



INTERNAL AUDIT

Annual Report:

January 2018 – December 2018

April 2019

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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 where requested.

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

INTERNAL AUDIT – GOVERNANCE STRUCTURE

Internal Audit reports functionally to Council through the Finance, Administration and Audit Committee (FA&A) of Council 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 FA&A 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 FA&A Chair and FA&A 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.

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- 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 Term of Council 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 FA&A.
- 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 and the Director of Internal Audit.

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.

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Internal Audit Policy:

The Internal Audit Charter was developed and approved by FA&A on October 2012. The Charter was revised and renamed the Internal Audit Policy, and approved by Council in June 2014.

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. Based on the review Internal Audit conducted in December 2017 and December 2018, the policy remains effective. However, it should be updated to reflect Internal Audit's role with respect to administration of the City's Anonymous Reporting System. A revised Internal Audit Policy will be brought forward to a future FA&A meeting for consideration and approval.

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 FA&A 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."

This statement confirms that the Internal Audit Department has been able to carry out its activities free from management interference and remains organizationally independent.

Any threats to the Internal Audit Department's independence or objectivity, whether perceived or actual, will be managed at the individual auditor, engagement, functional, and organizational levels, and be brought to the attention of the FA&A Committee should it occur.

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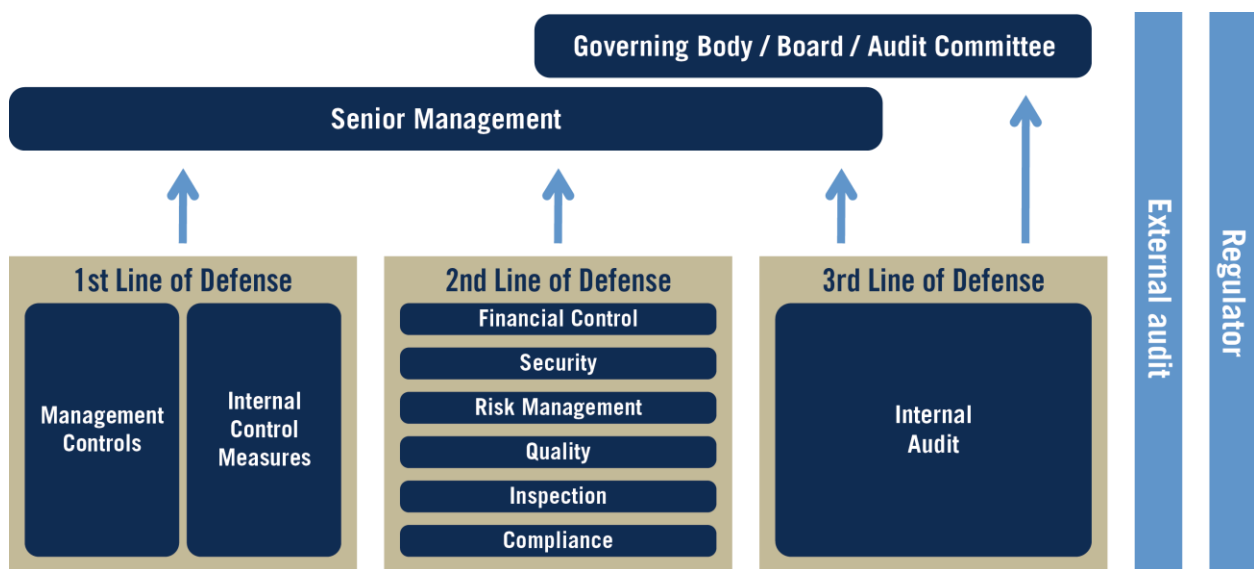
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Three Lines of Defense Model:

The IIA's Three Lines of Defense model helps illustrate the interrelationships of organizational risk and control.

The Model distinguishes among three groups (or lines) involved in effective risk management:

- Functions that own and manage risks.
- Functions that oversee risks.
- Functions that provide independent assurance.



According to the model, Council is responsible for providing direction to management with respect to the City's risk appetite. Council would delegate to the City Manager primary ownership, accountability, and responsibility for operational risk management and control. It is management's responsibility to provide direction to staff with respect to risk management and ensure that the City's activities are in line with the City's overall risk appetite.

Under the first line of defense, management would have ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

The second line of defense consists of activities covered by several components of internal governance. This line of defense monitors and facilitates the implementation of effective risk management practices by assisting management in reporting adequate risk related information up and down the organization.

Internal audit forms the City's third line of defense. Through a risk-based approach, Internal Audit provides assurance on how effectively the City assesses and manages its risks and the efficiency and effectiveness of the first and second lines of defense. Internal Audit is also well-placed and equipped to fulfil an advisory role on the coordination of assurance, effective

