INTERNAL AUDIT

Annual Report:

January 2021 – December 2021

April 2022

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PURPOSE OF INTERNAL AUDIT

The Internal Audit Department provides independent, objective assurance and consulting activity designed to add value and improve the City's operations. The Department helps the City 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.

The Internal Audit Department's activities support the City's Term of Council Service Excellence Strategic Priority of "Good Governance".

INTERNAL AUDIT – GOVERNANCE STRUCTURE

Internal Audit reports functionally to Council through the Audit Committee and administratively to the City Manager.

According to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Audit (Attribute Standards 1110 - Organizational Independence), the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. Appropriate reporting lines are critical to achieve the independence, objectivity, and organizational stature for an internal audit function necessary to effectively fulfill its obligations. Reporting lines are also critical to ensuring the appropriate flow of information and access to key executives and managers.

Functional Reporting Relationship:

The functional reporting relationship to Council through the Audit Committee helps ensure that the Internal Audit Department is free to work independently and objectively and is ultimately responsible for ensuring that Internal Audit has the resources and access to information to enable it to fulfil its mandate. These functional responsibilities include:

- Approving the Internal Audit Charter and Internal Audit Risk Based Work Plan.

- Ensuring that Internal Audit is appropriately resourced and has sufficient authority and standing to carry out its tasks effectively.

- Making appropriate inquiries of management and the Director of Internal Audit to determine whether there are inappropriate scope or resource limitations.

- Ensuring that the Director of Internal Audit has direct access to the Audit Committee Chair and committee members and is accountable to the Committee.

- Receiving communications from the Director of Internal Audit on the Department's activities relative to its risk-based work plan and other related matters.

- Reviewing and monitoring management's responsiveness to audit findings and recommendations.

- Monitoring and assessing the quality and effectiveness of Internal Audit, and its role in the overall context of the City's governance framework.

- Approving decisions regarding the appointment and removal of the Director of Internal Audit.

- Approving the compensation of the Director of Internal Audit.

The Director of Internal Audit assists Council in fulfilling their functional responsibilities by:

- Reviewing the Internal Audit governance structure and attesting to the Department's organizational independence on an annual basis.

- Providing feedback on the sufficiency of internal audit resources through the Internal Audit Risk Based Work Plan and through participation in the City's annual budgeting process.

- Providing briefing sessions to the Mayor and Members of Council on emerging risks.

- Presenting reports related to the Department's activities through the Audit Committee.

- Providing an annual update on the status of all outstanding management action plans so that Council can review and monitor management's responsiveness.

- Providing an annual update on the effectiveness of the City's Anonymous Reporting System.

- Reporting annually on the Department's performance. This information can be used by Council to gauge the quality, efficiency and effectiveness of the Internal Audit Department.

Administrative Reporting Relationship:

The administrative reporting relationship to the City Manager helps facilitate the day-to-day operations of the Internal Audit Department. This includes:

- Providing appropriate office space, supplies and equipment.

- Human Resources, Information Technology, and Purchasing support.

- Internal communications and information flow.

- Administration of the Internal Audit activity's policies and procedures.

Internal Audit Policy:

The Internal Audit Charter was developed and approved by Council in October 2012. The Charter was revised and renamed the Internal Audit Policy and approved by Council in June 2014. The Policy was further revised last year and approved by Council on June 29, 2020.

The Internal Audit Policy is a formal document that defines the Internal Audit Department's purpose, authority, and responsibility. It establishes the Internal Audit Department's position within the City, including the nature of the functional reporting relationship with Council; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The policy requires that it be reviewed at least once a year to ensure that it is up-to-date and effective. Although not required by the Standards, establishing the nature of the administrative reporting relationship in the Internal Audit Policy is a progressive and contemporary industry practice. The reporting relationships are reported annually in the Department's annual report, clearly establishing the two reporting relationships, functionally to Council and administratively to the City Manager. Defining these reporting relationships in the Internal Audit Policy would provide a clear picture to stakeholders supporting not only the purpose, authority, and responsibility of Internal Audit, but the independence and objectivity.

In the annual review of the Internal Audit Policy, section 4 has been revised to include a more detailed account of functional reporting responsibilities to Council and administrative reporting responsibilities to the City Manager. Also, section 9 now includes the condition of use of "Conforms with the International Standards for the Professional Practice of Internal Auditing" in Internal Audit reporting. A separate report on today's Audit Committee Agenda seeks the Audit Committee's approval of these changes.

Annual Declaration of Organizational Independence:

According to both the City's Internal Audit Policy and IIA Attribute Standards 1110 - Organizational Independence, the Director of Internal Audit must confirm to the Audit Committee at least annually, the organizational independence of the internal audit activity. In addition, IIA standard 1110.A1 states that the "internal audit activity must be free from interference in determining the scope of internal auditing, performing work, and communicating results. The chief audit executive must disclose such interference to the board and discuss the implications."

During the past year, there were three separate attempts by management to interfere in our work. While management eventually allowed access in all three incidences, the interference caused unnecessary delays and in once instance, allowed a risk to go unmitigated for an additional two months. As all three incidences involve identifiable individuals, a separate confidential attachment has been provided to the Audit Committee as report attachment 2.

All three of these incidents occurred under the administration led by the former City Manager. The current City Manager has spoken with the SLT-E team and reminded them of the role of the City's Internal Audit Department and emphasized that any interference in Internal Audit's work will not be tolerated. Internal Audit is satisfied with the actions taken by the City Manager, and no further incidences of interference have been noted since he has been appointed to his position.

The IIA's Three Lines Model:

In 2020, the IIA updated the Three Lines Model. The updated model helps organizations better identify and structure interactions and responsibilities of key stakeholders toward achieving more effective alignment, collaboration, accountability and objectives.

The model adopts a six-step, principles-based approach. It outlines the roles of various leaders within an organization, including oversight by the board or governing body, management and operational leaders including risk and compliance (first- and second-line roles), independent assurance through internal audit (third line) and it addresses the position of external assurance providers. The model applies to all organizations, regardless of size or complexity.

The IIA's Three Lines Model

GOVERNING BODY

Accountability to stakeholders for organizational oversight

Governing body roles: integrity, leadership, and transparency

MANAGEMENT

Actions (including managing risk) to achieve organizational objectives

INTERNAL AUDIT

Independent assurance

EXTERNAL ASSURANCE PROVIDERS

First line roles: Provision of products/services to clients; managing risk

Second line roles: Expertise, support, monitoring and challenge on risk-related matters

Third line roles: Independent and objective assurance and advice on all matters related to the achievement of objectives

KEY: ↑ Accountability, reporting   ↓ Delegation, direction, resources, oversight   ↔ Alignment, communication coordination, collaboration

The governing body, management, and Internal Audit have their distinct responsibilities, but all activities need to be aligned with the objectives of the organization. The basis for successful coherence is regular and effective coordination, collaboration, and communication.

The Three Lines Model is most effective when it is adapted to align with the objectives and circumstances of the organization. How an organization is structured and how roles are assigned are matters for management and the governing body to determine. The governing body may establish committees to provide additional oversight for particular aspects of its

responsibility, such as audit, risk, finance, planning, and compensation. Within management, there are likely to be functional and hierarchical arrangements and an increasing tendency toward specialization as organizations grow in size and complexity.

Functions, teams, and even individuals may have responsibilities that include both first and second line roles. However, direction and oversight of second line roles may be designed to secure a degree of independence from those with first line roles, and even from the most senior levels of management, by establishing primary accountability and reporting lines to the governing body. The Three Lines Model allows for as many reporting lines between management and the governing body as required.

Second line roles may include monitoring, advice, guidance, testing, analyzing, and reporting on matters related to the management of risk. Insofar as these provide support and challenge to those with first line roles and are integral to management decisions and actions, second line roles are part of management's responsibilities and are never fully independent from management, regardless of reporting lines and accountabilities.

A defining characteristic of third line roles is independence from management. The Principles of the Three Lines Model describe the importance and nature of internal audit independence, setting internal audit apart from other functions and enabling the distinctive value of its assurance and advice. Internal audit's independence is safeguarded by not making decisions or taking actions that are part of management's responsibilities (including risk management) and by declining to provide assurance on activities for which internal audit has current, or has had recent, responsibility.

The governing body in the municipal sector is Council. Council relies on reports from management (comprising those with first and second line roles), internal audit, and others in order to exercise oversight and achievement of its objectives, for which it is accountable to stakeholders. Management provides valuable assurance on planned, actual, and forecast outcomes, on risk, and on risk management by drawing upon direct experience and expertise. Those with second line roles provide additional assurance on risk-related matters.

