



Agenda
Audit Committee

The Corporation of the City of Brampton

Date: Tuesday, September 27, 2022
Time: 9:30 a.m.
Location: Hybrid Meeting - Virtual Option & In-Person in Council Chambers – 4th Floor – City Hall
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

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

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: Update of Internal Audit Charter and Audit Committee Terms of Reference

Recommendation

Deferred from the May 17, 2022 meeting pursuant to Recommendation AU017-2022

6.2. Staff Report re: Corporate Fraud Prevention Policy Updates

Recommendation

Deferred from the May 17, 2022 meeting pursuant to Recommendation AU019-2022

6.3. Staff Report re: Corporate Fraud Prevention Hotline Update – Q2 2022

To be received

6.4. Staff Report re: Status of Management Action Plans - Q2 2022

To be received

6.5. Staff Report re: Internal Audit Work Plan – September 2022 Status Update

Recommendation

6.6. Staff Report re: Claims Management Audit Report 2022

To be received

6.7. Staff Report re: Limited Tendering Audit Report 2022

To be received

6.8. Staff Report re: Parks Maintenance Audit Report 2022

To be received

6.9. Staff Report re: Driver Certification Program Fleet and, Fire and Emergency Service Compliance Audit

To be received

6.10. Staff Report re: Driver Certification Program Transit Compliance Audit

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

Note: A separate package regarding these agenda items are distributed to Members of Council and senior staff only.

11.1. Open Meeting exception under Section 239 (2) (a) of the Municipal Act, 2001:

The security of the property of the municipality - a corporate infrastructure matter

12. Adjournment

Date: 2022-05-09

Subject: **Update of Internal Audit Charter and Audit Committee Terms of Reference**

Contact: Richard Gervais, Acting Director, Internal Audit
Mikkel Marr, Director, Organizational Performance & Strategy

Report Number: CAO's Office-2022-513

Recommendations:

- 1) That the report titled: **Update of Internal Audit Charter and Audit Committee Terms of Reference**, to the Audit Committee Meeting of May 17, 2022 be received.
- 2) That the updated Internal Audit Charter Version 2022, as set out in Appendix 1 to this report, be approved.
- 3) That the updated Audit Committee Terms of Reference Version 2022, as set out in Appendix 3 to this report, be adopted.

Overview:

- This Report includes proposed changes to the Internal Audit Charter Version 2019 to clarify roles and responsibilities and recommends the adoption of an Internal Audit Charter as attached as Appendix 1 to this Report; and
- This Report also recommends revisions to Audit Committee Terms of Reference to align with the recommended Internal Audit Charter, as attached as Appendix 3 to this Report.

Background:

On May 5, 2021, Council reinstated the previous version of the Internal Audit Charter and Audit Committee Terms of Reference from March 2019 to ensure independence and objectivity of the internal audit function. In addition, Council provided direction to staff to provide comments with regard to clarification of roles and responsibilities.

Current Situation:

Internal Audit Charter update Version 2022

Based on the review of the Internal Audit Charter Version 2019, the audit charters of other municipalities and recommendations of The Institute of Internal Auditors (IIA), two areas were identified where additional language would provide greater clarity and alignment with the current organizational structure.

It is recommended the City adopt the Internal Audit Charter, attached as Appendix 1 to this report. The proposed amendments include the following:

Current (Version 2019)	Proposed changes (Version 2022)
To establish, maintain, and assure that the City's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will: <ul style="list-style-type: none">• Approve decisions regarding the appointment and removal of the CAE.	To establish, maintain, and assure that the City's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will: <ul style="list-style-type: none">• Participate in the selection of the Director, Internal Audit.• Actively participate in discussions about and approving decisions regarding removal of the Director, Internal Audit.
Director, Internal Audit is referred to as Chief Audit Executive (CAE)	Chief Audit Executive (CAE) removed and replaced with Director, Internal Audit

Audit Committee Terms of Reference Version 2022

The Terms of Reference outlines the objectives and responsibilities of the Audit Committee. The Terms of Reference Version 2022, attached as Appendix 3 to this report, has been amended to align with the proposed changes to the Internal Audit Charter as noted above.

Corporate Implications:

Financial Implications: nil

Other Implications: nil

Term of Council Priorities:

This report achieves the term of Council priority of a Well-Run City by ensuring accountable and transparent government through clear the roles and responsibilities.

Conclusion:

The Office of Internal Audit performs its work independently and objectively. Enhancements to the Internal Audit Charter and Audit Committee Terms of Reference will ensure that Internal Audit continues to provide independent, objective assurance and consulting services designed to add value and improve the operations of the City.

Authored by:

Reviewed by:

Emily Sung, Sr Advisor, Organizational
Performance & Strategy

Mikkel Marr, Director, Organizational
Performance & Strategy

Approved by:

Submitted by:

Richard Gervais, Director, Internal Audit
(Interim)

Paul Morrison, Chief Administrative Office
(Interim)

Attachments:

Appendix 1: Internal Audit Charter Version 2022 – Clean

Appendix 2: Internal Audit Charter Version 2022 – Marked

Appendix 3: Audit Committee Terms of Reference 2022 – Clean



Corporation of the City of Brampton
The Office of Internal Audit

INTERNAL AUDIT CHARTER

Purpose and Mission

The purpose of the City of Brampton's ("City") Office of Internal Audit ("Internal Audit") is to provide independent, objective assurance and consulting services designed to add value and improve the operations of the City. The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. Internal Audit helps the City accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Definitions

Audit Committee:	A Committee of Council. The Committee was established to enable members of Council to further enhance oversight capabilities and stewardship responsibilities. Roles and Responsibilities are further defined in the Audit Committee Terms of Reference.
City Related Boards:	Includes Brampton Heritage Board and Brampton Library.
Consulting Services	Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve the City's governance, risk management, and control processes without the Director, Internal Audit and/or the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.
Council:	Municipal Council of the City of Brampton and includes the Mayor and Councillors.
Employee:	An individual employed by the City, including those employed on contract and volunteers, but does not include those retained by the City on a professional services agreement.
Engagement:	A specific internal audit assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may

include multiple tasks or activities designed to accomplish a specific set of related objectives. An engagement includes financial, operational, compliance, follow up, information systems audits, other special audits, or consulting services.

Internal Audit Work Plan: The plan approved by Council listing all engagements to be performed by Internal Audit.

Standards for the Professional Practice of Internal Audit

Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' ("the IIA") International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing*, and the Definition of Internal Auditing. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of internal audit activity's performance. The Director, Internal Audit will report periodically to the Audit Committee regarding Internal Audit's conformance to the Code of Ethics and the *Standards*. In addition, Internal Audit will adhere to and ensure conformance to the guidelines and procedures of ISACA for any engagements involving information systems.

