



Agenda
Audit Committee

The Corporation of the City of Brampton

Date: February 8, 2022
Time: 9:30 a.m.
Location: Council Chambers - 4th Floor, City Hall - Webex Electronic Meeting
Members: Regional Councillor M. Medeiros (Chair)
Regional Councillor R. Santos (Vice-Chair)
Regional Councillor M. Palleschi
Regional Councillor G. Dhillon
City Councillor J. Bowman
City Councillor D. Whillans
City Councillor H. Singh
Iqbal Ali, Citizen Member
Rishi Jain, Citizen Member
Abid Zaman, Citizen Member

NOTICE: In consideration of the current COVID-19 public health orders prohibiting large public gatherings and requiring physical distancing, in-person attendance at Council and Committee meetings will be limited to Members of Council and essential City staff only. Public attendance at meetings is currently restricted. It is strongly recommended that all persons continue to observe meetings online or participate remotely.

For inquiries about this agenda, or to make arrangements for accessibility accommodations for persons attending (some advance notice may be required), please contact: Sonya Pacheco, Legislative Coordinator, Telephone 905.874.2178, TTY 905.874.2130
cityclerksoffice@brampton.ca

Note: Meeting information is also available in alternate formats upon request.

1. **Call to Order**

2. **Approval of Agenda**

Note: Richard Gervais, Acting Director, Internal Audit, will introduce the Internal Audit team members.

3. **Declarations of Interest under the Municipal Conflict of Interest Act**

4. **Consent**

In keeping with Council Resolution C019-2021, agenda items will no longer be pre-marked for Consent Motion approval. The Meeting Chair will review the relevant agenda items during this section of the meeting to allow Members to identify agenda items for debate and consideration, with the balance to be approved as part of the Consent Motion given the items are generally deemed to be routine and non-controversial.

5. **Presentations\Delegations**

6. **Reports - Internal Audit**

6.1. Staff Report re: 2022 Internal Audit Work-Plan

To be received

6.2. Staff Report re: Corporate Fraud Prevention Hotline Update –Q4 2021

To be received

6.3. Staff Report re: Status of Management Action Plans (MAP) – December 31, 2021

To be received

6.4. Staff Report re: Annual Report - 2021

To be received

6.5. Staff Report re: Facilities Operations & Maintenance Audit

To be received

6.6. Staff Report re: Economic Development Audit

To be received

6.7. Staff Report re: Transit Follow-up Audit Report

To be received

6.8. Staff Report re: Project Assurance – Implementation of Video Court Appearances

To be received

6.9. Staff Report re: Cybersecurity Assessment Management Action Plan Update

To be received

7. **Reports - Finance**

8. **Other/New Business**

9. **Question Period**

10. **Public Question Period**

15 Minute Limit (regarding any decision made at this meeting)

During the meeting, the public may submit questions regarding recommendations made at the meeting via email to the City Clerk at cityclerksoffice@brampton.ca, to be introduced during the Public Question Period section of the meeting.

11. **Closed Session**

12. **Adjournment**

Next Regular Meeting: Tuesday, May 17, 2022

Date: 2022-01-14

Subject: **2022 Internal Audit Work-Plan**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2022-092

Recommendations:

1. That the report titled: **2022 Internal Audit Work-Plan**, to the Audit Committee Meeting of February 8, 2022, be received.

Overview:

- This report provides the Audit Committee with the Internal Audit Work-Plan for 2022, as well as a status update of the Internal Audit Work-Plan for 2021;
- 12 of 15 2021 engagements were completed in 2021, with two audits in progress at the end of the year and one audit deferred to 2022;
- Internal Audit completed an Audit Risk Assessment in 2021 with the assistance of a third party. The assessment is the foundation for the Audit Universe and will result in improved audit planning and risk assessment capabilities;
- The 2022 Internal Audit Work-Plan was developed using a risk-based approach which included input from the Audit Risk Assessment, the Audit Universe, senior management, and evaluation of previous audit results; and,
- On a regular basis, Internal Audit reviews and updates the Work-Plan as needed based on current information, concerns and discussions with the senior leadership team, issues identified in audits, and risk reviews.

Background:

The Director of Internal Audit has the responsibility to submit, at least annually, to the Audit Committee, a risk-based Internal Audit Work-Plan ('Plan') for review and approval.

The 2022 Plan was developed using a risk-based approach as outlined in the Internal Audit Charter. Several factors were taken into consideration in developing the Plan, such as:

- The Audit Risk Assessment conducted in 2021;
- The Audit Universe created in 2021;
- The last time an area or process was audited; and,
- Results of previous audits.

The Plan is reviewed on a regular basis and may be adjusted based on any information, issues or concerns that have been identified. Updates and changes to the Plan are communicated to the Audit Committee.

Current Situation:

The 2022 Internal Audit Work-Plan, in **Appendix 1**, sets out the priorities of the Internal Audit function that are reflective of the City of Brampton's strategic goals, objectives, concerns, and priorities. The 2022 Plan consists of 11 audits, which includes 8 new audits, 1 audit deferred from 2021, and, two 2021 audits currently in progress.

The annual Audit Work-Plan is comprised of operational, information technology, and compliance audits. The Audit Work-Plan was developed taking into consideration available Internal Audit staff resources.

Appendix 2 reflects the status of the 2021 Audit Work-Plan to date. 12 of 15 engagements were completed in 2021, with two audits in progress at the end of the year, and one audit deferred to 2022.

Any changes to the Audit Work-Plan may require the removal or deferral of a project identified within this report, or alternatively, the hiring of an outside auditor to perform the audit. Any changes throughout the year will be communicated to the Audit Committee.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

Term of Council Priorities:

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of risk-based audit Work-Plan which promotes corporate accountability, values, and governance best practices.

Conclusion:

The Internal Audit Work-Plan will be reviewed on a regular basis and updated if needed. Internal Audit's intention is to keep the Plan agile and flexible, ensuring that identified and emerging risks are appropriately addressed. The Plan is designed to add value to the organization and provide the highest standard of professional, independent, and timely solutions in partnership with City departments.

Authored by:

Sabrina Cook, Research Coordinator
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Internal Audit Work-Plan 2022

Appendix 2: 2021 Audit Work-Plan Update

Appendix 1: Internal Audit Work-Plan 2022

The following activities can be found in this appendix:

- Planned 2022 audit engagements; and,
- Planned 2021 audit engagements to be completed in 2022.

Planned 2022 Audit Engagements

Engagements	Scope of work
1. Procurement and Sole Source Purchasing	Our audit will focus on compliance with the Procurement By-law, in particular around sole source and single source purchases. As part of this audit, we will consider whether the appropriate procurement routes were selected, appropriate reasoning is provided, and whether the correct approvals were obtained.
2. Development Fees and Charges	Our audit will review the process for collecting fees and the controls in place to ensure fees are collected in full. As part of this audit, we will review the appropriateness of the development fees and charges in place, and ensure these are in line with best practices.
3. Business and Property Taxes	Business and property taxes represent a significant portion of the City's revenue, and as such, it is important that controls are well managed in these areas. Our audit will focus on how the City ensures taxes are collected and processed in full and in a timely manner.
4. Park Operations and Maintenance	Our audit will focus on the processes and controls around park maintenance, and how the City ensures maintenance is completed in a timely manner and to its standards. As part of this audit, we will consider the current resource allocation to maintenance activities and opportunities to streamline maintenance services moving forward.

Engagements	Scope of work
5. Realty Services	The objective of this engagement is to assess the effectiveness and efficiency of the existing control framework at the design level to determine the adequacy of internal controls to ensure compliance with policies, procedures, and legislation. As part of the engagement we will consider governance, budget preparation and monitoring, property lease / acquisition / disposal, and controls around billing and lease payment processes.
6. Claims Management	Our audit will focus on claims management processes and controls and the impact of legal fees and settlement pay-outs, with a special focus on the impact of the COVID-19 pandemic.
7. Information Technology Risk Assessment	Our assessment will focus on the structures and processes in place to manage Information Technology (IT) strategic and operational risks that may affect the City and threaten the achievement of IT objectives.
8. Identify and Access Management	Our audit will focus on policies, processes, and tools for ensuring users have appropriate access to IT resources, and that controls are well designed and effectively implemented.
9. Driver Certification Program - Transit & Fleet	To review Driver Certification Program (DCP) in place for each Transit & Fleet for compliance to provincial requirements. This review is required to be conducted every three years, unless issues are identified.

Planned 2021 audit engagements to be completed in 2022

Engagements	Scope of work
10. IT Vendor Management	To ensure IT management controls are applied consistently across cloud-based operations and that they are integrated with existing City of Brampton IT operational processes. Included in the scope are the integrity and availability of application, data, computer operations, and, change management in the cloud environment.
11. IT Infrastructure & Cloud Management	To ensure IT management controls are applied consistently across cloud-based operations and that they are integrated with existing City of Brampton IT operational processes. Included are the integrity and availability of application, data, computer operations and change management in the cloud environment.

Appendix 2: 2021 Audit Work-Plan Update

2021 Audit Plan Update

Engagement	Status
Corporate Governance <i>Assess whether the City exhibits strong corporate governance and accountability practices and to identify areas of improvement.</i>	Completed
Executive Expenses (including their Administrators) <i>Assure the City's Executive expenses are in compliance with established policies and procedures and are valid and reasonable expenses.</i>	Completed
Vendor Performance Audit <i>Assess vendor performance management controls, identify strengths and weaknesses, and provide recommendations for improvement, ensuring they align with the City's operating environment.</i>	Completed
Economic Development Division of the Planning, Building, and Economic Development Department <i>Assess whether the City has an adequate framework to perform economic development business recruitment, expansion and investment activities.</i>	Completed
Emergency Spending Review <i>Assess emergency expenses related to COVID-19, ensuring they were necessary, reasonable, and justified.</i>	Completed
Transit Follow-Up Audit <i>A follow-up audit to ensure the recommendations of the 2020 Transit Operations have been implemented.</i>	Completed

Engagement	Status
Contract Management Snow Removal <i>Ensure that policies and procedures are in place regarding snow removal contracts and the City is getting the best value for money through the current snow removal arrangements.</i>	Completed
Realty Services <i>Assess the adequacy and effectiveness of internal controls and processes related to realty services, and review whether real estate activities are consistent with the objectives of the City.</i>	Deferred to 2022
Corporate Facility Management & Operations Audit <i>Evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the execution of the City's facilities maintenance strategies and programs.</i>	Completed
IT Vendor Management <i>Assess the extent to which controls over IT vendors have been established to reduce the risk of inappropriate security controls and unauthorized access to City of Brampton data, considering: controls at the RFP and contract stage through to annual monitoring of KPIs, to the use of exit strategies.</i>	In Progress
IT Infrastructure & Cloud Management <i>Out audit will focus on management controls in place to manage IT infrastructure asset lifecycle management, whether IT infrastructure delivers value at optimal cost and that they remain operational (fit for purpose), and review management controls over systems moving from on premises to cloud based hosting, including associated impact on infrastructure planning.</i>	In Progress
Project Assurance: IT Management Action Plans <i>The objective is to provide assurance that Cyber Security and IT management actions plans are in place, that they address known risks and audit findings, and that the necessary changes are implemented</i>	Completed
Project Assurance: Class Migration to A2G <i>The objectives are to: Ensure past audit findings have been addressed; and, Ensure suitable controls (such as segregation of duties, traceable transactions) are in place.</i>	Completed

Engagement	Status
Project Assurance for implementation of video court appearances <i>To ensure the security of the information Restricted access to the information Readily availability of the information Safety around retaining and disposing the information.</i>	Completed
Emergency Cash Fund Review <i>To review the emergency cash fund process and validate the yearly cash count.</i>	Completed

Date: 2022-01-04

Subject: **Corporate Fraud Prevention Hotline Update –Q4 2021**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2022-102

Recommendations:

1. That the report titled: **Corporate Fraud Prevention Hotline Update- Q4 2021**, to the Audit Committee Meeting of February 8, 2022, be received.

Overview:

- For the period October 1 to December 31, 2021, no new reports have been received by the Fraud Hotline;
- A review of all 69 Fraud Prevention Hotline Reports submitted in 2021 was completed in the fourth quarter of 2021;
- All 2021 fraud reports are closed;
- The review identified management action plans, including a fraud awareness campaign for 2022, which are outlined in this report; and
- To protect the privacy of named individuals and maintain the anonymity of reporters, information that could identify the reporter and respondents have been omitted from this report.