Due to internal audit's independence from management, the assurance it provides carries the highest degree of objectivity and confidence beyond that which those with first and second line roles can provide to the governing body, irrespective of reporting lines. Further assurance may also be drawn from external providers.

Effective governance requires appropriate assignment of responsibilities as well as strong alignment of activities through cooperation, collaboration, and communication. Council seeks confirmation through internal audit that governance structures and processes are appropriately designed and operating as intended[1].

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[1] Extract from The IIA's Three Lines Model: An Update of the Three Lines of Defence

Governance Interrelationships:

The diagram below provides a high-level overview of the roles, responsibilities and the interrelationships of City Council, the Audit Committee, Management, Internal Audit and the External Auditor. Each group, both individually and collectively supports the City in effectively meeting its goals while providing assurance that City operations are being managed under the principles of good governance, effective risk management relevant and value-added controls and cost effectiveness.

City Council

- Provides highest level of governance
- Ensures management accountability
- Participates in developing and evaluating the City's policies, programs and services

Audit Committee

- Provides oversight and consideration of audit matters brought forward by the Director, Internal Audit and the External Auditor

External Auditor

- Conducts audits of financial statements and financial information as required.
- Provides guidance regarding emerging accounting and financial audit issues.

Internal Auditor

- Provides independent, unbiased and informed opinions
- Evaluates the effectiveness of risk mitigation strategies and control
- Operates the City's Anonymous Reporting system

Management

- Manages risk and develops/ maintains appropriate controls
- Works with Auditors to identify resolutions and action plans

ROLE AND EXPECTED OUTCOME OF A FULL SERVICE INTERNAL AUDIT FUNCTION

The following are the expected outcomes for a well-functioning internal audit function:

- Providing assurance that key risks that could harm the City are effectively managed.

- Providing assurance that key controls function as intended and support value to the City.

- Providing advice to City departments to help them develop risk mitigation strategies to better serve the public in service delivery.

- Providing education to support other departments in establishing and maintaining good governance, accountability and control.

- Supporting the City in its objective to maintain transparency and openness.

Internal Audit achieves these outcomes through two primary roles:

1. **Assurance Services Role** – These are engagements and projects designed to provide reasonable assurance, through review of existing operations and processes, that the City is managing resources effectively and efficiently, is in compliance with policies and legislation and that controls are properly functioning as intended.

2. **Consulting Services Role** – This role is proactive and forward thinking consisting of engagements and projects that focus on strategic and operational risk and control. These are primarily advisory assignments that offer a better opportunity to serve the changing needs of the City and help support better management of organizational risk.

MEASURING PERFORMANCE

The following table outlines the Internal Audit Efficiency and Effectiveness Performance Metrics:

Performance Measurement Category	Measures of Efficiency	Measures of Effectiveness	Measures of Efficiency and Effectiveness
Service to Stakeholders	• Number of internal audit reports issued vs. planned engagements (100% initiation rate) • Anonymous Reporting System annual median case closure time (equal to or less than the NAVEX Global median average) • Average actual hours vs. budgeted hours, by project (target within 10%)	• Percentage of audit recommendations accepted by management (100% target) • Review of Internal Audit governance structure (annual) • Acknowledgement of organizational independence (annual) • Successfully passing the Institute of Internal Auditors Quality Assurance and Improvement Program External Assessment (every 5 years)	• Client survey scores (positive average result)
Technical Development		• Number of hours spent in industry or other specialized training (minimum of 40 hours for Certified Internal Auditors and 20 hours for Certified Fraud Examiners) • Percent of auditors involved in professional organizations (100% target).	
Staff Development	• Tracking of development plan (plan vs. actual, on an annual basis)	• Percentage of auditors with professional certifications (100% target)	

Internal Audit should effectively demonstrate its value as a key component of the City's governance framework and lead by example with strong, relevant and reliable performance measures. To maintain and enhance Internal Audit's credibility, its effectiveness and efficiency should be evaluated.

Both qualitative and quantitative metrics are important in demonstrating Internal Audit's performance.

Quantitative performance metrics are often based on existing or obtainable data and are easily understood. They often require less effort to collect and are readily comparable, year over year.

Qualitative metrics are often based on the collection of unique information through more time intensive methods such as survey research or interviews. They offer a broad view of performance on a range of topics that can provide depth to quantitative metrics.

Service to Stakeholders:

There are eight metrics under the Service to Stakeholders Performance Measurement category. Three of them are efficiency measures, four are effectiveness measures and one measures both efficiency and effectiveness.

Number of Internal Audit Reports Issued vs. Planned Engagements (100% Initiation Rate)

The Internal Audit Risk Based Work Plan for 2021 was developed using a risk assessment process that combined financial, reputational, compliance and operational criteria.

Sources for determining risk and plan priorities included discussions with senior management, insight from Council, financial significance, current and emerging risks in the local government sector, high profile issues in other municipalities, staff requests, themes from previous audits and investigations and significant change initiatives.

As internal auditing is a year-round activity, it is to be expected that some projects starting in the latter half of the year will extend into the next calendar year. However, it is expected that all projects will commence in the year that they are scheduled.

In 2021, seven of the nine (78%) scheduled engagements were initiated. It was anticipated that both the Payroll Audit and the Water, Wastewater and Stormwater Billing and Collection Audit would commence in 2021. Due to several factors, neither of these projects were started in 2021. These factors include changes in senior staff in both Financial Services and Environmental Services, unanticipated challenges with the transition of payroll in-house and the Finance Modernization project and Alectra's recent announcement of ending billing services on behalf of several municipalities, including Vaughan. The hours that were allocated to these projects were reallocated to the Vendor Master File Audit and the PCI audit, which commenced in Q4.

A total of eleven reports were completed, presented and approved by Council through the Audit Committee in 2021. There are two additional projects remaining from prior Internal Audit Work Plans that will be presented for approval in 2022. These include the Vendor Master File Audit, which is anticipated to be on the June Audit Committee Agenda, and Phase 2 of the By

Law & Compliance, Licensing & Permit Services Audit, which is anticipated to resume either later this year or early next year.

Anonymous Reporting System Annual Median Case Closure Time (Equal to or Less than the NAVEX Global Median Average)

In 2021, reports were investigated and closed nearly six weeks faster than the Global Benchmark. The ability to investigate and close cases in a timely fashion helps foster a culture where concerns are taken seriously and builds organizational trust in the system.

Actual Hours vs. Budgeted Hours, by Project (within 10% variance)

Budgeted project hours are based on best estimates and reflect historical experience. Risk based internal audits require significant client participation to identify risks, agree on issues and develop relevant and feasible management action plans.

Internal Audit has a time docketing process that effectively tracks engagement hours by project, by activity type.

In 2021, the average budgeted time allocated to a project was 515 hours. Actual average time spent on a project was 450.3 hours, a positive variance of 12.56%. The left over hours were largely used to prepare the second Management Action Plan (MAPS's) update report that was asked for by the Audit Committee in June and presented in September.

Percentage of Audit Recommendations Accepted by Management (100% Target)

This metric helps demonstrate the collaborative nature of a risk based internal audit. Internal audit engagements can be deemed successful when management participates in the process, concurs with the observations and recommendations, and is committed to addressing them through management action plans.

In 2021, Internal Audit achieved a 100% acceptance rate for all audit recommendations.

Review of Internal Audit Governance Structure and Acknowledgement of Organizational Independence (Annual)

Ensuring that the Internal Audit Department can perform its duties independently is vital to the effectiveness of the function. Further information on this topic can be found on pages 3 – 8 of this report.

Successfully Passing the Institute of Internal Auditors Quality Assurance and Improvement Program External Assessment (Every 5 Years)

Internal Audit conforms to the International Standard for the Professional Practice of Internal Auditing and the Code of Ethics adopted by the IIA, as well as the City's Code of Conduct and the Internal Audit Procedure Manual.

As part of conformance, the Director of Internal Audit is responsible for developing and maintaining a quality assurance and improvement program that covers all aspects of the internal audit activity. It is designed to enable an evaluation of the internal audit activity's conformance with the IIA Standards and an evaluation of whether internal auditors apply the

Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

The quality assurance and improvement program must include both internal and external assessments.

Internal assessments are conducted by the Director of Internal Audit and are an integral part of the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity and uses processes, tools, and information considered necessary to evaluate conformance with the Code of Ethics and the Standards.

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. External assessments may be accomplished through a full external assessment, or a self-assessment with independent external validation. The external assessor must conclude as to conformance with the Code of Ethics and the Standards; the external assessment may also include operational or strategic comments.

