INTERNAL AUDIT

Annual Report:

January 2019 – December 2019

May 2020

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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 Committee of the Whole 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 Committee of the Whole 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 Committee of the Whole 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 Committee of the Whole.

- 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 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. A revised Internal Audit Policy has been proposed as part of a separate item on today's agenda entitled, Internal Audit Policy and Committee Charter for Audit Related Matters.

The revised Internal Audit Policy includes Internal Audit's role as the administrator of the Anonymous Reporting System and the department's role in fraud investigation and reporting. Internal Audit's commitment to continuous improvement has also been formalized in the Policy as the Quality Assurance and Improvement Program.

The revised Policy also aligns Internal Audit's assurance and advisory roles with the endeavours of Enterprise Risk Management. The new Enterprise Risk Management program was started in 2019 with the development of an overall framework which will continue in 2020 - 2021 to develop an Enterprise Risk Management Policy, procedures, risk assessment methodologies and risk profile management reports. Through the development of the new Enterprise Risk Management program, the City is establishing the culture, capabilities, and practices that organizations rely on to manage risk in creating, preserving, and realizing value. The definitions section of the Policy has been expanded for reference to provide further insight into the relation and activities of Internal Audit and Enterprise Risk Management.

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 Committee of the Whole 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 Council should it occur.

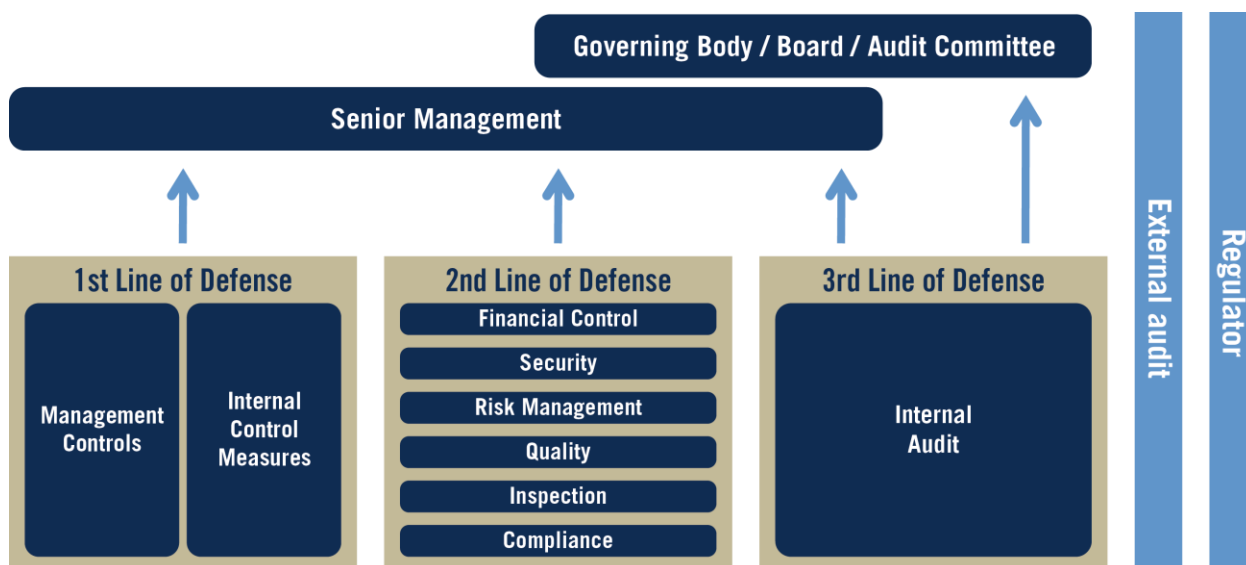*Three Lines of Defense Model:*

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 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 Committee of the Whole (specific to audit related matters), 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.

City Council

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

Committee of the Whole

- 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 2019 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 2019, seven of the eight (88%) scheduled engagements were initiated. It was anticipated that phase 3 of the Construction Audit of Fire Station 7-4 would commence in 2019, but due to construction delays, this audit did not begin until January 2020.

