



# **INTERNAL AUDIT**

**Annual Report for 2020**

**March 11, 2021**

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## THE INTERNAL AUDIT FUNCTION

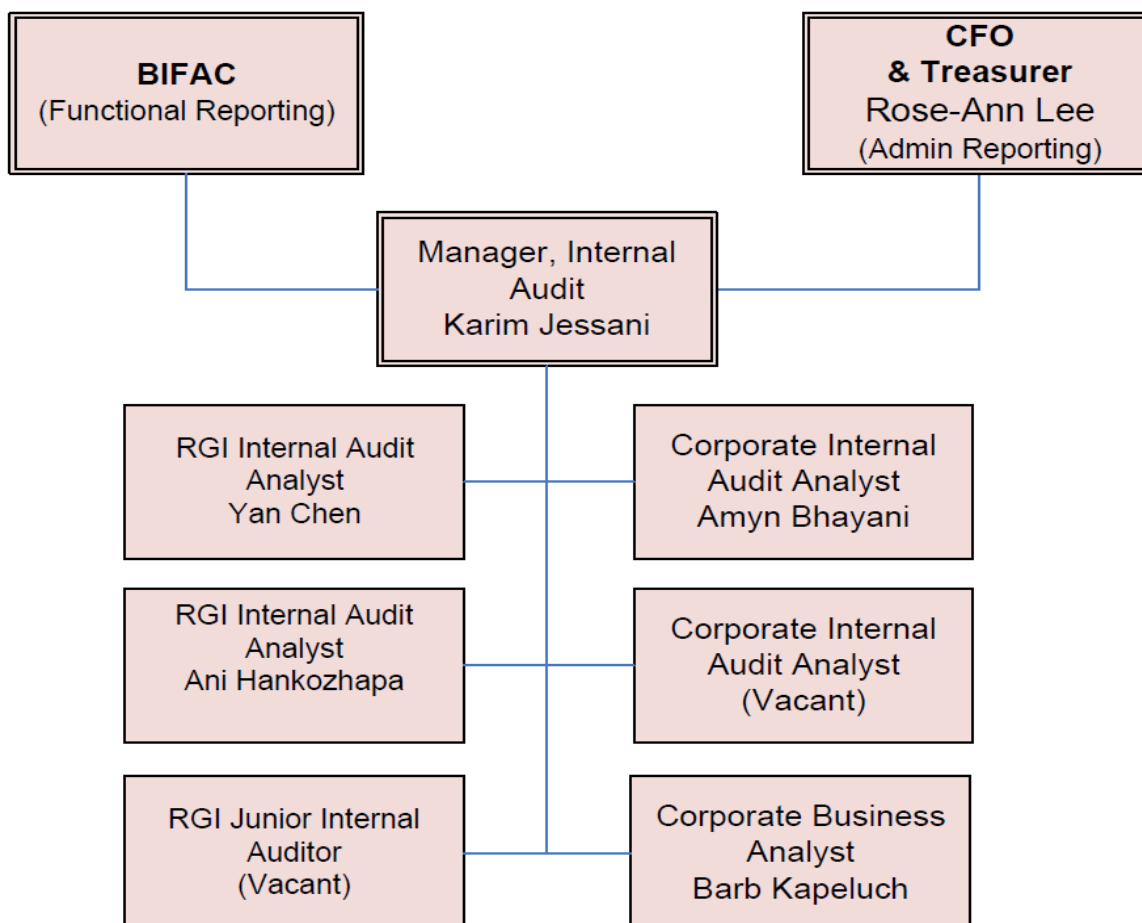
The Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve TCHC's operations. The Department helps TCHC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The department's core responsibilities are to conduct risk based operational 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, 2020)



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

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

Our staff comes from a wide variety of professional backgrounds and experiences. Some of the staff hold professional designations and certifications such as Certified Public Accountant (CPA), Chartered Professional Accountant (CPA), Chartered Accountant (CA), Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), etc. Some staff are also working towards obtaining other professional certifications in 2021. They abide by the standards and ethics of their respective professional organizations.