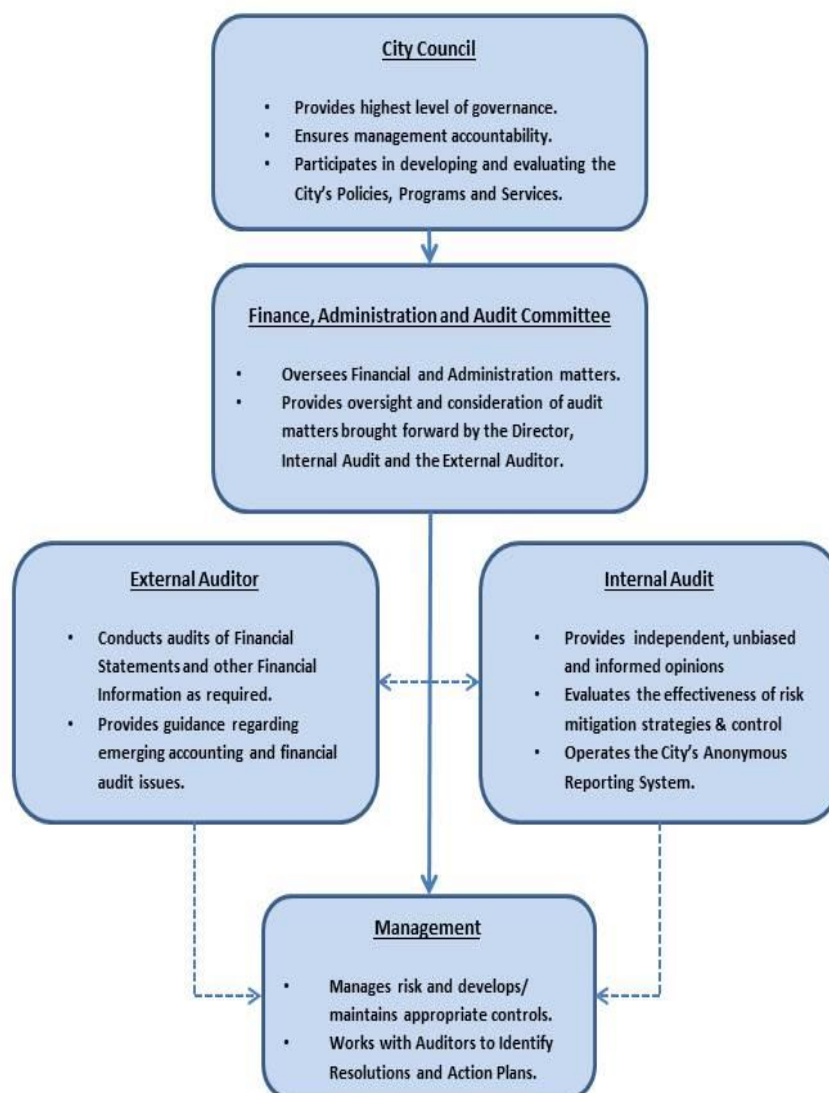
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ways of improving existing processes, and assisting management in implementing recommended improvements.

Governance Interrelationships:

The diagram below provides a high-level overview of the roles, responsibilities and the interrelationships of City Council, the Finance, Administration and Audit Committee, Management, the Internal Audit Function 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.



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. **Stewardship 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. **Agent of Change 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.

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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	<ul style="list-style-type: none"> • 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%) 	<ul style="list-style-type: none"> • 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) 	<ul style="list-style-type: none"> • Client survey scores (positive average result) • Corporate management team survey scores (positive average result) • FA&A committee survey scores (positive average result)
Technical Development		<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Tracking of development plan (plan vs. actual, on an annual basis) 	<ul style="list-style-type: none"> • Percentage of auditors with professional certifications (100% target) 	

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

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

The Term of Council Internal Audit Risk Based Work Plan for 2015 to 2018 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.

Based on current staffing levels, the Risk Based Work Plan will typically include between six and ten projects a year. 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 2018, six of the seven (86%) scheduled engagements were initiated. The time allocated to perform the Corporate Security Audit had to be repurposed to accommodate the additional resources required to finish the Water, Wastewater and Stormwater Audit. An update on the Water, Wastewater and Stormwater Audit was provided at the September 17, 2018 Committee of the Whole Closed Session.

Based on the resource constraints and in consultation with the Deputy City Manager (DCM) of Community Services, the decision was made to cancel the Corporate Security Audit. According to the DCM of Community Services, staff have engaged the services of a consultant to commence work on developing a Corporate Security Strategy & Implementation

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Plan. The scope for the Security Strategy is to provide direction and guidance for a security framework reflecting perspectives from across the City using a strategic approach.

A total of seven reports were completed, presented and approved by Council in 2018. There are five projects remaining from the 2015-2018 Work Plan that will be presented for approval in 2019. These include the Legal Services Audit (presented at FA&A on March 4 and approved by Council on March 19, 2019), Water, Wastewater and Stormwater Audit (scheduled to be presented to FA&A on June 5, 2019), Consulting and Professional Services Audit (scheduled to be presented to FA&A on October 7, 2019), and Facility Maintenance Services Audit (Q4). The Construction Audit of Fire Station #7-4 will encompass the complete lifecycle of the project. It is anticipated that audit reports will be issued after the completion of the Planning and Design, and Bid and Procurement Phases, Construction Phase and the Close Out Phase. The timing of these reports is dependent on the actual construction project timing. The audit of the Planning and Design and Bid and Procurement Phases was presented to FA&A on June 6 and approved by Council on June 19, 2018. The audit of the Construction Phase is estimated to be completed in Q4.

Internal Audit's role in advisory/consulting engagements is typically reported on by the process owner who engaged the service. In 2018, Internal Audit provided Project Risk Management Training sessions as part of the Corporate Project Management Office's Project Management Training Program. Internal Audit also supported the City Manager's Office by providing risk-based consulting services as it relates to the development and implementation of the City's Service Excellence Strategic Initiatives.

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

Since the system was launched, there have been significant year over year improvements in the ability to address reporter's concerns in a timely manner. In 2018, reports were investigated and closed 28.5 days 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 2018, the average budgeted time allocated to a project was 477 hours. Actual average time allocated to a project was 483 hours, a difference of 1.26%.

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,

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concurs with the observations and recommendations, and is committed to addressing them through management action plans.

In 2018, 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.

Over the past two years, Internal Audit has been performing an internal readiness assessment to prepare for the City's first external assessment, which we expect to perform in 2021.

The following outline the internal readiness assessment activities conducted to date:

- Developed standard tools, templates and a quality assurance checklist to conduct the assessment.

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- Updated and revised the department's standards and practices manual to reflect changes in the IIA's IPPF framework.
- Starting with the Social Media Audit in 2017, all completed audits have been assessed using the quality assurance checklist and are in conformance with the International Standards for the Professional Practice of Internal Auditing.
- The Annual Review Checklists for 2017 and 2018 have been complete, and Internal Audit is in conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.