On January 24th, 2022, the Director of Internal Audit and a representative of the Institute of Internal Auditors co-presented the findings from the Internal Audit Department's first ever External Quality Assessment, which was conducted in October 2021. The external quality assessment evaluated whether the City's Internal Audit department is in conformance with the Institute of Internal Auditor's (IIA) Standards and Code of Ethics.

On January 25th, 2021, the Audit Committee approved that the external assessment be conducted by the IIA using the self-assessment with independent external validation approach. The self-assessment results indicate the City of Vaughan's Internal Audit activity is in conformance with the IIA's Standards and Code of Ethics and the IIA's independent validation concurred with the self-assessment results. Internal Audit received the top rating of Generally Conforms. Generally Conforms demonstrates a clear intent and commitment to achieving the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. The self-assessment highlighted successful internal audit practices and identified opportunities for improvements. Based on the results, the next external assessment will be conducted in 2026.

Audit Client Survey Scores (Positive Average Result)

Surveys are an important tool that can be used to assess proficiency in certain skills, competencies, or knowledge exhibited by the Internal Audit Department staff. Survey feedback is an important element of our Quality Assurance and Improvement Program and helps measure satisfaction with the quality of services delivered and identify potential opportunities for improvement.

After the completion of each audit project, members of the management team directly involved in the audit process are asked to complete an Audit Client Survey. The 15-question survey asks for feedback on our performance and to identify areas where we can improve our operations. The survey focuses on how well we communicated throughout the audit, our understanding of the client's issues, the professionalism of our audit staff, and the quality of our findings. The survey results help Internal Audit determine whether the goals and

objectives of the audit were met and measure client satisfaction with the quality of services delivered.

Internal Audit distributed a total of ten audit client surveys for the Construction Audit of Fire Station 7-4: Phase 3 – Close Out Phase, Consulting and Professional Services Audit, Water Sampling Follow-up Audit, IT Security Audit and Building Standards Audit: Phase 1. We received 100% participation. Out of the 15 questions, 14 received 100% positive scores, while the remaining question received an 90% score. This is a very strong indicator that Internal Audit is effectively delivering value added services to the City. The detailed results of this survey are summarized in Appendix A, which can be found at the end of the report.

Technical Development:

There are two effectiveness metrics under the Technical Development Performance Measurement category.

Number of Hours Spent in Industry or Other Specialized Training (Minimum of 40 Hours for Certified Internal Auditors and 20 hours for Certified Fraud Examiners)

Currently, Internal Audit staff possess one or more of the following professional certifications:

- Certified Internal Auditor (CIA)
- Certification in Risk Management Assurance (CRMA)
- Certified Fraud Examiner (CFE)
- Chartered Professional Accountant (CPA)

The IIA oversees several well-respected auditing certifications including the CIA designation. The CIA designation is the only globally accepted certification for internal auditors and remains the standard by which individuals demonstrate their professionalism in the internal audit field.

The CRMA is designed for internal auditors and risk management professionals with responsibility for and experience in providing risk assurance, governance processes, quality assurance, or control self-assessment. It demonstrates an individual's ability to evaluate the dynamic components that comprise an organization's governance and enterprise risk management program and provide advice and assurance around these issues.

Individuals who have achieved the CIA and/or any other IIA designation are required to complete a minimum of 40 hours of Continuing Professional Education (CPE) every year. Of these 40 hours, 2 must relate directly to ethics.

The CFE credential denotes proven expertise in fraud prevention, detection and deterrence. CFEs are trained to identify the warning signs and red flags that indicate evidence of fraud and fraud risk. CFEs around the world help protect the global economy by uncovering fraud and implementing processes to prevent fraud from occurring in the first place. On an annual basis, CFE's must obtain a minimum of 20 credit hours of CPE; at least 10 of these must relate directly to the detection and deterrence of fraud and 2 must relate directly to ethics.

The CPA designation was created by the unification of Canada's three independent legacy accounting professions (CA, CGA and CMA) into the CPA, now Canada's only business and accounting profession. Working in collaboration with its provincial member organizations, the

CPA supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and develops and delivers education programs. It also provides a range of member services and professional literature; undertakes research and development of intellectual property; issues guidance on risk management and governance; and fosters relationships with key stakeholders nationally and internationally. CPA and its provincial member organizations mandate is to protect the public interest by setting and enforcing the highest professional and ethical standards, to ensure that members are recognized as Canada's preferred financial leaders and advisors, and to support its members in their efforts to enhance their capabilities.

CPA's are required to complete a minimum of 20 hours of Continuing Professional Development (CPD) a year. The CIA CPE requirements fulfil the CPA CPD requirements.

Percent of Auditors Involved in Professional Organizations (100% Target)

In addition to the professional organizations mentioned above, all members of the City of Vaughan's Internal Audit Department are members of the Municipal Internal Auditors Association (MIAA). The purpose of MIAA is to provide a professional forum for the purposes of networking, continuing education and exchanging ideas and best practices with other municipal internal auditors. MIAA hosts educational events twice a year.

The completion of the yearly CPE requirements and maintaining active membership in the associated professional organizations helps ensure that the City's Internal Audit Department staff remain up to date on the latest municipal, business, auditing, risk management, fraud prevention and detection techniques and trends.

In 2021, all Internal Audit staff met their respective CPE/CPD requirements and all members are in good standing with their respective professional organizations.

Staff Development:

There are two metrics under the Staff Development Performance Measurement category. One is an efficiency measures and one is an effectiveness measure.

Tracking of Development Plan (Plan vs Actual, Annual Basis)

The Director of Internal Audit is responsible for evaluating staff performance on an annual basis, using the City's existing Halogen Talent Management Program. The City's Halogen Talent Management System integrates employee goals, competencies, performance feedback, appraisal, and learning and development. It provides integrated and timely information, feedback, communication and reporting. Through the performance planning and evaluation process, Internal Audit aligns work activities to the Department's Risk Based Work Plan while developing and monitoring individual performance, achievements, competencies and opportunities for development.

Percent of Auditors with Professional Certifications (100% Target)

All Internal Audit staff are required to possess at least one certification that is directly related to their responsibilities. Through the City's Halogen Talent Management Program, staff are encouraged to continue to explore development opportunities and additional certifications.

COMMON THEMES AND ISSUES – ANALYSIS OF 2021 INTERNAL AUDIT REPORTS

Individual internal audit reports can be useful in advising management the Audit Committee and Council on risk and control issues that may affect the successful operation of a program, process or department.   Individual reports, however, do not always address broader risk and control themes. Similar issues may arise over a series of reports that could point to a more systemic or reoccurring set of issues requiring a more organizational or holistic perspective of risk and control. Identifying themes and addressing them holistically helps better address systemic causes.

A total of eleven reports were completed and presented to the Audit Committee in 2021.

The top themes that emerged are:

1. Leveraging advances in technology to improve business processes.

2. Developing processes to periodically evaluate direction, strategy, programs and service delivery to ensure efficient and effective deployment of resources to achieve the City's Term of Council Priorities and Strategic objectives.

3. Improving project management, contract administration and management oversight.

4. Updating the content of City policies, procedures and guidelines while providing more clarity on roles, responsibilities and expectations of stakeholders.

It should be noted that themes 2-4 were also identified in last three annual reports.   While not identified in the previous two annual reports, leveraging advances in technology to improve business process was identified in prior years.

Internal Audit will continue to report on reoccurring themes on an annual basis, as per the City's Internal Audit Policy.

ANONYMOUS REPORTING SYSTEM – ANNUAL UPDATE

Background and Purpose:

The City's Anonymous Reporting System was implemented on April 15, 2014 as an additional mechanism for employees to confidentially and anonymously report suspected fraud and code of conduct violations.

Report intake is operated independently by a third party and is accessible by internet and toll-free phone number. It is available 24 hours a day, 7 days a week.

An employee who chooses to file a report is asked to create a password and is provided with a unique case tracking number so that they can log back into the system to follow the progress of their report, provide further details and to answer any questions posed by the investigator, a member of the City's Internal Audit team. Depending on the nature of the issue, management may be required to assist Internal Audit with an investigation.

The City's service provider, NAVEX Global, anonymizes the hotline data collected through their hotline and incident management systems every year and creates an annual Risk and Compliance Hotline Benchmark Report. For statistical accuracy, the analysis includes only those organizations that received 10 or more reports in 2021. The resulting database includes 3,470 customers that received a total of over 1.38 million individual reports.

Due to having the world's largest and most comprehensive database of reports and outcomes, the City can rely on the NAVEX Global benchmarks. Comparing the City's anonymous reporting use to the NAVEX Database is a good indicator to help gauge the success of the City's program and opportunities for improvement.