## **HIGHLIGHTS FOR 2020**

- Despite COVID-19 challenges and reduced staffing level for part of the year, Corporate Audit Team substantially completed all planned audits for the year and made a total of 49 recommendations. (For details, please refer table on page 3);
- First ever Internal Audit Rolling Plan for the year 2021 to 2023 was presented to BIFAC in January 2020 to provide line of sight beyond the upcoming year;
- Due to the restrictions brought by COVID-19 pandemic, obtaining tenants' files became a challenge. When provincial emergency was announced in March 2020, the RGI team moved quickly to plan the work for its annual Contract Management (CM) project by obtaining and scanning files which enabled the team to complete this project on time while we were under work from home orders. Debrief meeting was held virtually with CM directors and Management. (For details, please refer table on page 4);
- In consultation with Management, RGI team also conducted various data analytics projects to use the available time in an optimal manner. The findings of these projects resulted in a total of 13 recommendations (For details, please refer table on page 4);
- RGI Audit Team worked collaboratively with Investigations Unit under Legal Division to support them on various tasks such as reviewing the files received from SSHA which were originally referred by AG's office, conducting data analysis on appliances, etc. A total of 135 hours were spent on those projects;
- One IAD team member completed CIA and another completed CFE certification during 2020 and one moved closer towards obtaining CPA certification by passing several exams;
- All RGI Audit Team members successfully completed and passed a 3-months RGI online course offered by Ontario Non-Profit Housing Association and received a certificate of achievement.

**Corporate audit projects completed in 2020:**

Project		No. of Recommendations	Status as on Dec. 31, 2020
1	Arrears Audit	10	Completed Presented to BIFAC in-camera session on September 14, 2020
2	IT Security Audit	2	Completed Presented to BIFAC in-camera session on September 14, 2020.
3	Hiring and Onboarding Audit	12	Completed Presented to BIFAC in-camera session on February 05, 2021.
4	Insurance Coverage & Claims Audit	13	Completed Presented to BIFAC in-camera session on February 05, 2021.
5	Appliances Review	12	Completed Report being presented to BIFAC in-camera session on March 11, 2021.
6	Follow Up on the Implementation of Recommendations from Previous Internal Audit Reports.	N/A	June 30, 2020 status was presented to BIFAC on September 14, 2020. December 31, 2020 status being presented to BIFAC on March 11, 2021.
		<b>49</b>	

**Attachment 1** to this report provides a brief summary of all projects completed and reports presented by Internal Audit in 2020.

**RGI audit projects completed in 2020:**

<b>Project – RGI Rent Calculation</b>		<b>No. of files reviewed</b>
1	PwC RGI audit - Direct Management (DM)	95
2	Contract Management (CM) RGI audit	95
3	Future Dated audit - DM	39
4	Follow up RGI audit - CM	21
5	RGI/Fraud on demand audit	20
	<b>Total</b>	<b>270</b>

<b>Project – Data Analysis</b>		<b>No. of Recommendations</b>
1	Over-housed process not followed analysis – DM & CM	3
2	Incorrect Utility Charges analysis – DM & CM	3
3	Market Rent Table analysis – DM	4
4	Staff Compliance analysis – DM & CM	3
	<b>Total</b>	<b>13</b>

## OUTLOOK FOR 2021

- Corporate Audit Team will execute the Corporate Annual Audit Plan approved by BIFAC on February 5<sup>th</sup>, 2021 under which 4 audit engagements have been planned. The first audit project is expected to be initiated in Q1-2021. These audits are in addition to our Continuous Controls Monitoring project (CCM) and assignments anticipated via Management requests;
- Rolling Audit Plan for the period 2022 to 2024 was presented to BIFAC on February 5<sup>th</sup>, 2021. This plan will be updated towards the end of the year to review risk rankings and incorporate direction provided by BIFAC as well as requests from the Management, if any. The updated plan will be presented to BIFAC for approval;
- Corporate Audit Team will continue CCM data analysis in 2021. New areas of CCM data analysis will be identified in Q4-2021;
- Corporate Audit Team will provide support to the City's Internal Audit Department on their 'Financial Statement Review A&Cs' for which further details are awaited;
- RGI Audit Team will execute RGI Annual Audit Plan projects such as RGI audit for CM, Future Dated Audit, Follow-up Audits for both CM and DM and other requests from the Management, if any;
- RGI Audit Team will continue to assist TCHC's external auditors on RGI audits in addition to providing support to AG's office as and when requested.
- RGI Audit Team will participate in HoMES' testing during Q1-2021 and provide comments for improvements;
- Both audit teams will continue to provide consulting and advisory services as and when requested by the Management.

