



Internal Audit Work Plan Update: Q1 2024

Item 14

May 28, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-56

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

From: Director, Internal Audit

Date: April 30, 2024

PURPOSE:

This report provides the Building Investment Finance and Audit Committee with an update on the work conducted by the Internal Audit Department ("IAD") up to March 31, 2024.

RECOMMENDATION:

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

REASONS FOR RECOMMENDATION:

Background - Q1 2024 Work Plan Update:

The Q1 2024 Work Plan Update is set out in Attachment 1 to this report.

There are four tables, as follows:

- 1) Table 1 - Status of 2024 Corporate Audit Projects: New engagements that have been completed or in progress;
- 2) Table 2 - Status of 2024 Rent-Geared-to-Income ("RGI") Audit Projects: New engagements that have been completed or in progress;
- 3) Table 3 - Status of Standing Items: Engagements that are being completed every year; and

4) Table 4 - Other Items: Other IAD activities not categorized above.

Resource Requirements

We believe we have the resources available to complete the remaining work for the projects detailed in the Q1 2024 Work Plan Update.

IMPLICATIONS AND RISKS:

IAD will continue to provide the BIFAC with quarterly updates on the status of our Work Plan.

SIGNATURE:

“Karim Jessani”

Karim Jessani
Director, Internal Audit

ATTACHMENT:

1. Internal Audit Work Plan Update for Q1 2024

STAFF CONTACT:

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Toronto Community Housing Corporation Internal Audit Department

Annual Audit Work Plan Update for Q1-2024

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2024.	% Completion as on March 31, 2024.
Table 1 - Status of 2024 Corporate Audit Projects						
Work Order Workflow Process and System Controls Review	A review of Work Orders Workflows and System Controls	<ul style="list-style-type: none"> - Inadequate policies, procedures, guidelines, etc. - Inadequate, ineffective or inefficient processes and controls. - Inefficient use of available resources. 	4- Operational Processes 7- Information Technology System	Operations/ FM/ITS	Field work is in progress for phase 1 of this audit project.	31%
IT Help Desk Services Review	A process review of ITS Help Desk Activities.	<ul style="list-style-type: none"> - Inadequate policies, procedures, guidelines, etc. - Inadequate/inefficient processes and controls. - Inefficient use of available resources. 	4- Operational Processes 7- Information Technology Systems	ITS	Audit planning work will be initiated in Q2-2024.	0%
Tenant Action Funds Process Review	A process review of Tenant Action Funds, Participatory Budgeting Program and CABR Centre Community Funds.	<ul style="list-style-type: none"> - Inadequate policies, procedures, guidelines, etc. - Non-compliance with policies and procedures. - Ineffective controls over allocated funding. 	3- Brand and Reputation 4- Operational Processes	Operations/ CABR Centre	Draft audit report is under preparation. Final audit report with Management's Action Plan will be presented to the BIFAC on July 17th.	89%

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Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2024.	% Completion as on March 31, 2024.
Smart Buildings and Energy Management Program Review	A process review of Smart Buildings and Energy Management Program.	<ul style="list-style-type: none"> - Inadequate policies, procedures, guidelines, etc. - Non-compliance with applicable City regulations/guidelines. - Sub-optimal use of available resources. 	<ul style="list-style-type: none"> 3- Brand and Reputation 4- Operational processes 	FM	Audit planning work will be initiated in Q2-2024.	0%
Contract Management Process Review	A process review of procurement and contract management activities.	<ul style="list-style-type: none"> - Inadequate policies, procedures, guidelines, etc. - Non-compliance with policies and procedures. - Ineffective controls over contract management activities. - Sub-optimal value for money. 	<ul style="list-style-type: none"> 4- Operational Processes 6- Vendor Management 12- Strategic Sourcing and Contracts 	Finance (Strategic Procurement Unit)	Audit planning work will be initiated in Q3-2024.	0%
Enterprise Risk Management (ERM) Process Review	A process review of ERM Unit's Risk Management activities.	<ul style="list-style-type: none"> - Inadequate policies, procedures, guidelines, etc. - Key risks not identified at enterprise level. - Inadequate monitoring and reporting of identified key risks and controls. 	<ul style="list-style-type: none"> 3- Brand and Reputation 4- Operational Processes 22- Strategic Alignment 	Legal (ERM Unit)	Audit planning work will be initiated in Q3-2024.	0%
Data Analytics and Continuous Controls Monitoring (CCM)	The IAD will use data analysis techniques to provide summary reports for management to proactively monitor financial transactions, detect unusual expenses and identify areas where internal controls could be strengthened.	<ul style="list-style-type: none"> - Inadequate internal controls. - Non-compliance with existing internal controls. - Data entry errors. - Inefficiencies in processes. 	<ul style="list-style-type: none"> 4- Operational Processes 	Various	This project will be initiated in Q4-2024.	0%