Performance Criteria:

Overall, staff use of the Anonymous Reporting System continues to meet expectations based on the measurement criteria used to benchmark the City's use to the NAVEX Database.

The criteria include:

- Report Volume per 100 Employees

- Report Allegation Categories and Substantiation Rates

- Reporter Follow-up Rate

- Anonymous vs Named Reporters

- Case Closure Time

Report Volume per 100 Employees

Report volume per 100 employees is a measurement that enables the City to estimate the number of potential reports it will receive in a given year.

In 2021, the NAVEX Database median reports per 100 employees remained unchanged at 1.3. Based on this statistic and the number of full-time employees in the City of Vaughan and Vaughan Public Libraries [approximately 1500], we would have required approximately 20 reports in 2021 to be at the median.

The City received a total of 6 reports in 2021, unchanged from 2020. Since the system was introduced, we have received a total of 133 reports, which averages to approximately 17 reports per year.

NAVEX continues to hypothesize that the drop in report volume seen across all sectors is due to the COVID-19 pandemic. The impact of the pandemic on anonymous reporting is an issue that will need to be monitored closely as the pandemic enters its third year.

Report Allegation Categories and Substantiation Rates

Allegation category reporting helps identify themes and trends. Comparing the results to those of the NAVEX Database helps determine if the City has different themes that might point to specific issues. Receiving below typical volumes could speak to a need for more training or awareness, while receiving above typical volumes could indicate an area where there is risk to be addressed.

Substantiation Rate is a measurement that reflects the rate of allegations made which could be determined to have at least some merit. At the City, all allegations are initially considered to have merit until they have been reviewed and concluded. During the investigation process, some reporters may not have provided enough information or not responded to questions posed by the investigator. This may shift the allegation to the unsubstantiated category. In addition, if the conclusion does not support the allegation, then the case is considered unsubstantiated.

Based on the 6 reports received:

- None of the reports received were related to accounting, auditing and financial reporting issues such as financial misconduct, internal controls and expense reporting. The 2021 NAVEX Database median comparison for this category is 5%. The 2021 NAVEX Database substantiation rate for this category is 50%.

- Two reports (or 33%) related to business integrity issues such as conflict of interest, policy violation and vendor/customer issues. The 2021 NAVEX Database median comparison for this category is 18%. None of these reports were substantiated. The 2021 NAVEX Database substantiation rate for this category is 50%.

- Two reports (or 33%) received were related to HR, diversity and workplace respect issues such as hiring irregularities, discrimination, harassment and favouritism. The 2021 NAVEX Database median comparison for this category is 63%. One (or 50%) of

these reports was substantiated. The 2021 NAVEX Database substantiation rate for this category is 40%.

- One report (or 17%) related to environmental, health and safety. The 2021 NAVEX Database median comparison for this category is 9%. The report was not substantiated. The 2021 NAVEX Database substantiation rate for this category is 50%.

- One report (or 17%) related to the misuse or misappropriation of corporate assets including theft and time abuse. The 2021 NAVEX Database median comparison for this category is 4%. This report was substantiated. The 2021 NAVEX Database substantiation rate for this category is 50%.

In 2021, two (or 33%) of the six reports received were substantiated. The 2021 NAVEX Database overall substantiation rate comparison is 43%. Our overall substantiate rate since the system was implemented is 23.5%.

It should be noted that not all substantiated reports reflect unethical conduct. It may reflect the absence of or non-enforcement of policy/procedure or improper application of a business process. In addition, an unsubstantiated report does not necessarily mean that the report was without merit. For a majority of the unsubstantiated cases, we were unable to substantiate the report due to insufficient details or evidence. An unsubstantiated report can still highlight potential risks and control weaknesses that may need to be addressed.

Reporter Follow-up Rate

Another measurement that has a direct impact on Substantiation Rates is the Reporter Follow-up Rate. This rate indicates the percentage of reporters who followed-up on their report submission. There is a greater risk that cases will be deemed unsubstantiated when reporters do not follow up on their reports, as specific detail that may be required to conduct a thorough investigation may inadvertently be withheld. In 2021, 40% of all reporters followed up on their report. This compares favorably to the 2021 NAVEX Database rate of 30%. However, the 40% follow-up rate is a significant drop from the previous year's 83%. Internal Audit will be partnering with Corporate and Strategic Communications to reemphasize the importance to all staff on following up on their anonymous report submissions.

Anonymous vs Named Reporters

The Anonymous vs Named Reporters rate shows the percentage of all reports submitted by individuals who chose to withhold their identity.

The trend of reporters choosing to remain anonymous continues as all 6 reporters chose to remain anonymous. The 2021 NAVEX Database rate is 50%. Factors influencing anonymity include the level of trust participants have that their information will remain confidential, the significance of the issue being reported and the confidence that the report will be acted on. The preference for anonymity illustrates that without access to an Anonymous Reporting System, there is increased risk that staff may not report important issues such as code of conduct violations, suspected fraud or misappropriation, privacy issues and inappropriate relationships between employees and contractors/vendors.

Case Closure Times

Case Closure Time is the number of calendar days it takes an organization to complete an investigation and close a case.

Earning employee trust is not a simple task, especially when it comes to many of the sensitive topics that are reported. Ensuring that employees know their concerns are important and are being seriously considered is a vital step towards that task.   If months go by without resolution, or weeks go by without indication of action, reporters can feel that their concerns are not being heard and the credibility of the program can be damaged or lost.

In 2021, our median case closure time was one day. This compares favourably to the 2021 NAVEX Benchmark median case closure time of 42 days. Our average case closure time was 5 days. It should be noted that our median case closure time is unusually low. This was the result of a majority of the reporters who did follow-up on their reports providing sufficient information and responding instantaneously through the anonymous two-way chat feature. The ability to investigate and close cases in a timely fashion helps foster a culture where concerns are taken seriously and builds organizational trust in the system.

STATUS OF MANAGEMENT ACTION PLANS - ANNUAL UPDATE

Background and Purpose:

Follow up of Internal Audit recommendations through Management Action Plans (MAPs) is performed to ensure that management actions have been effectively implemented and appropriate controls and processes have been put in place to mitigate risks identified during the audit.

For every recommendation, management provides Internal Audit with the name of the individual who is accountable and responsible for implementing the MAPs and an estimated completion date. Internal Audit assesses the estimated completion date for reasonableness and timeliness of the action, based on the assessed risk.

The individual who is accountable for implementing the MAPs provides Internal Audit with a written update on their progress shortly before the implementation deadline approaches. The update includes whether each MAP has been completed, is still in progress, or is not yet started. If a MAP has been completed, Internal Audit will verify that the action plan addresses the risk outlined in the report. Internal Audit staff also follow-up quarterly with management on the status of their action plans.

Management provides a detailed explanation if an action plan is still in progress or not yet started and provides a new estimated completion date. Internal Audit assesses the new estimated completion date for reasonableness and timeliness, based on the assessed risk.

Council requested that Internal Audit provide an annual report on the status of completed and outstanding management action plans to address audit report recommendations.

Scope:

The scope of this update includes 21 outstanding audit reports containing 142 recommendations approved by Council from March 2015 through December 2021. As of April 8, 2022, management has fully implemented 97 of those MAPs, or 68%. A total of 45 MAPs, or 32% are in progress. A table summarizing the number of audits completed and recommendations issued by report is included as Appendix B, which can be found at the end of the report.

The following are comments regarding those MAPs that are in progress:

RECREATION AND CULTURE REVENUE AUDIT

The Recreation and Culture Revenue Audit report was presented to FA&A on March 9, 2015. The report contained twelve recommendations.

One (or 8%) of the audit recommendations remains outstanding.

According to the Acting Director of Financial Services and Deputy Treasurer, Financial Services continues to meet with the Client Services Manager of Recreation to review the aging report produced by PerfectMind (formerly CLASS) to assess collectability on outstanding items. Any accounts deemed uncollectible are handed over to Financial Services for further action on a yearly basis as there is a minimum impact, especially post-covid. This

also may include the use of a collection agency which continues to ensure that we are using one agency. One collection agency is currently being used by Financial Services and the use of it continues to be minimal to date.

Financial Services is undergoing the completion of an overall collections policy. Staff from A/R have been transitioned over to the Property Tax department, Collection's area. There continues to be various collections activities, many of which are governed by specific legislation.

The Municipal Act is the legislation that governs taxation. Procedures currently exist and may be changing as we continue the new tax system (TXM) stabilization.

The Provincial Offences Act (POA) is the legislation that governs POA fines. Procedures currently exist and will continue to evolve as we consolidate collection activities.

