



2021 Internal Audit Work Plan

Item 4

February 5, 2021

Building Investment, Finance and Audit Committee

Report: BIFAC:2021-10

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

From: Manager, Internal Audit

Date: January 12, 2021

PURPOSE:

The purpose of this report is to provide the BIFAC with a plan for utilization of the Internal Audit Department resources in 2021.

This plan is presented in the "2021 Internal Audit Work Plan" (Attachment 1) and referred throughout the rest of this report as the "2021 Work Plan".

RECOMMENDATIONS:

It is recommended that the BIFAC approve the 2021 Work Plan as presented in Attachment 1.

REASONS FOR RECOMMENDATIONS:

Background

Each year, BIFAC approves Internal Audit's Work Plan as per section *F Internal Audit, Accounting Systems and Internal Controls* of the BIFAC Charter, which describes one of BIFAC's responsibilities as: "*Reviewing and approving the Internal Audit work plans...*"

The 2021 Work Plan was prepared considering the available staffing resources and the following:

- 1) Collaboration with the ERM department, keeping in view the top 10 organizational risks as identified by ERM.
- 2) Audit projects deferred from last year.
- 3) Audit projects executed during the last 5 years (2016-20).
- 4) Management's requests.
- 5) Review and discussion of audit plans for the Auditor General's ("AG") office and the City of Toronto's Internal Audit ("IA") Department to ensure optimal use of our resources.

2021 Internal Audit Work Plan

The 2021 Work Plan is set out in Attachment 1 to this report.

There are three tables, as follows:

- 1) **Table 1 – New Projects:** New engagements that will be completed or substantially completed in 2021;
- 2) **Table 2 – Standing Items:** Engagements that are being completed every year; and
- 3) **Table 3 – Other Items:** Other Internal Audit activities not categorized as New Projects or Standing Items (above).

Resource Requirements

We believe we have the resources available to complete and/or substantially complete all engagements in the 2021 Work Plan as presented in the attached document.

IMPLICATIONS AND RISKS:

The 2021 Work Plan takes into consideration risks and other factors as mentioned above.

We will provide BIFAC with quarterly status updates on this work plan.

SIGNATURE:

"Karim Jessani"

Karim Jessani
Manager, Internal Audit

ATTACHMENT:

1. 2021 Internal Audit Work Plan

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| Audit Engagement | Description | Potential Risk | Alignment with ERM Priority Risks | Division | Time Est. (Hours) | Estimated Start |
|---|---|--|---|----------------------|-------------------|-----------------|
| Table 1 - New Projects | | | | | | |
| 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 | 363 | Q-1 |
| 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 | 363 | Q-2 |
| 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 | 363 | Q-2 |
| 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 | 363 | Q-3 |
| 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 | 218 | Q-4 |
| 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 | Various | Various | Various | 725 | Q-1 to Q-4 |

| Audit Engagement | Description | Potential Risk | Alignment with ERM Priority Risks | Division | Time Est. (Hours) | Estimated Start |
|---|--|---|---|------------|-------------------|-----------------|
| Table 2 - Standing items | | | | | | |
| 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 | 218 | Q-2 & Q-4 |
| 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 | 5031 | Q-1 to Q-4 |
| 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 | 109 | Q-1 to Q-4 |
| 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 | 109 | Q-4 |

| Audit Engagement | Description | Potential Risk | Alignment with ERM Priority Risks | Division | Time Est. (Hours) | Estimated Start |
|------------------|-------------|----------------|-----------------------------------|----------|-------------------|-----------------|
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Table 3 - Other Items

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|--------------------------|---|--|--|--|--|--|
| BIFAC Status Reporting | Quarterly status update to BIFAC providing progress on Annual Audit Plan. | | | | | |
| Internal Audit Manual | To guide the Corporate & RGI Audit Teams. | | | | | |
| Internal Audit Charter | It is a formal document that defines Internal Audit Department's purpose, authority, responsibility and position within the organization. | | | | | |
| Document Standardization | To guide all IAD team members and promote audit efficiencies. | | | | | |
| Staffing, training, etc. | Ongoing. | | | | | |

Note: Time commitment for each of the above item varies depending upon the stage of completion, etc.