Background:

As part of the City of Brampton's ("the City") commitment to protecting its assets, a Fraud Framework to prevent, detect, and report incidents of fraud, as well as investigate any suspected acts of fraud, was established. On July 4, 2016 the City launched the Corporate Fraud Prevention Hotline, which allows City employees to report alleged incidents of fraud. The Fraud Hotline allows employees to report incidents of suspected fraud anonymously and confidentially 24 hours a day, seven days a week. Employees

can submit a report through a third-party secure website or over the phone through a third-party dedicated toll-free number. If required, employees should feel empowered to do the right thing to ensure the City's assets are protected.

Internal Audit reports on Corporate Fraud Prevention Hotline activities on a quarterly basis.

Current Situation:

A review of all Fraud Hotline reports received in 2021 was completed in the fourth quarter of 2021.

The contents of these reports are sensitive in nature. To protect the privacy of named individuals and maintain the anonymity of reporters, we have omitted from this report information that could identify individuals.

A total of 69 reports were received by the City's Fraud Hotline in 2021:

- All 69 reports are closed;
- 30 of these reports were reported using the City's Fraud Hotline, with 5 reports received between January and March (Q1) and 25 reports received between April and June (Q2);
- 39 reports were referred to the City of Brampton's Internal Audit (IA) division from a third party in the third quarter of 2021. These reports originated from an independent Third Party Investigation that Brampton City Council commissioned in 2021. These reports were out of scope of the investigation, and as such, were delegated to Internal Audit for review; and,
- The City's Fraud Hotline received no new reports between October 1 and December 31, 2021 (Q4).

Disposition

Table 1 provides a summary of the final disposition of the 69 reports. The following observations resulted from our analysis of the reports:

- 24 reports were referred to external entities. 20 were referred to the Integrity Commissioner and 4 were referred to the Third Party Investigator;
- Internal Audit investigated and substantiated one report and made recommendations to management;
- Approximately half the of the reports did not have sufficient information to conduct an investigation;
- 31 of the reports were referred to Human Resources (HR). An Independent Workplace Review was conducted in 2020 to assess similar reports. HR and management have had an action plan in place since 2021 to address the issues reported in the Workplace Review; and

- The 31 reports referred to HR do not represent separate allegations. There are similarities between reports, often repeating allegations and named individuals. Ten of the 31 reports were first reported to the Third Party Investigation and then referred to Internal Audit.

Table 1: Final Disposition

Disposition	Count
Referred to the Third Party Investigator	4
Referred to the Integrity Commissioner	20
Referred to HR: Management Action Plan created	31
IA investigation: Substantiated. Recommendations made to management	1
Reviewed by IA: No issues noted. Recommendations made to management	1
Reviewed with HR: No investigation. Insufficient information	4
Reviewed with HR: No investigation. Not within scope of the Fraud Policy	1
Initial Assessment Only: Insufficient information or no issues noted	7
Total Count	69

Fraud Reporting Categories

When a fraud report is created via the City of Brampton's Fraud Hotline, the reporter chooses the fraud category from a pre-populated list. Those cases referred to Internal Audit by the Third Party Investigation were imported into the Fraud Hotline and standardized to report categories of 'Miscellaneous' or 'Unethical Conduct'.

Table 2 is a summary of the categories selected by the reporters when creating Fraud Hotline reports in 2021. Table 3 aligns the categories from Table 2 to the disposition in Table 1.

Table 2: Original Reporter Category

Original Reporter Category	Count
Unethical Conduct	32
Harm to People	11
Manipulation or Falsification of Data, Records, Reports, Contracts	2
Embezzlement or Fraud	1
Non-Compliance with Policy or Procedure	1
Conflict of Interest	1
Miscellaneous	21

Table 3: Original Report Category and Disposition

Category	Count	Disposition
Unethical Conduct		
	19	Referred to HR. Management Action Plan created
	5	Initial Assessment Only: Insufficient information
	4	Reviewed with HR. Insufficient information
	2	Referred to Third Party Investigator
	1	Reviewed with HR: No investigation. Out of scope.
	1	Reviewed: No issues noted. IA made recommendation to update policy and procedures for clarity.
Miscellaneous		
	20	Referred to the Integrity Commissioner
	1	IA investigation: Substantiated. Recommendations made to management
Harm to People		
	11	Referred to HR. Management Action Plan created
Manipulation or Falsification of Data, Records, Reports, Contracts		
	1	Referred to Third Party Investigator
	1	Referred to HR. Management Action Plan created
Conflict of Interest		
	1	Initial Assessment Only: Insufficient information or no issues noted
Embezzlement or Fraud		
	1	Referred to Third Party Investigator
Non-Compliance with Policy or Procedure		
	1	Initial Assessment Only: Insufficient information or no issues noted

Management Actions

1. Action plans are in place to address concerns revealed through the 2020 Independent Workplace Review. Changes in leadership present an opportunity for the action plan to be reviewed and updated;
2. Internal Audit will review and update the Fraud Prevention Policy and Standard Operating Procedure that will include specific guidance on reporting details. The corporate Fraud reporting platform will be updated to reflect these changes; and,
3. Internal Audit will update existing fraud awareness information and conduct a Fraud Awareness campaign that will include guidance on different reporting options in the City.

Corporate Implications:

Financial Implications:

The 2021 operating budget approved by Council, includes amounts for a third-party to operate the Corporate Fraud Prevention Hotline.

Other Implications:

None

Term of Council Priorities:

This report fulfills the Council Priority of ‘Brampton is a well-run city’ through the support of the Corporate Fraud Prevention Policy and Fraud Hotline, which promote Corporate accountability, our Corporate values, and governance best practices.

Conclusion:

The Corporate Fraud Prevention Policy and Hotline enhances and strengthens the City’s governance structure. It reinforces Council’s expectations regarding rules of behavior and emphasizes the values of the City. Internal Audit will continue to update the Audit Committee on the status of the Fraud Hotline and any ongoing and/or completed Fraud investigations.

Authored by:

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Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Date: 2022-01-17

Subject: **Status of Management Action Plans (MAP) – December 31, 2021**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2022-095

Recommendations:

That the report titled: **Status of Management Actions Plans (MAP) – December 31, 2021**, to the Audit Committee Meeting of February 8, 2022, be received

Overview:

- As part of the internal audit follow-up process, departments are required to provide Internal Audit with an update on the current status and progress of all outstanding recommendations;
- The objective of this report is for Internal Audit to inform Audit Committee members on the progress of the implementation of audit recommendations, as reported by management;
- The comments provided by management reflect the status of the implementation of recommendations due to be completed by or prior to December 31, 2021;
- As of December 31, 2021, 12 recommendations were implemented by management and 20 recommendations have been deferred;
- Internal Audit may validate results at a subsequent date as part of the follow-up audit process; and
- Details concerning the individual recommendations are available upon request.

Background:

In accordance with the requirements of Standard 2500.A1 of the International Standards for the Professional Practice of Internal Auditing, Internal Audit has established a follow-up process to monitor and ensure that management action plans for audit recommendations have been successfully implemented. This process has been in place since 2006.

For the follow-up process, departments are required to provide an update to Internal Audit on the progress of implementing agreed-upon recommendations. Internal Audit reviews the comments submitted by the department, and where necessary, the Director of Internal Audit will meet with management to discuss the respective progress and comments. Upon complete implementation of the recommendations by management, Internal Audit will assess whether a follow-up audit is necessary to validate the operating effectiveness of the implemented processes and procedures. Such follow-up audits are included in Internal Audit's annual work plan and is approved by the Audit Committee.

The implementation status updates from management are reported to the Audit Committee. This report summarizes the status of all recommendations due to be implemented by management on or prior to December 31, 2021.

Current Situation:

As of December 31, 2021, 12 recommendations were implemented by management on or prior to this date, and 20 recommendations were deferred. Some of the recommendations were deferred due to leadership transitions, changing priorities, new and emerging risks, and updated processes awaiting approval. The remaining recommendations identified as "not yet due" have anticipated completion dates between Q1 2022 and 2025. The following table details the open and deferred recommendations ("recs").

Recs at Q4 2021	New Recs in Q4 2021	Recs Open in Q4 2021	Recs Completed in Q4 2021	Recs Deferred in Q4 2021	Recs Not Yet Due
65	8	57	12	20	33

Please refer to **Appendix 1** for the details of the recommendations as of December 31, 2021.

Please refer to **Appendix 2** for a detailed list of the status of the recommendations as of December 31, 2021.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

Term of Council Priorities:

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an internal audit follow up procedure for the implementation of recommendations, which promotes Corporate accountability, values, and governance best practices.

Conclusion:

Internal Audit is committed to continuously collaborating with management in identifying, reviewing, improving, and updating policies, procedures, and processes on a regular base, and enhancing efficiencies and process effectiveness.

Internal Audit encourages management and staff to continue striving to meet the target completion dates of the Management Action Plans.

Authored by:

Sabrina Cook, Research Coordinator
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Attachments:






Appendix 1: Management Action Plans as of December 31, 2021


























Appendix 2: Management Action Plan Status Details as of December 31, 2021






































As of December 31, 2021							
Audit Report	Rating	Year	MAPs open Q4 2021	MAPs Due at Q4	Completed	Deferred	Not Yet Due
IT Service Desk		2019	1	1	1	-	-
HR Recruitment Follow-Up		2019	2	2	-	2	-
Fleet Services		2019	1	-	1*	-	-
HR Benefits (Phase 1)		2019	3	3	-	3	-
Asset Management		2020	1	-	-	-	1
Transit Operations		2020	4	2	-	2	2
Cyber Security Assessment	N/A	2020	7	5	1	4	2
Building Design & Construction	N/A	2020	2	1	1	-	1
HR Benefits (Phase 2)		2021	4	4	-	4	-
A2G Remediation Testing Review	N/A	2021	2	2	2	-	-
PerfectMind Remediation Testing Review	N/A	2021	2	2	2	-	-
Executive Expenses		2021	1	1	-	1	-
Snow Removal		2021	4	1	1*	1	2
Corporate Governance		2021	15	3	1	2	12
Emergency Expenses		2021	4	3	2	1	1
Vendor Performance Management		2021	4	-			4
Economic Development		2021	5	-	-	-	5
Corporate Facility Management & Operations		2021	3	-	-	-	3
TOTAL			65	30	12	20	33

*means completed ahead of target completion date











APPENDIX 2- Management Action Plan Status Details as of December 31, 2021

Legend	
In progress	
Completed	
Deferred	
In progress- delayed	
Expected completion	

Audit and Finding/Issue	Q4 2021	Q1 2022	Q2-Q4 2022
IT Service Desk Out of Hours System Issues are not Recorded		x	x
HR Recruitment Policies & Procedures Require Review and Update			x
HR Recruitment Policies & Procedures Require Review and Update			x
Fleet Services Frozen Vehicle Data Units		x	x
HR Benefits (Phase 1) Policies & Procedures are not current			x
HR Benefits (Phase 1) Validation of Practitioners for STD			x
HR Benefits (Phase 1) Validation of Practitioners for STD			x
Asset Management Key person dependency risk			x
Transit Operations Scrap Sales & Potential Exposure			
Transit Operations Inventory Management systems are not integrated			
Transit Operations Fare Collection and Enforcement			x
Transit Operations Attendance cards Mechanics and Stock Keepers			

Audit and Finding/Issue	Q4 2021	Q1 2022	Q2-Q4 2022
Cyber Security Patch management deficiencies		x	x
Cyber Security Password strength			
Cyber Security Limited security awareness training and testing			x
Cyber Security Limited network segregation			
Cyber Security Limited network traffic decryption/ inspection			x
Cyber Security Phishing tests are not performed across the organization			
Cyber Security IT Service Continuity Management Planning is in its early stages of development			2023
Building Design & Constructions SOP Development & Identification of Mandatory Documentation		x	x
Building Design & Construction Compliance Review & Training			x
HR Benefits (Phase 2) Management oversight of plan changes			x
HR Benefits (Phase 2) Management oversight of plan changes			x
HR Benefits (Phase 2) Gaps in group benefit invoice review			x
HR Benefits (Phase 2) Gaps in group benefit invoice review			x
HR Benefits (Phase 2) Service performance reviews			x
A2G Process Review		x	x
A2G Internal Controls		x	x
PerfectMind Process Review		x	x
PerfectMind Internal Controls		x	x
Executive Expenses Support for converted amount of out of country expenses not always included.			x
Snow Removal			2025