A total of seven reports were completed, presented and approved by Council in 2019. In addition to the final phase of the Fire Station 7-4 audit, there are three additional projects remaining that will be presented for approval in 2020. These include the Consulting Services Audit (presented to CW2 on May 20th and approved by Council on May 27th), Phase 1 and Phase 2 of the By Law & Compliance, Licensing & Permit Services Audit (scheduled to be presented to CW2 in Q4), and the VBEC Audit (scheduled to be presented to CW2 in Q4).

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 2019, reports were investigated and closed 39 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 2019, the average budgeted time allocated to a project was 642.7 hours. Actual average time allocated to a project was 680.5 hours, a difference of 5.89%.

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 2019, 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 three 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.

- 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, 2018 and 2019 have been complete, and Internal Audit is in conformance with the Definition of Internal Auditing, the Code of Ethics and the Standards.

- Drafted the Committee Charter for Audit Related Matters which is designed to provide guidance to the Members of the Committee of the Whole on carrying out their governance, accountability and controllership responsibilities. This item is included as part of a separate item on today's agenda entitled, Internal Audit Policy and Committee Charter for Audit Related Matters.

- A revised Internal Audit Policy has been proposed as part of a separate item on today's agenda entitled, Internal Audit Policy and Committee Charter for Audit Related Matters.

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 six audit client surveys for the Legal Services Audit, Water, Wastewater and Stormwater Audit and Facility Management Audit. We received 100% participation. Out of the 15 questions, 11 received 100% positive scores, while the remaining questions received an 83% 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.

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 2019, 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 2019 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 2019.

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.

It should be noted that these top four themes were also the same common themes identified in last year's annual report.

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 2019. The resulting database includes 3,255 customers that received a total of over 1.4 million individual reports.

Due to having the world's largest and most comprehensive database of reports and outcomes, the City can trust 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 2019, the NAVEX 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 2019 to be at the median.

The City received a total of 26 reports in 2019, down 4 reports from the 30 reports we received in 2018. Since the system was introduced, we have received a total of 121 reports, which averages to approximately 20 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 decrease 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. 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 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 26 reports received:

- Three cases (or 12%) related to accounting, auditing and financial reporting issues such as financial misconduct, internal controls and expense reporting. The 2019 NAVEX Database median comparison for this category is 3%. None of these reports were substantiated. The 2019 NAVEX Database substantiation rate for this category is 50%.

- Five cases (or 19%) related to business integrity issues such as conflict of interest, policy violation and vendor/customer issues. The 2019 NAVEX Database median comparison for this category is 21%. None of these reports were substantiated. The 2019 NAVEX Database substantiation rate for this category is 50%.

- Thirteen cases (or 50%) related to HR, diversity and workplace respect issues such as hiring irregularities, discrimination, harassment and favouritism. The 2019 NAVEX Database median comparison for this category is 65%. Three (or 23%) of these reports were substantiated. The 2019 NAVEX Database substantiation rate for this category is 41%.

- None of the reports received were related to environmental, health and safety. The 2019 NAVEX Database median comparison for this category is 7%. The 2019 NAVEX Database substantiation rate for this category is 50%.

- Five cases (or 19%) related to the misuse or misappropriation of corporate assets including theft and time abuse. The 2019 NAVEX Database median comparison for this category is 4%. Two (or 40%) of these reports were substantiated. The 2019 NAVEX Database substantiation rate for this category is 50%.

In 2019, five (or 19%) of the thirty reports received were substantiated. The 2019 NAVEX Database overall substantiation rate comparison is 43%. Our overall substantiate rate since the system was implemented is 22%.

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 2019, 62% of all reporters followed up on their report. This compares favorably to the 2019 NAVEX Database rate of 36%.

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 26 reporters chose to remain anonymous. The 2019 NAVEX Database rate is 59%. 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 2019, our median case closure time was 6 days. This compares favourably to the 2019 NAVEX Benchmark median case closure time of 45 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.

