



Internal Audit Department Annual Report for 2023

Item 12A

March 18, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-35

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

From: Director, Internal Audit

Date: March 7, 2024

PURPOSE:

The purpose of this report is to provide the BIFAC with an overview of the activities carried out by the Internal Audit Department during the year 2023 (see Attachment 1).

RECOMMENDATIONS:

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

REASONS FOR RECOMMENDATIONS:

This presents a summary of the activities that Internal Audit Department undertook in 2023.

IMPLICATIONS AND RISKS:

The Internal Audit department's 2023 Annual Report provides the BIFAC with an opportunity to review the department's previous year's activities. It serves as a basis to evaluate progress against the previous year's Internal Audit Work Plan and to be informed of other matters related to the department.

SIGNATURE:

“Karim Jessani”

Karim Jessani
Director, Internal Audit

ATTACHMENT:

1. Internal Audit Department Annual Report for 2023

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INTERNAL AUDIT DEPARTMENT

Annual Report for 2023

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Table of Contents

THE INTERNAL AUDIT FUNCTION	1
GOVERNANCE STRUCTURE.....	1
HIGHLIGHTS FOR 2023	2
CORPORATE AUDIT TEAM – REPORTS PRESENTED TO THE BIFAC IN 2023	4
RGI AUDIT TEAM – PROJECTS COMPLETED IN 2023.....	5
OUTLOOK FOR 2024	6
APPENDIX 1.....	7