Audit and Finding/Issue	Q4 2021	Q1 2022	Q2-Q4 2022
Liquidity damage clauses were not comprehensively defined in contracts			
Snow Removal Vendor performance was not reviewed for certain contracts	●	●	○
Snow Removal Inadequate information to validate the service provided	●	○	x
Snow Removal Weighing of the material is done at the origin rather than at the destination.	●	x	x
Corporate Governance Enterprise Risk Management (ERM)	●	●	○
Corporate Governance Enterprise Risk Management (ERM)	●	●	○
Corporate Governance Enterprise Risk Management (ERM)	●	●	2023
Corporate Governance Enterprise Risk Management (ERM)	●	●	2023
Corporate Governance Enterprise Risk Management (ERM)	●	●	2023
Corporate Governance Enterprise Risk Management (ERM)	●	●	2023
Corporate Governance Records Management Retention and Disposal	●	○	x
Corporate Governance Records Management Retention and Disposal	●	●	○
Corporate Governance Records Management Retention and Disposal	●	●	○
Corporate Governance Exercise of Delegation of Powers and Authorities	●	○	x
Corporate Governance Council Code of Conduct for Council acknowledgement and review	●	x	x
Corporate Governance Council Code of Conduct for Council acknowledgement and review	●	○	x
Corporate Governance Lack of Code of Conduct coverage for Citizen Appointees	●	○	x
Corporate Governance Lack of common Policy to address complaints	●	●	○
Emergency Expenses Invoice Approval Process Needs to be Strengthened	●	●	○
Emergency Expenses Invoice Approval Process Needs to be Strengthened	●	●	○
Emergency Expenses Required documentation from Vendors is not always tracked	●	x	x

Audit and Finding/Issue	Q4 2021	Q1 2022	Q2-Q4 2022
Emergency Expenses Required documentation from Vendors is not always tracked		x	x
Economic Development Required insurance documents from project partners were not always on file	Completed @ time of audit	x	x
Economic Development Invoices to support expense amounts for one of the projects was not reviewed	Completed @ time of audit	x	x
Economic Development Two of the requirements in the agreement between the BEC and the Provincial Government were not in place			x
Economic Development Two of the requirements in the agreement between the BEC and the Provincial Government were not in place			x
Economic Development Annual Report for one of the projects was not provided as per the timeline in the agreement	Completed @ time of audit	x	x
Corporate Facility Management & Operations Technical Standards and Safety Authority (TSSA) Certificates Expired			x
Corporate Facility Management & Operations Monthly Fire Extinguisher Inspections			
Corporate Facility Management & Operations Pricing on Invoice does not agree to contract	Completed @ time of audit	x	x

Date: 2022-01-17

Subject: **Annual Report- 2021**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2022-093

Recommendations:

1. That the report titled: **Annual Report- 2021**, to the Audit Committee Meeting of February 8, 2022, be received.

Overview:

- The Annual Report provides an overview of the work conducted by Internal Audit in 2021; and
- The objective of this report is for Internal Audit to inform Audit Committee members on the division's achievements and initiatives.

Background:

In an effort to maintain transparency and accountability, Internal Audit presented its first annual report to the Audit Committee in 2017. This report provides Audit Committee and members of the public important and relevant information pertaining to the work conducted by the division. While audit reports, Management Actions Plans (MAPs), and Fraud Hotline updates are presented to Audit Committee on a quarterly basis, this report provides a summary of the audits and MAPs, as well as an overview of the initiatives, achievements, and other projects the division accomplished in 2021.

Current Situation:

Please refer to the attached 2021 Annual Report (Appendix 1).

Please refer to Appendix 2 for the 2019 and 2020 scorecards for a comparison to 2021.

Corporate Implications:Financial Implications:

N/A

Other Implications:

N/A

Term of Council Priorities:

This report fulfills the Council Priority of ‘Brampton is a well-run city’ through the establishment of an annual report, which promotes corporate accountability and governance best practices.

Conclusion:

Internal Audit provides objective and independent assessments and valuable and practical recommendations to assist management in improving processes and procedures. The 2021 Annual Report contains an overview of the work conducted by Internal Audit, highlighting the division’s achievements and successes.

Internal Audit is committed to continue updating Audit Committee on a regular basis, providing members with information and oversight.

Authored by:

Reviewed by:

Sabrina Cook, Research Coordinator
Internal Audit

Richard Gervais, Acting Director
Internal Audit

Approved by:

Submitted by:

Richard Gervais, Acting Director
Internal Audit

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Annual Report- 2021

Appendix 2: Internal Audit Scorecards- 2019 & 2020



INTERNAL AUDIT

2021 Annual Report



2021: Year at a Glance

2021 was another challenging yet rewarding year for the City's Internal Audit team. We continued to remain agile in the face of the COVID-19 pandemic, adhered to Public Health guidelines, participated and supported our colleagues in various initiatives and projects, and successfully conducted our audit and consulting engagements.

During the year, our team had several vacant positions, most of which were filled by the end of the year. One position remains vacant, and two new members joined our division, adding to our team's talent, skill set, and diversity.

Members of our team received additional certifications, strengthening our team's specializations and knowledge-base and demonstrating our commitment to professional development and continuous improvement and learning. The Audit team was able to continue to participate in several virtual learning opportunities throughout the year, thanks to the agility and creativity on the part of the many organizers. The City facilitated workshops and seminars on a wide range of topics, and audit specific professional organizations also hosted online conferences and webinars, where we were able to learn with our peers and continue to network. These learning days allowed us to strengthen our skills and remain up to date with best practices and emerging trends.

Our team continued to work closely with City staff on joint initiatives and projects as well as audit and consulting engagement. Our focus is on adding value and creating an environment of trust, transparency, and collaboration.

We had several opportunities to work closely with our counterparts from other municipalities, nurturing those important relationships, sharing information, and learning from one another.

With a strong team and a robust and diverse work plan for 2022, we are re-energized and looking forward to collaborating with our colleagues and adding value in all of our engagements, projects, and interactions.

We embrace the City of Brampton's corporate values of **courage, trust, compassion, and integrity** in everything we do, and our team's hard work and passion truly embodies these qualities.

For more information, please visit our [webpage](#).



Our Mandate

Internal Audit performs independent and objective assurance and consulting activities that are guided by a philosophy of adding value to improve the operations of the City of Brampton.

We assist the City in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal controls.

Our team provides objective and independent assessments on the effectiveness and efficiencies of controls and processes; valuable and practical recommendations to assist management in improving processes and procedures; as well as providing consulting services to management and staff on current and future initiatives.

The City of Brampton places an emphasis on good corporate governance through: educating and engaging the citizens of Brampton in transparent and accountable ways that show value and enhance the image of the City, investing in a collaborative environment with supportive organization and governance practices and policies, and lastly, practicing the proactive, effective, and responsible management of municipal assets and services. Good governance is a critical foundational element that reinforces the City's transformational shift in its operations, and Internal Audit is an integral part of the City's corporate governance structure.

The primary focus of Internal Audit is to ensure that City processes and related controls are functioning as intended. We determine if services can be improved or become more efficient, and ensure that the resources of the City are being used effectively.

Ultimately, we endeavour to provide the taxpayers of Brampton assurance that City services and resources are being administered in an effective, efficient, and economical manner.

Independence and Objectivity

The Institute of Internal Auditors' (IIA) *International Standards* (Standards) require internal auditors to be independent and objective in performing their work. The IIA provides the following interpretation:

“Independence is the freedom from conditions that threaten the ability of internal audit to carry out their responsibilities in an unbiased manner.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.”

Being independent allows Internal Audit to provide objective assessments of the City of Brampton's operations; this includes audit selection, scope, procedures, timing, and content.

As stated in the Internal Audit Charter (version 2019), Internal Audit's independence is assured as a result of the following:

- Direct administrative relationship to the Chief Administrative Officer (CAO) and quarterly functional reporting, (or as needed) to City Council through the Audit Committee;
- Audit Committee approval of the Internal Audit Charter;
- Audit Committee approval of the Annual Audit Work plan;
- No direct operational responsibility or authority over any operational activity; and
- The addition of citizen members on Audit Committee (endorsed by Council in 2018).

Our Accomplishments

2021 Work Plan Completion

We began 2021 with 15 planned engagements, of which 12 were completed by year-end. This represents 80% completion of the 2021 work plan. Two audit engagements were outsourced to third party audit firms to assist us in achieving our work plan, and one audit memo was issued advising of its deferral to 2022. Figure 1 below shows the status of the 2021 engagements.

Figure 1: Status of 2021 Audit and Consulting Engagements

Engagement	Status
Corporate Governance	Completed
Executive Expenses	Completed
Vendor Performance	Completed
Economic Development Division	Completed
Emergency Expenses	Completed
Transit Follow-Up	Completed
Contract Management: Snow Removal	Completed
Real Estate Management	Audit memo issued. Audit deferred to 2022.
Corporate Facility Management & Operations	Completed
IT Vendor Management	In progress
IT Infrastructure & Cloud Management	In progress
Project Assurance- IT Management Action Plans	Completed
Project Assurance- CLASS Migration to A2G	Completed
Project Assurance- Implementation of Video Court Appearances	Completed
Emergency Cash Fund Review	Completed

To view the 2022 work plan, please refer to the 2022 Internal Audit Work plan report or visit our [webpage](#).

Special Reports

Throughout the year, Internal Audit staff worked on the following reports:

- Whistleblower Information Report (including benchmarking and best practices)
- Fraud Hotline Expansion Information Reports (including benchmarking, impact, and cost analysis)



Management Action Plans (MAP)

During the course of an audit engagement, Internal Audit will identify several findings and opportunities for improvement. This results in recommendations and Management Action Plans with target completion dates. Divisions are required to provide a quarterly update to Internal Audit on the progress of implementing the agreed-upon audit recommendations. We review the updates submitted by the client, and where necessary, we will meet with management to discuss the respective progress and comments, ensuring that the action plans remain relevant and on track. The implementation status updates from management are reported to the Audit Committee on a quarterly basis.

At the Q4 2021 update, eight recommendations were added from two recently completed audit engagements, and 12 recommendations were completed and implemented by management. Those recommendations which were deferred (20) or not yet due (33) are scheduled to be implemented throughout 2022 and 2023.

Internal Audit will continue working with management to monitor their progress implementing the recommendations, and continue to update Audit Committee on the implementation status on a quarterly basis.

Figure 2 below shows the status of audit recommendations at year-end.

Figure 2: Status of Audit Recommendations as of December 31, 2021

Audit Report	Rating	Year	MAPs open Q4 2021	MAPs Due at Q4	As of December 31, 2021		
					Completed	Deferred	Not Yet Due
IT Service Desk		2019	1	1	1	-	-
HR Recruitment Follow-Up		2019	2	2	-	2	-
Fleet Services		2019	1	-	1	-	-
HR Benefits (Phase 1)		2019	3	3	-	3	-
Asset Management		2020	1	-	-	-	1
Transit Operations		2020	4	2	-	2	2
Cyber Security Assessment	N/A	2020	7	5	1	4	2
Building Design & Construction	N/A	2020	2	1	1	-	1
HR Benefits (Phase 2)		2021	4	4	-	4	-
A2G Remediation Testing Review	N/A	2021	2	2	2	-	-
PerfectMind Remediation Testing Review	N/A	2021	2	2	2	-	-
Executive Expenses		2021	1	1	-	1	-
Snow Removal		2021	4	1	1	1	2
Corporate Governance		2021	15	3	1	2	12
Emergency Expenses		2021	4	3	2	1	1
Vendor Performance Management		2021	4	-	-	-	4
Economic Development		2021	5	-	-	-	5
Corporate Facility Management & Operations		2021	3	-	-	-	3
TOTAL			65	30	12	20	33

Internal Audit is committed to continuously collaborating with management in identifying, reviewing, improving, and updating policies, procedures, and processes on a regular basis, and enhancing efficiencies and process effectiveness.

