



# **Internal Audit Department**

## **Annual Report for 2024**

**March 17, 2025**

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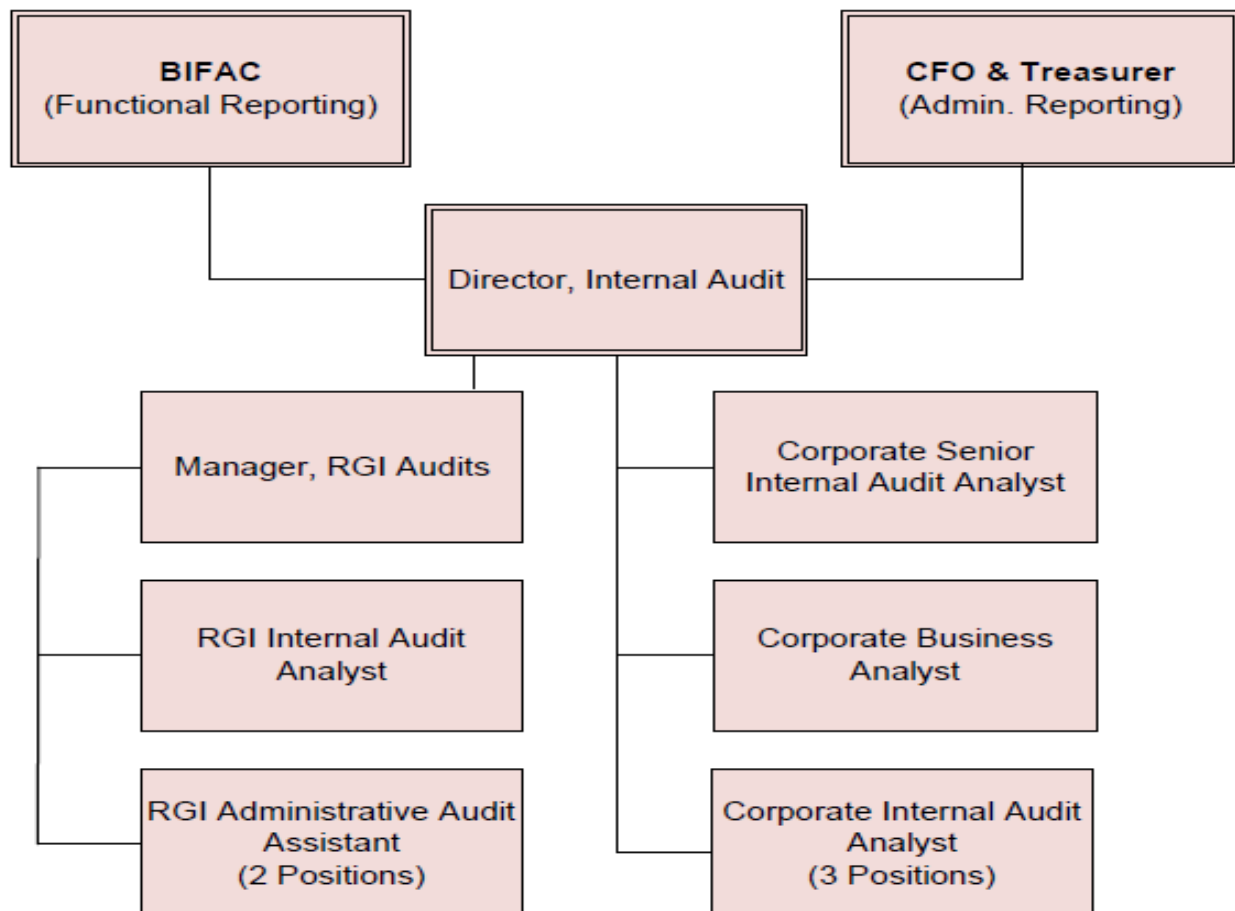
## THE INTERNAL AUDIT FUNCTION

The Internal Audit Department plays a vital role in ensuring that Toronto Community Housing Corporation (TCHC) achieves its goals and remains sustainable. By providing independent and objective assurance and advisory services, Internal Audit empowers TCHC to strengthen its risk management, control, and governance processes. Through rigorous audits of financial and operational processes, the department identifies and assesses risks, evaluates the effectiveness of internal controls, and recommends improvements to governance, risk management, and control frameworks. This critical work enhances accountability, safeguards TCHC's assets, and ultimately contributes to better service delivery for our tenants.

## 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, 2024)



As shown in the organization chart above, Internal Audit comprises two distinct functions:

- Corporate Internal Audit
- Rent Geared to Income Audit (RGI)

Our team brings a diverse range of professional backgrounds and experience to the department. Collectively, we hold numerous professional designations and certifications, including ACCA, CPA, CA, CIA, CISA, CFE, CRMA, ACMA, and Certified ISO 27001 Lead Auditor, among others. All Internal Audit staff adhere to the professional standards of their respective bodies and the TCHC Code of Conduct.