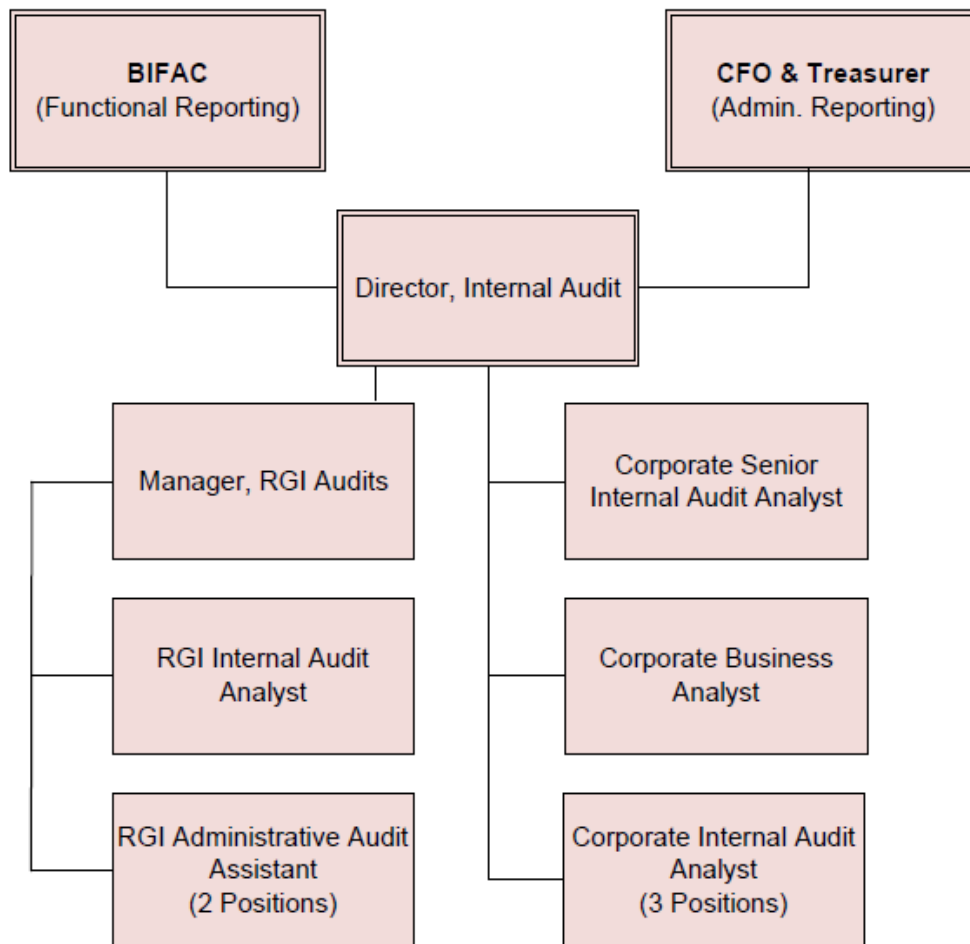
THE INTERNAL AUDIT FUNCTION

The Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve TCHC’s operations. The Department helps TCHC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Department’s core responsibilities are to conduct operational, financial, and compliance audits and provide advisory services as and when requested.

GOVERNANCE STRUCTURE

Internal Audit reports functionally to the Building Investment, Finance, and Audit Committee (BIFAC) and administratively to the Chief Financial Officer and Treasurer (CFO).

Internal Audit Department Organization Chart
(As of December 31, 2023)



As depicted in the organization chart above, Internal Audit consists of two distinct functions:

- Corporate Internal Audit; and
- Rent Geared to Income Review (RGI).

Our staff comes from a wide variety of professional backgrounds and experiences. The Department collectively holds a variety of professional designations and certifications such as Association of Chartered Certified Accountants (ACCA), Certified Public Accountant (CPA), Chartered Professional Accountant (CPA), Chartered Accountant (CA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), Certification in Risk Management Assurance (CRMA), Associate Cost & Management Accountant (ACMA), Certified ISO 27001 Lead Auditor, etc. Some staff members have been working towards obtaining professional qualifications. Internal Audit Department staff fully comply with the professional standards of their respective professional bodies and the TCHC Code of Ethics.

HIGHLIGHTS FOR 2023

- The Corporate Audit Team substantially completed all planned audits for the year 2023. The team presented **5 audit reports** to the BIFAC during 2023 which contained a total of **65 recommendations**. (For details, please refer to table on page 4);
- The Annual Audit Plan for the year 2023 was approved by the BIFAC in January 2023. Additionally, the Internal Audit Rolling Plan for the years 2024-26 was also presented at the same time to provide line of sight beyond the upcoming year;
- The RGI Audit Team initiated Phase 3 and 4 of the Arrears Management Project. The Project was launched in 2022 in response to a request from the Management with the aim of assisting the Management in reducing the high arrears balance. On an accumulative basis, a total of **5,583** accounts were reviewed during 2022 and 2023. A total of **48 reports** were provided to the Management during this period with suggested actions as required by the Arrears Collection Process (ACP). An arrears amount of **\$7.16 Million** was reduced for the above-mentioned **5,583 accounts**, as a result of payments received, Loss of Eligibility reversal after processing Rent Reviews, etc. (For details, please refer to table on page 5);
- The RGI Audit Team conducted RGI rent calculation reviews for **364 files** during the year. Among this, **299** files were to assess the compliance level to the new Simplified RGI Manual, and the remaining files were either from other initiatives or the requests by the Management (For details, please refer to table on page 5);

- Director, Internal Audit continued to monitor implementation progress on open recommendations from external parties such as AG, Ombudsman, and the City's IAD and collaborated with various action owners to provide periodic status reporting to the Executive Leadership Team;
- RGI Audit Team identified various issues with HoMES and provided value-added recommendations for system improvements throughout the year;
- One IAD team member moved closer to obtaining CPA certification by passing several exams; and
- IAD team members completed Continuing Professional Education (CPE) hours to fulfill the requirements of their respective professional bodies to maintain/renew their certifications.