The following outline the internal readiness assessment activities that are still outstanding:

- Developing and implementing a formal Audit Committee Charter that sets out the authority of the FA&A committee with respect to audit related matters. A proposed Audit Committee Charter will be brought forward to a future FA&A meeting for consideration and approval.
- Updating the City's Audit Policy to reflect Internal Audit's role with respect to administration of the City's Anonymous Reporting System. A revised Internal Audit Policy will be brought forward to a future FA&A meeting for consideration and approval.

Client, Corporate Management and FA&A Committee 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 eight audit client surveys for the three completed 2018 audits and received responses from all eight respondents. Out of the 15 questions, 14 received 100% positive scores, while the remaining question received an 88% score. This is a very strong indicator that Internal Audit is effectively delivering value added services to the organization. The detailed results of this survey are summarized in Appendix A, which can be found at the end of the report.

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Due to the significant turnover of staff on the Corporate Management team and the 2018 municipal elections, Internal Audit did not administer the Corporate Management team and the FA&A Committee member annual surveys. Both surveys will be administered again in 2019.

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.

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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 2018, 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 Talent Management Program. The City's 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. Through the City's Talent Management Program, staff are encouraged to continue to explore development opportunities and additional certifications.

COMMON THEMES AND ISSUES – ANALYSIS OF 2018 INTERNAL AUDIT REPORTS

Individual internal audit reports can be useful in advising management 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 seven reports were completed, presented and approved by Council in 2018.

The top themes that emerged are:

1. 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.
2. Improving budgeting and forecasting processes to better align Council directives and corporate strategy with resource allocation.
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.

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

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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, maintains a Global Database of performance metrics based on all the clients they serve. NAVEX issues an annual report that compares data from its participating clients against the industry benchmarks. For statistical accuracy, the analysis includes only those organizations that received 10 or more reports in 2018. The resulting database includes 2,738 customers that received a total of 1,032,953 individual reports.

Comparing the City's anonymous reporting use to the NAVEX Global 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 Global 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

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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 2018, the Global Database median reports per 100 employees remained unchanged at 1.4. 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 21 reports in 2018 to be at the median.

The City received a total of 30 reports in 2018, up from 19 in 2017. Since the system was introduced, we have received a total of 95 reports, which averages to approximately 19 reports a year.

Due to the dynamic nature of a hotline program, it is expected that there may be report volume fluctuations from year to year. Therefore, the year over year increase in reporting activity and being over the median in overall report volume for the year should not be viewed as a concern.

Report Allegation Categories and Substantiation Rates

Allegation category reporting helps identify themes and trends. In addition, comparing the results to those of the Global Database helps determine if the City has different themes that might point to specific issues. 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 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 30 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 2018 Global Database median comparison for this category is 2%. The 2018 Global Database substantiation rate for this category is 50%.
- Four cases (or 13%) related to business integrity issues such as conflict of interest, policy violation and vendor/customer issues. The 2018 Global Database median comparison for this category is 16%. One (or 25%) of these reports was substantiated. The 2018 Global Database substantiation rate for this category is 50%.
- Seventeen cases (or 57%) related to HR, diversity and workplace respect issues such as hiring irregularities, discrimination, harassment and favouritism. The 2018 Global Database median comparison for this category is 70%. Two (or 12%) of these reports were substantiated. The 2018 Global Database substantiation rate for this category is 40%.

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- Two cases (or 7%) related to environmental, health and safety. The 2018 Global Database median comparison for this category is 6%. One (or 50%) of these reports was substantiated. The 2018 Global Database substantiation rate for this category is 50%.
- Seven cases (or 23%) related to the misuse or misappropriation of corporate assets including theft and time abuse. The 2018 Global Database median comparison for this category is 5%. Two (or 29%) of these reports were substantiated. The 2018 Global Database substantiation rate for this category is 50%.

In 2018, six (or 20%) of the thirty reports received were substantiated. The 2018 Global Database overall substantiation rate comparison is 42%. Our overall substantiate rate since the system was implemented is 23%.

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 2018, 83% of all reporters logged back in to follow-up on their report. This compares favorably to the 2018 Global Benchmark Rate of 20%.

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 29 of the 30 (or 97%) reporters chose to remain anonymous. The 2018 Global Benchmark Rate is 57%. 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.

Since the system was launched, there have been significant year over year improvements in the ability to address reporter's concerns in a timely manner. In 2018, our median case closure time was 11.5 days. This compares favourably to the 2018 Global Benchmark median case closure time of 40 days. 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.

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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.

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 14 audit reports containing 78 recommendations presented to the Finance, Administration and Audit Committee (FA&A) from October 2012 through December 2018. As of April 15, 2019, management has fully implemented 51 of those MAPs, or 65%. A total of 27 MAPs, or 35% 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:

PARKS AND FORESTRY OPERATIONS AUDIT

The Parks and Forestry Operations Audit report was presented to FA&A on October 15, 2012. The report contained five recommendations. All recommendations have now been fully implemented.

ACCOUNTS PAYABLE AUDIT

The Accounts Payable Audit report was presented to FA&A on February 11, 2013. The report contained four recommendations. All recommendations have now been fully implemented.

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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 remain outstanding.

According to the Director of Financial Services and Deputy Treasurer, the Accounts Receivable Supervisor meets quarterly with the Client Services Manager of Recreation Services to review the aging report produced by CLASS to assess collectability. Any accounts deemed uncollectible are handed over to Financial Services for further action. This may include the use of a collection agency and thereby ensures that we are using one agency. Recreation Services accounts submitted for collection have been of minimal dollar amounts. Financial Services has been consolidating collection activities and will review establishing a collection agency policy once consolidation has been completed (expected completion in 2019).