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 13 audit reports containing 89 recommendations approved by Council from March 2015 through December 2019. As of May 12, 2020, management has fully implemented 45 of those MAPs, or 51%. A total of 44 MAPs, or 49% are in progress. It should be noted that 22 of the 44 MAPs that are still in progress are from 2019 audits. 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 remain outstanding.

According to the Director of Financial Services and Deputy Treasurer, the Assistant Controller 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. Consolidation was expected to be completed in 2019, however, 2019 staffing changes and a new tax system discovery/implementation and delays due to COVID-19 have deferred this until 2021.

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 Roads, the Corporate Training Database (Halogen) has been created and all training records were uploaded in February 2020. The formal training checklist is projected to be completed by December 31, 2020.

OCIO and IPCAM are currently exploring a Corporate Maintenance Management System that will address work order management and track legislative compliance. Road Operations and OCIO are jointly exploring the external Road Patrol software solution that will be integrated with new Corporate Maintenance Management System. Completion date is dependent of the roll out of new CMMS. A new Road Patrol software (Burnside) was introduced in Q3 2019, where all patrols are completed electronically and uploaded daily. Road Operations has created a report that identifies repair thresholds and monthly reports are generated to ensure compliance with MMS. Administrative Staff have received Case Tracking System (CTS) training and is periodically reviewed by the Supervisor to ensure the process is being followed.

Fleet Policy consultation sessions were held in June/July of 2019. The Public Works organizational refresh resulted in realignment of resources and delayed the update to the policy. It is estimated that the revised policy will be finalized by the end of 2020.

Winter SOPs have been created as part of the Winter Maintenance Manual. Public Works has hired a consultant to review current Winter SOP and Service Levels including the Salt Reserve. We are currently reviewing and updating the Standard Operating Procedure Manual with a target completion date of April 2021.

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. All recommendations have now been fully implemented.

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 plan is in place to upgrade JD Edwards in the 3rd quarter of 2020. In addition, the JDE licensing agreements are being updated to incorporate a product that will address the time and labour needs as well as other self-service solutions for staff. Implementation of the time and labour solution will start in Q4 2020. The implementation of the time and attendance system will help us understand what drives overtime costs and the impact on service delivery. Staff have completed a review of key drivers of overtime and plans have been put in place to mitigate this risk. A comprehensive Wellness strategy is currently being developed and part of the 2018-2022 Service Excellence Strategic Plan. In addition, policies have been updated to increase the value of lieu banks of nonunion employees from one week to two weeks.

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

- Development of a policy committee.

- Approved policy on policy development.

- 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 submitted to the Senior Management Team for consideration in April 2019.

- A governance framework for the Senior Leadership Team has been developed and approved. A key component of the framework is Ethics, Code of Conduct, Respectful Workplace and Health and Safety.

In 2020 the Enterprise Risk Management framework will be implemented and a formal risk assessment on Ethics and Compliance will be undertaken. Using the information from the risk assessment, staff will prioritize initiatives to mitigate risks as appropriate.

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.

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. A draft Social Media Policy is complete and will go to the Policy Review Committee in Q1/Q2 2020 with rollout anticipated for Q2 2020.

EVENT MANAGEMENT AUDIT

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

Two (or 22%) of the audit recommendations remain outstanding.

According to the Director of Recreation Services, several improvements to address the recommendations have been implemented. Staff worked with a consultant to develop an Events Strategy & Implementation Plan. Phase 1 deliverables included a current state assessment, background research, consultation with internal and external stakeholders, including one-on-one interviews with the Mayor and Members of Council, meetings with steering committee, workshops, surveys, and pop-ups at events. A draft Phase 1 summary report with preliminary findings was received.

Future phases of the study will include a draft Events Strategy, finalized recommendations and an Implementation Plan. In light of COVID-19 and the resulting impact to Events, the project continuance beyond phase 1 has been deferred to 2021.

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.