Corporate Audit Team - Reports presented to the BIFAC in 2023:

Project		No. of Recommendations	Status as on Dec. 31, 2023
1	Accounts Payable Operational Review	9	Completed Presented to the BIFAC in-camera session on January 27, 2023.
2	Preventive Maintenance Program Review	10	Completed Presented to the BIFAC in-camera session on June 23, 2023.
3	Fire and Life Safety Operations Review	17	Completed Presented to the BIFAC in-camera session on September 08, 2023.
4	Change Order Process Review	14	Completed Presented to the BIFAC in-camera session on November 02, 2023.
5	Health, Safety and Wellness Program Review	15	Completed Presented to the BIFAC in-camera session on November 02, 2023.
6	Annual Audit Work Plan and Rolling Audit Work Plan	N/A	Completed Internal Audit Work Plan for 2023 and Rolling Audit Work Plan for 2024-26 were presented to the BIFAC in-camera and public sessions on January 27, 2023.
7	IAD Annual Report for 2022	N/A	Completed Presented to the BIFAC public session on March 06, 2023.
8	Quarterly Work Plan Status Updates	N/A	Q4-2022 status was presented to the BIFAC on January 27, 2023. Q1-2023 status was presented to the BIFAC on June 23, 2023. Q2-2023 status was presented to the BIFAC on September 08, 2023. Q3-2023 status was presented to the BIFAC on November 02, 2023. All the above were presented in public sessions.
9	Half-yearly follow-up status updates on the implementation of recommendations from previous Internal Audit Reports	N/A	December 31, 2022, status was presented to the BIFAC on January 27, 2023. June 30, 2023, status was presented to the BIFAC on September 08, 2023. The above were presented in public and in-camera sessions, as applicable.
		65	

Appendix 1 to this report provides a summary of all projects completed and reports presented by Internal Audit in 2023.

RGI Audit Team - Projects completed in 2023:

Project – RGI Rent Calculation		No. of Files Reviewed
1	RGI Audits - Random Sample	149 ¹
2	RGI Audits - Risk-Based Sample	150
3	RGI Audits - Others ²	65
	Total	364

Project – Arrears Management		No. of Files Reviewed	Arrears Reduced \$	No. of Reports Issued	No. of Accounts Balance Cleared	No. of Accounts Moved-out	No. of Accounts Balance Decreased to < \$1k
1	High-Value & High-Risk - East Region	560	2,648,360	13	108	61	37
2	High-Value & High-Risk - West Region	485	1,405,294	13	50	38	8
3	High-Value & High-Risk - Central Region	505	2,012,926	13	81	52	19
4	Accounts with Agreements - East Region	366	516,613	3	31	16	20
5	Accounts with Agreements - West Region	374	316,571	3	36	12	16
6	Accounts with Agreements - Central Region	248	267,860	3	18	10	14
7	Accounts with Stipulation Terms - East Region	836	N/A	N/A	N/A	N/A	N/A
8	Accounts with Stipulation Terms - West Region	1,442	N/A	N/A	N/A	N/A	N/A
9	Accounts with Stipulation Terms - Central Region	767	N/A	N/A	N/A	N/A	N/A
	Total	5,583	7,167,624	48	324	189	114

¹ 150 files were selected for the audit and one file could not be found by staff.

² RGI Audit – Others: Including the review of suspected fraudulent files or other complicated RGI cases, as and when requested by the Management.

OUTLOOK FOR 2024

- The Corporate Audit Team will execute the Annual Audit Work Plan 2024 approved by the BIFAC, under which seven audit projects including the Continuous Controls Monitoring Project (CCM) have been planned. The first audit project has already been initiated in Q1-2024. Additionally, projects anticipated via Management requests will also be completed;
- The Rolling Audit Work Plan for the period 2025-27, presented to the BIFAC on February 09, 2024, will be updated towards the end of the year based on the changes in TCHC's risk landscape and to incorporate direction provided by the BIFAC as well as requests from the Management, if any. The updated plan will be presented to the BIFAC for approval during its first meeting of 2025;
- The Corporate Audit Team will conduct CCM data analysis in 2024 under which new areas will be identified;
- The RGI Audit Team will execute RGI Annual Audit Plan projects such as Arrears Management Project, RGI Rent Calculation Compliance Audits, various data analysis and other requests from the Management, if any;
- Director, Internal Audit will continue to collaborate with action owners across TCHC divisions to monitor the implementation progress of open recommendations from external parties such as the AG, Ombudsman, and City's CISO and provide periodic status reporting to the Executive Leadership Team;
- The RGI Audit Team will continue to identify issues related to HoMES and provide comments and suggestions for improvements;
- Both audit teams will continue to provide value-added consulting and advisory services as and when requested by the Management;
- Both audit teams will continue to attend workshops and training sessions to contribute towards their professional development; and
- Both audit teams will be provided cross-functional training opportunities to enhance their RGI and general auditing skills.