Internal Audit will adhere to the City's relevant policies and procedures.

Authority

The Director, Internal Audit will report functionally to the Audit Committee and administratively (i.e. day-to-day operations) to the Chief Administrative Officer ("CAO"). To establish, maintain, and assure that the City's Internal Audit has sufficient authority to fulfill its duties, the Audit Committee will:

- Approve the Internal Audit Charter.
- Approve the risk-based Internal Audit Work Plan.
- Approve Internal Audit's budget and resource plan.
- Receive communications from the Director, Internal Audit on Internal Audit's performance relative to its plan and other matters.
- Participate in the selection of the Director, Internal Audit.
- Actively participate in discussions about and approving decisions regarding the removal of the Director, Internal Audit.
- Review and approve, together with the CAO, the performance of the Director, Internal Audit.
- Approve decisions relating to the remuneration of the Director, Internal Audit.
- Make appropriate inquiries of management and the Director, Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Director, Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including private meetings without management present.

The Audit Committee authorizes Internal Audit to:

- Have full, free, and unrestricted access to all functions, records, properties, and personnel necessary to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information, and applicable law.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the City, as well as other specialized services from within or outside the City, in order to complete the engagement.
- Conduct any engagement of all City departments and special interest groups, 3rd parties (via right to audit clauses where applicable) and City Related Boards.

It is the duty of any employee of the City or City Related Board having control of records to permit the Director, Internal Audit or his/her designate access and examination when requested subject to applicable law. It is also the duty of any employee of the City or City related Board to fully co-operate with and make full disclosure of all pertinent information to the Director, Internal Audit or his/her authorized designate.

Independence and Objectivity

The Director, Internal Audit will ensure that Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Director, Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an impartial, unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the City or City Related Boards.

- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any City employee not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

The Director, Internal Audit will have no direct operational responsibility or authority over any operational activity for the City or City Related Boards. The Director, Internal Audit is not authorized to perform any operational duties for the City or City Related Boards.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

The Director, Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of Internal Audit.

The Director, Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee on the adequacy and effectiveness of governance, risk management, and control processes for the City. Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of the City's strategic objectives are appropriately identified and managed.
- The actions of the City's officers, directors, employees, and contractors are in compliance with the City's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the City.

- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Director, Internal Audit will report periodically to the Audit Committee regarding:

- The Internal Audit Charter.
- The independence of the Internal Audit activity.
- The Internal Audit Work Plan and progress against the plan.
- Internal Audit resource requirements.
- Results of Internal Audit activities, including significant risk exposures and control issues.
- Conformance with the IIA Code of Ethics and the *Standards*, and any action plans that address any significant conformance issues.
- Management's response to risk that, in the Director, Internal Audit's judgement, may be unacceptable to the City.

The Director, Internal Audit shares information, coordinates activities, and considers relying on the work of other internal and external assurance and consulting service providers as needed to ensure proper coverage and minimize duplication of efforts. Internal Audit may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided Internal Audit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

Responsibility

The Director, Internal Audit has the responsibility to:

- Submit, at least annually, to the Audit Committee, a risk-based Internal Audit Work Plan for review and approval. The Internal Audit Work Plan sets out the priorities for Internal Audit that: are reflective of the City's objectives, concerns and priorities; are integrated and coordinated with the corporate risk assessment and strategic planning process; and, considers input from senior management.
- Communicate to the Audit Committee the impact of resource limitations on the Internal Audit Work Plan.
- Review and adjust the Internal Audit Work Plan, as necessary, in response to changes in the City's business, risks, operations, programs, systems, and controls.
- Communicate to the Audit Committee any significant interim changes to the Internal Audit Work Plan.

- Ensure each engagement of the Internal Audit Work Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to the Audit Committee any corrective actions not effectively implemented.
- Manage and coordinate all fraud investigation activities within City Departments and Related Boards.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide Internal Audit.
- Ensure adherence to the City's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to the Audit Committee.
- Ensure conformance of Internal Audit with the *Standards*, with the following qualifications:
 - If Internal Audit is prohibited by law or regulation from conformance with certain parts of the *Standards*, the Director, Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the *Standards*.
 - If the *Standards* are used in conjunction with requirements issued by ISACA, the Director, Internal Audit will ensure that Internal Audit conforms with the *Standards*, even if Internal Audit also conforms with the more restrictive requirements of ISACA.

Quality Assurance and Improvement Program

Internal Audit will maintain a Quality Assurance and Improvement Program ("QAIP") that covers all aspects of Internal Audit. The program will include an evaluation of Internal Audit's conformance with the *Standards* and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The Director, Internal Audit will communicate to the Audit Committee on Internal Audit's QAIP, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the City.



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AUDIT COMMITTEE

Terms of Reference

Composition:

- Minimum of five members of Council
- The Mayor, who is an *ex-officio* member
- Minimum of one to a maximum of three citizen members

Term of Office: Concurrent with the term of Council, ending November 30, 2022, or until successors are appointed

Established by: Council Resolution

Meetings: Quarterly, or as required by the Chair

Reports to: City Council

Supported by: City Clerk's Office

Qualifications:
Elected Officials:

- Where feasible, a background in finance, audit, or accounting would provide the Committee with additional expertise

Citizen Member(s):

- Lives and/or operates a business in Brampton
- Has a professional Accounting designation with a minimum of 10 years experience
- Demonstrates skill in strategy and innovation
- Proficient in accounting and auditing
- Displays exceptional verbal, written, listening, teamwork and collaboration skills

Objectives of the Audit Committee:

The objective of the Audit Committee is to enhance Council's understanding of financial and control reporting both internally (as provided by the City's Internal Audit Division) and statutorily (as provided by the City's Auditors). The Committee enables Council to fulfill its oversight and stewardship responsibilities. The Committee also provides a focal point for improved communication between Council, the Internal and Statutory Auditors, and Management. The Committee strengthens the impartial, objective and independent review of management practices through the internal and statutory audit functions. In particular, the Committee's objectives are to:

- Demonstrate a higher level of public accountability;
- Provide additional assurance to the public that City services are administered in an effective, efficient and economical manner;
- Ensure compliance with legislation for public reporting;
- Ensure compliance with Corporate policies and procedures;
- Ensure the safeguarding of City assets; and
- Ensure impartial, objective and independent review of processes for City operations

Responsibilities of the Audit Committee

The Audit Committee is responsible for:

Statutory Audit Function

Making recommendations to City Council regarding the following:

- The selection and dismissal of the City's statutory Auditor(s) in accordance with the requirements of Section 296 of the *Municipal Act, 2001*;
- The terms of engagement, fees and scope of the audit services provided;
- The review and approval of the annual Audited Financial Statements; and
- The review and receipt of reports.

