

Toronto Community Housing



INTERNAL AUDIT DEPARTMENT

Annual Report for 2022

March 06, 2023

Table of Contents

THE INTERNAL AUDIT FUNCTION	1
GOVERNANCE STRUCTURE.....	1
HIGHLIGHTS FOR 2022	2
CORPORATE SECTION REPORTS PRESENTED TO BIFAC IN 2022	4
RGI SECTION PROJECTS COMPLETED IN 2022	5
OUTLOOK FOR 2023	6
APPENDIX 1.....	7

THE INTERNAL AUDIT FUNCTION

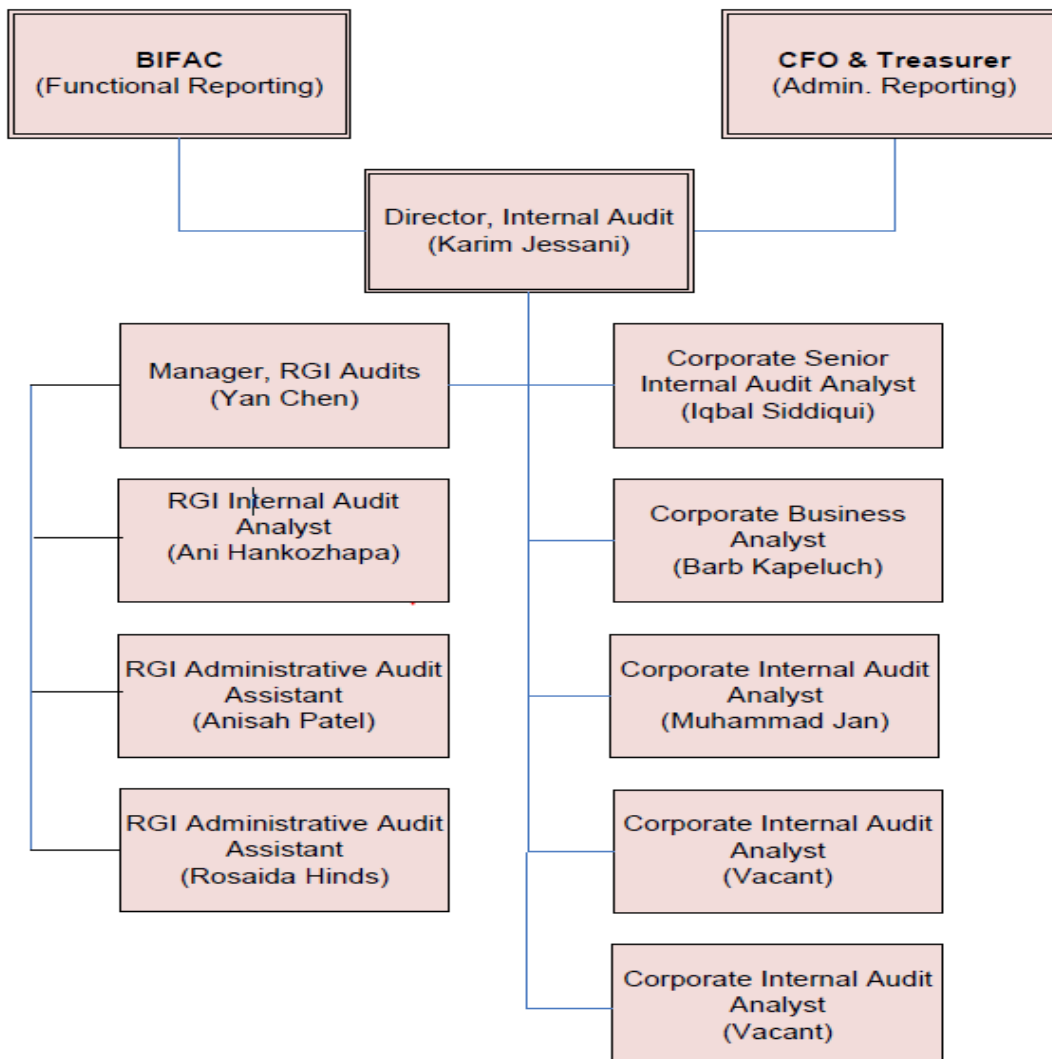
The Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve TCHC's operations. The Department helps TCHC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, 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, 2022)



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. The Department collectively holds a variety of professional designations and certifications such as 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), Certified ISO 27001 Lead Auditor, etc. Some staff members have been working towards obtaining professional qualifications. Internal Audit Department staff fully comply with professional standards and Code of Ethics of TCHC and their respective professional bodies.