ROAD OPERATIONS AUDIT

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

Five (or 71%) of the audit recommendations remain outstanding.

According to the Manager of Parks and Roads, Parks and Forestry Operations, the Occupational Health and Safety Training draft training matrix is complete and compliance is being monitored based on the training matrix and training recorded in Halogen. The last step is to develop the outline of the entire training plan, prior to implementation in Q2, 2019.

The Road Patrol Management System is currently being implemented. The software ensures that patrol frequencies meet legislative requirements. Feasibility of integration with the asset management is still ongoing. Similar to the Road Patrol Management System, the Work Order Administration recommendation is a project between TSPFO and Infrastructure Planning and Corporate Asset Management with the anticipated roll out in 2021.

The recommendations associated with Policies and Procedures are almost complete. The SOPs will go forward in September 2019 for approval.

According to the Director of Fleet Management Services, the tool for evaluating leasing versus purchasing of assets has been completed and communicated to all stakeholders. A revised corporate policy to reflect these changes will be brought forward to policy committee for approval in 2019.

IT SECURITY CONTROLS AUDIT

The Information Technology Security Controls Audit report was presented to FA&A on December 8, 2015. The report contained three recommendations.

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

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According to the Chief Information Officer, since the completion of the audit, the Office of the Chief Information Officer has implemented several improvements to address the recommendations, including:

- Deployed unauthorized device detection technology.
- Developed corporate software standards, IT security standards and key security performance measures.
- Performed inventory and cleanup of obsolete software on corporate systems.
- Implemented the vulnerability assessment and remediation program.
- Developed and implemented IT security incident response process.
- Delivered IT security awareness training for project managers and other staff.
- Developed a formal user off-boarding process.
- Deployed mobile device encryption.
- Performed administrative password randomization on all client systems.
- Developed Acceptable Use of Technology Policy and Terms of Use.
- Deployed secure Wi-Fi network for corporate smartphones.
- Secured funding and established IT Infrastructure Penetration testing program. The first assessment is currently in progress, with subsequent assessment scheduled to take place once per year.

The project to implement Network Access Control is currently underway, with Phase I (Protection of all City Hall public facing network ports) to be delivered by the end of Q3 2019. Once all public facing City Hall network ports are protected, Phase II will be initiated, expanding access control to remote sites.

CORPORATE OVERTIME AUDIT

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

Four (or 80%) of the audit recommendations remain outstanding.

According to the Chief Human Resources Officer, the implementation of these recommendations is progressing as planned. The Time and Labour Management Project is well underway and was approved as part of the 2019 capital budget. Staff have been working on an implementation plan for 2019 which includes selecting a vendor and starting with the highest risk areas and moving to implement across the organization. The implementation of

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the time and attendance system will help us better understand what drives overtime costs and its impact on service delivery. However, staff have worked on identifying the drivers of overtime such as occupational illnesses with our emergency responders and a plan has been put in place to mitigate overtime costs. A comprehensive Wellness strategy is currently being developed and part of the 2019 City's Strategic Plan for this term of Council. In addition, policies have been updated to increase the value of lieu banks of nonunion employees from one week to two weeks. Lastly, a draft overtime policy was approved in principle by the policy committee on March 26, 2019. A communication and implementation plan is currently being developed.

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 Chief Human Resources Officer, several activities have taken place over the past year to enhance the City's corporate governance, accountability and transparency framework. They include:

- Development of a policy committee.
- Approved policy development framework based on leading practice.
- Prioritization of policies requiring attention.
- Updated employee code of conduct.
- Updated respectful workplace and workplace violence policies.

A draft ethics and compliance framework was presented to the corporate management team in April 2019. The senior leadership team has also been working on a governance framework that will be approved in Q2 2019 and a sub-component of this governance framework will be a leading practice ethics and compliance framework.

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 has been tasked with doing further research into the possibility of expanding the Anonymous Reporting System to the public and, in consultation with senior management, will report back during this Term of Council on the best practices in other jurisdictions and a recommended approach.

SOCIAL MEDIA AUDIT

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

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

According to the Director of Corporate and Strategic Communications, developing a comprehensive Social Media Governance Framework is complete and will be rolled into a comprehensive review of the City's communications policies in Q2 2019.

EVENT MANAGEMENT AUDIT

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

Three (or 33%) of the audit recommendations remain outstanding. The outstanding recommendations are on target for completion based on the timelines provided in the audit.

According to the Director of Recreation Services, several improvements to address the recommendations have been implemented, including:

- "Raisin" software/technology has been leveraged for *Vaughan Celebrates* sponsorship program in addition to the Mayor's Gala and Golf events.
- Event budgets are more closely aligned with historical performance.
- The Manager of Risk Management is consulted for extraordinary or extenuating circumstances related to City events.

Staff have been working with a consultant to develop an Events Strategy & Implementation Plan. This project aligns with Council priorities, as well as the City's Service Excellence Strategic Initiatives. A key component is consultation, including Mayor and Members of Council, to gain feedback on events, protocols, costs and benefits associated with events. The scope of this project is to provide a guide for the future framework for events (City-led, community-led, joint partnerships, and new events) and align financial and staff resources with identified priorities, mission, and objectives for events in Vaughan. The project Steering Committee has representation from across the organization. Several key external stakeholders have been identified and will be engaged in the development of this Events Strategy. This project is scheduled to be presented to Council in Q4 2019.

EMERGENCY, SOLE AND SINGLE SOURCE PROCUREMENT AUDIT

The Emergency, Sole and Single Source Procurement Audit report was presented to FA&A on June 6, 2017. The report contained four recommendations. All recommendations have now been fully implemented.

PURCHASING CARD AUDIT

The Purchasing Card Audit report was presented to FA&A on November 6, 2017. The report contained two recommendations. All recommendations have now been fully implemented.