We thank management and staff for their continued support and encourage them to continue striving to meet the target completion dates of audit recommendations.



Emerging Themes from Completed Audits

In May 2018, Council endorsed [Brampton's 2040 Vision](#) a vision that is based on redefining what a 'bedroom community' looks like, while creating a vibrant city where people will live, work, and play in harmony with nature and one another. Brampton City Council's [Term of Council Priorities](#) for 2018-2022 are a key step in moving us toward 2040; 22 priorities will inform our activities, decisions, and budgets, and are organized in five themes: **opportunities**, **mosaic**, **green**, **healthy** and **safe**, and **well-run**.

Internal Audit reviewed the completed 2021 engagements, and identified these recurring themes as opportunities for continuous improvement to be addressed by management.

Policies and Procedures

We found policies and procedures that were not reflective of current practices, as well as a lack of regular updates and reviews.

Having updated and relevant policies will provide greater clarity, transparency, accountability, and alignment of processes to support the City's growth and expansion.

Ownership and Accountability

Departments are not always aware of their role in supporting corporate policies and processes.

Clearly defined control ownership and accountabilities will help facilitate the achievement of control objectives, will enhance control effectiveness and provide efficiencies.

Manual Processes

The City has been shifting towards automation, however, many processes continue to rely on manual controls.

As demands on municipal services grow, having automated controls in place may provide the efficiency needed to meet demands and could reduce manual errors.

Fraud Prevention and Awareness

As part of the City of Brampton's commitment to protecting its assets and to the principles of accountability, transparency, honesty, and respect, the Corporation has established a framework to prevent, detect, and report incidents of fraud, and a process to investigate and report on fraudulent acts. The City's Fraud Prevention Hotline was established in July 2016 to provide City staff with a convenient, secure, confidential, and anonymous way to report possible incidents of fraud. The City uses an independent third-party service provider to manage its Hotline.

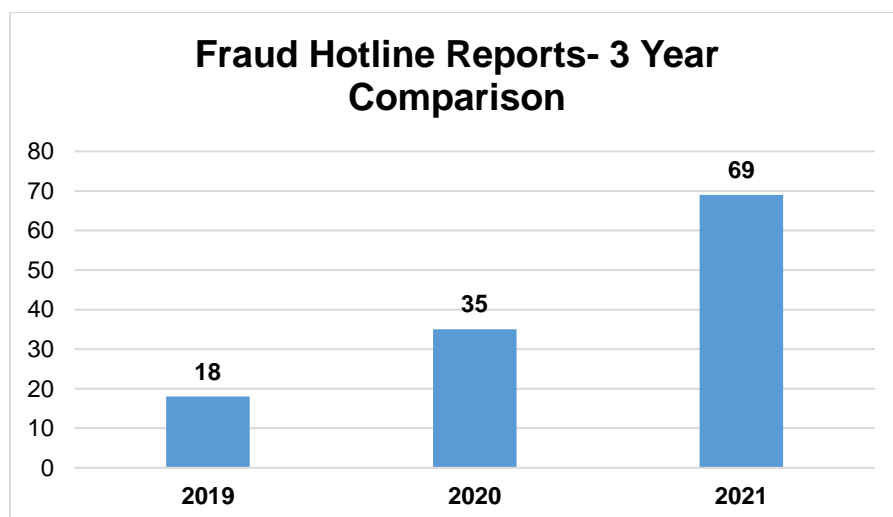
This initiative reflects the City's ongoing efforts to demonstrate our commitment to responsible, sound, and ethical operating practices. The Fraud Prevention Policy and the Fraud Hotline are components of this framework. They complement other existing policies, which, taken together, are intended to support and strengthen our commitment to the City's Corporate values (courage, trust, compassion, and integrity), to promote and maintain a high level of integrity of our employees so that they feel empowered to do the right thing, and to ensure the City's assets are protected.

Reports can be made using the web portal, by calling the toll-free number, or contacting Internal Audit directly. Once a report is received, designated Internal Audit staff conduct a preliminary assessment to review the information provided in the report and determine next steps.

Between the launch of the Fraud Hotline and December 31, 2021, there have been a total of 146 reports received through the Fraud Hotline. In 2021, 30 reports were received through the Fraud Hotline and 39 reports were delegated to Internal Audit by Deloitte, for a total of 69 reports. All 69 reports have been closed. This represents a twofold increase from the 35 reports received in 2020.

Figure 3 below shows year to year growth in Fraud Hotline reports:

Figure 3: Fraud Hotline Reports- 3 Year Comparison



When a report is created via the City's Fraud Hotline, the reporter chooses the fraud category from a pre-populated list. Those 39 cases referred to Internal Audit by the Third Party Investigator were imported into the Fraud Hotline and standardized to a report category of 'Miscellaneous' or 'Unethical Conduct'.

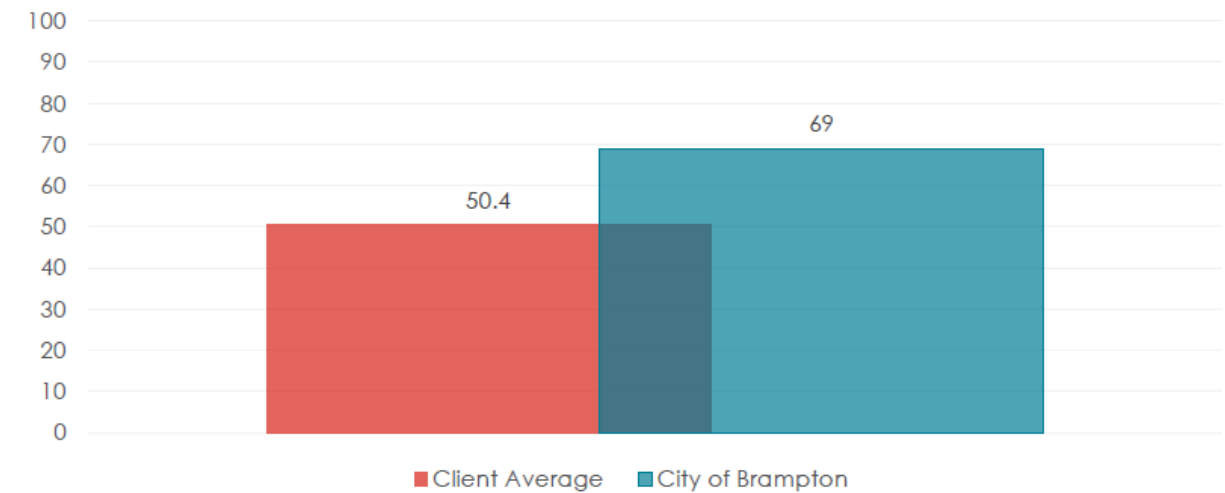
The following table provides a summary of the 2021 reports by disposition.

Figure 4: 2021 Report Disposition

Category	Count	Disposition
Unethical Conduct		
	19	Referred to HR. Management Action Plan created
	5	Initial Assessment Only: Insufficient information
	4	Reviewed with HR. Insufficient information
	2	Referred to Third Party Investigator
	1	Reviewed with HR: No investigation. Out of scope.
	1	Reviewed: IA recommended updates to the relevant policy and procedures for clarity.
Miscellaneous		
	20	Referred to the Integrity Commissioner
	1	IA investigation: Substantiated and recommendations made to management
Harm to People		
	11	Referred to HR. Management Action Plan created
Manipulation or Falsification of Data, Records, Reports, Contracts		
	1	Referred to Third Party Investigator
	1	Referred to HR. Management Action Plan created
Conflict of Interest		
	1	Initial Assessment Only: Insufficient information or no issues noted
Embezzlement or Fraud		
	1	Referred to Third Party Investigator
Non-Compliance with Policy or Procedure		
	1	Initial Assessment Only: Insufficient information or no issues noted

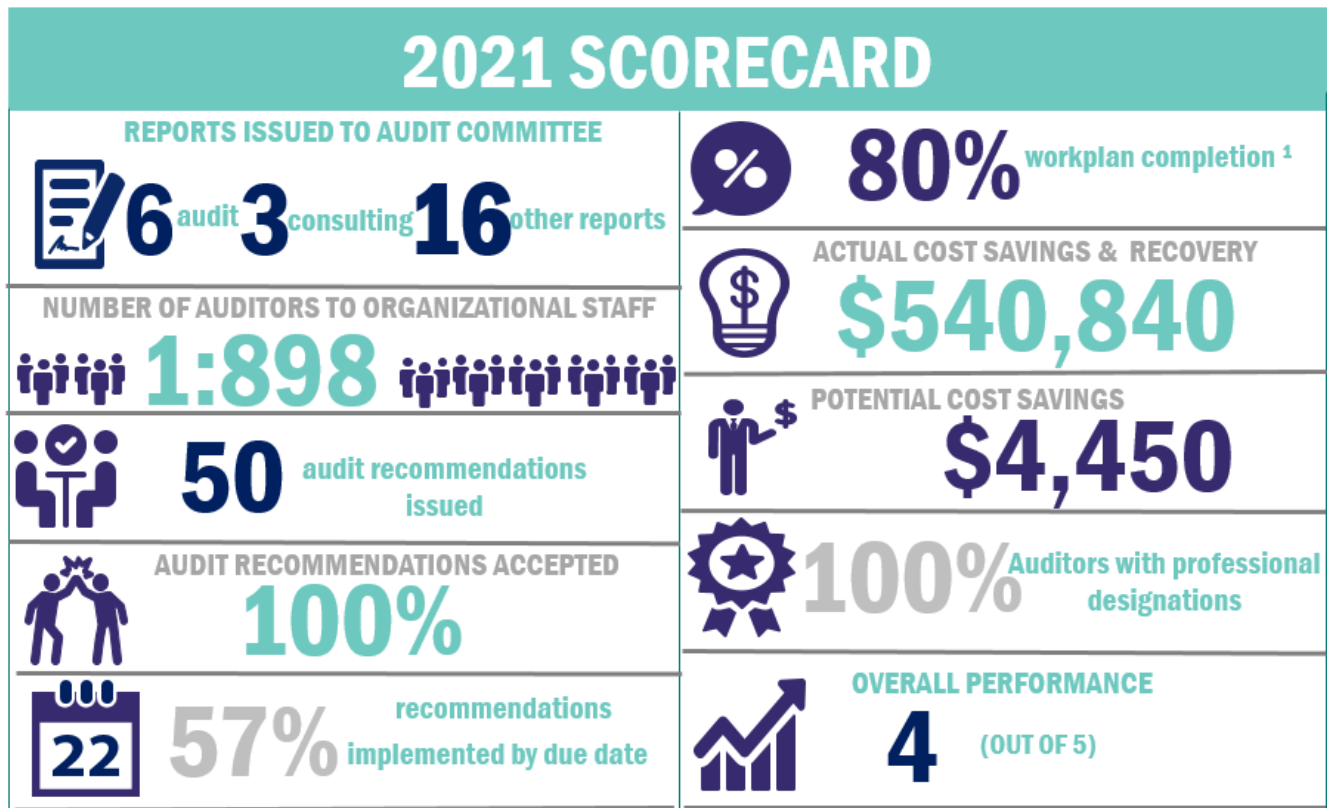
The Fraud Hotline service provider also provided Internal Audit with a benchmarking report, comparing the City to the service provider’s other Canadian municipal clients for the period January 1- December 31, 2021. Figure 4 shows that the number of reports received in 2021 was 50.4 on average for other clients, whereas for the City the number was 69 during the same time period.

Figure 4: Number of Reports Received Compared to Other Clients (2021)



Moving into 2022, Internal Audit will be working on fraud awareness initiatives, including educating City staff on how to identify and report incidents of suspected fraud, important details to include in report, and guidance on appropriate reporting channels. We will also be updating the Fraud Policy and related Standard Operating Procedure (SOP), focusing on enhanced transparency and accountability and ensuring best practises are captured.