HIGHLIGHTS FOR 2022

- Despite continued COVID-19 challenges and reduced staffing level for most part of the year, Corporate Audit Team substantially completed all planned audits for the year 2022. Internal Audit (Corporate Section) presented **6 audit reports** to BIFAC during 2022 which contained a total of **49 recommendations**. (For details, please refer table on page 4);
- Annual Audit Plan for the year 2022 was approved by BIFAC in January 2022. Additionally, Internal Audit Rolling Plan for the years 2023-25 was also presented at the same time to provide line of sight beyond the upcoming year;
- In response to a request from the Management, RGI team initiated the Arrears Management Pilot Project with the aim of assisting the Management in reducing the high arrears balance. Additional phases of the project were also executed to expand the scope of the project and monitor the progress of compliance with the Arrears Collection Process (ACP). A total of **1,550 High-Risk and High-Value** accounts were reviewed and a total of **25 periodic status reports** were provided to the Management with suggested actions as required by the ACP. Arrears worth approx. **\$1.8 million** were reduced for the mentioned **1,550 accounts** as a result of payments received, reversal of Loss of Eligibility after processing Rent Reviews, etc. (For details, please refer table on page 5);
- The RGI team adjusted its review strategy for the Future Dated Project from monthly to quarterly in order to minimize impact on the Operations Division on submitting tenants' files. A total of **120 files** were reviewed during the year. (For details, please refer table on page 5);

- Director, Internal Audit continued to monitor implementation progress on open recommendations from external parties such as AG, Ombudsman and City's IAD and collaborated with various action owners to provide periodic status reporting to the Executive Leadership Team;
- RGI team identified various issues with HoMES and provided value-added recommendations for system improvements throughout the year;
- One IAD team member completed CFE certification during 2022 and one moved closer towards obtaining CPA certification by passing several exams. Another team member completed COSO Internal Controls Certificate Program offered by the American Institute of Certified Public Accountants;
- Several IAD team members successfully completed the new Simplified RGI Manual Course offered by Ontario Non-Profit Housing Association; and
- All team members completed Continuing Professional Education (CPE) hours to fulfill the requirements of their respective professional bodies to maintain/renew their certifications.

Corporate Section reports presented to BIFAC in 2022:

Project		No. of Recommendations	Remarks
1	IT Asset Management Review	5	Completed Presented to BIFAC in-camera session on January 27, 2022.
2	CSU Operations Review	14	Completed Presented to BIFAC in-camera session on January 27, 2022.
3	Budgeting and Monitoring Process Review	6	Completed Presented to BIFAC in-camera session on April 8, 2022.
4	Learning and Organizational Development Operational Review	5	Completed Presented to BIFAC in-camera session on June 17, 2022.
5	Capital Project Close-Out Review	9	Completed Presented to BIFAC in-camera session on Jul 27, 2022.
6	Scholarship Programs Review	10	Completed Presented to BIFAC in-camera session on September 08, 2022.
7	Annual Audit Work Plan and Rolling Audit Work Plan	N/A	Completed Internal Audit Work Plan for 2022 and Rolling Audit Work Plan for 2023-25 was presented to BIFAC public and in-camera sessions respectively on January 27, 2022.
8	Quarterly Work Plan status updates	N/A	Q4-2021 status was presented to BIFAC on January 27, 2022. Q1-2022 status was presented to BIFAC on June 17, 2022. Q2-2022 status was presented to BIFAC on September 08, 2022. Q3-2022 status was presented to BIFAC on November 03, 2022. All the above 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, 2021 status was presented to BIFAC on January 27, 2022. June 30, 2022 status was presented to BIFAC on September 08, 2022. The above presented in public and in-camera sessions, as applicable.
		49	

Appendix 1 to this report provides a brief summary of all projects completed and reports presented by Internal Audit in 2022.