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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.

Five (or 71%) of the audit recommendations remain outstanding.

According to the Director of Infrastructure Delivery, a city-wide approach to Project Management and Change Management is underway with a significant mandate change within the Office of Transformation and Strategy (OTS). The OTS now includes a new mandate for an Enterprise Project and Change Management Office (EPCMO). This mandate enhances the current mandate of the CPMO and ensures authority and oversight at a corporate level. Through standardized project management and change management governance, OTS will work across the organization to collaboratively establish project and change management roles and responsibilities, accountabilities, planning, delivery, monitoring and reporting functions on a consistent and disciplined basis. In addition, an Enterprise Risk Management (ERM) Framework will be developed to facilitate identification of project risks, consequences and mitigations based on a scalable ERM model, depending on risk factors, probabilities and severities of risks to be mitigated.

A comprehensive review of the PMPM (Project Management Procedures Manual) was initiated in 2018 and is expected to be completed by the end of Q2. The review will clarify roles and responsibilities, improve project controls and further refine reporting requirements as well as standardizing documentation.

All projects submitted as part of the 2019 budget were reviewed and updated to:

- Reflect current funding requirements (including cash-flow projections)
- Identify planned timelines for delivery, and
- Further refine project deliverables

As part of the efforts being undertaken in the second audit recommendation, a standard business case template has been developed and incorporated in the updated PMPM. The PMPM requires that business cases for all significant new capital projects be developed in collaboration with all stakeholders.

Based on feedback and suggestions received through several focus group sessions and the subsequent discussions with client departments, the Vendor Performance Procedure and Evaluation Forms for all types of vendors, including consultants and construction contractors, have been revised to support the Vendor Performance Evaluation program for all departments for implementation. The pilot program is under way and will be rolled out on a corporate wide basis upon successful completion of the pilot program, which is expected at the end of Q2. All processes, including the pre-qualification process follow a continuous improvement approach, where lessons learned are incorporated into future procurement processes.

Funding for the project to develop general design and construction standards for reoccurring projects was approved as part of the 2019 Budget. The RFP for the consulting services needed to undertake this work will be released in Q3-2019. The project will create general

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design and construction standards for municipal buildings, such as fire stations, community centres and libraries.

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.

Four (or 67%) of the audit recommendations remain outstanding.

According to the Manager of Forestry & Horticulture, a proactive and properly resourced life cycle maintenance program will allow the City to achieve its operational objectives and provide the tools required to maintain the City's forest cover at an appropriate service level. By developing a seven-year lifecycle street tree pruning plan, Forestry will be bringing maintenance standards in line with arboricultural best practices. Forestry has calculated the resources required to implement this plan and to bring the maintenance standards in line with a 7-year arboricultural industry standard. The lifecycle maintenance program, quality standards and overall strategy will be presented to Council in Q4 2019.

Since the audit has been completed, Forestry Operations has dedicated staff to ensuring contract compliance, as well as reconciling billing with inspection reports, and following up with the contractor if any discrepancies or deficiencies are noted, prior to payment. As part of contract compliance, staff verify that substitutions have been documented and approved prior to planting, as stated in the contract. There are no increases in price for species substitutions in 2018. Forestry Operations is in the process of updating its contract planting specifications, including the two-year warranty period, which will specify warranty tree care activities (e.g. regular watering). Currently Forestry, in conjunction with TSPFO Business and Contract Services is preparing a RFPQ to prequalify vendors for the tree planting tender.

Forestry Operations is currently documenting and assessing the current state of its business process; Forestry has commenced defining roles, responsibilities and accountabilities within its structure. Forestry has centralized most of the work order administration process, has also streamlined the Work Order Call Types and is currently standardizing work order terminology/documentation and the use of statuses. The centralization of the work order process under Forestry's influence, combined with clearly defining roles, responsibilities and accountabilities within its structure has yielded efficiencies.

With respect to the private tree permit inspection process, Forestry is in the process to completing this business flow, defining roles, responsibilities and accountabilities (SOP). Forestry has updated the Tree Removal Permit assessment form, tracking file, and is currently in the process of developing a follow up inspection program for replacement plantings.

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 remain outstanding. The outstanding recommendation is on target for completion by Q2 2020.

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According to the Manager of Parks and Roads, several improvements to address the recommendations have been implemented, including:

- Management updated the Thawrox management plan setting out a procedural business framework to ensure the City's continuous oversight of this program to improve upon the usage of Thawrox in winter maintenance operations. This included a framework for oversight and improvement of Thawrox usage and a plan to prevent and respond to supply shortages.
- TSPFO has created flow charts as a guide for staff to outline the winter operations program and to clarify roles and responsibilities. Training events have been held to train staff on these procedures and related standard operating procedures have been developed.
- Management has developed Standard Operating Procedures to provide detailed contract management guidelines for staff, including: Inspection Protocol, Document Management, Mobilization and Financial Management.

The outstanding recommendation pertains to the execution of a study to evaluate the current Council approved service levels and overall winter maintenance strategy and programs. TSPFO is currently assessing if the Corporate Wide Service Level Review project can meet the objectives of this study. The objectives include:

- a. Risk assessment of the current Roads winter maintenance service levels from the following perspectives:
 - i. Cost-benefit
 - ii. Operational
 - iii. Environmental
- b. Scan of peer municipality Roads winter maintenance service levels
- c. Recommendations for future Roads winter maintenance service levels
- d. Cost-benefit analysis of recommendations for future Roads winter maintenance service levels
- e. Recommendation for a Winter Reserve strategy
- f. Development of a KPI framework to measure the recommended Roads winter maintenance service levels

If the objectives of the Corporate Wide Service Level Review align with the objectives of TSPFO study, then the Corporate Wide Service Level Review will be leveraged to complete this audit finding. If not, TSPFO will launch a separate study.