Internal Audit Work Plan Projects completed in 2023			
	Project	Objective	Outcome
1	Accounts Payable Operational Review	<p>To provide independent assurance to the BIFAC and the Management and where appropriate, highlight improvement opportunities required over Accounts Payable activities; IAD focused on the review of:</p> <ul style="list-style-type: none"> • Policy, procedures, guidelines, etc.; • Key Performance Indicators (KPIs); • Internal and external reporting; • Efficiency and effectiveness of AP processes; • Effect of HoMES on AP operations; • Employee access rights; and • Employee training programs. 	9 Recommendations were made.
2	Preventive Maintenance Program Review	<p>To provide independent assurance to the BIFAC and the Management and where appropriate, highlight improvement opportunities required over Preventive Maintenance activities; IAD focused on the review of:</p> <ul style="list-style-type: none"> • Policy, procedures, SOPs, etc.; • Key Performance Indicators (KPIs); • Internal and external reporting; • Efficiency and effectiveness of PM processes; • Relevant legislation and standards; • Outstanding items from the PM plans; • Compliance with contracts; • Status of actions taken on AG’s Report issued in 2021; • Employee access rights to IT Systems; • Effect of HoMES on PM processes; and • Employee training programs. 	10 Recommendations were made.

Internal Audit Work Plan Projects completed in 2023		
Project	Objective	Outcome
3	<p>Fire and Life Safety (FLS) Unit's Operations Review</p> <p>To provide independent assurance to the BIFAC and the Management and where appropriate, highlight improvement opportunities required over the Fire and Life Safety Unit's Operations; IAD focused on the review of:</p> <ul style="list-style-type: none"> • Policy, procedures, and guidelines, etc.; • Organizational structure of the Unit; • Key Performance Indicators (KPIs); • Internal and external reporting; • Efficiency and effectiveness of operations; • Periodic tests, inspection, and reporting processes; • Relevant legislation and standards; • Effect of HoMES on FLS operations; • Employee access rights to IT Systems; and • Employee training programs. 	17 Recommendations were made.
4	<p>Change Order (CO) Process Review</p> <p>To provide independent assurance to the BIFAC and the Management and where appropriate, highlight improvement opportunities required to enhance the efficiency and effectiveness of the CO Process; IAD focused on the review of:</p> <ul style="list-style-type: none"> • Policy, procedures, guidelines, etc.; • Organizational structure of the BUs with roles and responsibilities; • Key Performance Indicators (KPIs); • Internal and external reporting; • Contract budgeting, planning, and monitoring; • Controls over the CO process, • Relevant legislation and standards; • Effect of HoMES & other applications; • Employee access rights to IT Systems; and • Employee training programs. 	14 Recommendations were made.