Internal Audit Function

- Reviewing and approving the risk based internal audit work plan as recommended by the Director, Internal Audit;
- Reviewing and approving the Internal Audit Charter;
- Reviewing Internal Audit reports issued during the year;
- Reviewing adequacy of the management responses to audit concerns in relation to the risks and costs involved;
- Ensuring the Internal Audit recommendations are implemented by reviewing Internal Audit's follow up reports;
- Reviewing and approving the Office of Internal Audit's budget;
- Participate in the selection of the Director, Internal Audit.
- Actively participate in discussions about and approving decisions regarding the removal of the Director, Internal Audit.
- Reviewing the adequacy of the authority, responsibilities and functions of the City's Office of Internal Audit, including Internal Audit plans, budget, and the scope and results of internal audits and management's responses thereto;
- Ensuring all Internal Audit activities are free from interference and related implications;
- Reviewing with the Director, Internal Audit the performance of the Internal Audit function;

- Reviewing and approving, together with the CAO, the performance of the Director, Internal Audit; and
- Reviewing and approving decisions relating to the remuneration of the Director, Internal Audit.

Financial and Other Reporting

- Reviewing the annual Management Letter prepared by the City's statutorily appointed auditors and the related management responses.

General

- Reviewing the Audit Committee mandate periodically;
- Communicating and meeting independently with the Director, Internal Audit as appropriate; and
- Any other matters that could come within the scope of the auditors.

Date: 2022-04-29

Subject: **Corporate Fraud Prevention Policy Updates**

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

Report Number: CAO's Office-2022-482

Recommendations:

1. That the report titled: **Fraud Prevention Policy Updates**, to the Audit Committee Meeting of May 17, 2022, be received.
2. That the updated Corporate Fraud Prevention Policy, as set out in **Appendix 3**, be approved.

Overview:

- The purpose of this report is to describe the proposed changes to the Corporate Fraud Prevention Policy. The main changes are necessary to:
 - Clarify the handling of fraud allegations implicating staff in key leadership positions;
 - Strengthen Internal Audit's independence in fact and appearance; and
 - Reduce the potential for conflict of interest.
- The scope of the changes include allegations of fraud involving the Chief Administrative Officer, City Clerk, City Solicitor, City Treasurer, Director of Human Resources, or Director of Internal Audit.
- A copy of the updated Corporate Fraud Prevention Policy with edit marks ("marked") is included in **Appendix 2**. A copy of the Corporate Fraud Prevention Policy without edit marks ("clean") is included in **Appendix 3**. The previous Corporate Fraud Prevention Policy, GOV-110, dated September 1, 2019, is set out in **Appendix 4**.
- The operational approach is detailed in **Appendix 1**.

Background:

As part of the City of Brampton's ("City") commitment to protecting its assets, a Fraud Framework was established to prevent, detect, and report incidents of fraud, as well as investigate any suspected acts of fraud. On July 4, 2016, the City launched the Corporate Fraud Prevention Hotline ("Fraud 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. Employees should feel empowered to do the right thing to ensure the City's assets are protected.

The current Corporate Fraud Prevention Policy came into effect on September 1, 2019, and establishes the requirements and responsibilities for the prevention, detection, and reporting of Fraud, the conduct of Fraud investigations, and the consequences when Fraud is found to have occurred.

Current Situation:

The experience gained from managing the Fraud Hotline reporting process since the last policy update has highlighted areas where policies and procedures need to be clarified and strengthened.

The changes presented in this report will enhance existing corporate policies and procedures; they do not replace them.

Please refer to Appendix 2 and 3 for the updated Corporate Fraud Prevention Policy (marked and clean versions).

Policy Objectives

1. The policy objectives, in relation to allegations of fraud involving the CAO, City Clerk, City Solicitor, City Treasurer, Director of Human Resources, or Director of Internal Audit, are to:
 - Clarify the handling of these allegations;
 - Strengthen audit independence in fact and appearance; and,
 - Reduce the potential for conflict of interest.
2. A policy statement is being added to consider and comply with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) in relation to potential fraud related information collected.

Policy Additions

We recommend the following changes be approved:

- Where the CAO is implicated in allegations of fraud, a third-party will be retained to investigate the allegations and will report their findings to City Council;
- Where the City Clerk, City Solicitor, City Treasurer, Director of Human Resources, or Director of Internal Audit are implicated in allegations of fraud, a third-party will be retained to investigate the allegations and will report their findings to the CAO; and,
- Fraud reports are subject to access requests, limitations and exemptions in accordance with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA).

Regarding the Director of Internal Audit

It is important to note that should a fraud report be submitted involving the Director of Internal Audit, the report is automatically routed to the CAO for review. Internal Audit is not aware of nor involved in any such reports.

Operational Prerequisites

The operational approach described in **Appendix 1** was designed with the objectives of:

- Minimizing staff involvement in investigations that involve the CAO and identified senior positions; and,
- Retaining a third party investigator as quickly as possible after an allegation has been submitted to the Fraud Hotline.

In order to meet these objectives, Internal Audit, in collaboration with Purchasing, will assemble a roster of pre-qualified third-party investigators with standardized agreements.

Corporate Implications:

Financial Implications:

Any cost incurred this year would be absorbed by the 2022 operating budget, with an explanation for any variance. Any increase to the operating budget will be assessed during the 2023 budget process.

Other Implications:

N/A

Term of Council Priorities:

This report fulfills the Council Priority of “Brampton is a well-run city” through enhancing the Corporate Fraud Prevention Policy and Fraud Investigation Process, which promote corporate accountability, our corporate values, and governance best practices.

Conclusion:

The policy changes, operational approach, and funding requirements identified in this report will achieve the objectives of clarifying the handling of fraud allegations involving staff in key leadership positions, strengthening audit independence in fact and appearance, reducing the potential for conflict of interest, and minimizing staff involvement in those investigations.