Internal Audit Scorecard

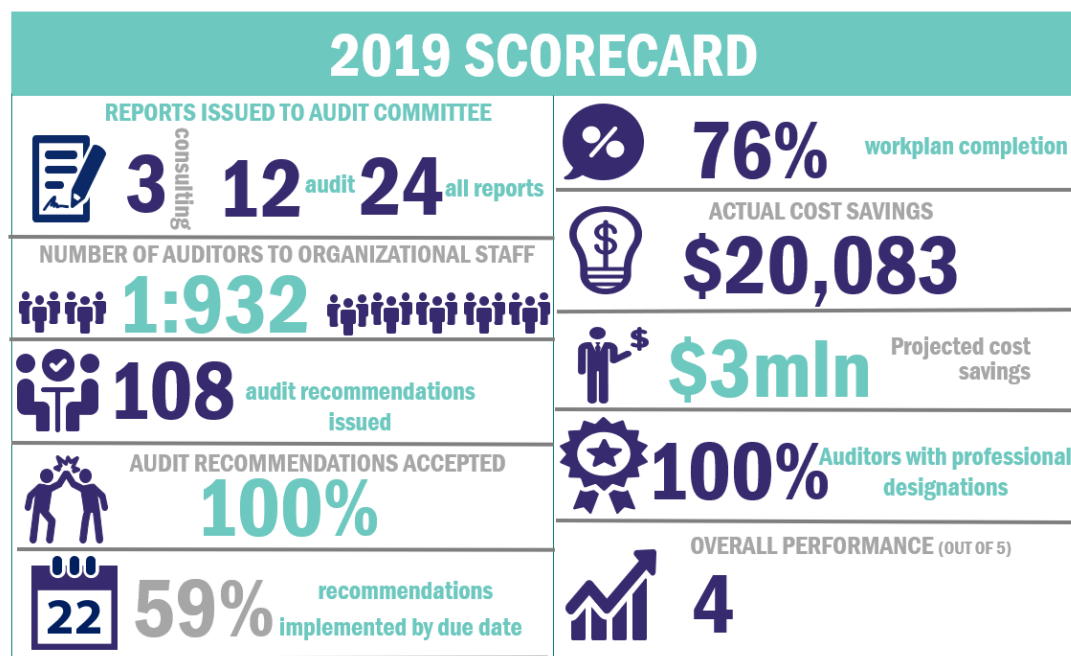


¹ Please note that workplan completion only accounts for audit and consulting engagements, as presented in the 2021 Audit Workplan. It does not reflect special projects and investigations that Internal Audit conducted throughout the year.

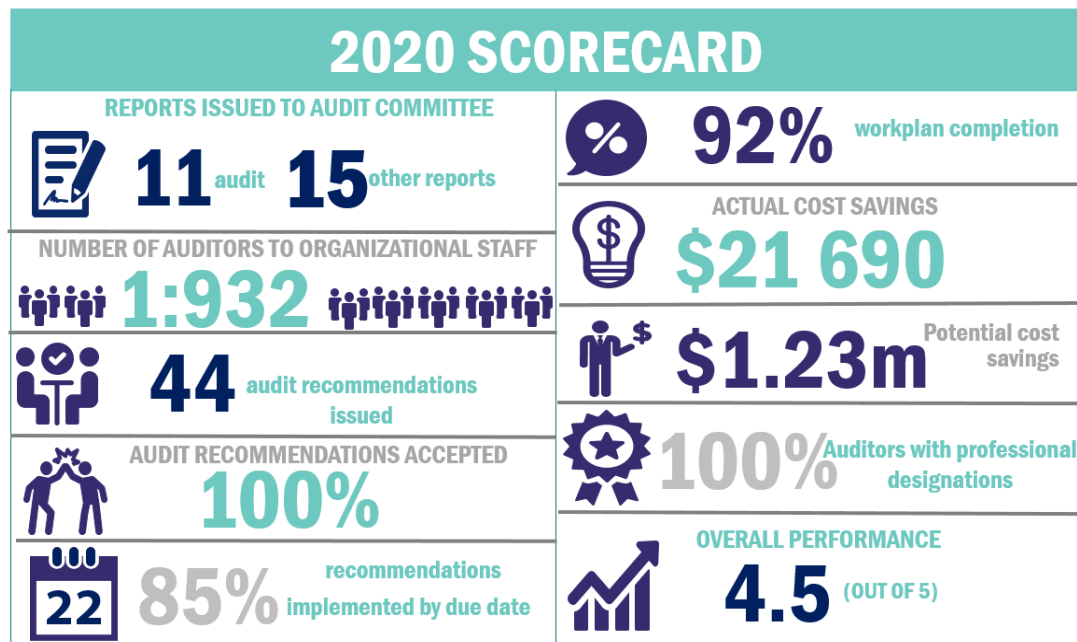


Appendix 2: Internal Audit Scorecards- 2019 and 2020

2019 Scorecard



2020 Scorecard



Date: 2022-01-18

Subject: **Facilities Operations & Maintenance Audit**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836
richard.gervais@brampton.ca

Report Number: CAO's Office-2022-098

Effective

Executive Summary:

Deloitte LLP (Deloitte) was engaged to provide internal audit services through the audit of Facilities Operations and Maintenance.

The background, objective, and the audit scope are explained in **Appendix 1**.

During the review, Deloitte observed the following strengths across the department:




- Revenue from lease and rental of facilities was accurate and complete;
- Assessment of vendor contract compliance in relation to maintenance services against applicable legislative/by-law requirements and accuracy of billings were met; and,
- Invoice and price quotation approvals for scheduled (preventive) and unscheduled (demand) maintenance work were aligned with the Financial Spending Approval Authority (Directive Number: FIN-100).

Deloitte discussed the following improvement opportunities with Management:

- Strengthening controls over periodic internal inspections of facilities;
- Enhancing its processes around managing facility maintenance (scheduled and unscheduled repairs) as it is currently manual in nature;
- Enhancing the invoice approval process to be more digital/automated, such as implementing a system that includes an automated workflow; and,
- Strengthening controls around the retention of documentation around the purchasing of supplies inventory.

These issues are explained in more detail in **Appendix 1**.

Deloitte discussed the following improvement opportunities with Management:

Process	Finding	Rating
1. Technical Standards and Safety Authority (TSSA)	During facility visit, expired certificates were noted on displayed for Elevator, Boilers and vessels. However, valid certificates were available with the compliance team.	
2. Fire Extinguisher Inspections	Multiple fire extinguisher log sheets indicated that an inspection was completed for the month prior to the beginning of the month.	
3. Invoicing review	Noted anomalies in 2 out of 25 invoices reviewed for rate mismatch and no written approval for subcontractor rates.	

These issues and associated management action plans are explained in more detail in **Appendix 1**. These issues are rated as per criteria explained in **Appendix 2**.

Conclusion:

Processes and controls over Facilities Operations & Maintenance were rated as “Effective”.

The overall report rating is determined as per the criteria for audit report rating explained in **Appendix 3**.

Authored by:

Gurpreet Singh, Manager
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Facilities Operations & Maintenance Audit

Appendix 2: Criteria for Evaluating Audit Findings

Appendix 3: Criteria for Audit Report Rating



Audit Report:
**Facilities Operations &
Maintenance Audit**
The Corporation of the City of
Brampton

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Introduction

Deloitte LLP (Deloitte) was engaged to provide internal audit services (the Services) to The Corporation of the City of Brampton (the Client or Company) through the audit of Facilities Operations and Maintenance through the internal control assessment as outlined in our engagement letter dated September 29, 2021. The purpose of this assessment was to obtain an understanding of the operations of both the Facility Services and Operations and Facility Maintenance Departments to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the execution of the Client's facilities and maintenance and strategies and programs.

Fieldwork for this assessment was conducted during the period from November 30th, 2021, to January 4th, 2022.

Audit Report Rating: Processes and controls over Facilities Operations & Maintenance are rated as "Effective". See **Appendix B** for the criteria for the Audit Report Rating.

During our review we observed the following strengths across the departments:

- Revenue from lease and rental of facilities was accurate and complete
- Assessment of vendor contract compliance in relation to maintenance services against applicable legislative/by-law requirements and accuracy of billings were met
- Invoice and price quotation approvals for scheduled (preventive) and unscheduled (demand) maintenance work were aligned with the Financial Spending Approval Authority (Directive Number: FIN-100)

Deloitte discussed the following improvement opportunities with Management:

- Strengthening controls over periodic internal inspections of facilities
- Enhancing its processes around managing facility maintenance (scheduled and unscheduled repairs) as it's currently manual in nature
- Enhancing the invoice approval process to be more digital/automated, such as implementing a system that includes an automated workflow
- Strengthening controls around the retention of documentation around the purchasing of supplies inventory

In the **Other Matters section**, we note issues observed in the audit that pose no or low future risk but should still be considered by Management.

Background, Objectives and Scope

Background

The Facilities Operations and Maintenance (FOM) team is responsible for ensuring that City facilities are maintained and operating, including contract administration for the rental of City facilities by residents and organizations. The FOM is further broken down into 4 sections:

1. Facilities Services & Operations
2. Facilities Maintenance
3. Facility Asset Management and Capital Planning
4. Security Services

The Facilities Services and Operations and Facilities Maintenance Division are responsible for the maintenance and operations of approximately 65 sites, which includes Corporate, Recreational, Parks, Library, Heritage, Fire and Works Operations Facilities. The Facility Asset Management and Capital Planning and Security Services are responsible for approximately 165 sites in relation to capital planning, security and energy management. The FOM manages approximately \$3 million in annual revenues in relation to leasing and rental of facilities.

The FOM is led by the Director with a manager for each of the 4 sections that oversee the day-to-day operations that report to the Director.

Objective

The objective of this engagement was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the execution of the City's facilities maintenance strategies and programs.

Scope

Transactions and activities undertaken during the period September 1st, 2020 to December 31st, 2021, were in scope for this assessment.

The Scope of our review includes:

- Policies and Procedures
- City By-laws and legislative requirements
- Vendor Contracts
- Facility Maintenance – Scheduled and Unscheduled Repairs
- Revenue – Leases and rental of facilities

Scope Limitations

The following areas were out of scope of this audit:

- Payments in relation to vendor invoices (maintenance activities) – responsibility of the Accounts Payable department
- Collectability of Lease/rental of facility payments – responsibility of Accounts Receivable
- Processes performed by the Facility Asset Management and Capital Planning and Security Services

Internal control testing was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing, as prescribed by the Institute of Internal Auditors (IIA).

Summary of Findings

During the current year's assessment, three findings were identified. Details regarding the findings are included within the **Detailed Audit Findings and Proposed Management** section of this report.

Conclusion

Management has a responsibility to establish, communicate and enforce a control culture at The City of Brampton.

While the issues identified in this report has been classified as P3, continued attention should be paid to Facility Management and Operations internal control environment to prevent significant issues from emerging, especially considering plans to implement maintenance system. As such, management should consider addressing the issues identified in a timely manner to demonstrate compliance with applicable regulations, remedy identified control gaps and improve the overall effectiveness of its internal controls.

Recommendations have been provided for management's consideration. Management is responsible for determining the sufficiency, nature, and timing of action plans to address the observations in this report, and for implementing such action plans in the **Management Response** segment highlighted in the **Detailed Audit Findings and Proposed Management** section of this report.

Acknowledgment

We would like to thank the staff and management of Facilities Operations & Maintenance for their assistance and cooperation during the assessment and acknowledge the progress made in raising control awareness at the City.

