



Internal Audit: 2014 Work Plan Update

Item 7
September 23, 2014
Corporate Affairs and Audit Committee

To: Corporate Affairs and Audit Committee **Report:** CAAC:2014-37
From: Chief Internal Auditor
Date: September 15, 2013 Page 1 of 3
Strategic Plan Priority: **Service Excellence:**
• Demonstrate Value for Money and Public Accountability

PURPOSE:

To provide the Corporate Affairs and Audit Committee (“the Committee”) with a status update of the 2014 Internal Audit Work Plans.

RECOMMENDATIONS:

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

REASONS FOR RECOMMENDATIONS:

The 2014 Internal Audit Work Plan is comprised of two separate work plans: one for the Internal Audit Unit (“Internal Audit”) and the other for the Investigations Unit (“Investigations”).

2013 Internal Audit Work Plan Status Update

The status update for the 2014 Internal Audit Work Plan is set out in **Attachment 1**.

The status update sets out those items in the Internal Audit 2014 Work Plan that:

- a) have been completed;
- b) the field work and draft report have been completed, and the draft report is under review;
- c) the field work has been completed and the draft report is being prepared;
- d) are currently in progress;
- e) are scheduled to commence in Q414;
- f) will be deferred to 2015; and
- g) are being cancelled.

Additional Work Plan Items

Since the Committee approved the 2014 Work Plan at its November 29, 2013 meeting, two additional items have been added to the Internal Audit Work Plan:

- Annual Review Process for TCHC Employees who are TCHC tenants (2014IA15) – this arose out of an investigation conducted by the Investigations Unit of Internal Audit. This item is currently in progress; and
- Review of the Financial Internal Controls of Access Housing Connections (AHCI) – the General Manager of AHCI has requested a review of their financial internal control framework. This item is schedule to begin in late November 2014.

Work Plan Items to be Deferred to 2015

Internal Audit Work Plan Item 2014IA12, Spot Audit on the Completion of Tenant Annual Review Forms, is being deferred until 2015. The TCHC annual review process is being revised pursuant to recommendations contained in the Ombudsman's report on seniors. As such, we will conduct our review of this matter subsequent to the process changes being implemented.

Work Plan Items Cancelled

Two Internal Audit Work Plan Items have been cancelled:

- Assist in the monitoring of the implementation of recommendations contained in previous, non-TCHC Auditor General (AG) reports (2014IA05) – Recommendation 7 of the AG's 2011 procurement report requested TCHC to review recommendations made in over 30 other non-TCHC AG reports, to determine if any of those recommendations (400 in total) would be applicable to TCHC.

This Work Plan item was to assist in the monitoring of the review and implementation of such recommendations. At the time the 2014 Work Plan was approved by the Committee (November 2013), the status of TCHC's implementation of Recommendation 7 was 'in progress'. In February 2014, during their annual follow-up visit to TCHC, the AG's office concluded that Recommendation 7 had been satisfactorily implemented. Accordingly, this Work Plan item was no longer applicable.

- Bi-annual review of employee expense reports (2014IA13) – Recommendation 3 of the AG's 2011 employee expenses report requested Internal Audit to conduct ongoing audits of employee expense claims. Internal Audit did conduct two such audits and reported the results of same at the Committee's July 26, 2013 and June 27, 2014 meetings.

At the June 27, 2014 meeting, it was noted to the Committee that with the introduction of the Employee Expense Control Clerk (EECC) position in the Internal Audit Department, for all intents and purposes employee expense claims are continuously being audited. As such, there is no longer a need for Internal Audit to conduct separate, specific reviews, twice a year, on employee expense claims. Internal Audit will, however, report annually to the Committee on the work of the EECC vis-à-vis the nature and scope of expense claims that were not, before reimbursement was made, compliant with the Policy.

2013 Investigations Work Plan Status Update

The status update for the 2013 Investigations Work Plan is set out in **Attachment 2**.

As a result of Internal Audit Work Plan Item 2014IA12 (Review of Tenant Annual Review Forms) being deferred until 2015, this also means that Investigations Work Plan Item 2013Inv5 (training of field staff on the completion of annual review forms and the receipt of documents during the tenant Annual Review process) will be deferred to 2015.

IMPLICATIONS AND RISKS:

The 2014 Internal Audit Work Plans take into consideration risks and other factors that have been brought to the Department's attention. Regular updates on the progress of the Work Plans will assist in the Work Plans' objectives being met.