Authored by:

Sabrina Cook
Research Coordinator, Internal Audit

Reviewed by:

Richard Gervais
Acting Director, Internal Audit

Approved by:

Paul Morrison
Interim Chief Administrative Officer

Attachments:

Appendix 1: Operational Approach
Appendix 2: Updated Corporate Fraud Prevention Policy- Marked
Appendix 3: Updated Corporate Fraud Prevention Policy- Clean
Appendix 4: Corporate Fraud Prevention Policy GOV-110- v September 2019



Appendix 1: Operational Approach

Handling Allegations Implicating the CAO and Identified Senior Positions

The following describes the operational approach to handling fraud allegations in connection to the City of Brampton's (City) Chief Administrative Officer (CAO), and the following 'Identified Senior Positions': City Clerk, City Solicitor, City Treasurer, Director of Human Resources, or Director of Internal Audit.

Objectives

The objectives of these procedures are to:

- Minimizing staff involvement in investigations that involve the CAO and Identified Senior Positions; and,
- Retaining third-party investigators as quickly as possible after an allegation of fraud is submitted to the Fraud Hotline.

Workflow Diagram

A diagram of the process flow is on the last page of this document. The workflow follows the basic framework already in place for investigating cases of alleged fraud. An asterisk next to the text (*) marks special instructions for handling matters related to the CAO and Identified Senior Positions. Key process points are numbered ① through ⑩ to facilitate discussion.

Roster

Internal Audit will establish a roster of prequalified firms that specialize in fraud and employee relations investigations and auditing services. Firms on the roster can be engaged more quickly to perform the assessment or investigation.

Procedure

All fraud allegations are recorded and managed in the Case Management System (CMS), usually referred to as the Fraud Hotline.

Where a fraud allegation implicates the CAO and Identified Senior Positions:

- The Director of Internal Audit will select a third-party firm from the roster to perform an assessment of the fraud allegation;
 - On matters involving the Director of Internal Audit, the CAO will retain the third party firm;

- The third-party firm will conduct the assessment and present the results to the relevant body or staff (City Council or the CAO).
 - If the Assessor recommends an Investigation, they will provide a proposed scope and objectives for consideration.
- The CAO or City Council will approve an investigation depending on the subject of the fraud allegation;
- If an investigation is approved, a separate third party is selected from the roster to conduct the Investigation; however, there is discretion to continue with the firm that performed the assessment;
- The third-party Investigator will present their findings to the relevant body or staff;
- Internal Audit will terminate the investigation, and update and close the Fraud Hotline case file (Case Management System); and,
- The CAO or City Council may take further action at their discretion.

The following will apply to all investigations:

- All third-party work initiated through this process will conform to the Corporate Fraud Prevention Policy and the Internal Audit Charter.
- The role of the Director of Internal Audit in an investigation is restricted to administering the third-party engagement and coordinating activities. Accordingly, they will not participate in nor influence the investigation.
- On matters to be presented to City Council, the Director of Internal Audit will communicate through the Chair and Vice-Chair of the Audit Committee.

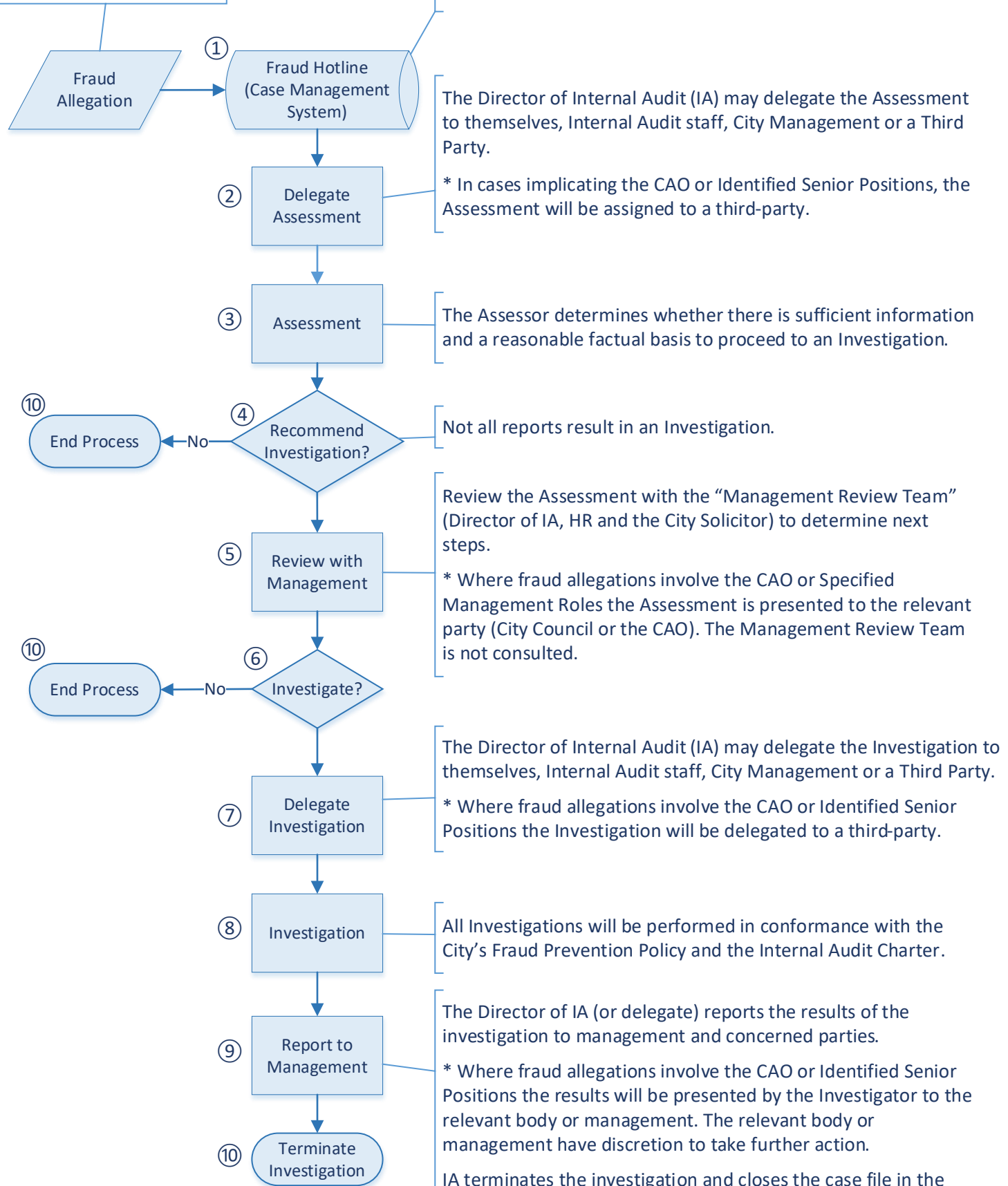
Workflow Diagram

Diagram on next page.