Internal Audit Work Plan Projects completed in 2023		
Project	Objective	Outcome
5	<p>Health Safety and Wellness Programs Review</p> <p>To provide independent assurance to the BIFAC and the Management and where appropriate, highlight improvement opportunities required over Health, Safety, and Wellness Programs; IAD focused on the review of:</p> <ul style="list-style-type: none"> • Policy, procedures, SOPs, guidelines, etc.; • Key Performance Indicators (KPIs); • Internal and external reporting; • Efficiency and effectiveness of the Unit’s operations; • Coordination with other BUs; • Vendor selection for various programs; • Relevant legislation and standards; • Effect of HoMES & other applications; • Employee access rights to IT Systems; and • Staff and contractors’ training programs. 	15 Recommendations were made.
6	<p>CCM Projects:</p> <ul style="list-style-type: none"> • Pre-Authorized Payments; and • Work Orders <p>Pre-authorized Payments (PAP): To identify any accounts for which PAP has been returned in the last two months in a row.</p> <p>Work Order Analysis: To identify areas for improvement based on trends and patterns, unusual transactions, data correlations, etc. for Management’s review and action to enhance controls and improve performance.</p>	For both CCM analysis projects, the IAD provided memos to the Management summarizing the results of the analysis.
7	<p>IAD Annual Report for 2022</p> <p>To provide an overview of the Internal Audit activities for the year 2022.</p>	The report was presented to the BIFAC on March 06, 2023.
8	<p>Annual Audit Work Plan and Rolling Audit Work Plan</p> <p>The Annual Audit Work Plan for 2023 was prepared considering the available staffing resources and the following:</p> <ul style="list-style-type: none"> • Collaboration with ERM Unit keeping in view the top 20 organizational risks identified by them; • Demand Audit projects deferred from last year; • Audit projects executed during the last 5 years (2018-22); • BOD/BIFAC’s direction and the Management’s requests and input from the AG’s office and the City’s IAD, if any; and • Key changes to the organizational structure, systems, and processes. <p>Additionally, a 3-Year Rolling Audit Work Plan for the period 2024-26 was also prepared.</p>	Internal Audit Work Plan for 2023 and Rolling Audit Work Plan for 2024-26 was presented to the BIFAC on January 27, 2023.

Internal Audit Work Plan Projects completed in 2023

Project		Objective	Outcome
9	Quarterly Work Plan Status Updates	To provide Internal Audit Work Plan status updates to the BIFAC on a quarterly basis.	Quarterly Internal Audit Work Plan status updates were presented to the BIFAC throughout the year 2023.
10	Half-yearly follow-up status updates on the implementation of recommendations from previous Internal Audit Reports	To provide the BIFAC with a report on the Internal Audit's follow-up on outstanding recommendations set out in Internal Audit reports submitted to the BIFAC up to December 31, 2023.	<ul style="list-style-type: none"> • December 31, 2022, status was presented to the BIFAC on January 27, 2023. • June 30, 2023, status was presented to the BIFAC on September 08, 2023. <p>The above were presented in public and in-camera sessions, as applicable.</p>
11	RGI Continuous Auditing	To provide an independent and objective assessment of the accuracy of RGI rent calculations.	<ul style="list-style-type: none"> • Performed RGI rent calculation audits using both random and risk-based sampling methodology. • Provided assistance to TSCs and Investigations Unit on suspected fraud or other complicated RGI cases.
12	Arrears Management Project	To assist the Management in reducing the arrears by monitoring the compliance with the Arrears Collection Process (ACP).	<p>Initiated Phase 3 & 4 for the project and overall:</p> <ul style="list-style-type: none"> • 5,583 (1,550 & 4,033 from 2022 & 2023 respectively) files were reviewed and provided suggested actions to staff according to ACP. • 48 reports provided to the Management indicating the progress of suggested actions for each file. • 324 accounts total balance owing cleared. • 189 accounts moved out. • \$7.16 million arrears reduced from payments received, reversal of Loss of Eligibility or other reasons.
13	Follow-up on the Implementation of Recommendations from Previous Internal Audit Reports	To provide the BIFAC with a report on the Internal Audit's follow-up on outstanding recommendations set out in Internal Audit reports submitted to the BIFAC up to December 31, 2023.	<p>Overall, of the 188 audit recommendations issued as of December 31, 2023:</p> <ul style="list-style-type: none"> • 92 are implemented • 95 are in progress • 1 has not been started.

Internal Audit Work Plan Projects completed in 2023			
Project		Objective	Outcome
14	Management's Requests	Review and analysis under business areas as requested by the Management.	<ul style="list-style-type: none"> • Demand Maintenance Capital Working Group (CWG) initial analysis for the review of Work Order Workflows. • Retroactive Credit Given Accounts Review: To assess the accuracy of the large retroactive credits given by TSCs. A summary findings report was issued in September 2023. 7 Recommendations were made.