Three (or 43%) of the audit recommendations remain outstanding.

According to the Deputy City Manager, Infrastructure Development, 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 past mandate of the CPMO and ensures authority and oversight at a corporate level.

The establishment of a new Infrastructure Development Portfolio in Q3 2019 initiated a review of current project management practices within the Portfolio's departments. Recommendations from the Fire Station 7-4 internal audit will be rolled out to all infrastructure projects managed within the new Portfolio.

Q4 2019 introduced the design of a new Infrastructure Development Program Management Process which is based on the Project Management Body of Knowledge (PMBOK). This process identifies the phases and steps required to deliver a project from a request for infrastructure to project closure and includes roles and responsibilities. The process has been designed to provide the organization with standard processes, consistent reporting and supporting governance for all infrastructure related capital projects. In Q1 2020 Infrastructure Development introduced the new process to internal stakeholders such as OTS, Financial Planning and other City departments.

The Infrastructure Development Program Management Process has been designed with a Project Pre Work Phase which is initiated by an approved Business Case. The Business Case justifies the "what" infrastructure and "why" infrastructure is required: Requirement documents will detail the "what"; and, supporting analysis the "why". Within the Project Pre Work phase there are activities which focus on developing detailed infrastructure requirements that will be leveraged to provide better cost, timelines and risk assessments. For more complex initiatives, projects will be progressively elaborated in phases as more details are confirmed contributing to more accurate estimates.

The RFP for the project to develop general design and construction standards for reoccurring projects was released in Q1-2020. The project will create general design and construction standards for municipal buildings, such as fire stations, community centres and libraries.

According to the Director, Procurement Services, early in 2019 the Vendor Performance Procedure and Vendor Evaluation Forms for all vendors, including general goods and services contractors, consultants and construction contractors, were revised to support the implementation of vendor performance evaluation program for all departments.

In January of 2020 a "train the trainer" session was arranged for Procurement Managers and Procurement Category Specialists to further take the responsibility of training their respective client departments. In addition, three Citywide training sessions for Vendor Performance and Contract Management are planned through HR learning and development program on March 5, June 16 and Sept 18, 2020.

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 conjunction with the Asset Management Plan for Urban Forests in Q2 2021.

Forestry is putting forward a Tree Maintenance Strategy Report and a Woodlot Naming Proposal Report to Committee of the Whole April cycle. These reports outline strategies related to the planned approach to forestry assets. Forestry is also presently reviewing to coordinate its efforts of developing a strategic plan for urban forests with those efforts of Natural Heritage as well as Parks Development to develop their strategic plans of related green infrastructure. At minimum, Forestry is forecasted to deliver an Asset Management Plan for Urban Forests by Q2/21. This document will outline planning strategies related to trees and associated green spaces.

Forestry has recently introduced a new tree maintenance as well as tree planting contract document. Both have been tendered and are now being executed. The documents identify roles and responsibilities of City staff as well as the vendor. Liquidated damages related meeting performances have been incorporated into the planting contract and the warrantee period has been extended to two years. The SOP for simplifying the administration processes will be completed by Q3/20.

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 the majority 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. In 2018, inspection times have decreased by 84% and maintenance work order completion times have decreased by 73% from 2017 levels.

With respect to the private tree permit inspection process, Forestry is in the process of 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.

According to the Manager of Roads, Public Works has engaged with a consulting firm to perform a Winter Service Level Review, which will examine budget alignment (Salt Reserves), sustainability of existing winter service levels and a comparative scan of winter service levels of neighboring municipalities. We expect to report back with the Service Level Review

findings by no later than Q2, 2021. The addition of a Maintenance Decision Support System (MDSS), has served as an input for winter maintenance decisions and more importantly, benefits have included a decrease in salt use over the past two winter seasons.

LEGAL SERVICES AUDIT

The Legal Services Audit report was presented to FA&A on March 14, 2019. The report contained seven recommendations. In response, thirty action items have been proposed and approved by Council in June 2019.   Half of these action items have now been fully implemented by management.