CONCLUSION

Internal Audit will continue to contact management as their action plans come due 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.

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2015 – 2018 INTERNAL AUDIT WORK PLAN STATUS AND SCHEDULE

The 2015 – 2018 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 this Term of Council and their status.

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Recreation and Culture Revenue Audit	<p>Rationale: Recreation and Culture represents the City's third highest expenditure (approximately \$20M). Recreational and Culture programs are largely fee supported, contributing approximately \$18M in revenue. These services have high citizen focus.</p> <p>Risk: If services are not delivered up to public expectation there could be increased public dissatisfaction. In addition, there is some financial risk as there are significant revenues.</p>	Complete	Presented to FA&A on March 9, 2015
Road Operations Audit	<p>Rationale: The City has a responsibility to maintain safe roads and sidewalks. This has a high citizen focus and could have a potential reputational risk. Maintenance standards are set by City Council but must, at least, meet legislated standards set by the province.</p> <p>Risk: The absence of an effective maintenance program can result in serious injury. Not maintaining complete or accurate records could result in the inability of the City to demonstrate compliance resulting in fines, penalties or potential litigation.</p>	Complete	Presented to FA&A on September 8, 2015

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Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Hiring Practices Audit	<p>Rationale: This project was added to the work plan as a direct result of the number of anonymous reports received related to hiring irregularities during the first year of the system's operation.</p> <p>Risk: The absence of an effective recruitment process can result in not hiring the best available talent, damage staff morale and cause reputational damage to the City.</p>	Complete	Presented to FA&A on September 8, 2015
Information Technology General Controls Review	<p>Rationale: Information and the technology supporting information are vital for the City to operate effectively. Critical applications such as the JDE system reside on servers within City facilities and are required to be protected from unauthorized access or loss.</p> <p>Risk: The absence of effective physical and logical access controls could result in data loss, privacy issues and manipulation of data. This could result in fines and penalties related to compliance legislation and reputational damage to the City.</p>	Complete	Presented to FA&A on December 8, 2015
Corporate Overtime Audit	<p>Rationale: Hourly paid employees are entitled to overtime as per legislation and negotiated labour agreements. Tracking and paying overtime is supported by timekeeping systems to help ensure the right amount is paid based on entitlement.</p> <p>Risk: If time keeping systems are not effective there is the risk that incorrect overtime payments can be made resulting in financial loss and non-compliance with agreements.</p>	Complete	Presented to FA&A on February 1, 2016

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Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Driver Certification Process [DCP] [MTO Compliance]	<p>Rationale: Prior to 2014, participating organizations, including municipalities, were subject to periodic limited-scope compliance inspections conducted by the Ministry. As of January 2, 2014, all participating organizations are required to arrange for an independent, comprehensive audit using an audit program and reporting form prepared by the Ministry. Internal Audit received approval from the MTO to do the audit and, going forward, will perform all DCP related audit work.</p> <p>Risk: The risk of not performing the audit is non-compliance with Driver Certification Program requirements and the City's agreement with the MTO. This in turn may result in the removal of the City from the Program and additional costs and time for driver training and testing by the MTO before drivers' licenses can be renewed and/or upgraded.</p>	<p>Complete</p>	<p>VFRS Audits presented March 9 and June 15 2015 FA&A and September 17, 2018 CW</p> <p>VFRS and Fleet Services DCP Audits presented on September 6, 2016 FA&A</p>
<p>VBEC</p>	<p>Rationale: The City established the Vaughan Business Enterprise Centre (VBEC) in 2001, through a partnership agreement with the Ministry of Research and Innovation (MRI). VBEC's core responsibility is to support local entrepreneurs and small businesses. This is accomplished through the provision of advice and education for entrepreneurs in the early stages of business start-up and growth through one-on-one consultations, business plan development and review, business registrations, business events, and the delivery of business seminars/workshops.</p> <p>Risk: VBEC's services, programs and events should be tied to the needs of the business community. The absence of effective administration, stewardship and metrics to track initiatives can result in lost economic opportunities and reputational damage to the City.</p>	<p>Complete</p>	<p>Presented to CW (CS) on December 5, 2016</p>

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Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Social Media	<p>Rationale: Social media is defined as using Internet based applications to send and/or collaborate on information. Public sector transparency and accountability is supported by electronic social media, the use of which has grown significantly in the City of Vaughan.</p> <p>Risk: Anyone with an Internet based device can, with near anonymity and without accountability, participate in public or private information or disinformation. The absence of effective social media communication protocol combined with the potential misuse of social media can result in data privacy issues, reputational damage to the City and erosion of trust.</p>	Complete	Presented to FA&A on March 6, 2017
Event Management	<p>Rationale: The City sponsors events that help promote various charities and related City-wide initiatives. Good administration and stewardship of related funds is vital in maintaining event integrity.</p> <p>Risk: Events supported by Council have high media and citizen visibility. The absence of effective administration and stewardship controls can result in financial loss and negative public perception.</p>	Complete	Presented to FA&A on June 6, 2017
Emergency, Single and Sole Source Procurement Audit	<p>Rationale: The City's Corporate Procurement Policy establishes the guiding principles for procuring goods, services and construction. It is expected that the City should receive best value for money spent while demonstrating the public procurement principles of fairness, openness, transparency and accountability. Competitive procurement processes should be used wherever possible while ensuring that non-competitive procurement is used only in narrowly defined circumstances. Consequently, the audit of Emergency, Single and Sole Source Procurement was requested and approved by Council on November 15, 2016.</p> <p>Risk: Deficient emergency, single and sole source procurement practices can lead to financial loss, reputational risk and citizen and vendor dissatisfaction.</p>	Complete	Presented to FA&A on June 6, 2017