Detailed Audit Findings

Ref #	Audit Findings	Rating	Audit Recommendation	Management Response and Due Date	Responsible Party
1	<p>Technical Standards and Safety Authority (TSSA) Certificates Expired</p> <p>TSSA certificates of inspection for Ontario Boilers and Vessels and Elevating Device licenses are required to be kept in good standing order and shall be posted near the boiler room/vessel and elevating devices respectively. Deloitte observed the following during the facility site visits:</p> <ol style="list-style-type: none"> 2 certificates of inspection for Ontario Boilers and vessels and 1 elevating device licenses that were posted were expired at the City Hall facility (2 Wellington Street West) 1 certificate of inspection for Ontario Boilers and Vessels posted was expired at the Williams Parkway Operations facility (1975 Williams Parkway) 1 elevating device license posted was expired at the Sandalwood Works Operations facility (120 Sandalwood Parkway) <p>For the above-mentioned expired certificates, Deloitte verified that the current valid certificates/licenses were being kept within the Compliance department (Risk and Insurance).</p> <p><u>Potential Exposure</u></p> <p>TSSA certificates and licenses postings that are expired, may lead to not conforming to requirements under the Technical Standards and Safety Act and related regulations.</p>	P3	<p>Management should consider the following:</p> <p>Implementing a process to ensure that all posted TSSA certificates and licenses are current (non-expired) as required by regulation.</p>	<p>Agree</p> <p>Response:</p> <p>Valid TSSA Elevating Devices Certificates to be displayed in the Elevator Car or Elevator Mechanical Rooms.</p> <p>Valid TSSA Inspection Certificates for boiler and pressure vessels to be displayed in a central location inside the mechanical room.</p> <p>To be completed by end of March 2022.</p>	Director, Facilities Operations & Maintenance

Ref #	Audit Findings	Rating	Audit Recommendation	Management Response and Due Date	Responsible Party
2	<p>Monthly Fire Extinguisher Inspections</p> <p>On a monthly basis, maintenance personnel are required to check all fire extinguishers within the facilities to ensure that they are in working condition. Once the check is performed, the inspector is required to initial the tag that is affixed to the fire extinguisher as evidence the inspection is complete. Deloitte observed the following during the site visits:</p> <p>10 fire extinguishers indicated that an inspection was completed for the month of December 2021 at the City Hall facility. However, the date of our site visit was 11/30/21</p> <p>6 fire extinguishers indicated that an inspection was completed for the month of December 2021 at the Four Corners Library facility. However, the date of our site visit was 11/30/21</p> <p>1 fire extinguisher inspection was not signed off for the month of November 2021 at the Sandalwood park operations and Norton Community Centre facilities. The date of our site visits was 12/07/21</p> <p>Per discussion with management, it was confirmed that extinguishers were inspected in the month of November 2021 at the Sandalwood and Norton Community Centre locations, however, no sign off to evidence the review was performed.</p> <p><u>Potential Exposure</u></p> <p>Due to lack of monitoring to ensure that monthly inspections of fire extinguishers are being performed timely, may result in extinguishers being defective, leading to non conformance with regulatory requirements.</p>	P3	<p>Management should consider the following:</p> <p>Implementing a monitoring process to ensure that monthly inspections are being performed and signed off in a timely manner.</p> <p>Reinforcing the importance that the checks should be performed in the correct period and signed off accordingly.</p>	<p>Agree</p> <p>Response:</p> <p>The staff were instructed to sign off the inspection tags only during the current month. We have completed this task.</p> <p>Due Date: Implemented</p> <p>As part of the CMMS software implementation project, fire extinguishers located at all FOM facilities will be barcoded and tracked for completion of monthly inspection. The missed inspection will show up as outstanding work order for staff to take action. This measure will improve monitoring and oversight of monthly inspection of fire extinguishers</p> <p>Due date: Expected end of Q4 2022</p>	<p>Operations Coordinator, Facilities Operations & Maintenance</p> <p>Director, Facilities Operations & Maintenance</p>

Ref #	Audit Findings	Rating	Audit Recommendation	Management Response and Due Date	Responsible Party
3	<p>Pricing on Invoice does not agree to contract</p> <p>Deloitte's analysis of 25 preventive/demand maintenance invoice samples identified the following:</p> <ol style="list-style-type: none"> 1. The labour rate of 1 hour at \$191.25 that was charged for one of the sample invoices selected did not agree to any of the Group Two – Demand Maintenance Services Labour Rates per the vendor contract. This service was provided to the Four Corners Library which is categorized under Group Two within the contract 2. The total materials billed for one of the sample invoices selected in the amount of \$1,039.45 did not agree to the contract. Per discussion with management, this amount was in relation to labour hours performed by a third party (subcontractor) on behalf of the vendor. Although the City provided verbal approval for the services to be performed, the contract stipulates that a written approval for work to be performed by subcontractors on behalf of the vendor is required <p><u>Potential Exposure</u></p> <p>Failure to validate prices charged for maintenance work performed against the contract rates, may lead to overpayment for services received</p>	P3	<p>Management to consider the following:</p> <p>Enhancing the invoice approval process to ensure that invoiced amounts are aligned with the contract rates, including ensuring if the rates are not aligned with contracts, appropriate authorized has been obtained and retained</p> <p>Reinforcing the importance to personnel that approve maintenance invoices to validate the rates/amounts to the contract</p>	<p>Agree</p> <p>Response:</p> <p>The demand maintenance work of replacing door locks at Four corners library was initiated by Library staff. Even though Four Corners was one of the sites which was included in the contract, contractor made an error by charging the regular rate (not contracted rate) assuming that the job was ordered by library staff and not by FOM staff. Contractor has been requested to credit the difference in amount. Supervisor will be advising coordinator to review the details of all future invoices carefully to ensure they are accurate. Coordinator will ensure that the services provided, and rate charged align with current contractual agreement. Multilevel approval will allow Supervisor to have an oversight and control</p>	Supervisor, Facilities Operations Public Works & Engineering

				over the review and approval process and validate the rates to the contract thereby preventing similar occurrences and overpayment Due Date: Implemented	
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Other Matters

Ref #	Observations and Comments
1	<p>Maintenance System Implementation</p> <p>Currently preventive/demand maintenance is being tracked manually and a system implementation should be considered in the near future. This would be an opportunity for the department to track and have maintenance history that will allow them to make more effective and efficient decision-making. Furthermore, a sophisticated system can be further enhanced to include data analytics capabilities.</p>
2	<p>Standard Operating Procedures (SOPs)</p> <p>The City does not require individual departments / areas to have SOPs for their respective processes. Management should consider developing SOPs for their significant processes such as preventive/demand maintenance activities and the invoice approvals process. This leading practice will enhance the departments effectiveness of governance controls.</p>
3	<p>Invoice Approval Automation</p> <p>The FOM is currently relying on a manual invoice approval process, with approvals being evidenced via signoff/initials on the hardcopy invoice or in an email. FOM should explore opportunities to improve the process by implementing an approval workflow in a system that is aligned with the City's Financial Spending Authority approval (FIN-100), this is a leading practice that will enhance process efficiencies. Management should consider whether they currently have this capability with existing systems or whether they need to purchase the application to meet the needs of its operations.</p>

Appendix A – Criteria for Evaluating Findings

Priority Rating	Description
<p>Priority 1</p> <p>(P1)</p>	<p>One or more of the following conditions exist that require the immediate attention of the Senior Leadership Team. Corrective actions by senior management must be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is material • Management's actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss • One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks • Management's actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised • Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff • Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)
<p>Priority 2</p> <p>(P2)</p>	<p>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is significant • Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks • Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis • Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised • Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments • Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties • Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs

<p>Priority 3</p> <p>(P3)</p>	<p>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is insignificant • A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks • Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively • Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc. • Low impact to the City's strategic or key initiative • Low impact to the City's operations
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Appendix B – Criteria for Audit Report Rating

Rating	Description
Effective	<ul style="list-style-type: none"> Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes One or more Priority 3 Findings Insignificant cumulative financial impact when all audit findings have been considered Audit findings would not be subject to a follow-up by Internal Audit
Improvement Required	<ul style="list-style-type: none"> A few control weaknesses were noted that require enhancements to better support objectives and manage risks One Priority 2 and Priority 3 findings Priority 3 findings only where the cumulative financial impact is significant Corrective action and oversight by management is needed Audit findings could be subject to a follow-up by Internal Audit
Significant Improvement Required	<ul style="list-style-type: none"> Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings Priority 2 and 3 findings only where the cumulative financial impact is significant Corrective action and oversight by senior management is required Audit findings will be subject to a follow-up by Internal Audit
Immediate Action Required	<ul style="list-style-type: none"> Key controls are either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks More than one Priority 1 finding, combined with Priority 2 or 3 findings Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements. Confirmed fraud by management or staff Corrective action and oversight by Senior Leadership Team is required immediately Follow-up of such audit findings by Internal Audit would be of high priority

Appendix C – Restrictions

Due to the inherent limitations in any internal control system, errors or irregularities may occur and not be detected. In addition, the scope of our work is not intended to identify all weaknesses in internal controls. Projection of this internal control assessment to future periods is subject to the risk that the policies and procedures reviewed may become inadequate because of changes to the business or operating conditions, or that the current degree of compliance with those policies and procedures may deteriorate.

Internal controls, no matter how well designed and operated, can provide only reasonable assurance of achieving an entity's control objectives. The likelihood of achievement is affected by limitations inherent to internal control. These include the realities that human judgment in decision-making can be faulty and that breakdowns in internal control can occur because of human failures such as simple errors. Additionally, controls, whether manual or automated, can be circumvented by the collusion of two or more people or inappropriate management override of internal controls.

The procedures performed by Deloitte do not constitute an examination of City of Brampton's management's assertions concerning the effectiveness of City of Brampton's internal control systems and should not be used as support for the basis of such management assertions, or an examination of compliance with laws, regulations, or other matters. The performance of the procedures by Deloitte do not result in the expression of an opinion, or any other form of assurance, on City of Brampton's internal control systems or its compliance with laws, regulations, or other matters.

Appendix D – Report distribution

The accompanying report is intended solely for the benefit of the Corporation of the City of Brampton. The report is not intended to be used for any other purpose and may not be relied upon by additional parties. No responsibility is assumed to any other party. The report should not be disclosed to an additional party without Deloitte's prior written consent.

Report distribution:

David Barrick	Chief Administrative Officer
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Dwayne Chaisson	Manager, Facilities Maintenance
Richard Gervais	Acting Director, Internal Audit
Gurpreet Singh	Manager, Internal Audit



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City of Brampton Facilities Operations & Maintenance Audit – Final Audit Report
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Appendix 2 – Criteria for Evaluating Audit Findings

Priority Rating	Description
Priority 1 (P1)	<p>One or more of the following conditions exist that require immediate attention of the Senior Leadership Team. Corrective actions by senior management must be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is material • Management's actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss • One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks • Management's actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised • Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff • Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)

Priority 2 (P2)	<p>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is significant • Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks • Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis • Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised • Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments • Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties • Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs
(Priority 3) P3	<p>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is insignificant • A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks • Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively • Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc. • Low impact to the City's strategic or key initiative • Low impact to the City's operations

City of Brampton Facilities Operations & Maintenance Audit – Final Audit Report
Private & Confidential

Appendix 3 – Criteria for Audit Report Rating

Rating	Description
Effective	<ul style="list-style-type: none"> • Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks • Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes • One or more Priority 3 Findings • Insignificant cumulative financial impact when all audit findings have been considered • Audit findings would not be subject to a follow-up by Internal Audit
Improvement Required	<ul style="list-style-type: none"> • A few control weaknesses were noted that require enhancements to better support objectives and manage risks • One Priority 2 and Priority 3 findings • Priority 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by management is needed • Audit findings could be subject to a follow-up by Internal Audit
Significant Improvement Required	<ul style="list-style-type: none"> • Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks • One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings • Priority 2 and 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by senior management is required • Audit findings will be subject to a follow-up by Internal Audit
Immediate Action Required	<ul style="list-style-type: none"> • Key controls are either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks • More than one Priority 1 finding, combined with Priority 2 or 3 findings • Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements. • Confirmed fraud by management or staff • Corrective action and oversight by Senior Leadership Team is required immediately • Follow-up of such audit findings by Internal Audit would be of high priority

Date: 2022-01-13

Subject: **Economic Development Audit**

Contact: Richard Gervais, Acting Director, Internal Audit, 905 874 3836,
richard.gervais@brampton.ca

Report Number: CAO's Office-2022-099

Improvement Required**Executive Summary:**

Internal Audit undertook a review of the Economic Development division.

The objective of this engagement was to assess whether Management had proper oversight over Economic Development activities and proper controls were in place.

The background, objective, and the audit scope are explained in **Appendix 1**.

During our review, we observed the following strengths relating to controls and processes around Economic Development;

- Proper process and approval for all funding agreements with project partners;
- Timing and amounts of all funding payments were as per agreement and properly approved;
- Effective administration of Brampton Entrepreneur Centre (BEC) programs such as Summer & Starter Company and the Core Program;
- Full compliance of reporting required by the Province for provincial funding of BEC;
- Proper processes and approvals in place for P-Card purchases (BMO - Spend Dynamics);
- Performance measurement reporting and reviews in place for critical Economic Development activities; and
- Continuation of all BEC programs and Economic Development growth initiatives despite the challenges of the COVID-19 pandemic.