Fraud Allegations are reported through the Fraud Hotline or directly to Internal Audit

The Case Management System (CMS) is usually referred to as the "Fraud Hotline".

All reported Fraud Allegations are recorded and managed in the CMS.



Category: Governance

Title: Corporate Fraud Prevention Policy

Policy Number: GOV-110

Approved by: [Committee Recommendation #], [Council Resolution #]

Administered by: Internal Audit

Effective: September 1, 2019

1. Background

The operation of municipalities is subject to risk of Fraud.

The City's goal is to establish and maintain an environment of fairness, ethical behaviour, and honesty for employees, contractors, suppliers and those with whom the City has a relationship. To maintain such an environment requires the active assistance of each and every employee every day.

The City is committed to the deterrence, detection and correction of Fraud, the implementation of measures to prevent, detect and report Fraud, and investigation of any suspected acts of Fraud.

2. Purpose

The purpose of this Policy is to establish the requirements and the responsibilities for the prevention, detection, and reporting of Fraud, the conduct of Fraud investigations, and the consequences when Fraud is found to have occurred.

3. Application and Scope

This Policy applies to acts of unethical or dishonest conduct defined as Fraud for the purposes of this Policy.

a) This Council Policy applies to:

- All employees or persons acting on behalf of the City, including management, bargaining unit staff, and regular and temporary employees; and
- Contractors, vendors, and outside agencies doing business with the City who have agreed to be bound by this Policy.

b) Exceptions

This Policy does not apply to the Mayor and Members of Council who are governed by a separate Council Code of Conduct. Any behaviour or activity that contravenes that Code may be directed to the Office of the Integrity Commissioner.

4. Outcomes

a) Intended outcomes of this Policy are:

- An environment of fairness, ethical behaviour, and honesty for our employees, contractors, suppliers and other parties with whom the City has established a relationship;
- Zero tolerance for Fraud; and
- Reasonable efforts to obtain recovery of any losses due to Fraud.

5. Principles

- 5.1 Non-Retaliation - Open, honest, and responsible communication is fundamental to the success of an investigation process. Communication must be handled with the utmost responsibility and respect. The City will not tolerate any threats or acts of retaliation or retribution.
- 5.2 Confidentiality - The identity of anyone about or against whom allegations are made will be kept confidential. All information about the investigation is to be communicated on a "need-to-know" basis. This is important to avoid damaging the reputation of an employee against whom an allegation of Fraud or misconduct is reported, and to ensure anonymity of the reporter.
- 5.3 Standards - Investigations will be conducted with due professional care and in accordance with the professional standards of ethics, including the Institute of Internal Auditors (IIA), Chartered Professional Accountants (CPA), and the Information Systems Audit and Control Association (ISACA).
- 5.4 Reporting - Reporting on the results of the investigation should be completed in a timely manner taking into consideration the complexity of the allegation or delays in accessing information required for the investigation.

6. Policy Statements

- 6.1 The City will pursue every reasonable effort to obtain recovery of losses due to Fraud.

6.2 Fraud Reporting

- a) Internal Audit should be contacted if there are any questions or for clarification of what constitutes Fraud as defined in this Policy.
- b) Any person who suspects an act of Fraud by anyone who falls under the scope of this Policy must immediately report the event. Reports shall be made directly to their supervisor, to the Director of Internal Audit, or anonymously via the Fraud Prevention Hotline.
- c) Anyone reporting a Fraud Allegation must act in good faith and have reasonable grounds for believing the information provided. No person shall make an allegation that is known to be false.
- d) Due to the important and sensitive nature of suspected Fraud, effective professional follow-up and investigation are critical. Persons reporting suspected Fraud should not, under any circumstances, perform investigative or other follow-up steps on their own.

6.3 Fraud Assessment and Investigation

- a) All Fraud Allegations will be assessed by the Director of Internal Audit and may be delegated to Internal Audit staff or a third party. The Assessor will determine whether there is sufficient information and a reasonable factual basis to proceed to an Investigation and report their assessment to the Director of Internal Audit. Not all Fraud Allegations will result in an investigation.
- b) Members of the Management Review Team will review Fraud Allegations that have sufficient factual information to proceed with an investigation and will determine next steps. See special cases for exceptions.
- c) The investigation of Fraud Allegations will be conducted by the Director of Internal Audit who may delegate the work to Internal Audit staff, management, or a third party.
- d) Internal Audit maintains the primary responsibility for the management of the investigation, and requires regular updates, findings,

recommendations, and confirmation of action taken, if applicable, from the Investigator.

- e) Suspected acts of Fraud, as outlined in this Policy, will be investigated in an impartial manner regardless of the suspected person's length of service, position, title, or relationship to the City.
- f) Internal Audit, and if applicable, the members of the Investigative Team, will have:
 - Free and unrestricted access to all City records, except records which are protected by law, and premises, whether owned or rented.
 - The authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities (whether in electronic or other format) without the prior knowledge or consent of any person who might use or have custody of such items or facilities when it is within the scope of investigation or related follow up activities.
- g) Any person involved in an investigation of suspected Fraud shall keep the content of the investigation confidential. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.
- h) At the conclusion of an investigation, the Director, Internal Audit, will report to the Commissioner or Department Head of the relevant department on any findings of active Fraud or a breach of this Policy, and will provide recommendations as to where controls can be improved in order to minimize future risk of Fraud. Management is responsible for reviewing and implementing the appropriate controls to prevent reoccurrences.

6.4 Special Cases

- a) Where the Chief Administrative Officer (CAO) is implicated in allegations of Fraud, a third-party will be retained to investigate the allegations and will report their findings to Brampton City Council.
- b) Where the City Clerk, City Solicitor, City Treasurer, Director of Human Resources and Director of Internal Audit are implicated in allegations of Fraud, a third-party will be retained to investigate the allegations and will report their findings to the CAO.

6.5 Whistleblower Protection

- a) The City will not tolerate any form of retaliation against Whistleblowers who, in good faith, provide information concerning Fraud. No one

governed by this Policy shall retaliate against a Whistleblower with the intent of adversely affecting the terms or conditions of employment or otherwise.

- b) All Whistleblowers' identities will remain confidential and anonymous.
- c) Protection from retaliation does not prohibit managers or supervisors from taking action, including disciplinary action, as part of their normal duties and based on valid performance-related factors.

6.6 Fraud Awareness Training and acknowledgment

- a) Each City employee is required to attend at least one session of Fraud Awareness Training every two years. Coordination and tracking of training will be done by the Human Resources Division.
- b) All newly hired employees and volunteers will be provided with a copy of the Policy as part of their orientation and will be required to provide a written acknowledgement upon receipt of the Policy.
- c) On an annual basis, all employees are required to read and acknowledge understanding of this Policy by signing an acknowledgement form.