RGI projects completed in 2022:

Project – RGI Rent Calculation		No. of files reviewed
1	Future Dated RGI audits	100
2	RGI/Fraud on demand reviews	20
Total		120

Project – Arrears Management		No. of files reviewed	Arrears reduced ¹	No. of reports issued	No. of account balances cleared	No. of accounts moved out	No. of accounts balance decreased to < \$1k
1	High-Risk Accounts ² - East Region	78	334,386	7	10	3	1
2	High-Risk Accounts - West Region	71	199,250	7	2	6	5
3	High-Risk Accounts - Central Region	123	390,119	6	10	18	4
4	High-Value Accounts ³ - East Region	482	538,815	2	20	11	17
5	High-Value Accounts - West Region	414	168,862	2	5	4	3
6	High-Value Accounts - Central Region	382	160,666	1	12	3	4
Total		1,550	1,792,098	25	59	45	34

¹ Arrears reduced: Total balance owing reduced by large lump sum payments received, reversal of Loss of Eligibility with/without processing an Annual Review or other reasons.

² High-Risk Accounts: Arrears increased by more than \$3,000 in three months and total balance owing was greater than \$5,000 at the beginning of the project.

³ High-Value Accounts: Total balance owing was greater than \$5,000 at the beginning of the project.

OUTLOOK FOR 2023

- The Corporate Audit Team will execute the Annual Audit Work Plan 2023 approved by BIFAC under which 7 audit projects have been planned. The first audit project has already been initiated in Q1-2023. These audits include the Continuous Controls Monitoring Project (CCM). Additionally, projects anticipated via Management requests will also be completed;
- Rolling Audit Work Plan for the period 2024-26 was presented to BIFAC on January 27th 2023. This plan will be updated towards the end of the year based on the changes in TCHC's risk landscape and to incorporate direction provided by BIFAC as well as requests from the Management, if any. The updated plan will be presented to BIFAC for approval during its first meeting of 2024;
- Corporate Audit Team will continue with CCM data analysis in 2023. New areas for analysis will be identified in Q4-2023;
- RGI Audit Team will execute RGI Annual Audit Plan projects such as Arrears Management Project, RGI Rent Calculation Audits, various data analysis and other requests from the Management, if any;
- Corporate Audit Team will continue to monitor status of open audit recommendations from previously issued Internal Audit reports and provide 2 half-yearly status reports to BIFAC in addition to periodic status update to the Executive Leadership Team.
- Director, Internal Audit will continue to collaborate with action owners across TCHC divisions to monitor implementation progress of open recommendations from external parties such as AG, Ombudsman and City's IAD and provide periodic status reporting to the Executive Leadership Team;
- 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 2022		
Project	Objective	Outcome
1 IT Asset Management Review	<p>To identify potential opportunities to optimize and enhance the effectiveness and efficiency of IT Asset Management:</p> <ul style="list-style-type: none"> • Formalization of IT policies and procedures; • Systems and procedures related to IT asset lifecycle; • Implementation of the IT Asset Management Systems including reporting to the Board and/or Board Committee; • Access rights to IT Assets Management Systems; and • Actions taken on the recommendations from the City of Toronto AG’s report on Information Technology Infrastructure and Asset Management Review. 	5 Recommendations were made.
2 CSU Operations Review	<p>To review the following related to Community Safety Unit (CSU) Operations:</p> <ul style="list-style-type: none"> • Availability, adequacy and compliance with policies and procedures; • Efficiency and effectiveness of the CSU processes; • Special/additional procedures put in place due to COVID-19; • Status of action plans related to the Confronting Anti Black Racism (CABR) strategy; • Internal and external reporting; • Review and monitoring of KPIs; • Effect of HoMES on CSU operations; and • Adequacy and appropriateness of IT access rights to IT systems and shared network folders. 	14 Recommendations were made.

