.	7- Information Technology Systems 10- Cyber Security and Privacy 13- Organizational resiliency	ITS	Audit project has been deferred as per discussions with the Management due to lack of resources and staff turnover in ITS Division and Internal Audit Department.	N/A

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on December 31, 2022.	% Completion as on December 31, 2022.
Hub Operations Review	A review of selected Hub locations from all regions to cover the following four service pillars: 1. Cleaning; 2. Maintenance; 3. Tenancy Management; and 4. Community Safety and Support.	- Non-compliance with policies and procedure. - Inefficiencies in processes. - Suboptimal services to tenants, resulting in reputational risk. - Incorrect calculation of RGI rent.	4- Operational Process	Operations	Audit project has been suspended at the audit planning stage as per the Management's request due to upcoming changes to the hub model.	29%
Preventive Maintenance Program Review	An operational review of the preventive maintenance program.	- Deterioration of organizational assets. - Reputational risk due to inadequate maintenance. - Health and safety risk due to insufficient maintenance of assets.	3- Brand and Reputation 4- Operational Processes 16- Health and Safety	FM	Audit planning work completed. Field work is in progress.	41%
Accounts Payable Operational Review	An operational review of efficiency and effectiveness of accounts payable function.	- Inadequate policies and procedures. - Delayed and/or duplicate payments. - Inadequate segregation of duties.	4- Operational Process 6- Vendor Management	Finance	Final audit report with Management's Action Plan being presented to BIFAC on January 27, 2023.	100%
Business Continuity & Disaster Recovery Planning Process Review	A review of Business Continuity & Disaster Recovery planning process.	- 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 3- Brand and Reputation 13- Organization Resiliency	ITS, Operations, Legal (ERM)	Audit project has been suspended at the audit planning stage as per the Management's request.	12%

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on December 31, 2022.	% Completion as on December 31, 2022.
Continuous Controls Monitoring (CCM)	Data analytics to identify unusual transactions/trends and identifying areas where internal controls can be strengthened.	- Non-compliance with existing internal control measures. - Data entry errors. - Inefficiencies in processes.	4- Operational Process	Various	Two CCM areas were covered by conducting data analysis including a follow-up. Management will be provided summary updates during Q1-2023.	87%
Management requests	These projects are usually initiated based on a request by the Management. This includes review of specific processes, providing advice and/or our analysis on an activity or proposed change, agreed upon procedures or conducting investigations.	Various	Various	Various	Upon request.	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 half-yearly status updates during the year.	The risks identified in the initial audits are now known but not adequately mitigated.	Various	Various	> Status as of June 30, 2022 was presented to BIFAC on Sept. 08, 2022. > Status as of December 31, 2022 is under preparation.	76%

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on December 31, 2022.	% Completion as on December 31, 2022.
RGI continuous auditing	This includes: > Support to KPMG for their RGI Review, as and when requested. > Future Dated Review including follow-up of previously identified issues. > Special requests such as from AG's office, etc.	- 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.	3- Brand and Reputation 4- Operational Process 8- Records Management 20- Non-Compliance with Legislation & Regulations	Operations	> Future Dated Review up to Q2-2022 has been completed. A total of 100 files were reviewed and summary reports were issued to Operations. > Arrears Management Project was initiated in May 2022. Initial 2 phases have been completed.	100%
Information Technology and other Advisory Services	As and when requested, the Director Internal Audit/team members 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.	4- Operational Process 7- Information Technology Systems	ITS	Participated in HoMES testing as and when requested and provided input to the HoMES Team on system functionalities.	Ongoing

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on December 31, 2022.	% Completion as on December 31, 2022.
Annual Audit Work Plan, Rolling Audit Work Plan & Updated Risk Assessment	The Director, Internal Audit will revisit operational risks by collaborating with the ERM Unit. Updated risk rankings will be reviewed and considered to prepare the Annual Audit Work Plan for 2023 and to update the Rolling Audit Work Plan for 2024-26.	IAD's workplan should align with the corporation's priorities and identified risks. By collaborating with ERM Unit and considering the updated risk rankings, IAD ensures that its services yield value to the Management.	22- Strategic Alignment	Various	Internal Audit Work Plan for 2023 and Rolling Audit Work Plan for 2024-26 is being presented to BIFAC on January 27, 2023 for approval.	100%

Table 3 - Status of 2021 Projects						
Capital Projects Close-out Process Review	A review of the inspection process that supports the issuance of the substantial completion certificate.	- 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	Final audit report with Management's Action Plan was presented to BIFAC on July 27, 2022.	100%

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on December 31, 2022.	% Completion as on December 31, 2022.
Table 4 - Other Items						
BIFAC Status Reporting	Quarterly status update to BIFAC providing progress on Annual Audit Plan.				> Q4-2022 Audit Work Plan status update report being presented to BIFAC on January 27, 2023. > Q1 to Q3-2022 status update reports already presented to BIFAC during 2022.	100%
Internal Audit Manual	To guide the Corporate & RGI Audit Teams.				Ongoing	-
Document Standardization	To guide all IAD team members and promote consistency and audit efficiencies.				Ongoing	-
Staffing, professional development/training, etc.	Includes seminars and other trainings to stay current on the internal auditing profession and meet CPE requirements from respective professional bodies.				Ongoing	-

Note: Time spent on each of the above item varies depending upon the stage of completion.