According to the DCM, Administrative Services & City Solicitor, a comprehensive workplan was prepared in June 2019 that contained 30 action items. A sample of the action items identified were completed, including:

New Legal Team and Structure: A new structure was established with a Deputy City Manager, Administrative Services and City Solicitor, and two Deputy City Solicitors, one focusing on Litigation and Municipal Law, and the other on Planning and Real Estate Law. Each lawyer reports to either one of the two Deputies, who are also experts in their respective areas of law. This new structure enables the appropriate level of guidance and management of staff, support the legal needs of the Corporation, and is sustainable for future growth as required.

New Service Delivery Model: Each City department is assigned a lawyer as their main point of contact for all legal matters. This clarifies roles and responsibilities within Legal Services and ensure adequate legal coverage with regular client interaction. The City Solicitor is the main point of contact for Mayor and Members of Council, as well as the Senior Leadership Team – Executive.

Implementation of a new Time Tracking Software: A new, inexpensive, easy-to-use time tracking system was deployed in September 2019. All lawyers, senior law clerk and paralegal are required to docket their time. Hours are tracked so that forecasting of need requirements can be done.

All the remaining action items had been initiated and are in progress with expected completion before the end of 2021.

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.

Eleven (or 79%) of the audit recommendations remain outstanding.

According to the Director of Environmental Services:

Recommendation No. 1 – Water Sampling Policies, Procedures and Practices

All management actions have been completed, with the exception of the establishment of a Service Level Agreement with an accredited lab to complete microbiological testing, this work is underway and is expected to be fully actioned in Q2, 2020.

Recommendation No. 2 - Ensure that the Catch Basin Inspection and Cleaning Program Complies with the City's and York Region's Sewer By-Law

All management actions have been completed and management continues to optimize the catch basin cleaning program, using Lean Green Belt Techniques and evaluating the feasibility of sourcing a decanting facility within close proximity to the City, potentially in partnership with other local municipalities and/or York Region.

Recommendation No. 3 - Ensure the Hydrant Inspection and Maintenance Program Complies with the Ontario Fire Code

All management actions are complete, 100% of the City's hydrants were inspected in 2019 and will be inspected annually. Communication protocols between Environmental Services and Vaughan Fire and Rescue Services have been developed and will continue to evolve as the partnership continues.

Recommendation No. 4 - Re-establish the Valve Turning Program

All management actions have been completed. System valves were prioritized and in 2019, Pure Technologies was hired to implement the City's priority valve turning program, which was completed as expected. More comprehensive, risk based, valve prioritization will take place in coming years, by using data obtained during the valve turning exercise and as more advanced analytical software tools are implemented over the next few years.

Recommendation No. 5 - Implement a Risk Based Preventative Maintenance Program

This recommendation has yet to be fully implemented. The 2021 budgeting process will consider service risk, infrastructure integrity, life cycle of the infrastructure, potential for service disruption, asset management practices and plans to prioritize infrastructure investment. Close coordination with Corporate Asset Management will continue ensuring entire lifecycle performance is integrated into condition assessment and preventative maintenance activities.

Recommendation No. 6 - Implement the Recommendations for Improving the Maintenance Conditions of Water and Wastewater Facilities

Of the three recommendations only one has yet to be started. Discussions related to the work that ought to be completed and who is best equipped to incorporate it into their programs have already begun resourcing and formalization of the handover still need to be completed. In general terms, Facilities will be taking care of the building envelope of facilities, while Environmental Services will take carriage of the process equipment.

Recommendation No. 7 - Ensure the Recommendations for Improving the City's Emergency Response Plan are Implemented

Significant progress has been made in improving Environmental Services Emergency response planning. Completed initiatives include the implementation of Automatic Vehicle Location system for Environmental Services vehicles, integrating water/wastewater/storm water emergencies into Corporate Emergency exercise, defining emergency levels as part of the Public Works Portfolio response escalation plan and several tabletop emergency exercises with front line operators.