Internal Audit work plan projects completed in 2022			
Project	Objective	Outcome	
3	<p>Budgeting and Monitoring Process Review</p>	<p>To review the following related to TCHC’s budgeting and monitoring processes:</p> <ul style="list-style-type: none"> • Availability, adequacy and compliance with policies, procedures and applicable legislation/regulatory directives; • Effectiveness and efficiency of the budgeting and monitoring processes; • COVID-19 impact on the Budget; • Internal and external reporting; • Review and monitoring of KPIs; • Effect of HoMES on budgeting and monitoring processes; and • Adequacy and appropriateness of IT access rights to IT systems and shared network folders. 	<p>6 Recommendations were made.</p>
4	<p>Learning and Organizational Development Operational Review</p>	<p>To review the following related to TCHC’s Learning and Organizational Development (L&OD) Unit’s operational processes:</p> <ul style="list-style-type: none"> • Availability, adequacy and compliance with policies and procedures; • Efficiency and effectiveness of the L&OD Unit’s operational processes; • Special/additional procedures put in place during COVID-19; • Policy compliance-based training; • Reporting requirements; • Review and monitoring of KPIs; • Effect of HoMES on L&OD Unit’s operational processes; and • Adequacy and appropriateness of access rights to IT Systems and shared network folders. 	<p>5 Recommendations were made.</p>

Internal Audit work plan projects completed in 2022			
Project	Objective	Outcome	
5	<p>Capital Project Close-Out Process Audit</p>	<p>To review the following related to TCHC's capital project close-out processes:</p> <ul style="list-style-type: none"> • Availability, adequacy and compliance with policies and procedures; • Effectiveness and efficiency of the project close-out processes; • Special/additional procedures put in place due to COVID-19; • Internal and external reporting; • Review and monitoring of KPIs; • Effect of HoMES on capital project close-out processes; and • Adequacy and appropriateness of access rights to IT Systems and shared network folders. 	<p>9 Recommendations were made.</p>
6	<p>Scholarship Programs Review</p>	<p>To review the following related to the scholarship programs administered by the Development Division to ensure appropriate controls exist in the administration of those programs:</p> <ul style="list-style-type: none"> • Availability, adequacy and compliance with policies, procedures and legislation/regulations (if any); • Effectiveness and efficiency of the scholarship administration processes; • Status of action plan related to the Confronting Anti-Black Racism (CABR) strategy; • Internal and external reporting requirements; • Adequacy of training for the scholarship processes; • Review and monitoring of KPIs; • Adequacy and appropriateness of access rights to IT systems and shared network drives; and • Effect of Housing Management Enterprise System (HoMES) on scholarship processes. 	<p>10 Recommendations were made.</p>
7	<p>Annual Audit Work Plan and Rolling Audit Work Plan</p>	<p>To revisit operational risks and to update the Annual Audit Work Plan to reflect current processes and other factors in the organization. This was done in consultation with ERM Unit and the top organizational risks identified by them were used to prepare the Annual Audit Work Plan and to update the Rolling Audit Work Plan.</p>	<p>Internal Audit Work Plan for 2022 and Rolling Audit Work Plan for 2023-25 was presented to BIFAC on January 27, 2022.</p>

Internal Audit work plan projects completed in 2022			
Project		Objective	Outcome
8	Quarterly Work Plan Status Updates	To provide Internal Audit Work Plan status updates to BIFAC on a quarterly basis.	Quarterly Internal Audit Work Plan status updates were presented to BIFAC throughout the year 2022.
9	Rent Geared to Income continuous auditing	To provide an independent and objective assessment of the accuracy of RGI rent calculations.	Performed Future-Dated Audits in Q1 & Q2 2022 using risk-based sampling methodology.
10	Arrears Management Project	To assist the Management in reducing the arrears by monitoring the compliance with the Arrears Collection Process (ACP).	Initiated two phases of the project and overall: <ul style="list-style-type: none"> • 1,550 files were reviewed and suggested actions were provided to staff according to the ACP. • 25 status reports provided to the Management indicating the progress of suggested actions for each file. • 59 accounts total balance owing cleared. • 45 accounts moved out. • 34 accounts total balance owing reduced to less than \$1k. • \$1.8 million (approx.) arrears reduced from payment received, reversal of Loss of Eligibility or other reasons.
11	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 up to December 31, 2022.	Overall, of the 143 recommendations that we made as of December 31, 2022: <ul style="list-style-type: none"> • 74 are implemented • 66 are in progress • 3 have not been started
12	Management's requests	Special assignment requests to cover various business areas.	<ol style="list-style-type: none"> 1. Mileage and Fleet Cost Analysis: To evaluate reasonability of mileage claims and fleet costs. Preliminary findings were sent to the Management for review. 2. Continuous Control Monitoring - Pre-authorized Payments (PAP): To identify any accounts for which PAP has been returned two months in a row. A memo summarizing the results is expected to be issued to the Management in Q1 2023.