"Michael Vear"

Michael Vear
Chief Internal Auditor

- Attachments:**
- 1: Internal Audit – 2014 Work Plan Status Update – As At September 15, 2014
 - 2: Investigations – 2014 Work Plan Status Update – As At September 15, 2014

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ATTACHMENT 1**INTERNAL AUDIT - 2014 WORK PLAN - STATUS AS AT SEPTEMBER 15, 2014**

| Item No | 2014 Work Plan Item | Project Description | Status | To CAAC (Est) |
|------------------|--|--|-------------------------------------|----------------------|
| Completed | | | | |
| 2013B8a | Cellular telephone usage. | To determine if staff use of TCHC cellular telephones is within TCHC policies. | Completed - March 6, 2014 CAAC | N/A |
| 2013C4 | Random review of employee expense claims. | Semi-annual review of employee expense claims. Fieldwork started in Q413. | Completed - June 27, 2014 CAAC | N/A |
| 2013C6 | Payroll. | Review of internal controls in the TCHC Payroll Department. | Completed - June 27, 2014 CAAC | N/A |
| 2013D1 2013D2 | Follow Up on pre-July 1/13 Internal Audit Recommendations. | Fleet and mileage reports. | Completed - March 6, 2014 CAAC | N/A |
| 2014IA04 | Accuracy of TCHC salary disclosure to the Province of Ontario. | A review of the 2013 annual salary disclosure to the Province of Ontario to determine if it is compliant with the requirements of the <i>Public Sector Salary Disclosure Act, 1996</i> . | Completed - September 23, 2014 CAAC | Sep 27/14 |

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| Item No | 2014 Work Plan Item | Project Description | Status | To CAAC (Est) |
|----------------|--------------------------------|---|---|----------------------|
| 2014IA07 | Employee Expense Control Clerk | The Employee Expense Control Clerk will be responsible for the final review of all employee expense claims prior to payment to ensure claims are in compliance with TCHC policies and procedures. This position will also be responsible for the gathering of information and documentation required for the monthly public disclosure of employee and Board member expenses. | Completed - this position has been staffed since February 2014. A 2014 annual summary of the activities of the Employee Expense Control Clerk will be submitted in 2015 to CAAC. | Early 2015 |

In Progress - Field Work Completed, Draft Report Completed and Being Reviewed

| | | | | |
|----------|--------------------------------|---|------------------------------|-----------|
| 2013B8b | Internet usage. | To determine if staff use of the internet is within TCHC policies. Fieldwork started in late 2013. | Draft report being reviewed. | Nov 12/14 |
| 2013A1 | Petty cash audit. | Internal audit of TCHC petty cash holdings and cash advances (source is Auditor General 2010 TCHC Employee Expenses Report Recommendation 9). | Draft report being reviewed. | Nov 12/14 |
| 2014IA08 | Social Investment Fund grants. | A review of the status of past Social Investment Fund grants issued by TCHC. | Draft report being reviewed. | Nov 12/14 |

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| Item No | 2014 Work Plan Item | Project Description | Status | To CAAC (Est) |
|---|---|---|--|---------------|
| In Progress - Fieldwork Completed, Draft Report to be Prepared | | | | |
| 2013B1 | Major contracts review. | <p>Review all TCHC major contracts 2008 - 2011 (both competitive and single tendered) awarded by TCHC in order to determine that such contracts were awarded appropriately (source is Auditor General 2010 TCHC Procurement Report Recommendations 6 and 16). (3rd Party)</p> <p>2012 fieldwork completed by PwC. PwC conducted further testing on 2013 data. PwC reports received on Apr 23/14.</p> | <p>Third party fieldwork complete. Report to be prepared in tandem with 2014 procurement internal audits (2014IA01, 2014IA02).</p> | Early 2015 |
| 2013B3 | <p>Conduct random review of all tenders to ensure compliance with TCHC policies.</p> <p>Review all instances where open tendering process circumvented.</p> | <p>Review will include TCHC's open tender policy, if open tenders have been circumvented, the tender opening process, a review of tender documents, and the financial security documents that are supposed to accompany tender documents (source is Auditor General 2010 TCHC Procurement Report Recommendations 14 and 15). (3rd Party)</p> <p>2012 fieldwork completed by PwC. PwC conducted further testing on 2013 data. PwC reports received on Apr 23/14.</p> | <p>Third party fieldwork complete. Report to be prepared in tandem with 2014 procurement internal audits (2014IA01, 2014IA02).</p> | Early 2015 |