Recommendation No. 8 - Improve Asset Management Planning, Project Management, Contract Administration and Procurement Practices

Low value purchase orders (LDMs) in 2019 have been reduced by approximately 50% from the previous year and Environmental Services continues to work with Procurement Services to develop strategies to ensure that the appropriate procurement processes are used.   The Vendor of Record process is being evaluated to address a number of areas where LDMs have been used in the past, further reducing their use.

Recommendation No. 9 - Perform an Operational Health and Safety and Public Hazard Risk Assessment

Work to address the job hazard analysis recommendation from the audit is closely related to a corporate wide initiative that is currently underway. Environmental Services staff are working closely with Corporate Health and Safety on this project and will be one of the first areas that are evaluated on this corporate initiative.

Recommendation No. 10 - Fully Operationalize the SCADA System

Modifications have been made to provide more universal access to the City's SCADA system for operators to use and minor adjustments to the SCADA system are currently underway.   In addition, to provide a longer-term vision for full implementation of SCADA, a consultant has been engaged to develop a SCADA Master Plan, providing an implementation roadmap to implement the SCADA system and realize the investment that has been made to date.

Recommendation No. 11 – Leverage Advances in Technology to Improve Business Processes

Both the management actions related to the software system for tracking monitoring sampling results have been initiated. During the course of investigating the feasibility of using the WaterTrax mobile app, another more effective system for automatically uploading chlorine residuals became available. Trials continue with this system, with the plan for full implementation by Q4 2020.

Recommendation No. 12 - Update Development Agreements to Clarify Timing of Payment Requirements for New Watermain Connections

Coordination between Environmental Services and Development Engineering continues to improve. The two departments have developed RASCI charts to determine responsibilities amongst the teams and quarterly coordination meetings have taken place.   Discussions continue to ensure that the requirements for watermain connections, construction water and payments for the same are integrated into new development agreements. For agreements that are already in place, payments/invoices are requested regularly.   Formalization of the discussions and process remain to be completed.

Recommendation No. 13 - Provide Greater Oversight of the Main Flushing and Closed-Circuit Television (CCTV) Programs

Interim tools to assist in tracking and monitoring the main flushing and CCTV programs have been in use and full implementation of Info Asset Manager (planned for Q3 2020) will modernize these processes, not only allowing the monitoring of the programs individually but providing analytical tools to evaluate condition assessments.   This data, along with work order and customer complaints, will be used to prioritize the programs into the future and will feed into asset management planning efforts.

Recommendation No. 14 - Analyze Insurance claims
The management action has been initiated as Environmental Services staff have met with Risk Management staff to leverage Clear Risk software system to provide info on claims. Risk Management has started to provide regular status reporting on the types of claims from Environmental Services activities.

FACILITY MANAGEMENT AUDIT

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

All of the audit recommendations remain outstanding. According to the Director of Facility Maintenance, progress is being made to implement the audit recommendations. Action plans are on track for completion as per the dates that were outlined in the audit report.

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.

2019 INTERNAL AUDIT WORK PLAN STATUS AND SCHEDULE

The 2019 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 2019 and their status.