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Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
P-Card Compliance Review	<p>Rationale: P-Cards allow for the purchase of low value goods in a timely and cost-effective manner. When properly issued and used, they support the purchase of low value goods more efficiently with the capability of improving control and accountability.</p> <p>Risk: If P-Cards are not used properly or in compliance with policy, the City could face some degree of financial loss, as well as public exposure or reputational risk leading to citizen and vendor dissatisfaction.</p>	Complete	Presented to FA&A on November 6, 2017
Governance and Accountability - Follow-Up Survey	<p>Rationale: Governance and Accountability are key foundation components vital in building a City that shares the trust of both citizens and staff. One of the more important roles of Internal Audit is to evaluate the effectiveness of the City's Governance and Accountability framework. One tool being used is a survey. This survey has been done in 2013 and 2015 and will be redone in 2017 to track any changes and further develop trending information.</p> <p>Risk: The absence of good governance and accountability can affect the credibility and reputation of the City.</p>	Completed in 2015 and 2017	Presented to FA&A on April 13, 2015 and February 5, 2018
Winter Maintenance Audit	<p>Rationale: The Winter Maintenance Program keeps roads and sidewalks safe and passable for pedestrians, cyclists and motorists. Ontario Regulation 239/02 sets out the Minimum Maintenance Standards for Municipal Highways and, among other items, defines when a road can be deemed to be in a state of repair with respect to snow accumulation and ice formation. Driving and walking conditions in winter can deteriorate and vary dramatically due to snowfall and ice formation, causing significant reduction in pavement friction and increasing the risk of accidents.</p> <p>Risk: The absence of an effective winter maintenance program could result in serious injury, reduced emergency services response time and increased liability to the City. Winter maintenance operations also incur significant monetary costs and can result in negative environmental impacts.</p>	Complete	Presented to FA&A on June 6, 2018

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Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Forestry Operations	<p>Rationale: Re-establishing the urban tree canopy is a Service Excellence Term of Council Priority. Maintaining city trees is a significant part of promoting community health and environmental sustainability.</p> <p>Risk: If trees are not properly maintained, this could lead to citizen dissatisfaction and damage the City's reputation. In addition, there is a financial risk if the delivery of services by contractors and other service providers is not properly managed.</p>	Complete	Presented to FA&A on June 6, 2018
Water, Wastewater and Stormwater Operations Audit	<p>Rationale: Water supply for all municipalities is closely regulated by the Province of Ontario which provides assurance to citizens that drinking water is safe. An audit done in 2012 concluded that the City of Vaughan has processes in place that meet and, in some cases, exceed the Ontario regulations. The audit did, however, identify issues related to service contract acquisition and administration.</p> <p>Risk: Ineffective administration controls could result in overpayments or the inability to monitor contract performance. A follow-up audit was originally scheduled to determine if processes have been improved. However, due to changes in management and time elapsed, the project will change from a Follow-up Audit to a brand new audit of Water, Wastewater and Stormwater Operations.</p>	Complete	Scheduled to be presented to FA&A on June 5, 2019
Construction Audit of Fire Station #7-4	<p>Rationale: 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.</p> <p>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.</p>	The Construction Audit of Fire Station #7-4 will encompass the complete lifecycle of the project and will be conducted in 3 phases. The timing of these reports is dependent on the actual construction project timing.	Phase 1 was presented to FA&A on June 6, 2018

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Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Facility Maintenance Services	<p>Rationale: The City's buildings and facilities have a high operating budget and high public exposure. The operation and maintenance of these assets are vital in supporting the City's vision of demonstrating service delivery excellence and community safety. Significant organizational changes were made in 2014 and an audit will determine if previously identified issues have been resolved.</p> <p>Risk: If buildings and facilities are not adequately maintained citizen dissatisfaction would increase. In addition, there could be health and safety issues resulting in possible legal exposure.</p>	In Progress	Q4 2019
Legal Services	<p>Rationale: The Office of the City Solicitor provides a range of legal services that supports the City's corporate objectives through strategic legal advice and real estate services. As the City continues to grow and work expands, it is important to ensure that the services provided continue to meet the City's objectives.</p> <p>Risk: Legal processes positively contribute to the City's business objectives. However, if not managed properly, there may be increased risk of liabilities, increased costs/expenses and damage to the City's reputation.</p>	Complete	Presented to FA&A on March 4, 2019
Corporate Security	<p>Rationale: Facility Maintenance Services maintains and manages the security of all City of Vaughan owned buildings and is responsible for developing, implementing and maintaining a security strategy throughout the organization as it relates to the Criminal Code of Canada, Trespass to Property Act and the Public Works Protection Act.</p> <p>Risk: Not having an effective corporate security strategy can result in increased risk to public safety, damage to City property and increased liability and reputational risk.</p>	Cancelled	N/A

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Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
Consulting and Professional Services	<p>Rationale: As the City continues to grow and work expands, additional resources are needed to provide services. Consulting and professional services are used to either backfill for extra work or perform work where additional skills are needed. Consulting and professional services represent a significant expenditure to the City.</p> <p>Risk: Not having effective controls over the use and administration of consulting and professional services can result in work not meeting expectations, increased costs and reputational damage to the City.</p>	In Progress	Scheduled to be presented to FA&A on October 7, 2019
General Internal Audit Follow-up Program	<p>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.</p> <p>Risk: If action plans are not followed up there is the risk they may not be implemented. Risk and control exposures could still be outstanding and 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 warranted.</p>	Ongoing	Ongoing activity with annual report to FA&A.
Anonymous Reporting System Administration	<p>Rationale: The City adopted an Anonymous Reporting System in 2014. The purpose of the system is to allow for staff and management to have an alternative method to raise concerns or issues that may negatively impact the City.</p> <p>Risk: The risk of not properly administering the Anonymous Reporting System is that staff may not be forthcoming in communicating bad news or wrongdoing. This could lead to missed opportunities to identify risk areas and to improve processes and controls which could lead to increased operational and reputational risk.</p>	Ongoing	Ongoing activity with annual report to FA&A.