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| Item No | 2014 Work Plan Item | Project Description | Status | To CAAC (Est) |
|--|---|---|---|---------------|
| 2013C2 | Random reviews of tenders to ensure compliance. | Random reviews of 2013 tenders (source is Auditor General 2010 TCHC Procurement Report Recommendation 14). 2012 fieldwork completed by PwC. PwC conducted further testing on 2013 data. PwC reports received on Apr 23/14. | Third party fieldwork complete. Report to be prepared in tandem with 2014 procurement internal audits (2014IA01, 2014IA02). | Early 2015 |
| In Progress - Fieldwork Being Completed | | | | |
| 2014IA01 | In-depth review of procurement practices. | In 2013 Internal Audit, in consultation with the City's Internal Audit Department, developed an internal audit review program for the TCHC Strategic Procurement Department. This work plan item will encompass the completion of the review program. In addition, it will take into consideration internal control matters raised in the January 7, 2010 report received from RSM Richter. | Fieldwork underway. 2014IA01 and 2014IA02 are being completed contemporaneously. | Early 2015 |
| 2014IA02 | Development of a procurement self-review program. | In consultation with the Strategic Procurement Department, develop a self-review program that can be used by the department that will monitor compliance with TCHC procurement policies, procedures, and protocols. (Item deferred from 2013) | Fieldwork underway. 2014IA01 and 2014IA02 are being completed contemporaneously. | Early 2015 |

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| Item No | 2014 Work Plan Item | Project Description | Status | To CAAC (Est) |
|----------------|---|---|---------------------|-------------------------|
| 2014IA09 | Inventory controls on photocopiers. | A review of the inventory controls and procedures with respect to photocopiers used by TCHC. | Fieldwork underway. | Nov 12/14 or early 2015 |
| 2014IA10 | Continuous controls monitoring. | Development of a continuous controls monitoring program, using data analysis tools to identify emerging trends, and to prevent and detect internal control weaknesses and/or fraud. | Fieldwork underway. | Early 2015 |
| 2014IA11 | IT access for terminated and transferred staff. | A review of the controls and processes with respect to information technology access for terminated and transferred staff. | Fieldwork underway. | Nov 12/14 or early 2015 |
| 2014IA15 | Annual Review Process for TCHC Employees who are TCHC tenants | This was added to the work plan in 2014. A review of the Annual Review process for TCHC employees who are also TCHC tenants. | Fieldwork underway. | Early 2015 |


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| Item No | 2014 Work Plan Item | Project Description | Status | To CAAC (Est) |
|--------------------------|--|--|---|---------------|
| Not Yet Scheduled | | | | |
| 2014IA03 | TCHC Risk Assessment review. | The City of Toronto Auditor General's 2014 Work Plan includes the AG's once-every-five-years risk assessment of City operations and major corporations within its mandate. Included in that review will be a risk assessment of TCHC. TCHC will be given an opportunity to review the methodology and results of that risk assessment. This will assist the TCHC Internal Audit Department to evaluate areas of audit risk and prioritize future audit projects. (Item deferred from 2013) | TCHC's deadline for submission of documents to AG's office has been delayed to September 30, 2014. As such, the AG's fieldwork on this project will be delayed as well. | TBD |
| 2014IA06 | Monitoring of extra capital repair funds received from the City of Toronto. | The City has approved TCHC's 10 year capital funding program, which includes the receipt of extra capital funds from the City. Internal Audit will monitor the reporting and tracking controls of these funds that will be put in place by the TCHC CFO. | Fieldwork will commence late - October. | Early 2015 |
| 2014IA14 | Follow up on the implementation of recommendations from previous Internal Audit reports. | A review to determine the status of recommendations made in Internal Audit reports issued prior to July 1, 2014. | Fieldwork will commence early December. | Early 2015 |