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
IT Risk Assessment	**Rationale:** Organizations have become increasingly dependent on computerized information systems to carry out their operations and to process, maintain and report essential information. As a result, the reliability of computer-generated data is a major concern to organizations. Information Technology audits can help the City determine whether identified risks have been mitigated, corporate policies and procedures are implemented as designed and systems can be relied upon. **Risk:** The absence of a well-controlled IT environment can have several adverse consequences, including higher levels of loss or theft of sensitive information, unauthorized access to information and applications, loss of control over sensitive business information and theft of devices. Any one of these risks can affect the reputation of the City.	**Complete**	**Presented to CW2 on November 12, 2019**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
VFRS Driver Certification Audit	**Rationale:** Prior to 2014, participating organizations, including municipalities, were subject to periodic limited-scope compliance inspections conducted by the Ministry. As of January 2nd, 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. **Risk:** The risk of not doing the audit is non-compliance with Ontario Legislation. This in turn may result in being removed from the program and incurring additional costs and time being retested by MTO before drivers' licenses can be renewed.	**Complete**	**Presented to FA&A on June 5, 2019**
Construction Audit of Fire Station #7-4: Phase 2	**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. **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.	**Complete**	**Presented to CW2 on January 21, 2020**
By Law & Compliance, Licensing & Permit Services: **Phase 1 – Policy & Business Planning** **&** **Phase 2 – Enforcement Services**	**Rationale:** The City of Vaughan's By-law and Compliance, Licensing and Permit Services issues licenses and permits and maintains and enforces the City's by-laws. By-laws are put in place to ensure a safe and orderly community for all who live, work and play in Vaughan. Licenses and permits are required to do many things in the city like running a business, hosting a special event, owning an animal and doing construction to your home. Expansive development and growth, as well as ever increasing emerging issues and legislative changes are significant risks that will need to be mitigated. **Risk:** If services are not delivered up to public expectation there could be increased reputational risks to the City. In addition, there could be health and safety issues resulting in possible legal exposure.	**In Progress**	**Scheduled to be presented to CW2 in Q4, 2020**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
VBEC	**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. **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.	**In Progress**	**Scheduled to be presented to CW2 in Q4, 2020**
Employee Engagement Survey - Governance and Accountability - Follow-Up	**Rationale:** Governance and Accountability are key foundation components vital in building a City that shares the trust of both citizens and staff. For this year, the Governance and Accountability Survey was administered as part of the City's Employee Engagement Survey. **Risk:** The absence of good governance and accountability can affect the credibility and reputation of the City.	**Complete**	**-**
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 be 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.	**Complete**	**Update included as part of this report**

Audit Project	Rationale and Risks (Why are we doing this Audit/Project?)	Status	Reporting Date
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, 2019. It is not a report on the results of the audits conducted, as this information is presented separately throughout the year.	**Complete**	**Presented at CW2 on June 16, 2020**
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.	**Complete**	**Update included as part of this report**

2019 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%	33%	67%	0%	0%	0%
2	The audit took an acceptable amount of time to complete.	83%	17%	0%	0%	83%	17%	0%	0%
3	The disruption of daily activities was minimized as much as possible during the audit.	100%	0%	0%	33%	67%	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%	17%	83%	0%	0%	0%
5	Internal Audit demonstrated the technical proficiencies required to perform this audit.	83%	0%	17%	33%	50%	0%	0%	17%
6	My business concerns and perspective on key business risks were adequately considered.	100%	0%	0%	0%	100%	0%	0%	0%
7	The audit objectives and scope were clearly communicated to me.	100%	0%	0%	17%	83%	0%	0%	0%
8	Internal Audit staff were:								
	Professional	100%	0%	0%	83%	17%	0%	0%	0%
	Objective	100%	0%	0%	33%	67%	0%	0%	0%
	Positive	83%	17%	0%	33%	50%	17%	0%	0%
	Willing to Listen	100%	0%	0%	50%	50%	0%	0%	0%
	Determined to Build Rapport	100%	0%	0%	50%	50%	0%	0%	0%
	Courteous	100%	0%	0%	67%	33%	0%	0%	0%
	Constructive	100%	0%	0%	33%	67%	0%	0%	0%
9	Status updates and communication while the audit was ongoing was:								
	Timely	83%	17%	0%	0%	83%	17%	0%	0%
	Adequate	100%	0%	0%	0%	100%	0%	0%	0%
	Useful	100%	0%	0%	0%	100%	0%	0%	0%
10	I was provided opportunities to provide feedback while the audit was ongoing.	83%	0%	17%	50%	33%	0%	0%	17%
11	The audit report observations were:								
	Accurate	100%	0%	0%	0%	100%	0%	0%	0%
	Clearly Written	100%	0%	0%	17%	83%	0%	0%	0%
	Presented with Appropriate Context	100%	0%	0%	0%	100%	0%	0%	0%
12	I was given the opportunity to provide explanations and responses to the audit observations contained in the draft report.	83%	0%	17%	50%	33%	0%	0%	17%
13	Internal Audit's recommendations:								
	Were Constructive	100%	0%	0%	0%	100%	0%	0%	0%
	Were Feasible	100%	0%	0%	0%	100%	0%	0%	0%
	Will Improve Operations/Processes	100%	0%	0%	50%	50%	0%	0%	0%
	Will Provide Value to the City	100%	0%	0%	50%	50%	0%	0%	0%
14	From my perspective, the audit objectives were achieved.	100%	0%	0%	50%	50%	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%	17%	83%	0%	0%	0%