6.7 Fraud reports are subject to access to information requests, limitations and exemptions in accordance with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA).

- 6.8 This Policy is designed to augment the policies identified in Section 10 and is not intended to replace or preclude them. To the extent that this Policy may conflict with any other policies containing related information, this Policy shall apply.

7. Roles and Responsibilities

- 7.1 City Council is responsible for ensuring adequate resources are made available to support investigations.

- 7.2 The Director of Internal Audit is responsible for:

- a) Management and coordination of the investigation of all suspected Fraud and related investigative activities with appropriate parties and authorities, as required;
- b) Advising Council and, if appropriate, the CAO, of any allegations that, if true, may involve significant, imminent risk to the City; and,
- c) Administration, recommended revision, interpretation, and application of this Policy.

7.3 The Human Resources Division is responsible for:

- a) Providing a copy of this Policy to all newly hired City employees and volunteers as part of their orientation;
- b) Retaining a copy of the written acknowledgement that the individual(s) have received this Policy;
- c) Obtaining annual confirmation of adherence to this Policy from all employees; and
- d) Ensure all employees are required to attend at least one session of Fraud Awareness training every two years.

7.4 The Corporate Leadership Team is responsible for:

- a) Management action on confirmed Fraud breach; and,
- b) Creating monitoring for the detection and prevention of Fraud.

7.5 Supervisors are responsible for:

- a) Recognizing the types of Fraud, risks, and potential exposures within their area of responsibility, and be alert for any indications of such;
- b) Creating and maintaining effective monitoring, review and control procedures to prevent and detect Fraud;
- c) Retaining accountability for the effectiveness of the above responsibilities even when authority to carry them out is delegated to subordinates; and
- d) Notifying Internal Audit immediately upon learning of an incident of suspected Fraud.

7.6 All Employees are responsible for:

- a) Reporting, in good faith, any suspected incidents of Fraud;
- b) Cooperating with Fraud investigations; and
- c) Reviewing and acknowledging this Policy annually and to sign an acknowledgement form

8. Monitoring and Compliance

8.1 Non-compliance with this Policy by a person who falls under the scope of this Policy may result in disciplinary action up to and including dismissal and/or

prosecution by appropriate authorities. The Director of Human Resources and/or the City Solicitor will be consulted by the Director of Internal Audit in advance of such action being taken.

- 8.2 Failure to comply by a consultant, vendor, contractor, outside agency, person doing business with the City or otherwise within the scope of this Policy, may result in action being taken, including the cancellation of the business or other relationship between the entity and the City, or the termination of any contract in accordance with its terms.
- 8.3 Any evidence of Fraud may be reported to the appropriate regulatory authority.

9. Definitions

- 9.1 'Allegation' means a claim of Fraud submitted by an Employee, under the Corporate Fraud Prevention Policy, on the part of any Employee, Senior Management and Vendor.
- 9.2 'Assessor' means the person or party performing the initial assessment of a Fraud Allegation.
- 9.3 'Assets' means all property of the City, including but not limited to equipment, financial assets, land, vehicles, material, uniforms, cell phones, computers, electronic mail, internet services, records, information and work time.
- 9.4 'City' means The Corporation of the City of Brampton.
- 9.5 'Fraud' for the purpose of this Policy means all unethical or dishonest acts, deception, abuse, waste, and misconduct including, but not limited to:
- a. Intentional diversion, manipulation, misapplication, mistreatment, or misuse of City resources;
 - b. A false representation of facts, including making false or misleading statements, or trying to hide wrongdoing by a person or an organization;
 - c. Deception which is intentional and results in a benefit to a person and/or causes damage, harm, or loss to the City or others;
 - d. Unnecessary spending or careless squandering of the City's resources;
 - e. Conduct contrary to the Employee Code of Conduct, specifically:
 - Failure to disclose a conflict of interest of whether direct or indirect;
 - Breach of trust;
 - Solicitation of gifts and/or benefits; and
 - Unauthorized use of City property and Assets for personal benefit, gain or enjoyment.

Please refer to **Appendix A** for some examples of Fraud under this Policy.

- 9.6 'Good Faith' means a sincere belief or motive without any malice or the desire to defraud others.
- 9.7 'Investigator' or 'Investigation Team' means City personnel or third parties assigned by the Director of Internal Audit to investigate allegations of Fraud.
- 9.8 'Management Review Team' means the group of persons who reviews cases of alleged Fraud and determine a course of action. The team is comprised of the City Solicitor, Director of Human Resources and Director of Internal Audit.
- 9.9 'Person' means Includes individuals and companies.
- 9.10 'Whistleblower' means a person who, in good faith, reports an activity they believe to be Fraud.

10. References and Resources

This Policy should be read and applied in conjunction with the following references and resources as updated from time to time. Please note that some of the following documents may not be publically available.

References to related by-laws, Council Policies, and Administrative Directives

- [Employee Code of Conduct](#)
- [Employee Expense Policies](#)
- [Information Technology Use Policy](#)
- [Respectful Workplace Policy](#)
- [Purchasing Card Policy PUR-120](#)
- [Purchasing By-Law 19-2018](#)
- [Conflict of Interest Provincial Offences Act Policy](#)

References to related corporate-wide procedures, forms, and resources

- [Fraud Service Card](#)
- [ClearView Connects \(Fraud Hotline\)](#)

Revision History

Date	Description
2018/03/07	Replaces Policy 2.14.0 Corporate Fraud Prevention Policy
2019/09/25	Annual review resulted in minor edits to add clarity to provisions; adding definitions for "person" and "good faith"; adding a complaint made in bad faith under the definition of Fraud; adding reporting to a member of the Senior Leadership Team any findings of Fraud

Date	Description
	investigations as appropriate and additional provision on protection of Whistle-blowers from retaliation. Housekeeping edits to the template. Amended by Council Resolutions C353-2019 and AU0352019.
CPT to enter date	<p>Policy amended through [CPT to insert resolution number].</p> <p>The review resulted in additions to provide clarity on:</p> <ul style="list-style-type: none"> • The assessment, investigation, and reporting processes, as lead by Internal Audit; • cases where the CAO, City Clerk, City Solicitor, City Treasurer, Director of Human Resources or Director of Internal Audit are implicated in allegations of Fraud; and • The requirement to comply with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA). <p>Minor changes were made, including:</p> <ul style="list-style-type: none"> • Added “Principles” section • Added definitions • Added links under “references” • Replaced occurrences of Chief Audit Executive and its acronym (CAE) to Director, Internal Audit. • Added “Notifying Internal Audit immediately upon learning of an incident of suspected Fraud” to paragraph 7.3 based on bench marking against other municipalities.
CPT to enter date	Next Scheduled Review