Other Matters

In the “Other Matters” section of Appendix 1, we note opportunities and other issues observed in the audit, posing no or low future risk, but which should still be considered by Management.

- Invoice Approval Authority Limits – Process Improvement
- Evaluating Starter Company Presentations – Best Practice

These issues are explained in more detail in **Appendix 1**.

Internal Audit discussed the following improvement opportunities with Management;

Process	Finding	Rating
1. Project Monitoring	Required Insurance documents from project partners were not always on file.	 P2
2. Project Monitoring	Invoices to support expense amounts for one of the projects was not reviewed.	 P3
3. BEC Program Monitoring	Two of the requirements in the agreement between the Brampton Entrepreneur Centre (BEC) and the Provincial Government were not in place.	 P3
4. Project Monitoring	Annual Report for one of the projects was not provided as per the timeline in the agreement.	 P3

These issues and associated management action plans are explained in more detail in **Appendix 1**. These issues are rated as per criteria explained in **Appendix 2**.

Conclusion:

Improvement is Required by management to strengthen oversight and controls for certain processes.

The overall report rating is determined as per the criteria for audit report rating explained in **Appendix 3**.

Authored by:

Brad Cecile, Sr. Internal Auditor
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Economic Development Audit Report
Appendix 2: Criteria for Evaluating Audit Findings
Appendix 3: Criteria for Audit Report Rating

City of Brampton Economic Development Audit – Final Audit Report
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Audit Name	City of Brampton, Economic Development Audit		
Sponsor(s)	Richard Forward - Commissioner, Planning, Building and Economic Development Clare Barnett - Director, Economic Development Denise McClure - Senior Manager, Economic Development		
Business Unit(s)	Economic Development, Accounting, Accounts Payable	Date Issued:	January 14, 2022

1.0 Executive Summary

Audit rating: Processes and controls around Economic Development were rated as “Improvement Required” (See **Appendix 2** for the criteria for audit report rating).

Controls around project funding are established, operating expenses are relatively low, and the division does not perform any expenditure functions, however, due to the wide range of economic development activity and significant investment in projects, the inherent risk was assessed as “medium”.

During our review, we observed the following strengths relating to controls and processes around Economic Development:

- Proper process and approval for all funding agreements with project partners;
- Timing and amounts of all funding payments were as per the respective agreement and properly approved;
- Effective administration of Brampton Entrepreneur Centre (BEC) programs such as Summer & Starter Company and the Core Program;
- Full compliance of reporting required by the Province for provincial funding of BEC;
- Proper processes and approvals in place for P-Card purchases (BMO - Spend Dynamics);
- Performance measurement reporting and reviews in place for critical Economic Development activities; and
- Continuation of all BEC programs and Economic Development growth initiatives despite the challenges of the COVID-19 pandemic.

Internal Audit discussed the following improvement opportunities with Management:

- Required Insurance documents from project partners were not always on file;
- Invoices to support expense amounts for one of the projects was not reviewed;
- Two of the requirements in the agreement between the Brampton Entrepreneur Centre (BEC) and the Provincial Government were not in place; and
- The annual report for one of the projects was not reviewed in a timely manner.

In the “Other Matters” section of this report, we note opportunities for cost savings and/or process improvements observed throughout the audit which present no or low future risk but should still be considered by Management.

2.0 Background, Objectives, and Scope

Background

The Economic Development division operates under the Planning, Building and Economic Development department. The division carries out a broad range of economic development activities on behalf of the City. There are approximately 22 employees in the division and their operating budget for 2021 was \$3.45M.

The objective of the division is to drive economic growth through business retention, expansion, attraction, and entrepreneurial initiatives. The key areas of focus are:

- Business retention and expansion (Priority sectors: Advanced Manufacturing, Food & Beverage, Innovation & Technology, Health & Life Sciences);
- Entrepreneurship;
- Investment Services;
- Investment Attraction; and
- Innovation District.

Economic Development continues to develop the innovation district in downtown Brampton by partnering with other organizations such as Algoma University, Ryerson University, Sheridan College, Altitude Accelerator (formerly Research Innovation and Commercial Centre (RICC)), Founder Institute and Toronto Business Development Centre, among others. Below are the seven active projects being funded by Economic Development:

Project Partner	Avg. Funding / Year	Agreement Term	# of Years	Total Funding
Algoma University Phase II Expansion	\$2,433,333	2019-2022	3	\$7,300,000
Ryerson Cybersecure Catalyst	\$1,000,000	2019-2024	5	\$5,000,000
Ryerson Innovation Zone	\$1,000,000	2019-2024	5	\$5,000,000
Toronto Business Development Centre (BHive)	\$800,000	2020-2025	5	\$4,000,000
Toronto Global	\$170,500	2019-2022	3	\$511,500
RICC Centre	\$100,000	2020-2023	3	\$300,000
Founder Institute	\$30,000	2020-2023	3	\$90,000
TOTAL	\$5,533,833		-	\$22,201,500

All project agreements are approved by City Council and each organization is required to provide financial reports and report on performance indicators as a condition of funding.

The Brampton Entrepreneur Centre (BEC) is also located in the innovation district. The BEC is a unit within Economic Development which supports entrepreneurs by providing information, resources, and guidance to start-ups and small businesses. Some of the funding to operate the BEC is provided by The Ministry of Economic Development, Job creation and Trade (MEDJCT).

The Economic Development Master Plan was created in 2018 and provides a road map for the City's approach to economic development. It sets out five key themes for growth: Talent & Workforce, Investment, Innovation & Technology, Employment Lands and Technology.

The Economic Recovery Strategy was created in 2020 in response to the economic challenges faced as a result of the COVID-19 pandemic. The development of this strategy was guided by the Economic Support Task Force and focuses on the four cornerstones of recovery: Innovation, Technology & Entrepreneurship, Arts Culture & Tourism, Infrastructure and Investment.

Objectives

The objective of this engagement was to assess whether Management had proper oversight controls around Economic Development activities, and to determine if a suitable framework was in place to verify the following:

- Agreements/contracts with partnering organizations were valid, approved and monitored for compliance.
- The amount and timing of funds provided to organizations complied with the funding agreement.
- Performance measure reporting (Annual reports, KPI's etc.) provided by partnering organizations complied with the funding agreement.
- Adequate controls around Brampton Entrepreneur Centre (BEC) activities were in place and being monitored.
- Outgoing sponsorships were properly approved and monitored.
- Amount and timing of funds from incoming sponsorships complied with the sponsorship agreement.
- Operating expenses followed proper review and approval processes.
- Performance measures to monitor the progress of critical Economic Development activities were in place.

Scope

Our audit focused on Economic Development activity from January 1, 2020 to September 30, 2021, including any agreements closed during the audit period or open as of September 30, 2021. The following areas were not included in the scope of this audit:

- Salaries and related expenditures;
- Employee expenses;
- Petty Cash;
- Detailed technology review of PeopleSoft or any other application in use by the division; and
- InvestBrampton.ca website

3.0 Detailed Audit Findings and Proposed Management Actions

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
1	<p>Required Insurance documents from project partners were not always on file.</p> <p>For most projects, the funding agreement requires the project partner to provide evidence of insurance on an annual basis. The coverage amount (commercial general liability) required ranges from \$2 to \$5 million.</p> <p>Of the six agreements requiring current proof of insurance, an updated Certificate of Insurance (COI) was not on file for four of them. All COIs were obtained prior to the completion of the audit.</p> <p><u>Potential Exposure</u> Not having a current Certificate of Insurance for each project partner does not guarantee the organization has sufficient liability coverage, which increases the liability risk for the City.</p>	P2	<p>The process for managing Certificates of Insurance should be strengthened.</p> <p>Information regarding insurance requirements, including the coverage amount and expiry date should be added to the project agreement tracker in order to monitor whether or not an updated COI has been obtained.</p>	<p>Add the Certificate of Insurance to the Agreement Tracking document, with expiry/due dates and limits required for each partner.</p> <p>This has been completed.</p>	Director, Economic Development
2	<p>Invoices to support expense amounts for one of the projects was not reviewed.</p> <p>As per the contract, each year, the project partner is to provide a reconciliation of amounts advanced for funding along with copies of invoices.</p> <p>For 2020, a reconciliation was included in the project partner's annual report, however, there were no invoices obtained from the project partner to support the total spend (\$824K).</p> <p>During the audit, at the request of Economic Development, the project partner provided a general ledger report which showed details of each expense transaction.</p> <p><u>Potential Exposure</u> Not having invoices to support project expenses does not allow Economic Development to ensure that the total expenses reported for the year are valid and accurate.</p>	P3	<p>The project partner should provide scanned copies of invoices annually. This is similar to how invoices from other project(s) are being provided.</p> <p>At a minimum, the general ledger detail report should be provided in order to increase the transparency of annual expenditures and allow Economic Development to audit and/or follow up on any expenses as required.</p>	<p>Add the invoice requirement to the Agreement Tracking document to ensure receipt.</p> <p>This has been completed.</p> <p>Notify the project partner of this requirement.</p> <p>This has been completed.</p>	Director, Economic Development Director, Economic Development

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
3	<p>Two of the requirements in the agreement between the Brampton Entrepreneur Centre (BEC) and the Provincial Government were not in place.</p> <p>In 2019, an agreement was signed between the City and the Minister of Economic Development, Job Creation & Trade (MEDJCT). As per the agreement, the province committed to funding \$1M over 3 years (2019-2021) to support various programs of the BEC.</p> <p>The agreement includes a number of operating and reporting requirements. All requirements were found to be met with the exception of the following;</p> <p>1) <u>Micro Financing Agreement – Summer Program</u> The micro finance agreement signed by participants of the Summer Company Program does not include the provision about “Post Program Reporting” as required in Schedule A (Section A4.3 (i)). The Micro Financing Agreement for the Starter Program does include this provision.</p> <p>2) <u>Micro Financing Committee – Summer & Starter Programs</u> There is no formal Micro Finance Committee as required in Schedule C (Section C). There is a group of BEC employees that participate in Summer and Starter Program activities, however, there is no document, plan, or form that acknowledges or references a Micro Financing Committee.</p> <p>Potential Exposure Not adhering to all requirements of the provincial agreement increases the risk of non-compliance in the event of an audit by the province.</p>	P3	<p>1) The “Post Program Reporting” provision should be added to the Micro Finance agreement that is signed by Summer Company participants.</p> <p>2) BEC should create a formal Micro Financing Committee. The scope and responsibilities of the committee should be determined by BEC and documented.</p> <p>The establishment of a Micro Financing Committee would further support the objective, standardized and consistent approach to delivering Summer and Starter Program activities.</p>	<p>1) Work with Legal to update the Micro-Financing agreement to include the provision on Post Program Reporting.</p> <p>March 31, 2022</p> <p>2) Create an SOP for a formal Micro Financing Committee, ahead of the 2022 Program start.</p> <p>April 30, 2022</p>	<p>Director, Economic Development</p> <p>Manager, Entrepreneurial Services</p>

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Action Plan & Target Completion Date	Responsible Person(s)
4	<p>Annual Report for one of the projects was not provided as per the timeline in the agreement.</p> <p>As per the agreement, a report summarizing the activities of the previous fiscal year is due within 90 days of the fiscal period ending.</p> <p>The quarterly reports for the project were on file, however, as of Q4 2021, the 2020 annual report was not.</p> <p>During the audit, at the request of Economic Development, the project partner provided the annual report.</p> <p><u>Potential Exposure</u> Not reviewing the annual report may impact Economic Development's ability to address any performance related issues or concerns in a timely manner.</p>	P3	<p>The annual report should be provided by the end of March each year.</p> <p>In the event that the annual report is not received within that timeframe, action should be taken to follow-up with the project partner to obtain the necessary report.</p>	<p>Keep the annual report on the Agreement Tracking document, and ensure a timely follow-up if not received.</p> <p>Ensure that the Agreement Tracking document is reviewed quarterly at the Economic Development Senior Manager meeting to flag any upcoming items.</p> <p>This action item has been completed.</p>	<p>Director, Economic Development / Expeditor, Economic Development</p> <p>Director, Economic Development / Sr. Manager, Economic Development</p>

