



## Internal Audit Update: Q2 2021

Item 2D

September 2, 2021

Building Investment, Finance and Audit Committee

**Report: BIFAC:2021-72**

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

**From:** Manager, Internal Audit

**Date:** August 13, 2021

### 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 June 30, 2021.

### RECOMMENDATION:

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

### REASONS FOR RECOMMENDATION:

#### Background:

#### Q2-2021 Work Plan Update:

The Q2 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 that are in progress in 2021; 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 Q2 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”*

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Karim Jessani  
Manager, Internal Audit

**ATTACHMENT:**

1. June 30, 2021 Internal Audit Department Work Plan Update

**STAFF CONTACTS:**

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**Attachment 1**

Internal Audit Department Work Plan Update as at June 30, 2021

<b>Audit Engagement</b>	<b>Description</b>	<b>Potential Risk</b>	<b>Alignment with ERM Priority Risks</b>	<b>Division</b>	<b>June 30, 2021 Update</b>	<b>% completion as of June 30th</b>
<b>Table 1 - Status of 2021 Projects</b>						
Annual Unit Inspection Process Review	A review of the effectiveness of TCHC's process of annual inspection of residential units.	- Non-compliance with policies and procedures. - Health & Safety - Reputational Risk	4- Operational Processes 16- Health & Safety 20- Non-compliance with Legislations & Regulations	Operations	Completed. Final Audit Report with Management Action Plan being presented to BIFAC on September 02, 2021.	Completed
Business Continuity & Disaster Recovery Plan Review	A review of TCHC Business Continuity & Disaster Recovery plan.	- 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	This audit is being replaced with another audit. Revision to Internal Audit Workplan being presented to BIFAC on September 02, 2021.	Not Applicable
Budgeting & Monitoring Process Review	A review of financial planning, budgeting and monitoring process.	- Inadequate policies and procedures to manage the budgeting process. - Inadequate or ineffective monitoring of the approved budget.	4- Operational Processes 8- Records Management	Finance	This audit is being replaced with another audit. Revision to Internal Audit Workplan being presented to BIFAC on September 02, 2021.	Not Applicable
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	Will be initiated in Q3 2021.	Not Started

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	June 30, 2021 Update	% completion as of June 30th
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"> <li>- Incorrect Annual Review Data Analysis for DM: To identify accounts where rent reviews were not done properly in HMS. Results and findings were finalized and sent to the Management for review.</li> <li>- Mileage and Fleet Cost Analysis: To evaluate reasonability of mileage claims and fleet costs. Preliminary findings were sent to the Management for review.</li> <li>- Arrears Analysis for CM and DM: To provide the trend of the Arrears' movement. Results and findings were sent to the Management for review.</li> <li>- Parking Analysis for DM: To identify low or no income RGI tenants with more parking spots than the number of family members in the household. Results and findings were sent to the Management for review.</li> </ul>	Ongoing

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	June 30, 2021 Update	% completion as of June 30th
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<b>Table 2 - Status of Standing items</b>						
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	- Status update on open audit recommendations as of Dec. 31, 2020 was presented to BIFAC on March 11, 2021. - Status as of June 30, 2021 being presented to BIFAC on September 02, 2021.	62%
RGI continuous auditing	This includes: > 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.	- 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	- Communicated with KPMG for their RGI Review requirements. No RGI Review support requested by them. - Contract Management RGI review is in progress. - Future Dated Review was put on hold until the end of June 2021 due to COVID-19. The review resumed in July 2021 and will continue on a monthly basis.	45%
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.	4- Operational Process 7- Information Technology Systems	ITS	Participated in HoMES testing where requested and provided input to the HoMES Team.	Ongoing

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	June 30, 2021 Update	% completion as of June 30th
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	June 30, 2021 Update	% completion as of June 30th
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**Table 3 - Status of 2020 Projects**

IT Asset Management Review	A review of ITS processes to manage IT assets.	> IT assets are inadequately inventoried and managed. > IT assets' lifecycle is not optimized.	1- Information Technology Systems 5- Operational Process	ITS	Initial planning completed and fieldwork is in progress.	62%
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**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	
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.**