



INTERNAL AUDIT DEPARTMENT

Annual Report for 2021

April 08, 2022

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THE INTERNAL AUDIT FUNCTION

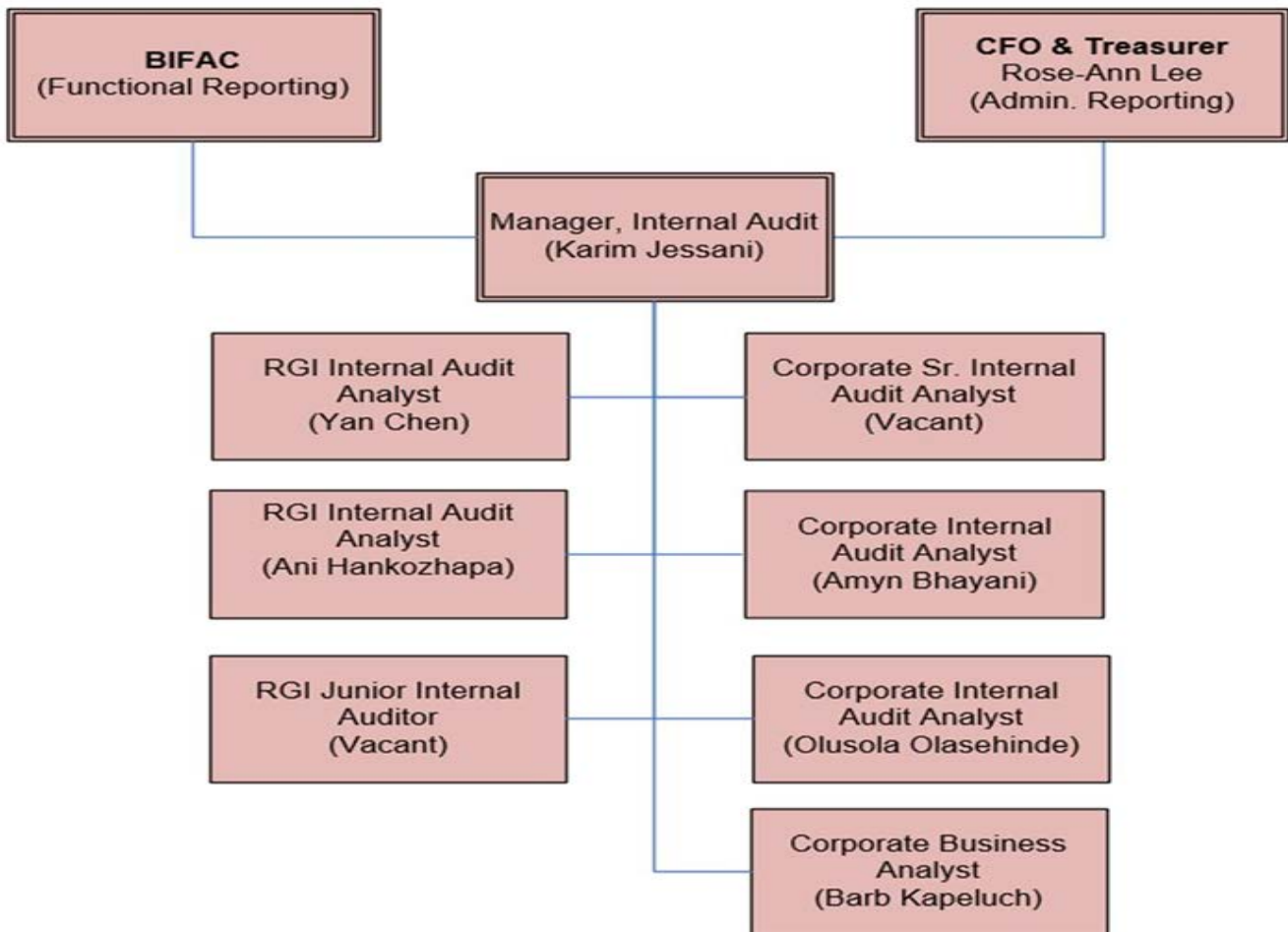
The Internal Audit Department provides independent, objective assurance and consulting services designed to add value and improve TCHC's operations. The Department helps TCHC accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, 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, 2021)



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), Certification in Risk Management Assurance (CRMA), etc. Some staff have been working towards obtaining professional certifications in 2021. They abide by the standards and ethics of their respective professional organizations.