## HIGHLIGHTS FOR 2024

BIFAC approved the 2024 Annual Audit Work Plan (comprising seven audit projects including Continuous Controls Monitoring (CCM) data analysis) and the 2025-2027 Rolling Audit Work Plan in February 2024, setting the strategic direction for the department.

### ❖ Corporate Audit Team:

- Completed **four audit projects**, resulting in **52 recommendations** (details on page 4).
- Completed CCM data analysis project, under which two areas were covered, identifying opportunities for improvement. Findings were presented to the Management for review and action.
- One Special Assignment directed by the Board Chair was in progress.
- One audit project was carried forward to 2025.

### ❖ RGI Audit Team:

- Conducted comprehensive RGI compliance reviews for **300 files**, with an additional **75 files** reviewed through other initiatives and management requests (details on page 5).
- Completed **two** data analysis projects, identifying areas for improvement and presenting findings to the Management for review and action.
- Continued supporting the Management's efforts to reduce high arrears balances by completing Phase 5 and 6 of the Arrears Management Project. Key outcomes included the review of **641 accounts**, resulting in a total arrears reduction of **\$ 503,995**, delivering **seven** reports, and providing Management with recommendations and suggested corrective actions.

### ❖ ELT Reporting:

- Director, Internal Audit, actively monitored the implementation of open recommendations from external parties such as the Auditor General, the Ombudsman and the City's CISO, collaborating with actions owners and providing periodic status reports to the Executive Leadership Team.

❖ **Value-Added Consulting Services:**

Corporate Audit Team:

- Assisted the Management by providing value-added consulting services including data analysis, ad-hoc reviews and reporting, as needed.

RGI Audit Team:

- Identified issues with HoMES and recommended improvements.
- Provided feedback on RGI-related policies and procedures.

**PROFESSIONAL DEVELOPMENT**

Internal Audit Leadership encouraged staff members and provided them with professional development and training opportunities such as:

- Pursuing additional professional certifications. In 2024, our staff members obtained the CFE and CRMA certifications.
- Attending training on emerging topics such as cybersecurity and agile audit methodologies.
- Implementing a program where staff can rotate through different projects within the department to gain broader experience and share their knowledge and experiences.
- Providing opportunities for staff to attend industry conferences, webinars, and workshops to stay updated on the latest trends and best practices.
- Providing access to professional institution's publications and online resources to enhance knowledge and professional development.
- Conducting regular reviews to provide feedback, identify areas for improvement, and set clear development goals.
- Implementing mechanism to gather feedback from peers, supervisors, and subordinates to provide a comprehensive view of individual performance and development needs.

These initiatives have positioned Internal Audit as a high-performing function with a skilled and motivated team, ready to meet the future business needs of TCHC.

**CORPORATE AUDIT TEAM – PROJECTS COMPLETED IN 2024:**

| Project |  | No. of Recommendations | Status Updates   |
|---------|--|------------------------|--|
| 1       | Vacancy Management Process Review  | 11                     | Completed<br>Presented to BIFAC in-camera session on February 9, 2024.   |
| 2       | Capital Projects Planning and Monitoring Process Review  | 8                      | Completed<br>Presented to BIFAC in-camera session on March 18, 2024.   |
| 3       | Tenant Funds Distribution Process Review   | 21                     | Completed<br>Presented to BIFAC in-camera session on July 17, 2024.  |
| 4       | Enterprise Risk Management Process Review  | 12                     | Completed<br>Presented to BIFAC in-camera session on January 20, 2025  |
| 5       | Annual Audit Work Plan and Rolling Audit Work Plan   | N/A                    | Completed<br>Internal Audit Work Plan for 2024 and Rolling Audit Work Plan for 2025-27 were respectively presented to BIFAC in-camera and public sessions on February 9, 2024.   |
| 6       | IAD Annual Report for 2023   | N/A                    | Completed<br>Presented to BIFAC public session on March 18, 2024.  |
| 7       | Quarterly Work Plan Status Updates   | N/A                    | Q4-2023 status was presented to BIFAC on February 9, 2024.<br>Q1-2024 status was presented to BIFAC on May 31, 2024.<br>Q2-2024 status was presented to BIFAC on September 23, 2024.<br>Q3-2024 status was presented to BIFAC on November 4, 2024.<br>All the above reports were presented in public sessions. |
| 8       | Half-yearly follow-up status updates on the implementation of recommendations from previous Internal Audit reports | N/A                    | December 31, 2023, status was presented to BIFAC on March 18, 2024.<br>June 30, 2024, status was presented to BIFAC on September 23, 2024.<br>The above were presented in public and in-camera sessions, as applicable.  |
|         |  | <b>52</b>              |  |