Appendix A

Some examples of Fraud under this Policy include:

- Obtaining a benefit or service from the City for which the person does not qualify;
- Providing a City benefit or service to a person for which that person does not qualify;
- Unauthorized reductions in fees or fines;
- Suspending or terminating enforcement action based on a personal relationship;
- Bid-fixing;
- Authorizing contracts in violation of city purchasing laws;
- Failure to disclose an actual or potential conflict of interest;
- Accepting bribes or kickbacks;
- Accepting gifts in excess of \$50;
- Carrying on a personal business during City of Brampton work hours using City resources;
- Wilful destruction of City property;
- Forgery or alteration of a cheque, document, or account belonging to the City;
- Misappropriation or embezzlement of City funds, securities, supplies, or other Assets;
- Unauthorized personal use of Assets;
- Personal use of procurement cards (P-Card) without reimbursement;
- Making an allegation of Fraud known to be false;
- Profiting as a result of insider knowledge;
- Theft of cash, cheques, procurement cards, or other Assets;
- Falsifying records such as timecards, expense reports, or official documents;
- Any activity (including computer-related) involving the alteration, destruction, forgery, or manipulation of data for Fraudulent purposes or misappropriation of City-owned software, hardware, or other Assets;
- Breach of federal, provincial, or municipal legislation;
- Disclosure of confidential information for personal gain;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/material to the City or City job applicants;
- Unauthorized use or misuse of City facilities, equipment, vehicles, or other Assets;
- Falsifying time worked or leave taken on a timesheet;
- Retaining ineligible dependents on health care coverage; and
- Incurring unnecessary costs as a result of inefficient or negligent practices, systems or controls.

Category: Governance

Title: Corporate Fraud Prevention Policy

Policy Number: GOV-110

Approved by: [Committee Recommendation #], [Council Resolution #]

Administered by: Internal Audit

Effective: September 1, 2019

1. Background

The operation of municipalities is subject to risk of Fraud.

The City's goal is to establish and maintain an environment of fairness, ethical behaviour, and honesty for employees, contractors, suppliers and those with whom the City has a relationship. To maintain such an environment requires the active assistance of each and every employee every day.

The City is committed to the deterrence, detection and correction of Fraud, the implementation of measures to prevent, detect and report Fraud, and investigation of any suspected acts of Fraud.

2. Purpose

The purpose of this Policy is to establish the requirements and the responsibilities for the prevention, detection, and reporting of Fraud, the conduct of Fraud investigations, and the consequences when Fraud is found to have occurred.

3. Application and Scope

This Policy applies to acts of unethical or dishonest conduct defined as Fraud for the purposes of this Policy.

a) This Council Policy applies to:

- All employees or persons acting on behalf of the City, including management, bargaining unit staff, and regular and temporary employees; and
- Contractors, vendors, and outside agencies doing business with the City who have agreed to be bound by this Policy.

b) Exceptions

This Policy does not apply to the Mayor and Members of Council who are governed by a separate Council Code of Conduct. Any behaviour or activity that contravenes that Code may be directed to the Office of the Integrity Commissioner.

4. Outcomes

a) Intended outcomes of this Policy are:

- An environment of fairness, ethical behaviour, and honesty for our employees, contractors, suppliers and other parties with whom the City has established a relationship;
- Zero tolerance for Fraud; and
- Reasonable efforts to obtain recovery of any losses due to Fraud.

5. Principles

- 5.1 Non-Retaliation - Open, honest, and responsible communication is fundamental to the success of an investigation process. Communication must be handled with the utmost responsibility and respect. The City will not tolerate any threats or acts of retaliation or retribution.
- 5.2 Confidentiality - The identity of anyone about or against whom allegations are made will be kept confidential. All information about the investigation is to be communicated on a "need-to-know" basis. This is important to avoid damaging the reputation of an employee against whom an allegation of Fraud or misconduct is reported, and to ensure anonymity of the reporter.
- 5.3 Standards - Investigations will be conducted with due professional care and in accordance with the professional standards of ethics, including the Institute of Internal Auditors (IIA), Chartered Professional Accountants (CPA), and the Information Systems Audit and Control Association (ISACA).
- 5.4 Reporting - Reporting on the results of the investigation should be completed in a timely manner taking into consideration the complexity of the allegation or delays in accessing information required for the investigation.

6. Policy Statements

- 6.1 The City will pursue every reasonable effort to obtain recovery of losses due to Fraud.

6.2 Fraud Reporting

- a) Internal Audit should be contacted if there are any questions or for clarification of what constitutes Fraud as defined in this Policy.
- b) Any person who suspects an act of Fraud by anyone who falls under the scope of this Policy must immediately report the event. Reports shall be made directly to their supervisor, to the Director of Internal Audit, or anonymously via the Fraud Prevention Hotline.
- c) Anyone reporting a Fraud Allegation must act in good faith and have reasonable grounds for believing the information provided. No person shall make an allegation that is known to be false.
- d) Due to the important and sensitive nature of suspected Fraud, effective professional follow-up and investigation are critical. Persons reporting suspected Fraud should not, under any circumstances, perform investigative or other follow-up steps on their own.

6.3 Fraud Assessment and Investigation

- a) All Fraud Allegations will be assessed by the Director of Internal Audit and may be delegated to Internal Audit staff or a third party. The Assessor will determine whether there is sufficient information and a reasonable factual basis to proceed to an Investigation and report their assessment to the Director of Internal Audit. Not all Fraud Allegations will result in an investigation.
- b) Members of the Management Review Team will review Fraud Allegations that have sufficient factual information to proceed with an investigation and will determine next steps. See special cases for exceptions.
- c) The investigation of Fraud Allegations will be conducted by the Director of Internal Audit who may delegate the work to Internal Audit staff, management, or a third party.
- d) Internal Audit maintains the primary responsibility for the management of the investigation, and requires regular updates, findings,

recommendations, and confirmation of action taken, if applicable, from the Investigator.