4.0 Other Matters	
Ref #	Observations and Comments
1	<p><u>Invoice Approval Limits</u></p> <p>The invoice approval limit for each position is set out in the Administrative Directive for Financial Spending Approval Authority. Our review of operating expenses found that one out of two invoices greater than \$50K was approved by a Manager with approval authority only up to \$50K. The amount of the invoice was \$88K.</p> <p>The approval of invoices without the required level of signing authority increases the risk that invoices are not being approved by the individual best suited to validate the invoice.</p> <p>Finance and Digital Innovation and Information Technology (DIIT) are currently in the process of implementing an Accounts Payable automation system called WebCenter. WebCenter provides integration with the online Financial Spending Authority database to ensure that only individuals with appropriate authority will be able to approve invoices.</p> <p>Until WebCenter is fully implemented, (Q4 2022) during the invoice approval process, heightened attention should be paid to high dollar invoices to ensure compliance with authorization limits.</p>
2	<p><u>Starter Company Presentations – Evaluation Process</u></p> <p>Candidates applying to the Starter Program are evaluated using a standard application form as required in the agreement with the Province (Schedule C, Section B).</p> <p>Once the candidate has completed the mentoring program, they must receive a minimum score of 80% on both their business plan and presentation in order to receive the \$5K grant. Currently, there is a standard form used to grade the business plans, however, there is no standard form used to grade the presentations.</p> <p>Not having a standard form to grade presentations may impact the consistency of the presentation evaluation process.</p> <p>As a best practice, BEC should standardize the form used to grade presentations in order to make the evaluation process as objective, transparent, and consistent as possible.</p>

Report Distribution List	
Barrick, David	Chief Administrative Officer
Forward, Richard	Commissioner, Planning, Building and Economic Development
Barnett, Clare	Director, Economic Development
McClure, Denise	Senior Manager, Economic Development

Internal Audit Team	
Gervais, Richard	Acting Director, Internal Audit
Singh, Gurpreet	Manager, Internal Audit
Cecile, Brad	Senior Internal Auditor
Matar, Nibal	Senior Internal Auditor

City of Brampton Economic Development Audit – Final Audit Report
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Appendix 2 – Criteria for Evaluating Audit Findings

Priority Rating	Description
Priority 1 (P1)	<p>One or more of the following conditions exist that require immediate attention of the Senior Leadership Team. Corrective actions by senior management must be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is material • Management's actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss • One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks • Management's actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised • Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff • Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)

Priority 2 (P2)	<p>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is significant • Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks • Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis • Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised • Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments • Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties • Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs
(Priority 3) P3	<p>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</p> <ul style="list-style-type: none"> • Financial impact of both actual and potential losses is insignificant • A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks • Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively • Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc. • Low impact to the City's strategic or key initiative • Low impact to the City's operations

City of Brampton Economic Development Audit – Final Audit Report
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Appendix 3 – Criteria for Audit Report Rating

Rating	Description
Effective	<ul style="list-style-type: none"> • Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks • Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes • One or more Priority 3 Findings • Insignificant cumulative financial impact when all audit findings have been considered • Audit findings would not be subject to a follow-up by Internal Audit
Improvement Required	<ul style="list-style-type: none"> • A few control weaknesses were noted that require enhancements to better support objectives and manage risks • One Priority 2 and Priority 3 findings • Priority 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by management is needed • Audit findings could be subject to a follow-up by Internal Audit
Significant Improvement Required	<ul style="list-style-type: none"> • Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks • One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings • Priority 2 and 3 findings only where the cumulative financial impact is significant • Corrective action and oversight by senior management is required • Audit findings will be subject to a follow-up by Internal Audit
Immediate Action Required	<ul style="list-style-type: none"> • Key controls are either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks • More than one Priority 1 finding, combined with Priority 2 or 3 findings • Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements. • Confirmed fraud by management or staff • Corrective action and oversight by Senior Leadership Team is required immediately • Follow-up of such audit findings by Internal Audit would be of high priority

Date: 2022-01-12

Subject: **Transit Follow-up Audit Report**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836
richard.gervais@brampton.ca

Report Number: CAO's Office-2022-100

Recommendations:

That the report titled: Transit Follow-up Audit Report Update, to the Audit Committee Meeting of February 8, 2022, be received.

Overview:

- The 2021 Internal Audit Work Plan included a Transit follow-up audit to assess whether Management Action Plans have been implemented for the recommendations made in the 2020 Transit Operations Audit; and
- 12 of the 16 findings have been completed from the 2020 report, and work is progressing on the remaining four findings.

Background:

In 2020, a full scope audit of Transit Operations was completed and the report was rated as “Significant Improvement Required”. The period under review was January 1, 2019 to April 30, 2020. There were 16 audit findings and action items.

This engagement is a follow-up to the 2020 Transit Operations Audit to ensure that Management Action Plans have been effectively implemented.

Current Situation:

Our review indicated, controls gaps previously identified around governance, repair and maintenance, inventory management, fuel management, and disposal processes have been addressed and effectively implemented.

Management is working towards addressing the remaining four control gaps around scrap sale, fare management, and certain system enhancements.

Corporate Implications:

Financial Implications:

N/A

Other Implications:

N/A

Term of Council Priorities:

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an internal audit function, which promotes corporate accountability, values, and governance best practices.

Conclusion:

Management actions plans are in place for the findings from the 2020 report and implemented for most of the findings. The remaining findings will be reviewed quarterly with the Transit team to ensure that the risks identified are addressed through effective control implementation.

Authored by:

Reviewed by:

Gurpreet Singh, Manager
Internal Audit

Richard Gervais, Acting Director
Internal Audit

Approved by:

Submitted by:

Richard Gervais, Acting Director
Internal Audit

David Barrick
Chief Administrative Officer

Attachments:

Appendix 1: Transit Operations Follow-up Audit Memo

FOLLOW-UP AUDIT MEMO

Date: January 12, 2021

To: David Barrick, Chief Administrative Officer
Alex Milojevic, General Manager, Transit
Vincent Rodo, Director, Transit Operations

From: Richard Gervais, Acting Director, Internal Audit

Re: Transit Operations Follow-up Audit Memo

The purpose of this memo is to communicate Transit operations follow-up audit status to the Management.

Background

In 2020, a full scope audit of Transit Operations was completed and the audit was given a rating of "Significant Improvement Required". The period under review was January 1, 2019 to April 30, 2020. There were 16 audit findings and related action items.

The objective of this follow-up audit was to assess and determine whether the implementation of Management Action Plans have been effective in addressing the recommendations made in the 2020 Transit Operations Audit, presented to the Audit Committee on November 24, 2020.

Current Situation

The 2020 Transit Operations Audit identified 16 audit findings and corresponding management action plans. Based on the quarterly Management Action Plan updates, 12 management action plans were confirmed as implemented.

Our follow-up audit indicated that controls gaps previously identified around governance, repair and maintenance, inventory management, fuel management, and disposal processes were addressed and changes/enhancements etc were effectively implemented.

Management is working towards addressing the remaining four control gaps around scrap sale, fare management, and certain system enhancements.

Conclusion

Management actions plans are in place for the findings from the 2020 report and implemented for most of the findings. The remaining management action plans will be reviewed quarterly with the Transit team to ensure that the risks identified are addressed through effective control implementation.

Kind regards,

Richard Gervais
Acting Director, Internal Audit

Date: 2022-01-14

Subject: **Project Assurance – Implementation of Video Court Appearances**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836
Richard.Gervais@brampton.ca

Report Number: CAO's Office-2022-096

Recommendations:

1. That the report titled: **Project Assurance – Implementation of Video Court Appearances**, to the Audit Committee Meeting of February 8, 2022, be received.

Overview:

- The 2021 Internal Audit Work-Plan included a project assurance engagement to consult on the design of controls for Zoom platform being implemented by the Virtual Courthouse Project; and
- The Ontario Court of Justice has directed that only the provincial government's remote court appearance network (JVN) or Zoom Pro may be used for video court appearances. The City of Brampton accepted Zoom Pro as the video conferencing solution for the virtual courthouse project.

Background:

On November 6, 2020, the Ministry of the Attorney General issued a memorandum to municipal courts managers outlining the POA Scheduling Guidelines during the COVID-19 pandemic for remote court proceedings using video conferencing solutions. Ontario Court of Justice has approved only the provincial government's JVN network and Zoom Pro as acceptable video conferencing solutions for virtual court appearances. The City has evaluated and accepted the Zoom Pro as a suitable video conferencing solution for the virtual courthouse project.

The City's Court Services division engaged Internal Audit in a consulting capacity to advise on the Virtual Courthouse Project in January 2021.

Internal Audit reviewed the Virtual Courthouse Project documents and attended design meetings between DIIT, Court Staff and service providers. An audit risk and control document was created and reviewed with DIIT and Court Services staff. System availability was identified as the primary risk.

Current Situation:

The Zoom software environment and court sessions are managed by courthouse staff, and the IT infrastructure is supported by DIIT. A formal Support Plan is in place outlining roles and responsibilities of the designated courthouse and DIIT staff.

Only the authorized courthouse staff can schedule, manage (start and stop) virtual court sessions. The court sessions are moderated by courthouse staff who control participant access to the virtual court sessions. Zoom software restrictions and security controls are incorporated in the design, including unique session identifiers, the use of a waiting areas, and the ability end sessions in case of disruption.

Corporate Implications:

Financial Implications:

None

Other Implications:

None

Term of Council Priorities:

The Virtual Courthouse Project is being implemented to comply with the POA Scheduling Guidelines issued by the Ministry of Attorney General for remote court proceedings during the Covid-19 Pandemic. This project will facilitate video court appearances, thereby contributing to community health and safety and reducing the risk of Covid transmission.

The project is in line with the term of council priorities for 2018-2022 of developing a Community Safety Action Plan aligning with the Province's Community Safety and Well-Being Planning Framework and the Region's Community Safety and Well-Being Plan to leverage intergovernmental support.

Conclusion:

Overall, the Court Services has implemented appropriate controls to maintain security and privacy of information during the Zoom court sessions.

Authored by:

Ruchir Patel, Manager
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer

Date: 2022-01-17

Subject: **Cybersecurity Assessment Management Action Plan Update**

Contact: Richard Gervais, Acting Director, Internal Audit, 905-874-3836
richard.gervais@brampton.ca

Report Number: CAO's Office-2022-097

Recommendations:

1. That the report titled: **Cybersecurity Assessment Management Action Plan Update**, to the Audit Committee Meeting of February 8, 2022, be received.

Overview:

- A project assurance engagement to assess progress on 2020 Cybersecurity Assessment and related management action plans was scheduled in the 2021 Internal Audit Work-Plan;
- Five of the 11 findings were completed within the last 12 months and work is progressing on the remaining six findings;
- Higher risk findings were addressed first, and major information technology infrastructure projects will take more than one year to complete; and
- Cybersecurity risk is constantly evolving and work is progressing on the management action plans while remaining flexible and alert to new and emerging cybersecurity threats worldwide.

Background:

A project assurance engagement assessing progress on Digital Innovation and Infrastructure Technology (DIIT) management action plans was scheduled in our 2021 Internal Audit Work-Plan. The objective was to provide assurance that cybersecurity and related DIIT management actions plans are in place, that they address known risks and audit findings, and that the necessary changes are implemented.

Current Situation:

Internal Audit reviewed the status the 11 findings of the 2020 Cybersecurity Assessment submitted to the Audit Committee on November 24, 2020.

During the last year, five of the 11 findings were completed and work is progressing with the completion of the remaining six findings.

Due to the changing priorities and the increasing cybersecurity threats worldwide, plans have been revised including targeted completion dates.

Implementation timing of the outstanding issues is driven by resource availability and risk, and higher risk findings were addressed first. Major IT infrastructure projects will take more than one year to complete.

Corporate Implications:Financial Implications:

N/A

Other Implications:

N/A

Term of Council Priorities:

This report achieves the Term of Council Priority of 'Brampton is a well-run city' through the establishment of an internal audit follow up procedure for the implementation of recommendations, which promotes Corporate accountability, values, and governance best practices.

Conclusion:

Management actions plans are in place for the findings from the 2020 Cybersecurity Assessment report. DIIT is progressing on the management action plans while still remaining flexible and alert to new and emerging cybersecurity threats worldwide.

Authored by:

Anand Heeraman, Senior Internal Auditor
Internal Audit

Approved by:

Richard Gervais, Acting Director
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Submitted by:

David Barrick
Chief Administrative Officer