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

## RGI AUDIT TEAM - PROJECTS COMPLETED IN 2024:

| Project – RGI Rent Calculation |                                   | No. of files reviewed |
|--------------------------------|-----------------------------------|-----------------------|
| 1                              | RGI Compliance Reviews*           | 300                   |
| 2                              | RGI Reviews – Others <sup>1</sup> | 75                    |
|                                | <b>Total</b>                      | <b>375</b>            |

\*The RGI Compliance Reviews were executed in two phases with an overall increase of 22% in compliance rate between phase 1 and 2:

- Phase 1 compliance rate = 26%
- Phase 2 compliance rate = 48%

| Common Errors Identified   | Recommendations for Improvement  |
|--|--|
| <ul style="list-style-type: none"> <li>• Missing Documentation</li> <li>• Processing Errors</li> <li>• Data Input Issues</li> <li>• Administrative Errors</li> </ul> | <ul style="list-style-type: none"> <li>• Enhanced Oversight</li> <li>• Targeted Training</li> <li>• Improved Tools for Staff</li> <li>• Continuous Learning Activities</li> <li>• System Improvements</li> </ul> |

| Project – Arrears Management |  | No. of files reviewed | Arrears reduced \$ | No. of reports issued | No. of accounts balance cleared | No. of accounts moved out |
|------------------------------|--|-----------------------|--------------------|-----------------------|---------------------------------|---------------------------|
| 1                            | Accounts with N4 or No Legal Code - East Region    | 144                   | 166,582            | 2                     | 17                              | 6                         |
| 2                            | Accounts with N4 or No Legal Code - West Region    | 84                    | 185,826            | 2                     | 17                              | 1                         |
| 3                            | Accounts with N4 or No Legal Code - Central Region | 120                   | 151,587            | 2                     | 13                              | 7                         |
| 4                            | Accounts with OCHE Legal Code - All Regions        | 293                   | N/A                | 1                     | N/A                             | N/A                       |
|                              | <b>Total</b>                                       | <b>641</b>            | <b>503,995</b>     | <b>7</b>              | <b>47</b>                       | <b>14</b>                 |

<sup>1</sup> Including the review of suspected fraudulent files or other complicated RGI cases, as and when requested by the Management.

## OUTLOOK FOR 2025

### ❖ Audit Execution:

- The Corporate Audit Team will execute the Corporate Annual Audit Work Plan approved by BIFAC, under which seven audit projects have been planned. The first audit project has already commenced in Q1-2025.
- The Corporate Audit Team will conduct CCM data analysis under which new areas will be identified.
- The RGI Audit Team will execute the RGI Annual Audit Plan encompassing RGI Compliance Audits, the Arrears Management Project, and various data analyses.
- Both teams will also undertake projects as requested by the Board or the Management.

### ❖ Audit Planning for 2026:

- The Annual Audit Work Plan for 2026 will be prepared considering changes in TCHC's risk landscape, Board/BIFAC direction, and Management requests. Additionally, the Rolling Audit Work Plan for 2027-29 will also be updated based on similar considerations.
- These plans will be presented to BIFAC for approval during its first meeting of 2026.

### ❖ HoMES System Improvement:

- The RGI Audit Team will continue to identify issues within HoMES and provide value-added recommendations for system enhancements.

### ❖ ELT Reporting:

- The Director, Internal Audit, will continue to collaborate with action owners across TCHC divisions to monitor the implementation of open recommendations from external parties such as the Auditor General, the Ombudsman, and the City's CISO.
- Regular status updates will be provided to ELT.

### ❖ Value-Added Consulting Services:

- Both audit teams will continue to provide value-added consulting and advisory services as and when requested by the Board, BIFAC and the Management.

### ❖ Professional Development:

- Both audit teams will continue to attend industry conferences, webinars, and workshops to stay abreast of the latest trends and best practices.
- Both audit teams will receive cross-functional training opportunities to enhance their RGI and general auditing skills.