2018 Audit Client Survey Results

#	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%	63%	38%	0%	0%	0%
2	The audit took an acceptable amount of time to complete.	88%	13%	0%	38%	50%	13%	0%	0%
3	The disruption of daily activities was minimized as much as possible during the audit.	100%	0%	0%	38%	63%	0%	0%	0%
4	Internal Audit exhibited a good understanding of the goals, objectives, strategy, and processes to effectively plan the audit.	100%	0%	0%	38%	63%	0%	0%	0%
5	Internal Audit demonstrated the technical proficiencies required to perform this audit.	100%	0%	0%	50%	50%	0%	0%	0%
6	My business concerns and perspective on key business risks were adequately considered.	100%	0%	0%	38%	63%	0%	0%	0%
7	The audit objectives and scope were clearly communicated to me.	100%	0%	0%	38%	63%	0%	0%	0%
8	Internal Audit staff were:								
	Professional	100%	0%	0%	63%	38%	0%	0%	0%
	Objective	100%	0%	0%	63%	38%	0%	0%	0%
	Positive	100%	0%	0%	50%	50%	0%	0%	0%
	Willing to Listen	100%	0%	0%	75%	25%	0%	0%	0%
	Determined to Build Rapport	100%	0%	0%	75%	25%	0%	0%	0%
	Courteous	100%	0%	0%	63%	38%	0%	0%	0%
	Constructive	100%	0%	0%	50%	50%	0%	0%	0%
9	Status updates and communication while the audit was ongoing was:								
	Timely	100%	0%	0%	25%	75%	0%	0%	0%
	Adequate	100%	0%	0%	25%	75%	0%	0%	0%
	Useful	100%	0%	0%	38%	63%	0%	0%	0%
10	I was provided opportunities to provide feedback while the audit was ongoing.	100%	0%	0%	63%	38%	0%	0%	0%
11	The audit report observations were:								
	Accurate	100%	0%	0%	25%	75%	0%	0%	0%
	Clearly Written	100%	0%	0%	50%	50%	0%	0%	0%
	Presented with Appropriate Context	100%	0%	0%	25%	75%	0%	0%	0%
12	I was given the opportunity to provide explanations and responses to the audit observations contained in the draft report.	100%	0%	0%	38%	63%	0%	0%	0%
13	Internal Audit's recommendations:								
	Were Constructive	100%	0%	0%	38%	63%	0%	0%	0%
	Were Feasible	100%	0%	0%	25%	75%	0%	0%	0%
	Will Improve Operations/Processes	100%	0%	0%	63%	38%	0%	0%	0%
	Will Provide Value to the City	100%	0%	0%	75%	25%	0%	0%	0%
14	From my perspective, the audit objectives were achieved.	100%	0%	0%	38%	63%	0%	0%	0%
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%	50%	50%	0%	0%	0%

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

FA&A Presentation Date	Audit Report	Year	Outstanding Recommendations	# of Recommendations in the Audit Report	# of Recommendations Completed	# of Recommendations In Progress
15-Oct-12	Parks & Forestry Operations	2012	All Recommendations actioned and vetted, as of March 26, 2019	5	5	0
11-Feb-13	Accounts Payable	2013	All Recommendations actioned and vetted, as of April 12, 2019	4	4	0
09-Mar-15	Recreation & Culture Revenue	2015	Accounts Receivable - Collections & Write-offs	12	11	1
08-Sep-15	Road Operations	2015	Occupational Health and Safety Training	7	2	5
			Implementation of the Route Patrol Manager System			
			Work Order Administration			
			Vehicles, Motorized Equipment and Inventory Use			
08-Dec-15	IT Security Controls	2015	Policies & Procedures	3	2	1
			Network Access Control			
			Define Supporting Documentation Requirements For Overtime Payments			
			Automate the Time and Labour Management Process			
01-Feb-16	Corporate Overtime	2016	Understand What Drives Overtime Costs & Impact on Service Delivery	5	1	4
			Examine the Impact of Overtime on Employee Wellness			
			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.			
			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.			
30-May-16	Anonymous Reporting System Annual Report	2016	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.	3	1	2
06-Mar-17	Social Media Audit	2017	Develop a Comprehensive Social Media Governance Framework	4	3	1
06-Jun-17	Event Management Audit	2017	Develop a Formal Event Strategy for the City	9	6	3
			Develop a Clearly Defined Special Events Permit Process and Mechanism to Monitor Compliance with Permits Issued			
			Determine Which Events Require an Emergency Management Plan			
06-Jun-17	Emergency, Sole and Single Source Procurement Audit	2017	All Recommendations actioned and vetted, as of April 12, 2019	4	4	0
06-Nov-17	P-Card Audit	2017	All Recommendations actioned and vetted, as of April 15, 2019	2	2	0
06-Jun-18	Construction Audit of Fire Station 7-4: Phase 1	2018	Establish a Standardized Project Management Framework	7	2	5
			Enhance the Project Management Procedures Manual			
			Enhance the Budgeting and Estimation Process for Capital Projects			
			Enhance Vendor Performance Management and the Pre-qualification Process			
			Develop General Design and Construction Standards for Reoccurring Projects			
06-Jun-18	Forestry & Horticulture Operations Audit	2018	Develop a Formal Strategic Plan to Manage Existing and Future Activities and Service Levels	6	2	4
			Provide Greater Oversight over Contract Administration			
			Enhance Monitoring and Oversight Over Work Order Administration			
			Improve the Private Tree Permit Inspection Process			
06-Jun-18	Winter Maintenance Audit	2018	Reevaluate the City's Winter Maintenance Strategy and Service Standards	7	6	1
Total	14 Reports	-		78	51	27