With respect to Miscellaneous Accounts Receivable, collection consolidation activities are continuing with various departments. As this occurs, current practices are being reviewed and changed while still meeting the needs of customers. City departments are establishing additional and/or more appropriate control practices as required.

A formal policy and associated procedures is currently being drafted and should be finalized by the Administrative Policy Committee by Q4 2022. This policy and associated procedures will include references whereby legislation serves as policy guidance for Taxation and POA.

ROAD OPERATIONS AUDIT

The Road Operations Audit report was presented to FA&A on September 8, 2015. The report contained seven recommendations.

One (or 14%) of the audit recommendations remains outstanding.

According to the Director of Transportation and Fleet Management Services, Public Works has introduced a mandatory site inspection for all members of management to monitor work performance and reinforcing safe working practices. A Specialized Resource has been hired to develop, review, and update the Standard Operating Procedures Manual for Public Works and will address this management action by outlining work activity methods for all road maintenance functions including winter operations. It is anticipated that this work will be completed by Q3 2022.

CORPORATE OVERTIME AUDIT

The Corporate Overtime Audit report was presented to FA&A on February 1, 2016. The report contained five recommendations.

Three (or 60%) of the audit recommendations remain outstanding.

According to the Acting Chief Human Resources Officer, a Time & Attendance project is currently in progress which includes a plan to upgrade the current Enterprise Resource Program (JD Edwards) with time entry and employee self-service features. The current timeline for time entry implementation is November 2022 for most City staff and September

2023 for Recreation and Fire. The current timeline for employee self-service implementation is June 2022. Once this project is finalized, the system will provide data on overtime costs that will help us understand what drives overtime costs and the impact on service delivery. Currently, departments continue to review their overtime usage and impacts on costs and service delivery and continue to make appropriate operational or scheduling changes to address such.

As the City of Vaughan continues to respond to the COVID-19 pandemic, citizen and staff health and safety remain the priority. In particular, the Office of the Chief Human Resources Officer has focused a lot of effort on employee wellness throughout 2021. In May of 2021, the City of Vaughan successfully launched Wellness@Vaughan – the City's total health strategy. It focuses on the four total health pillars – physical, mental, social and financial – through a lens of health equity that is embedded into the wellness strategy. A Wellness@Vaughan Committee was also formed to create greater awareness of the Wellness Strategy, provide valuable resources and encourage staff participation in exciting wellness initiatives. During each quarter in 2022, the committee will implement theme-related activities, challenges and tools for staff.

ANONYMOUS REPORTING SYSTEM ANNUAL REPORT - 2016

The Anonymous Reporting System annual report was presented to FA&A on May 30, 2016. The report contained three recommendations.

Two (or 66%) of the audit recommendations remain outstanding.

According to the Director of Transformation and Strategy, several activities have taken place over the past few years to enhance the City's corporate governance, accountability and transparency framework. In 2021, an initiative to develop an Ethics and Compliance framework was launched. The objective of this program is to:

- Develop an ethics and compliance framework which supports a culture of ethical behavior and trust.
- Demonstrate the organization's commitment to responsible corporate conduct.
- Review, update and/or establish policies and procedures that support good corporate governance for the City.

To date, a project charter and project plan have been developed, and the project is currently in phase 1 of 3. Phase 1 includes researching and analyzing best practices among municipal/government comparators and developing framework principles and criteria. Phase 2 includes a current state review of existing policies and gap analysis, and phase 3 is the plan implementation. The planned completion of the project is end of Q1 2023.

Providing an anonymous reporting mechanism to the public, including Vaughan residents, vendors and visitors, is an approach that may help mitigate the risk of unethical behaviour and would reiterate the City's commitment to corporate governance, accountability and transparency. The Director of Internal Audit was tasked with doing further research into the possibility of expanding the Anonymous Reporting System to the public and bring back a report during this Term of Council on the best practices in other jurisdictions and a recommended approach. Internal Audit has completed the research on this topic and concludes that the City should expand this program to the public. However, due to the

COVID-19 pandemic, the Director of Internal Audit recommends that the report with these findings and recommendations for implementation be deferred to the next Term of Council.

SOCIAL MEDIA AUDIT

The Social Media Audit report was presented to FA&A on March 6, 2017. The report contained four recommendations.

One (or 25%) of the audit recommendations remain outstanding.

According to the Director of Corporate and Strategic Communications, the policy/framework is in progress. A social media policy and framework have been drafted and further updated. The policy is currently being reviewed by key stakeholders. Additional next steps on how to best move forward with the policy and framework will be timed to align with the new Term of Council. We expect this to be determined by the end Q1 2023.

EVENT MANAGEMENT AUDIT

The Event Management Audit report was presented to FA&A on June 6, 2017. The report contained nine recommendations.

One (or 11%) of the audit recommendations remains outstanding.

According to the Director of Recreation Services, as of Q3 2020 the development of an Events Strategy and Implementation Plan project was redefined to focus on the Intake Process for Events.

As of Q2 2021 updates to the Intake Process included:
- Created a webpage on vaughan.ca to direct organizers wishing to host an event in the city of Vaughan.
- Webpage encompasses all event producer information, requirements, and links, while being user-friendly.
- Live webpage is named Hosting an Event in Vaughan (vaughan.ca) and is accessible on the homepage under *Discover Vaughan* heading.

As of Q1 2022 a new consultant has been retained, and the development of an Events Strategy and Implementation Plan project has resumed, with an estimated completion time of Q1, 2023. The Events Intake process is complete.

CONSTRUCTION AUDIT OF FIRE STATION 7-4: PHASE 1

The Construction Audit of Fire Station 7-4: Phase 1, was presented to FA&A on June 6, 2018. The report contained seven recommendations. All recommendations have now been fully implemented.

FORESTRY AND HORTICULTURAL OPERATIONS AUDIT

The Forestry and Horticultural Operations Audit report was presented to FA&A on June 6, 2018. The report contained six recommendations. All recommendations have now been fully implemented.

WINTER MAINTENANCE AUDIT

The Winter Maintenance Audit report was presented to FA&A on June 6, 2018. The report contained seven recommendations.

One (or 14%) of the audit recommendations remains outstanding.

According to the Director of Transportation and Fleet Management Services, Public Works engaged a consulting firm to perform a Winter Service Level Review focusing on budget alignment (Winter Reserves), sustainability and risk assessment of existing Winter Service Levels, and a comparative scan of winter service levels of neighbouring municipalities, to identify the best practices and evaluate establishing service level standards, which may provide opportunities for the City to improve the efficiency, economy, and service provision of the winter maintenance program while ensuring legislative roadway safety. The final report is expected to be tabled in Q2 2023.

LEGAL SERVICES AUDIT

The Legal Services Audit report was presented to FA&A on March 14, 2019. The report contained seven recommendations. All recommendations have now been fully implemented.

WATER, WASTEWATER & STORMWATER OPERATIONS AUDIT

The Water, Wastewater & Stormwater Operations Audit report was presented to FA&A on June 5, 2019. The report contained fourteen recommendations. All recommendations have now been fully implemented.

FACILITY MANAGEMENT AUDIT

The Facility Management Audit report was presented to CW2 on November 19, 2019. The report contained five recommendations.

Three (or 60%) of the audit recommendations remain outstanding.

According to the Director, Facility Management, a department reorganization has been completed that better aligns the department to support and advance corporate objectives. Administration for all leases of City owned buildings has been transferred to the Real Estate department. Maintenance programs have been reviewed with service contracts consolidated with other City departments. Service Level Agreements have been completed for several departments and others are in development. These agreements clarify roles, responsibilities and outline service levels provided by Facility Management.

Risk based preventative, predictive and demand maintenance programs have been developed and continue to be implemented. These programs are based in industry best practices and driven by asset management principles. The department continues to work with the asset management group to leverage technology to deliver these important maintenance programs.

Facility staff at the community centres were transferred back to Facility Management in order to centralize all facility services with one department. A new operating model was developed and implemented to improve management of operations.

CONSTRUCTION AUDIT OF FIRE STATION 7-4: PHASE 2

The Construction Audit of Fire Station 7-4: Phase 2, was presented to CW2 on January 21, 2020. The report contained four recommendations. All recommendations have now been fully implemented.

CONSULTING SERVICES AUDIT

The Consulting Services Audit report was presented to CW2 on May 20, 2020. The report contained six recommendations.

Two (or 33%) of the audit recommendations remain outstanding.