**Toronto Community Housing Corporation
Internal Audit Department**

Annual Audit Work Plan Update for Q1-2024

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2024.	% Completion as on March 31, 2024.
Management Requests	These projects are initiated based on a request by the Management. This includes review of specific processes, providing advice/analysis on an activity or proposed change, agreed upon procedures or conducting investigations.	Various	Various	Various	As and when requested.	Ongoing

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Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2024.	% Completion as on March 31, 2024.
<u>Table 2 - Status of 2024 RGI Audit Projects</u>						
RGI Compliance Review	This includes: - Regular RGI compliance audits. - Future Dated RGI compliance audits. - Special requests such as from External Auditors, AG's office, etc. - Review of suspected fraudulent files or other complicated RGI cases, as and when requested by the Management.	- 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. - Inadequate or untimely identification of fraudulent cases resulting in financial/reputational risk.	3- Brand and Reputation 4- Operational Process 8- Records Management 20- Non-Compliance with Legislation & Regulations	Operations	> Review of 300 tenant files has been completed under phase 1 of our compliance review. Summary reports for all 3 regions will be issued in Q2-2024. > Additional 300 tenant files will be reviewed under phase 2 which will commence in Q2-2024.	42%

Toronto Community Housing Corporation Internal Audit Department

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Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2024.	% Completion as on March 31, 2024.
Arrears Management Project	This includes: - Phase 5: High dollar amount arrears. - Phase 6: Accounts with OCHE legal code. - Phase 7: Overall ACP compliance such as accounts with arrears but no legal code; a legal code moved to next legal stage accordingly, etc. - Periodic follow-up and status reporting for the work done under previous phases.	- Non-compliance with/inadequate policies and procedures. - Non-compliance with legislative and regulatory requirements. - Financial risk due to excessive arrears.	3- Brand and Reputation 4- Operational Process 8- Records Management 20- Non-Compliance with Legislation & Regulations	Operations	> Summary reports for all regions for phase 4 of the project is in progress. > Quarterly follow-up reports for the earlier phases of this project has been issued to respective GMs. > Audit planning work for phase 5 has been completed and work plan emails have been sent to respective GMs.	Ongoing

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Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2024.	% Completion as on March 31, 2024.
Data Analytics	This includes: - Tenant accounts with stipulation terms missed entry/incorrectly entered in HoMES. - RGI tenants paying market rent for more than 24 months to ensure permanent Loss of Subsidy is being processed accordingly. - RGI tenant parking analysis to identify possible fraudulent activities such as illegal occupant/subletting.	- 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 Q4-2024.	0%
Management Requests	These projects are 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	As and when requested.	Ongoing

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Annual Audit Work Plan Update for Q1-2024

Audit Engagement	Description	Potential Risk	Alignment with ERM Priority Risks	Division	Status as on March 31, 2024.	% Completion as on March 31, 2024.
<u>Table 3 - Status of Standing Items</u>						
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 review of 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 as of December 31, 2023 was presented to the BIFAC on March 18, 2024. > Status update as of June 30, 2024 will be presented to the BIFAC on September 12, 2024.	50%
Annual Audit Work Plan and Rolling Audit Work Plan	The Internal Audit Department will review top organizational risks identified by the ERM Unit and prepare the Annual Audit Work Plan for 2025 and update the Rolling Audit Work Plan for 2026-28.	IAD's Work Plan should align with TCHC's top risks. By reviewing the ERM risk assessment refresh, IAD ensures that its services yield value to the Management by aligning the Annual Audit Work Plan and Rolling Audit Work Plan with organizational risks.	Various	Various	This project will be initiated in Q4-2024.	0%

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<u>Table 4 - Status of Other Items</u>						
BIFAC Status Reporting	Status update providing progress on Annual Audit Work Plan. BIFAC will be provided 4 status updates during the year.				> Q4-2023 Annual Audit Work Plan status update report was presented to the BIFAC on February 9, 2024. > Q1-2024 Annual Audit Work Plan status update report is being presented to the BIFAC on May 31, 2024.	50%
Corporate Audit Manual	To guide the Corporate Audit Team.				Draft is under review.	N/A

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RGI Audit Manual	To guide the RGI Audit Team.				Draft is under review.	N/A
Internal Audit Charter	It is a formal document that defines Internal Audit's purpose, authority, responsibility and position within the organization.				Draft is under review.	N/A
Document Standardization	To guide all IAD team members and promote audit efficiencies.				Ongoing	N/A
Staffing, training, etc.	To enable team's professional development.				Ongoing	N/A

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