**Attachment 1**

<b>Internal Audit work plan projects completed in 2020</b>		
<b>Project</b>	<b>Objective</b>	<b>Conclusion</b>
1 Arrears Audit	To review that arrears related numbers are calculated and reported correctly and consistently. Additionally, we also reviewed: > Availability and adequacy of policies and procedures related to arrears management; > Timely identification of arrears and application of adequate procedures; > Actions taken on long outstanding arrears; > Development and management of repayment agreements; and > Adequacy of IT access rights.	Overall, arrears related numbers are calculated and reported correctly and consistently. Arrears Collection Process (ACP) defines the roles of different departments including timelines and documentation requirements, as applicable.  <b>10 Recommendations were made.</b>
2 IT Security Audit	To review the current state of IT security risks at TCHC by evaluating the effectiveness of the information security program and framework for data protection.	Overall, the IT security program needs enhancement in order to effectively mitigate security risks that could have a negative impact on TCHC services and information security.  <b>2 Recommendations were made.</b>
3 Insurance Coverage & Claims Audit	To review the adequacy of insurance coverage and claims management process and to evaluate the adequacy and effectiveness of internal controls.	Overall, TCHC has obtained more coverage compared to minimum identified by Housing Services Corporation (HSC) to lower the risk exposure. TCHC has also developed well defined claims management SOP that covers both the liability and the property claims. Periodic analysis of claims are also conducted.  <b>13 Recommendations were made.</b>
4 Hiring and Onboarding Audit	To evaluate the following related to hiring and onboarding: > Availability and adequacy of policies and procedures; > Compliance with policies, procedures and applicable legislations; > Efficiency and effectiveness of the processes; > Internal and external reporting; and > IT access rights to HR related systems.	Overall, TCHC Recruitment Unit has well developed policies and procedures, however, a number of these have not been reviewed and updated as scheduled or not updated at all. This may result in noncompliance of policies and procedure with laws and regulations and that the policies and procedures would not address new systems/technology being implemented by TCHC.  <b>12 Recommendations were made.</b>



Internal Audit work plan projects completed in 2020			
Project		Objective	Conclusion
5	Rent Geared to Income continuous auditing (2020)	To provide an independent and objective assessment of the accuracy of RGI rent calculations.	Three different projects completed in 2020. We used both random and risk based sampling methodology.
6	Follow Up on the Implementation of Recommendations from Previous Internal Audit Reports	To provide the BIFAC with a report on Internal Audit's follow-up on outstanding recommendations set out in Internal Audit reports submitted to the BIFAC as of December 31, 2020.	Overall, of the 34 recommendations that we made as of December 31, 2020: <ul style="list-style-type: none"> <li>• 6 are implemented</li> <li>• 23 are in progress</li> <li>• 5 have not been started</li> </ul>
7	Management's requests	To perform process review and data analytics for various business areas.	<ol style="list-style-type: none"> <li>1. <b>Appliances</b> related processes were reviewed to evaluate adequacy of internal controls and operational efficiency. Report being presented to BIFAC on March 11, 2021.</li> <li>2. <b>Over-housed Process Analysis</b> was performed to identify RGI over-housed households where over-housed process was not followed. Report was provided to the Management on August 24, 2020.</li> <li>3. <b>Market Rent Table Analysis</b> for DM properties was performed to identify households where Annual Rent Increase Guidelines were not followed. Report was provided to the Management on August 24, 2020.</li> <li>4. <b>Utility Charges</b> were analyzed for consistency and accuracy. Report was provided to the Management on November 4, 2020.</li> <li>5. <b>Staff Compliance Analysis</b> was performed to provide the Management IAD's data analysis on RGI rent calculation compliance rate by staff. Report was provided to the Management on December 9, 2020.</li> <li>6. Supported Investigations Unit on request received from SSHA on files referred by AG's office.</li> </ol>