According to the Director of Transformation and Strategy, in 2021, the Contract Management and Administration Framework project saw the completion of the current state analysis and external benchmarking exercise along with the development of an initial proposed framework. Due to the pressures of COVID-19 and the changing landscape of return to work, the project was put on hold in Q4 2021 as the organization temporarily refocused resources to respond to business reintegration. As of Q2 2022, a Procurement specialist has been assigned and will serve as the subject matter expert over the next few months to help review, modify, and expand the proposed framework. After consulting with the project's various new stakeholders, the schedule is expected to be revised with new milestones and timelines identified. The next steering committee meeting will be held near the end of April 2022 with the anticipated project completion targeted for Q4 2022.

Standard read only contract templates have now been implemented for construction related agreements. The rest of the contract types are in the process of being updated. Standards for which type of contracts should be considered mandatory for legal review prior to execution is in progress and will be considered as part of the upcoming Procurement Policy review.

BY-LAW & COMPLIANCE, LICENSING & PERMIT SERVICES AUDIT: PHASE 1

The first phase of the By-law & Compliance, Licensing & Permit Services Audit report was presented to CW2 on September 22, 2020. The report contained six recommendations with sixteen action items.

Four (or 67%) of the audit recommendations remain outstanding. Although 4 recommendations remain in progress, twelve of the sixteen action items have now been nearly or fully implemented by management. Due to the competing priorities, implementation of several action items has been deferred.

According to the Director of By-Law & Compliance, Licensing & Permit Services, an official review of the By-law Strategy has not yet commenced. This is due largely to the COVID-19 pandemic, which put an unprecedented strain on staff resources to complete the review. However, staff have been continually updating by-laws as the need arises, and regularly liaises with other municipal partners on best practices and conducts cross-jurisdictional analysis when preparing by-law amendments, or when creating new provisions. As additional pressures caused by the evolving nature of the pandemic begin to lessen, staff anticipate a full review of the By-law Strategy framework will be completed by the end of 2023.

Working in collaboration with OCIO, BCLPS is developing an online Business Licensing and Permit Applications portal using an AMANDA-integrated system on a phased approach. Phase 1 was launched in March 2022. Phase 2 is anticipated to be ready by the end of 2022.

BCLPS has partnered with City Solicitor and Legal Services in their review of administrative and quasi-judicial/adjudication processes associated with the Administrative Monetary Penalty program, as part of a corporate wide review.

PBP staff are finalizing the intranet section for SOPs, training and reference materials. Some key benefits of the new intranet are greater accessibility to staff, both on computers and mobile devices. An SOP management team and review process has been established, approved, and outlined within a specific SOP.

So far, staff have reviewed more than 200 SOPs and have converted them into the new corporate standard template and updated for changes in processes, legislation, and responsibility. Links to internal and external information have also been added, removed and updated. Additionally, some SOPs have been identified as being redundant due to changes in internal processes or because the subject matter is more appropriate in other media, such as a training manual.

All SOPs pertaining to Client Services, Policy and Business Planning, and Licensing and Special Enforcement have been completed and the majority of SOPs pertaining to Parking, Enforcement Services, and Property Standards have been reviewed. Unfortunately, unanticipated staff absences delayed the anticipated completion date of March 31, 2022, and therefore staff expect that all SOPs will be in final format and approved by the end of April 2022.

VAUGHAN BUSINESS ENTERPRISE CENTRE AUDIT

The Vaughan Business Enterprise Centre Audit report was presented to CW2 on November 10, 2020. The report contained two recommendations. All recommendations have now been fully implemented.

CONSTRUCTION AUDIT OF FIRE STATION 7-4: PHASE 3

The Construction Audit of Fire Station 7-4: Phase 3, was presented to the Audit Committee on April 27, 2021. The report contained four recommendations. All recommendations have now been fully implemented.

IT SECURITY AUDIT

The IT Security Audit was presented to the Audit Committee on May 31st, 2021. The report contained eleven topic groupings with seventy-two action items in total. Management actions are progressing as per the planned remediation dates. 56 of the 72 items have now been nearly or fully implemented by management.

According to the Chief Information Officer, new security controls further improved compliance with industry standards, IT security frameworks and best practices while making the City's IT systems more resilient to cyber-attacks.

WATER SAMPLING FOLLOW-UP AUDIT

The Water Sampling Follow-up Audit was presented to the Audit Committee on May 31, 2021. The report contained two recommendations. All recommendations have now been fully implemented.

VFRS MECHANICAL DIVISION REVIEW

The VFRS Mechanical Division Review was presented to the Audit Committee on November 22, 2021. The report contained fifteen recommendations. Two (13%) of the audit recommendations have been completed.

According to the Fire Chief, the Department has embarked on completing the mechanical recommendations, but many of the actions are dependent on the acquisition of a fit-for-purpose fleet management system. VFRS is coordinating its efforts with Vaughan's Fleet Management Services to acquire and implement a system that meets the needs of both departments.

BUILDING STANDARDS AUDIT: PHASE 1

The Building Standards Audit: Phase 1 was presented to the Audit Committee on November 22, 2021. The report contained seven recommendations.

Two (or 29%) of the audit recommendations remain outstanding.

According to Director of Building Standards:

Recommendation No. 1 - Improve the Ownership Verification Process for Request for Information Applications

Of the three recommendations, two are complete and one is underway. BSD staff consisting of Applications Expediters, Sr. Zoners and Citizen Service Representatives are connected to Municipal Connect program which verifies ownership of properties. This was implemented in October-November 2021. Where the applicant is not the owner, an owner's authorization form is available on the website. A form specifically for FOI requests and a form for Permit Applications. Standing Operating Procedure to deal with the scenarios, where the submitted owner's information is questionable, will be implemented as noted in the Management Action Plan.

Recommendation No. 5 - Leverage Advances in Technology to Improve Business Processes and Controls

These items are in progress. Digitizing of forms/documents to fillable was commenced in March 2020 and is complete up to this point but digitization is an ongoing project. Fee calculation information is now available in AMANDA. The BSD is working with OCIO to explore fee calculation integration. BSD is working with OCIO regarding AMANDA access level permissions and reporting system is in progress and will be completed by end of Q2 2022.

CONCLUSION

Internal Audit will continue to followup on management action plans to determine if they have been implemented, and will continue to partner with management in their efforts to address audit observations as planned. When plans cannot be completed as originally intended, audit staff will work with management to obtain updated achievable implementation dates.

2021 INTERNAL AUDIT WORK PLAN STATUS AND SCHEDULE

The 2021 Internal Audit Risk Based Work Plan was developed using a risk assessment process that combined financial, reputational, compliance and operational criteria.

Internal Audit has a professional responsibility to develop an audit work plan that focuses on the key risks in the City. The work plan should be dynamic and flexible. Changes to the work plan may be required occasionally to reflect emerging risks and changes in strategic objectives.

The table below provides a high-level summary of all the work plan engagements that were scheduled for 2021 and their status.

Audit Project	Rationale and Risks	Status and Reporting Date
Construction Audit of Carville Community Centre, Library and District Park: Phase 1 - Planning & Design	**Rationale:** The Construction Audit of the Carville Community Centre will encompass the complete lifecycle of the project and will be conducted in 3 phases. Individual Capital Projects can represent a significant investment for the City. Large projects are managed from a variety of aspects including financial, timeliness and meeting deliverables. Audits of individual projects can provide assurance that risks are properly managed. The audit will examine whether the lessons learned from the Construction Audit of Fire Station 7-4 have been applied to this project. **Risk:** If projects are not properly managed the greatest risk is they do not meet their deliverables either by not being on time or on budget. Projects that are late or over budget can lead to financial loss, quality reduction and erosion of public trust.	**In Progress**
By Law & Compliance, Licensing & Permit Services: Phase 3 – Animal Services Audit	**Rationale:** Vaughan Animal Services is dedicated to creating a safe community for pets and their owners. Services include dog and cat licensing, animal control by-law education, pick up of injured, sick or stray dogs, cats and wildlife, reuniting owners with lost pets and pet adoption. **Risk:** It is essential that effective management and administration is in place to reduce the risk of non-compliance with applicable laws, regulations, and City policy associated with animal services.	**Complete. Presented to the Audit Committee on April 25th, 2022**