HIGHLIGHTS FOR 2021

- Despite COVID-19 challenges and reduced staffing level for most part of the year, Corporate Audit Team substantially completed all planned audits for the year 2021. Internal Audit (Corporate Section) presented **5 audit reports** to BIFAC during 2021 which contained a total of **62 recommendations**. (For details, please refer table on page 3);
- Annual Audit Plan for the year 2021 was approved by BIFAC in February 2021. Additionally, Internal Audit Rolling Plan for the years 2022-24 was also presented at the same time to provide line of sight beyond the upcoming year;
- Quarterly work plan status updates (**4 reports**) as well as half-yearly follow-up status updates (**2 reports**) on open audit recommendations were presented;
- Due to the ever-changing restrictions brought by COVID-19 pandemic, obtaining tenants' files became a challenge. The RGI team adjusted its approach for its annual Contract Management (CM) and ongoing Future Dated projects by obtaining and scanning files to work remotely. A total of **222 files** were reviewed. Debrief meetings were held virtually with CM directors and Management. (For details, please refer table on page 4);
- In consultation with Management, RGI team also conducted **4 data analytics projects**. The findings of these projects resulted in a total of **14 recommendations** (For details, please refer table on page 4);
- RGI team participated in HoMES testing and identified various issues and provided recommendations for improvements;
- One IAD team member completed CRMA certification during 2021 and one moved closer towards obtaining CPA certification by passing several exams;
- All RGI Audit Team members successfully completed the new Simplified RGI Manual training offered by the City of Toronto.

Corporate Section reports presented to BIFAC in 2021:

Project		No. of Recommendations	Status as on Dec. 31, 2021
1	Hiring and Onboarding Audit	12	Completed Presented to BIFAC in-camera session on February 05, 2021.
2	Insurance Coverage & Claims Audit	13	Completed Presented to BIFAC in-camera session on February 05, 2021.
3	Appliances Review Audit	12	Completed Presented to BIFAC in-camera session on March 11, 2021.
4	Payroll Process Audit	9	Completed Presented to BIFAC in-camera session on March 11, 2021.
5	Annual Unit Inspection Process Audit	16	Completed Presented to BIFAC in-camera session on September 02, 2021.
6	Annual Audit Plan, Rolling Plan & Risk Assessment refresh	N/A	Completed Internal Audit Work Plan for 2021 and Rolling Plan for 2022-24 presented to BIFAC public and in-camera sessions respectively on February 05, 2021.
7	Quarterly Work Plan status updates	N/A	Q4-2020 status was presented to BIFAC on February 05, 2021. Q1-2021 status was presented to BIFAC on May 18, 2021. Q2-2021 status was presented to BIFAC on September 02, 2021. Q3-2021 status was presented to BIFAC on November 03, 2021.
8	Half-yearly follow-up status updates on the implementation of recommendations from previous Internal Audit Reports	N/A	December 31, 2020 status was presented to BIFAC on March 11, 2021. June 30, 2021 status was presented to BIFAC on September 02, 2021.
		62	

Appendix 1 to this report provides a brief summary of all projects completed and reports presented by Internal Audit in 2021.

RGI projects completed in 2021:

Project – RGI Rent Calculation		No. of files reviewed
1	Contract Management (CM) RGI audit - Random Sample	95
2	Contract Management (CM) RGI audit - Risk-based Sample	15
3	Future Dated RGI audit - DM	93
4	Follow Up on the Implementation of the Action required by TSCs from Future Dated RGI audit - DM	19
Total		222

Project – Data Analysis		No. of Recommendations
1	Incorrect Annual Review Data Analysis - DM	4
2	Parking Charges Data Analysis - DM	2
3	Rent Roll Data Analysis – DM	5
4	Market Rent Table Analysis – CM	3
Total		14

OUTLOOK FOR 2022

- Corporate Audit Team will execute the Corporate Annual Audit Plan approved by BIFAC under which 7 audit projects have been planned. The first audit project has already been initiated in Q1-2022. These audits are in addition to our Continuous Controls Monitoring project (CCM) and assignments anticipated via Management requests;
- Rolling Audit Plan for the period 2023-25 was presented to BIFAC on January 27th 2022. As per BIFAC's direction, revised Rolling Plan for 2023-25 was presented on March 08, 2022. 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 during its first meeting of 2023;
- Corporate Audit Team will continue CCM data analysis in 2022. New areas for analysis will be identified in Q4-2022;
- 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 Future Dated Audit, various data analysis and other requests from the Management, if any;
- RGI Audit Team will continue to participate in HoMES's testing, as and when requested, and provide comments for improvements;
- Both audit teams will continue to provide 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;
- Both audit teams will be provided cross-functional training opportunities to enhance their RGI and general auditing skills.

