Toronto Community Housing

Internal Audit Update: Q1 2023
Item 13
June 23, 2023
Building Investment, Finance and Audit Committee

Report:	BIFAC:2023-64
To:	Building Investment, Finance and Audit Committee ("BIFAC")
From:	Director, Internal Audit
Date:	May 9, 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") from January 1, 2023 up to March 31, 2023.

RECOMMENDATION:

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

REASONS FOR RECOMMENDATION:
Background:
Q1 2023 Work Plan Update:
The Q1 2023 Work Plan Update is set out in Attachment 1 to this report.

There are five tables, as follows:

1) **Table 1 - Status of 2023 Corporate Audit Projects**: New engagements that will be completed or substantially completed in 2023;

2) **Table 2 - Status of 2023 RGI Audit Projects**: New engagements that will be completed or substantially completed in 2023;

3) **Table 3 - Status of Standing Items**: Engagements that are being completed every year;

4) **Table 4 - Status of 2022 Projects**: 2022 engagements that are in progress and/or completed in 2023; and

5) **Table 5 - 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 Q1 2023 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. March 31, 2023 Internal Audit Department Work Plan Update

STAFF CONTACTS:

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TCHC Internal Audit Department
Quarterly Update as at March 31, 2023.

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2023.	% Completion as on March 31, 2023.
Table 1 - Status of 2023 Corporate Audit Projects						
Change Order Process Review	Change Order Process Review of Multi-Year Contracts.	- Non-compliance with/inadequate policies and procedures. - Inadequate planning, scoping and monitoring of contracts. - Ineffective budgetary and system controls. - Ineffective contract management process.	4- Operational Processes 6- Vendor Management 12- Strategic Sourcing & Contracts	Finance	Fieldwork near completion. The audit report is being prepared.	79%
Vacancy Management Review	A review of effectiveness and efficiency of vacancy management and unit offering process.	- Non-compliance with/inadequate policies and procedures. - Inaccurate reporting of unit inventory and vacancy. - Revenue loss due to vacant units. - Reputational risk.	3- Brand and Reputation 4- Operational Processes	Operations	This project will be initiated in Q3-2023.	0%
Fire Life Safety Operations Review	An operational and compliance review of Fire Life Safety Program.	- Non-compliance with/inadequate policies and procedures. - Non-compliance with legislative and regulatory requirements. - Loss of life/property. - Risk of financial loss. - Reputational risk.	3- Brand and Reputation 4- Operational Processes 16- Health and Safety 17- Fire Life Safety	Operations	Audit planning work is in progress. TOR has been issued. The project is expected to be completed in Q2-2023.	17%

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2023.	% Completion as on March 31, 2023.
Capital Planning and Monitoring Process Review	A review of Capital Planning and Monitoring Process.	- Non-compliance with/inadequate policies and procedures. - Sub-optimal use of available resources. - Inadequate monitoring of planned vs. actual capital spending. - Inaccurate reporting of planned vs. actual capital spending.	4- Operational Processes 18- Capital Funding	FM	This project will be initiated in Q3-2023.	0%
IT General Controls Review	Review of IT General Controls.	- Risk of unauthorized access to the data, computer networks or infrastructure, etc. - Risk of unauthorized changes to the programs/data or loss of data due to cyber attacks, etc. - Ineffective management of access controls. - Inadequate controls over data backup and recovery processes.	7- Information Technology Systems 10- Cyber Security and Privacy 13- Organizational resiliency	ITS	This project will be initiated in Q3-2023.	0%
Continuous Controls Monitoring (CCM)	Data analytics to identify unusual transactions/trends and identify areas where internal controls can be strengthened. IAD will select new areas each year for this project.	- Non-compliance with existing internal control measures. - Data entry errors. - Inefficiencies in processes.	4- Operational Process 7- Information Technology Systems	Various	This project will be initiated in Q4-2023.	0%

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2023.	% Completion as on March 31, 2023.
Health, Safety & Wellness Program Review	An operational review of Health, Safety & Wellness function.	- Non-compliance with/inadequate policies and procedures. - Inadequate identification/management of employees health & safety needs. - Sub-optimal value for money invested in staff wellness programs. - Inadequate employee awareness of available programs and resources.	14- HR Process 16- Health & Safety	HR	This project will be initiated in Q4-2023.	0%
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	N/A - Upon request.	Ongoing

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2023.	% Completion as on March 31, 2023.
Table 2 - Status of 2023 RGI Audit Projects						
RGI Continuous Auditing	This includes: - Random sampling. - Special requests (if any) from External Auditors, AG's office, Management, etc. - RGI or Fraud on demand.	- Inaccurate RGI rent calculation resulting in risk of 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 RGI Review for East and Central regions in progress under which 100 tenant files are being reviewed. Summary reports will be issued to Operations in June/July 2023.	Ongoing
Arrears Management Projects	This includes: - Ongoing monitoring of High-Risk and High-Value accounts which was initiated in 2022. - Accounts with Local or Mediated Agreements. - Accounts with OCHE legal code.	- Non-compliance with/inadequate policies and procedures. - Non-compliance with legislative and regulatory requirements.	3- Brand and Reputation 4- Operational Process 8- Records Management 20- Non-Compliance with Legislation & Regulations	Operations	Phase III of the Arrears Management Project is in progress. Quarterly reports for Q1-2023 for earlier phases for all 3 regions have been issued in April, 2023.	Ongoing

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2023.	% Completion as on March 31, 2023.
Data Analysis Projects	The following areas have been identified for our review and analysis: - Over-housed process. - Loss of Eligibility reversal process. - Market rent charged greater than the maximum market rent in HoMES. - RGI tenants paying market rent for more than 24 months. - Annual Reviews not processed for more than 12 months.	- Non-compliance with/inadequate policies and procedures. - Non-compliance with legislative and regulatory requirements. - Inaccurate data in HoMES.	Various	Various	This project will be initiated in Q3-2023 depending on the availability of resources.	Ongoing
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	N/A - Upon request.	Ongoing

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2023.	% Completion as on March 31, 2023.
Table 3 - 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 December 31, 2022 was presented to BIFAC on March 6, 2023. > Status as of June 30, 2023 will be presented to BIFAC on Sept. 8, 2023. Preliminary follow-up work in progress.	59%
Annual Audit Work Plan and Rolling Audit Work Plan	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 2024 and to update the Rolling Audit Work Plan for 2025-27.	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	This project will be initiated in Q4-2023.	0%

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2023.	% Completion as on March 31, 2023.
Table 4 - Status of 2022 Projects						
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	Final audit report with Management's Action Plan is being presented to BIFAC on June 2, 2023.	100%
Table 5 - Other Items						
BIFAC Status Reporting	Quarterly status update to BIFAC providing progress on Annual Audit Plan.				> Q4-2022 Audit Work Plan status update report was presented to BIFAC on January 27, 2023. > Q1-2023 status update is being presented to BIFAC on June 2, 2023.	50%
Internal Audit Manual	To guide the Corporate Audit Team.				Ongoing	-
RGI Audit Manual	To guide the RGI Audit Team.				Ongoing	-
Internal Audit Charter	It is a formal document that defines Internal Audit's purpose, authority, responsibility and position within the organization.				Ongoing	-
Document Standardization	To guide all IAD team members and promote audit efficiencies.				Ongoing	-
Staffing, professional development/ training, etc.	To enable team's professional development and career progression.				Ongoing	-

Note: Time commitment for each of the above item varies depending upon the stages of completion.