Audit Project	Rationale and Risks	Status and Reporting Date
Water Sampling Follow-up Audit	**Rationale:** The Water, Wastewater and Stormwater Audit was presented to FA&A on June 5, 2019. The audit raised significant concerns with management oversight and controls over the City's Water Sampling Process. Since the completion of the audit, management has made significant changes to their process, including technology improvements that have enhanced sample collection and reporting. The audit will focus solely on the new water sampling processes and controls to identify whether these measures have mitigated the risks identified in the 2019 audit. **Risk:** It is management's responsibility to ensure the implementation and continued use of best practices and accepted testing methods for the collection and analysis of drinking water samples. The quality of the data produced can only be as good as the poorest level of quality assurance in the entire process of sampling and analysis. Improved controls, processes and oversight can provide assurance that health and safety, regulatory and reputational risks are being mitigated.	**Complete. Presented to the Audit Committee on May 31, 2021**
Emergency Planning & Business Recovery – COVID-19 Audit	**Rationale:** The Emergency Planning Department is responsible for ensuring the City has the capacity to manage any emergency through training, exercises, plans, procedures, public education, risk identification, mitigation measures and continuity of operations strategies. The audit will primarily focus on the City's response, mitigation, and recovery related to the COVID-19 pandemic. **Risk:** It is important that staff and residents are educated on how to prepare for, and deal with, emergencies and disasters. Knowing what actions to take before, during and after an emergency can help minimize stress and prevent injuries or damages.	**In Progress. It is anticipated that this report will be presented to the Audit Committee on June 6, 2022**
Building Standards Audit – Phase 2	**Rationale:** The Building Standards department issues permits for the construction, renovation, demolition and re-zoning of buildings. They also issue permits for the installation, alteration, extension or repair of onsite sewage systems, plumbing systems and mechanical systems such as heating, ventilation and air conditioning (HVAC). **Risk:** It is essential that effective management and oversight over the review and issuance of building permits is in place to ensure buildings are safe and that they meet the Ontario Building Code, the City's Zoning By-law, and other planning controls and laws.	**Complete. Presented to the Audit Committee on April 25th, 2022**

Audit Project	Rationale and Risks	Status and Reporting Date
Fleet Services and VFRS Mechanical Audit	**Rationale:** Fleet Management Services (FMS) is responsible for administrating a maintenance program to ensure that the City of Vaughan vehicles and equipment are operating safely within the community. FMS is also responsible for driver training and safety compliances and maintaining vehicle licensing, CVOR Certification and emission testing for all vehicles. FMS also maintains an automated, card controlled, fueling system to City vehicles. The VFRS Mechanical Division ensures all firefighting equipment and trucks are ready and up to date on all current Ministry of Transportation commercial vehicle and National Fire Protection Association safety standards. **Risk:** It is essential that effective management and oversight over the City's fleet is in place to ensure vehicles and equipment are in safe working order and that they meet legislative compliance.	**The VFRS Mechanical Review was presented to the Audit Committee on November 22nd, 2022.** **It is anticipated that the Fleet Service Audit will be presented to the Audit Committee on June 6, 2022**
Quality Assessment Review	**Rationale:** To comply with Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing, it is required that internal audit departments have independent quality assessments performed at a minimum of every five years. Internal Audit has been performing an internal readiness assessment to prepare for the City's first external assessment. Internal Audit will be conducting a self-assessment of current business practices against the IIA Standards. An independent assessor will provide an external validation. **Risk:** Without an assessment, there is a risk that Internal Audit would be non-compliant to the IIA standards and improvement opportunities to strengthen Internal Audit's effectiveness and the value of activities and services provided would not be achieved.	**Complete. Presented to the Audit Committee on January 24th, 2022**
Water, Wastewater and Stormwater Billing and Collection Audit	**Rationale:** The City of Vaughan charges for both water and wastewater services. These charges are billed by Alectra, on behalf of the City of Vaughan, and appear on a customer's hydro bill. Stormwater rates are charged once per year. It is important that customer information is managed properly, and water, wastewater and stormwater revenue is billed and collected in an efficient and effective manner. **Risk:** Without effective controls in place, there is a risk that customers may be billed incorrectly and / or payment may be incorrect or delayed.	**Cancelled due to upcoming contract expiration with Alectra for these services. Hours for this project were reallocated to the Vendor Master File Audit.**

Audit Project	Rationale and Risks	Status and Reporting Date
General Internal Audit Follow-up Program	**Rationale:** As part of the Internal Audit reporting process, Internal Audit and clients agree on action plans to address issues identified in the report. Follow-up is done to determine if the action plans have been implemented. **Risk:** If action plans are not followed up there is the risk they may not implemented. Risk and control exposures could still be outstanding that could have a negative impact on the City. There is also the risk that initial action plans may not have been suitable. Internal audit can work with clients to develop more suitable plans if follow-up is done.	**Annual update included as part of the Internal Audit Department Annual report, which was presented to the Audit Committee on May 31st, 2021**
Internal Audit Department Annual Report	**Rationale:** In accordance with the City's Internal Audit Policy, an annual report shall be submitted to the Committee of the Whole outlining the annual activities of the Internal Audit Department. This report will outline the activities of the Internal Audit Department for the period January 1 through December 31, 2020. It is not a report on the results of the audits conducted, as this information is presented separately throughout the year.	**Presented to the Audit Committee on May 31st, 2021**
Anonymous Reporting System Administration	**Rationale:** The City's Anonymous Reporting System was implemented on April 15, 2014 as an additional mechanism for employees to confidentially and anonymously report suspected fraud and code of conduct violations. Report intake is operated independently by a third party and is accessible by internet and toll-free phone number. It is available 24 hours a day, 7 days a week. An employee who chooses to file a report is asked to create a password and is provided with a unique case tracking number so that they can log back into the system to follow the progress of their report, provide further details and to answer any questions posed by the investigator, a member of the City's Internal Audit team. Depending on the nature of the issue, management may be required to assist Internal Audit with an investigation.	**Annual update included as part of the Internal Audit Department Annual report, which was presented to the Audit Committee on May 31st, 2021**

Audit Project	Rationale and Risks	Status and Reporting Date
Payroll Audit	**Rationale:** Payroll is responsible for processing salaries and hourly wages for over 2900 Management, Union, Part-time, Contract and Seasonal employees. Employee pay is processed and deposited into employee bank accounts biweekly. It is important that records are correct, employees are paid according to the time worked and payroll is processed accurately and timely. **Risk:** Without effective controls in place, there is a risk that employees may not be paid correctly or in a timely manner.	**Deferred due to management request. Work is still being done on the Employee self service portal. An audit will add more value once this module has been launched. Hours for this project were repurposed to the Vendor Master File Audit.**
Vendor Master File Audit	**Rationale**: The vendor master file is a key foundation for payment processing and contains information about vendors the City does business with. The file generally includes the vendor's name, address and contact information. An adequately designed vendor master file program ensures that the City's purchases and expenses are accurately recorded and that these expenditures are paid on a timely basis. **Risk:** It is essential that effective management and administration over the file is in place to reduce the risk of unauthorized or inappropriate activity Ineffective controls over the vendor master file can lead to inaccurate, incomplete, or unauthorized vendor records. This could have a negative effect on processing vendor payments and may increase the risk of fraud or abuse.	**This project was carried over from the 2020 Work Plan. It is anticipated that this report will be presented to the Audit Committee on June 6, 2022.**
By Law & Compliance, Licensing & Permit Services: Phase 2 – Enforcement Services	Our three phased approach for auditing By-Law & Compliance, Licensing and Permit Services began in Q3 of 2019 with the start of the first two phases. Phase 1: Policy and Business Planning, was completed and presented to CW2 on September 22, 2020. The planning phase of the Enforcement Services audit was completed in Q1 2020. However, in consultation with the Director of By-Law & Compliance, Licensing and Permit Services, it was decided to delay the start of the fieldwork phase of the audit. This was done to help ensure that Enforcement Staff could maintain their focus on the evolving changes in legislation in response to the pandemic and their corresponding enforcement and educational efforts. It is anticipated that this audit will resume in either the latter part of 2022 or early in 2023.	**TBD**