Internal Audit projects completed in 2021		
Project	Objective	Conclusion
1 Hiring and Onboarding Audit	To evaluate the following related to hiring and onboarding: <ul style="list-style-type: none"> • Availability, compliance and adequacy of policies and procedures; • 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. 12 Recommendations were made.
2 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; however, these are not shared with Operations Division, who can improve the condition of buildings to reduce number of claims filed against TCHC. 13 Recommendations were made.
3 Appliances Review Audit	To review the following areas related to appliances: <ul style="list-style-type: none"> • Adequacy of policies and procedures and their compliance; • Efficiency and effectiveness of the processes; • Safeguarding of appliances; and • Adequacy and appropriateness of access rights to IT system. 	Overall, There is lack of adequate policies and procedures to ensure that ordering, receiving, tagging, movement tracking, warranty tracking, storage and safeguarding, periodic verification, disposal and periodic reporting are done in a consistent manner. Operations Division recently documented a process related to Contract Managed units, however, there are no documented processes available for Direct Managed units. 12 Recommendations were made.

Internal Audit projects completed in 2021		
Project	Objective	Conclusion
4	Payroll Process Audit To evaluate the following areas related to TCHC's payroll processes: <ul style="list-style-type: none"> • Availability, compliance and adequacy of policies and procedures; • Effectiveness and efficiency of the payroll related processes. 	Overall, TCHC's payroll processes are managed in an effective manner and policies and procedures are well developed. However, a number of the policies and procedures have not been reviewed and updated as scheduled or not updated at all. This may result in noncompliance of policies and procedures with laws and regulations, and/or the policies and procedures would not address new systems/technology being implemented by TCHC. 9 Recommendations were made.
5	Annual Unit Inspection Process Audit To evaluate the adequacy and effectiveness of TCHC's AUI process on the following areas: <ul style="list-style-type: none"> • Availability, adequacy and compliance with policies and procedures; • Efficiency and effectiveness of the AUI process; • Special/additional unit inspection procedures put in place during COVID-19 and implementation of safe entries to the units including staff training protocols. 	Overall, IA has concerns related to the effectiveness and efficiency of the AUI process as no action was taken for some of the identified issues. In addition, there was no regular comprehensive reporting of AUI results to the Board and/or Board Committee. 16 Recommendations were made.
6	Annual Audit Plan, Rolling Plan & Risk Assessment refresh To revisit operational risks and to update the Annual Audit Plan to reflect current processes and other factors in the organization. This was done in consultation with ERM Unit and used to prepare the Annual Audit Plan and to update the Rolling Plan.	Internal Audit Work Plan for 2021 and Rolling Plan for 2022-24 was approved by BIFAC on February 05, 2021.
7	Quarterly Work Plan status updates To provide Internal Audit Work Plan status to BIFAC on a quarterly basis.	Quarterly Internal Audit Work Plan status updates were presented to BIFAC throughout the year 2021.
8	Rent Geared to Income continuous auditing (2021) To provide an independent and objective assessment of the accuracy of RGI rent calculations.	Three different projects completed in 2021. We used both random and risk based sampling methodology. As required, follow-up was carried out on required actions from staff.

Internal Audit projects completed in 2021			
Project		Objective	Conclusion
9	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, 2021.	Overall, of the 94 recommendations that we made as of December 31, 2021: <ul style="list-style-type: none"> • 24 are implemented • 60 are in progress • 10 has not been started
10	Management requests	Special assignment requests under various business areas.	<ol style="list-style-type: none"> 1. Incorrect Annual Review Data Analysis for DM: To identify accounts where rent reviews were not done properly in HMS. Results and findings were sent to the Management for review. 2. Parking Charge Analysis for DM: To identify low or no income RGI tenants with more parking spots than the number of family members in the household. Results and findings were sent to the Management for review. 3. Rent Roll Data Analysis: To review Rent Roll Report from HoMES and identify missing rent charges. Results and findings were sent to the Management for review. 4. Market Rent Analysis for CM Properties: To identify households where Annual Rent Increase Guideline was not followed. Results and findings were sent to the Management for review. 5. Mileage and Fleet Cost Analysis for DM: To evaluate reasonability of mileage claims and fleet costs. Preliminary findings were sent to the Management for review. 6. Arrears Analysis for CM and DM: To provide the trend of the Arrears' movement. Results and findings were sent to the Management for review. 7. PCard Statements Review: To review requested PCard statements to provide feedback on compliance with Expense Reimbursement Procedure. Results and findings were sent to the Management for review.