| Internal Audit Work Plan projects completed in 2024 |   |  |  |
|---|---|--|--|
| Project   |   | Objective  | Outcome  |
| 1   | Vacancy Management Process Review   | To provide independent assurance to BIFAC and the Management and where appropriate, highlight improvement opportunities required over the Vacancy Management Process.  | <b>11 Recommendations were made.</b>   |
| 2   | Capital Projects Planning and Monitoring Process Review                   | To provide independent assurance to BIFAC and the Management and where appropriate, highlight improvement opportunities required over the Capital Projects Planning and Monitoring Process.  | <b>8 Recommendations were made.</b>  |
| 3   | Tenant Funds Distribution Process Review                                  | To provide independent assurance to BIFAC and the Management and where appropriate, highlight improvement opportunities required over the Tenant Funds Distribution Process.   | <b>21 Recommendations were made.</b>   |
| 4   | Enterprise Risk Management Process Review                                 | To provide independent assurance to BIFAC and the Management and where appropriate, highlight improvement opportunities required over the Enterprise Risk Management Process.  | <b>12 Recommendations were made.</b>   |
| 5   | CCM Analysis (2 areas): Pre-Authorized Payments and Parking Data Analysis | <ul style="list-style-type: none"> <li>- Pre-authorized Payments (PAP): To identify accounts for which PAP was returned for two months in a row.</li> <li>- Parking Data Analysis: To assess the likelihood of fraud and identify households with possible illegal occupants.</li> </ul>   | Summary Memos issued to the Management.  |
| 6   | IAD Annual Report for 2023  | To provide an overview of the Internal Audit activities for the year 2023.   | The report was presented to BIFAC on March 18, 2024.   |
| 7   | Annual Audit Work Plan and Rolling Audit Work Plan                        | <p>The Annual Audit Work Plan for 2024 was prepared considering the available staffing resources and the following:</p> <ul style="list-style-type: none"> <li>• Collaboration with ERM Unit keeping in view the top 20 organizational risks identified by them;</li> <li>• Planned Audit projects deferred from last year;</li> <li>• Audit projects executed during the last 5 years (2019-23);</li> <li>• BOD/BIFAC's direction and the Management's requests and input from the AG's office and the City's IAD, if any; and</li> <li>• Key changes to the organizational structure, systems, and processes.</li> </ul> <p>Additionally, Rolling Audit Work Plan for 2025-27 was also prepared based on similar considerations.</p> | The Internal Audit Work Plan for 2024 and Rolling Audit Work Plan for 2025-27 were presented to BIFAC on February 9, 2024. |

**Internal Audit Department  
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**Internal Audit Work Plan projects completed in 2024**

| Project |   | Objective   | Outcome  |
|---------|---|---|--|
| 8       | Quarterly Work Plan Status Updates  | To provide Internal Audit Work Plan status updates to BIFAC.  | Quarterly Internal Audit Work Plan status updates were presented to BIFAC throughout the year 2024.  |
| 9       | Rent Geared to Income continuous auditing (2024)  | To provide an independent and objective assessment of the accuracy of RGI rent calculations.  | <ul style="list-style-type: none"> <li>• Performed RGI Rent Calculation Audits using both random and risk-based sampling methodology.</li> <li>• Provided assistance to TSCs and Investigations Unit on suspected fraud or other complicated RGI cases.</li> <li>• 9 Recommendations were made.</li> </ul>   |
| 10      | Arrears Management Project  | To assist the Management in reducing the arrears by monitoring compliance with the Arrears Collection Process (ACP).  | <p>Completed Phase 5 &amp; 6 of the project:</p> <ul style="list-style-type: none"> <li>• Reviewed 641 files and provided staff with recommendations and suggested corrective actions aligned with ACP guidelines.</li> <li>• Issued 7 reports to the Management outlining the progress of recommended actions for each file.</li> <li>• Arrears balance owing cleared for 47 accounts.</li> <li>• Identified move-out for 14 accounts.</li> <li>• Identified arrears reduced by \$503,995 from payment received, reversal of Loss of Eligibility or other reasons after IAD's initiative on the project.</li> </ul> |
| 11      | RGI-related Data Analysis   | To identify any RGI-related non-compliance, data inaccuracies, control weaknesses and recommend system improvements.  | Successfully completed two data analyses, resulting in two reports with a total of 10 recommendations to the Management for mitigating identified risks.   |
| 12      | Follow Up on the Implementation of Recommendations from Previous Internal Audit Reports | To provide BIFAC with a report on Internal Audit's follow-up on outstanding recommendations set out in Internal Audit reports submitted to BIFAC up to December 31, 2024. | <p>Overall, of the 215 recommendations that we made as of December 31, 2024:</p> <ul style="list-style-type: none"> <li>• 125 are implemented</li> <li>• 89 are in progress</li> <li>• 1 has not started.</li> </ul>   |
| 13      | Board, BIFAC and Management Requests  | Special assignment requests to cover various business areas.  | <ul style="list-style-type: none"> <li>• Large Retro Credits: Assessed the accuracy of large retroactive credits given by TSCs. A summary findings report was issued in August 2024.</li> <li>• Demand Maintenance Capital Working Group: Conducted an initial analysis of Work Order Workflows.</li> <li>• System Enhancements: Provided recommendations for system enhancements.</li> <li>• Policy and Procedure Feedback: Provided feedback on draft RGI-related policies and procedures.</li> </ul>  |