2021 Audit Client Survey Results

Appendix A

#	Statement	Positive	Negative	N/A	Strongly Agree	Agree	Disagree	Strongly Disagree	N/A
1	Internal Audit explained the audit process steps (i.e. audit planning stage to presentation at FA&A) at the commencement of the audit.	100%	0%	0%	70.00%	30.00%	0.00%	0.00%	0.00%
2	The audit took an acceptable amount of time to complete.	100%	0%	0%	40.00%	60.00%	0.00%	0.00%	0.00%
3	The disruption of daily activities was minimized as much as possible during the audit.	100%	0%	0%	40.00%	60.00%	0.00%	0.00%	0.00%
4	Internal Audit exhibited a good understanding of the goals, objectives, strategy, and processes to effectively plan the audit.	100%	0%	0%	80.00%	20.00%	0.00%	0.00%	0.00%
5	Internal Audit demonstrated the technical proficiencies required to perform this audit.	100%	0%	0%	30.00%	70.00%	0.00%	0.00%	0.00%
6	My business concerns and perspective on key business risks were adequately considered.	100%	0%	0%	50.00%	50.00%	0.00%	0.00%	0.00%
7	The audit objectives and scope were clearly communicated to me.	100%	0%	0%	60.00%	40.00%	0.00%	0.00%	0.00%
8	Internal Audit staff were:								
	Professional	100%	0%	0%	90.00%	10.00%	0.00%	0.00%	0.00%
	Objective	100%	0%	0%	80.00%	20.00%	0.00%	0.00%	0.00%
	Positive	100%	0%	0%	90.00%	10.00%	0.00%	0.00%	0.00%
	Willing to Listen	100%	0%	0%	90.00%	10.00%	0.00%	0.00%	0.00%
	Determined to Build Rapport	100%	0%	0%	90.00%	10.00%	0.00%	0.00%	0.00%
	Courteous	100%	0%	0%	90.00%	10.00%	0.00%	0.00%	0.00%
	Constructive	100%	0%	0%	90.00%	10.00%	0.00%	0.00%	0.00%
9	Status updates and communication while the audit was ongoing was:								
	Timely	100%	0%	0%	50.00%	50.00%	0.00%	0.00%	0.00%
	Adequate	100%	0%	0%	50.00%	50.00%	0.00%	0.00%	0.00%
	Useful	100%	0%	0%	50.00%	50.00%	0.00%	0.00%	0.00%
10	I was provided opportunities to provide feedback while the audit was ongoing.	100%	0%	0%	80.00%	20.00%	0.00%	0.00%	0.00%
11	The audit report observations were:								
	Accurate	100%	0%	0%	70.00%	30.00%	0.00%	0.00%	0.00%
	Clearly Written	100%	0%	0%	90.00%	10.00%	0.00%	0.00%	0.00%
	Presented with Appropriate Context	100%	0%	0%	70.00%	30.00%	0.00%	0.00%	0.00%
12	I was given the opportunity to provide explanations and responses to the audit observations contained in the draft report.	90%	10%	0%	80.00%	10.00%	10.00%	0.00%	0.00%
13	Internal Audit's recommendations:								
	Were Constructive	100%	0%	0%	70.00%	30.00%	0.00%	0.00%	0.00%
	Were Feasible	100%	0%	0%	50.00%	50.00%	0.00%	0.00%	0.00%
	Will Improve Operations/Processes	100%	0%	0%	50.00%	50.00%	0.00%	0.00%	0.00%
	Will Provide Value to the City	100%	0%	0%	70.00%	30.00%	0.00%	0.00%	0.00%
14	From my perspective, the audit objectives were achieved.	100%	0%	0%	80.00%	20.00%	0.00%	0.00%	0.00%
15	Overall, the audit added value to the City by enhancing our understanding of risks and/or improving our approach to managing key risks.	100%	0%	0%	70.00%	30.00%	0.00%	0.00%	0.00%

List of Completed Audit Projects and Status of Management Action Plans (MAPs)

Agenda Date	Audit Report	Year	Outstanding Recommendations	# of Recommendations in the Audit Report	# of Recommendations Completed	# of Recommendations In Progress	Implementation Due Dates
09-Mar-15	Recreation & Culture Revenue	2015	Accounts Receivable - Collections & Write-offs	12	11	1	Q4 2022
08-Sep-15	Road Operations	2015	Policies & Procedures	7	6	1	Q3 2022
01-Feb-16	Corporate Overtime	2016	Automate the Time and Labour Management Process	5	2	3	Q3 2023
			Understand What Drives Overtime Costs & Impact on Service Delivery				Q3 2023
			Examine the Impact of Overtime on Employee Wellness				Q3 2023
30-May-16	Anonymous Reporting System Annual Report	2016	Enhance the City's corporate governance, accountability and transparency framework by developing a comprehensive ethics and compliance program designed to prevent, detect and respond to fraud and misconduct.	3	1	2	Q1 2023
			Internal Audit be tasked with doing further research into the possibility of expanding the Anonymous Reporting System to the general public and, in consultation with senior management, report back to Council on the best practices in other jurisdictions and a recommended approach.				2024
06-Mar-17	Social Media Audit	2017	Develop a Comprehensive Social Media Governance	4	3	1	Q1 2023
06-Jun-17	Event Management Audit	2017	Develop a Formal Event Strategy for the City	9	8	1	Q1 2023
06-Jun-18	Construction Audit of Fire Station 7-4: Phase 1	2018	All recommendations actioned and vetted	7	7	0	Complete
06-Jun-18	Forestry & Horticulture Operations Audit	2018	All recommendations actioned and vetted	6	6	0	Complete
06-Jun-18	Winter Maintenance Audit	2018	Reevaluate the City's Winter Maintenance Strategy and Service Standards	7	6	1	Q2 2023
14-Mar-19	Legal Services Audit	2019	All recommendations actioned and vetted	7	7	0	Complete
05-Jun-19	Water, Wastewater and Stormwater Operations Audit	2019	All recommendations actioned and vetted	14	14	0	Complete
12-Nov-19	Facility Management Audit	2019	Develop and Implement a Risk Based Preventative and Predictive Maintenance Program	5	2	3	Q4 2022
			Improving the Management and Administration of Lease and License Agreements at City Owned Facilities				Q4 2022
			Enhance Oversight Over Contract Administration				Q4 2022
21-Jan-20	Construction Audit of Fire Station 7-4: Phase 2	2020	All recommendations actioned and vetted	4	4	0	Complete
20-May-20	Consulting Services Audit	2020	Establish a City-wide Contract Management and Administration Framework	6	4	2	Q4 2022
			Standardize Procurement Templates				Q4 2022
22-Sep-20	By-Law & Compliance, Licensing & Permit Services Audit: Phase 1	2020	Reevaluate and Update the By-law Strategic Framework, Principles and Deliverables to Ensure They Remain Realistic and Achievable	6	2	4	Q4 2023
			Continue to Integrate Licensing, Permit and Enforcement Systems and Enable Automated Data Sharing				Q4 2022
			Improve Oversight Over the Administrative Monetary Penalty Process				Q1 2023
			Ensure SOP's Remain Relevant and Current				Q4 2022
10-Nov-20	Vaughan Business Enterprise Centre Audit	2020	All recommendations actioned and vetted	2	2	0	Complete

List of Completed Audit Projects and Status of Management Action Plans (MAPs)

Agenda Date	Audit Report	Year	Outstanding Recommendations	# of Recommendations in the Audit Report	# of Recommendations Completed	# of Recommendations In Progress	Implementation Due Dates
27-Apr-21	Construction Audit of Fire Station #7-4: Phase 3	2021	All recommendations actioned and vetted	4	4	0	Complete
31-May-21	IT Security Audit	2021	Commecial Off the Shelf Software*	11	0	11	Q1 2022
			Hardening*				Q4 2021
			Multi-Factor Authentication*				Q4 2021
			Network Segmentation*				Q4 2022
			Physical Security*				Q4 2022
			Reducing Attack Surface*				Q1 2022
			Social Engineering*				Q1 2022
			Vulnerabilities*				Q4 2021
			Vaughan Public Libraries*				Q1 2023
			Miscellaneous*				Q2 2023
			Resourcing*				Q4 2021
31-May-21	Water Sampling Follow-up Audit	2021	Recommendation actioned and vetted	1	1	0	Complete
22-Nov-21	VFRS Mechanical Review	2021	Create an RFP for FMIS	15	2	13	Q2 2022
			Develop fleet policies, encompassing the flow charts developed				Q2 2022
			Develop a 20-year Replacement Plan				Q2 2022
			Define job duties and reporting relationships in updated job descriptions				Q2 2022
			Acquire a fit-for-purpose fleet management system				Q4 2022
			Implement cross training and backup staff when leave is taken to ensure operations are not interrupted				Q4 2022
			Implement incentives to encourage staff to pursue professional certification				Q4 2022
			Adopt a condition assessment methodology to prioritize vehicle replacement				Q4 2022
			Adopt a proactive PM schedule and work towards 95% compliance				Q4 2022
			Assess the need for a full-time fleet manager position as the organization grows				Q2 2023
			Consider future facility needs as the organization grows				Q2 2023
			Determine which KPIs are most valuable to their organization and develop regular reporting procedures.				Q2 2023
			Develop future operating (maintenance) budgets using information provided by the FMIS.				Q2 2023
22-Nov-21	Building Standards Audit: Phase 1	2021	Improve the Ownership Verification Process for Request for Information Applications	7	5	2	Q2 2022
			Leverage Advances in Technology to Improve Business Processes and Controls				Q2 2022
Total	21 Reports	-		142	97	45	