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| Item No | 2014 Work Plan Item | Project Description | Status | To CAAC (Est) |
|-------------------------------|---|---|---|----------------------|
| 2014IA16 | Review of the financial internal controls of Access Housing Connections. | This was added to the work plan in 2014. The General Manager of Access Housing Connections has requested a review of their financial internal control framework. | Fieldwork will commence late November. | Early 2015 |
| To Be Deferred to 2015 | | | | |
| 2014IA12 | Spot audit on the completion of tenant Annual Review forms. | Spot audit on the completion of tenant Annual Review forms. | The TCHC annual review process is being revised, pursuant to recommendations contained in the Ombudsman's report on seniors. We will conduct our review subsequent to the changes being implemented. | N/A |
| Cancelled | | | | |
| 2014IA05 | Assist with the monitoring and implementation (if applicable) of recommendations contained in previous, non-TCHC related Auditor General reports. | In the AG's 2010 TCHC procurement report, it was recommended that TCHC review previous AG reports to determine if recommendations in those reports are applicable to TCHC. We will assist TCHC management in developing and implementing a program with respect to the continuous monitoring of the implementation of the applicable recommendations. | At the time this work plan item was developed (November 2013) the status of TCHC's implementation of the AG's recommendation was 'in progress'. In February 2014 the AG's office concluded that this recommendation had been implemented. Accordingly, this work plan item is no longer applicable. | N/A |

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INTERNAL AUDIT - 2014 WORK PLAN - STATUS AS AT SEPTEMBER 15, 2014



| Item No | 2014 Work Plan Item | Project Description | Status | To CAAC (Est) |
|----------------|---|---|---|----------------------|
| 2014IA13 | Bi-annual review of employee expense reports. | This task was requested by the AG in his Dec 2010 Employee Expenses report. | As reported to CAAC at its June 27, 2014 meeting, the creation of the Employee Expense Control Clerk position in Internal Audit renders a bi-annual review of employee expenses obsolete. Refer to work plan item 2014IA07 above. | N/A |

ATTACHMENT 2**INVESTIGATIONS - 2014 WORK PLAN - STATUS AS AT SEPTEMBER 15, 2014**

| Item No | 2013 Work Plan Item | Project Description | Status | Est. Complete Date |
|---|---|--|---|---------------------------|
| 2013 Work Plan Items in Progress | | | | |
| 2013Inv1 | Complaints database management. | Conversion of the Complaints Database from an Excel Spreadsheet to a database program. | Beta version developed. Live version to open late September 2014. | Q314 |
| 2013Inv2 | Complaint prioritization methodology. | Development of a methodology that will allow us to prioritize the cases that are to be investigated. | In progress. | Q414 |
| 2013Inv3 | Development of a process and protocols to refer complaints to field level staff. | Will be rolled out in conjunction with new fraud presentation for field staff (see 2014Inv1 below). | In progress. | Q414 |
| 2013Inv4 | Development of a process and protocol for field staff to use when they come across a matter themselves. | Will be rolled out in conjunction with new fraud presentation for field staff (see 2014Inv1 below). | In progress. | Q414 |
| 2013Inv6 | Establish procedures and protocols for dealing with complaints at contract managed buildings. | Establish procedures and protocols for dealing with complaints at contract managed buildings. This does not now exist. | In progress. | Q414 |

ATTACHMENT 2
INVESTIGATIONS - 2014 WORK PLAN - STATUS AS AT SEPTEMBER 15, 2014

| Item No | 2013 Work Plan Item | Project Description | Status | Est. Complete Date |
|--|--|--|--|--------------------|
| New 2014 Investigation Projects | | | | |
| 2014Inv1 | Develop a revised fraud presentation for field staff. | This will provide an update to staff of the fraud presentations presented in 2011. | In progress. | Q414 |
| 2014Inv2 | CCTV video requests. | A review of the CCTV video requests procedures and record keeping protocols. | To be commenced. | Q414 |
| 2014Inv3 | Protocol re: recovery of revenue and assets. | Develop a protocol with Legal and Operations with respect to the recovery of revenue and/or assets from tenants, where applicable. | To be commenced. | Q414 |
| 2014Inv4 | Intelligence database development. | Develop an intelligence database and protocol so that information received in Investigations with respect to drugs, guns, or anti-social behaviour can be shared with the Community Safety Unit. | Ongoing | Q414 |
| To Be Deferred to 2015 | | | | |
| 2013Inv5 | Training of field staff with respect to completion of tenant forms and receipt of documents during the tenant Annual Review process. | Will be conducted via lunch and learns, subsequent to the Internal Audit spot audit of tenant Annual Review form preparation. | The TCHC annual review process is being revised, pursuant to recommendations contained in the Ombudsman's report on seniors. The spot audit will be completed subsequent to the changes being implemented. | TBD |