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
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 Implementation of the Route Patrol Manager System Work Order Administration Vehicles, Motorized Equipment and Inventory Use Policies & Procedures	7	2	5
08-Dec-15	IT Security Controls	2015	All Recommendations actioned and vetted, as of October 21, 2019	3	3	0
01-Feb-16	Corporate Overtime	2016	Automate the Time and Labour Management Process Understand What Drives Overtime Costs & Impact on Service Delivery Examine the Impact of Overtime on Employee Wellness	5	2	3
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. 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 Develop a Clearly Defined Special Events Permit Process and Mechanism to Monitor Compliance with Permits Issued	9	7	2
06-Jun-18	Construction Audit of Fire Station 7-4: Phase 1	2018	Establish a Standardized Project Management Framework Enhance the Budgeting and Estimation Process for Capital Projects Develop General Design and Construction Standards for Reoccurring Projects	7	4	3
06-Jun-18	Forestry & Horticulture Operations Audit	2018	Develop a Formal Strategic Plan to Manage Existing and Future Activities and Service Levels Provide Greater Oversight over Contract Administration Enhance Monitoring and Oversight Over Work Order Administration Improve the Private Tree Permit Inspection Process	6	2	4
06-Jun-18	Winter Maintenance Audit	2018	Reevaluate the City's Winter Maintenance Strategy and Service Standards	7	6	1
14-Mar-19	Legal Services Audit	2019	Reevaluate the Strategic Role of Legal Services to Better Support Corporate Objectives and Decision Making Determine the Optimal Level of Resources, Staff Complement and Composition of the Legal Services Department Acquire the Appropriate Tools and Resources to Improve Department Planning, Business Processes and Service Delivery Establish Department Policy and Procedures and Update Job Descriptions Develop Key Performance Indicators (KPIs) Establish Guidelines for Penalty Negotiations and Reductions	7	1	6

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
05-Jun-19	Water, Wastewater and Stormwater Operations Audit	2019	Improve Management Oversight and Controls over the City's Water Sampling Process Implement a Risk Based Preventative Maintenance Program Implement the Recommendations for Improving the Maintenance Conditions of Water and Wastewater Facilities Ensure the Recommendations for Improving the City's Emergency Response Plan are Implemented Improve Asset Management Planning, Project Management, Contract Administration and Procurement Practices Perform an Operational Health and Safety and Public Hazard Risk Assessment Fully Operationalize the SCADA System Leverage Advances in Technology to Improve Business Processes Update Development Agreements to Clarify Timing of Payment Requirements for New Watermain Connections Provide Greater Oversight of the Main Flushing and Close Circuit Television (CCTV) Programs Analyze Insurance Claims Information	14	3	11
12-Nov-19	Facility Management Audit	2019	Ensure Roles and Responsibilities with Respect to Facility Maintenance are Appropriately Aligned to Better Support Corporate Objectives and Decision Making Develop and Implement a Risk Based Preventative and Predictive Maintenance Program Determine the Optimal Level of Resources, Staff Complement and Composition of the Facility Management Department Improving the Management and Administration of Lease and License Agreements at City Owned Facilities Enhance Oversight Over Contract Administration	5	0	5
Total	13 Reports	-		89	45	44