- e) Suspected acts of Fraud, as outlined in this Policy, will be investigated in an impartial manner regardless of the suspected person's length of service, position, title, or relationship to the City.
- f) Internal Audit, and if applicable, the members of the Investigative Team, will have:
 - Free and unrestricted access to all City records, except records which are protected by law, and premises, whether owned or rented.
 - The authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities (whether in electronic or other format) without the prior knowledge or consent of any person who might use or have custody of such items or facilities when it is within the scope of investigation or related follow up activities.
- g) Any person involved in an investigation of suspected Fraud shall keep the content of the investigation confidential. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.
- h) At the conclusion of an investigation, the Director, Internal Audit, will report to the Commissioner or Department Head of the relevant department on any findings of active Fraud or a breach of this Policy, and will provide recommendations as to where controls can be improved in order to minimize future risk of Fraud. Management is responsible for reviewing and implementing the appropriate controls to prevent reoccurrences.

6.4 Special Cases

- a) Where the Chief Administrative Officer (CAO) is implicated in allegations of Fraud, a third-party will be retained to investigate the allegations and will report their findings to Brampton City Council.
- b) Where the City Clerk, City Solicitor, City Treasurer, Director of Human Resources and Director of Internal Audit are implicated in allegations of Fraud, a third-party will be retained to investigate the allegations and will report their findings to the CAO.

6.5 Whistleblower Protection

- a) The City will not tolerate any form of retaliation against Whistleblowers who, in good faith, provide information concerning Fraud. No one

governed by this Policy shall retaliate against a Whistleblower with the intent of adversely affecting the terms or conditions of employment or otherwise.

- b) All Whistleblowers' identities will remain confidential and anonymous.
- c) Protection from retaliation does not prohibit managers or supervisors from taking action, including disciplinary action, as part of their normal duties and based on valid performance-related factors.

6.6 Fraud Awareness Training and acknowledgment

- a) Each City employee is required to attend at least one session of Fraud Awareness Training every two years. Coordination and tracking of training will be done by the Human Resources Division.
- b) All newly hired employees and volunteers will be provided with a copy of the Policy as part of their orientation and will be required to provide a written acknowledgement upon receipt of the Policy.
- c) On an annual basis, all employees are required to read and acknowledge understanding of this Policy by signing an acknowledgement form.

6.7 Fraud reports are subject to access to information requests, limitations and exemptions in accordance with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA).

6.8 This Policy is designed to augment the policies identified in Section 10 and is not intended to replace or preclude them. To the extent that this Policy may conflict with any other policies containing related information, this Policy shall apply.

7. Roles and Responsibilities

7.1 City Council is responsible for ensuring adequate resources are made available to support investigations.

7.2 The Director of Internal Audit is responsible for:

- a) Management and coordination of the investigation of all suspected Fraud and related investigative activities with appropriate parties and authorities, as required;
- b) Advising Council and, if appropriate, the CAO, of any allegations that, if true, may involve significant, imminent risk to the City; and,
- c) Administration, recommended revision, interpretation, and application of this Policy.

7.3 The Human Resources Division is responsible for:

- a) Providing a copy of this Policy to all newly hired City employees and volunteers as part of their orientation;
- b) Retaining a copy of the written acknowledgement that the individual(s) have received this Policy;
- c) Obtaining annual confirmation of adherence to this Policy from all employees; and
- d) Ensure all employees are required to attend at least one session of Fraud Awareness training every two years.

7.4 The Corporate Leadership Team is responsible for:

- a) Management action on confirmed Fraud breach; and,
- b) Creating monitoring for the detection and prevention of Fraud.

7.5 Supervisors are responsible for:

- a) Recognizing the types of Fraud, risks, and potential exposures within their area of responsibility, and be alert for any indications of such;
- b) Creating and maintaining effective monitoring, review and control procedures to prevent and detect Fraud;
- c) Retaining accountability for the effectiveness of the above responsibilities even when authority to carry them out is delegated to subordinates; and
- d) Notifying Internal Audit immediately upon learning of an incident of suspected Fraud.

7.6 All Employees are responsible for:

- a) Reporting, in good faith, any suspected incidents of Fraud;
- b) Cooperating with Fraud investigations; and
- c) Reviewing and acknowledging this Policy annually and to sign an acknowledgement form

8. Monitoring and Compliance

8.1 Non-compliance with this Policy by a person who falls under the scope of this Policy may result in disciplinary action up to and including dismissal and/or

prosecution by appropriate authorities. The Director of Human Resources and/or the City Solicitor will be consulted by the Director of Internal Audit in advance of such action being taken.

- 8.2 Failure to comply by a consultant, vendor, contractor, outside agency, person doing business with the City or otherwise within the scope of this Policy, may result in action being taken, including the cancellation of the business or other relationship between the entity and the City, or the termination of any contract in accordance with its terms.
- 8.3 Any evidence of Fraud may be reported to the appropriate regulatory authority.

9. Definitions

- 9.1 'Allegation' means a claim of Fraud submitted by an Employee, under the Corporate Fraud Prevention Policy, on the part of any Employee, Senior Management and Vendor.
- 9.2 'Assessor' means the person or party performing the initial assessment of a Fraud Allegation.
- 9.3 'Assets' means all property of the City, including but not limited to equipment, financial assets, land, vehicles, material, uniforms, cell phones, computers, electronic mail, internet services, records, information and work time.
- 9.4 'City' means The Corporation of the City of Brampton.
- 9.5 'Fraud' for the purpose of this Policy means all unethical or dishonest acts, deception, abuse, waste, and misconduct including, but not limited to:
 - a. Intentional diversion, manipulation, misapplication, mistreatment, or misuse of City resources;
 - b. A false representation of facts, including making false or misleading statements, or trying to hide wrongdoing by a person or an organization;
 - c. Deception which is intentional and results in a benefit to a person and/or causes damage, harm, or loss to the City or others;
 - d. Unnecessary spending or careless squandering of the City's resources;
 - e. Conduct contrary to the Employee Code of Conduct, specifically:
 - Failure to disclose a conflict of interest of whether direct or indirect;
 - Breach of trust;
 - Solicitation of gifts and/or benefits; and
 - Unauthorized use of City property and Assets for personal benefit, gain or enjoyment.

Please refer to **Appendix A** for some examples of Fraud under this Policy.

- 9.6 'Good Faith' means a sincere belief or motive without any malice or the desire to defraud others.
- 9.7 'Investigator' or 'Investigation Team' means City personnel or third parties assigned by the Director of Internal Audit to investigate allegations of Fraud.
- 9.8 'Management Review Team' means the group of persons who reviews cases of alleged Fraud and determine a course of action. The team is comprised of the City Solicitor, Director of Human Resources and Director of Internal Audit.
- 9.9 'Person' means Includes individuals and companies.
- 9.10 'Whistleblower' means a person who, in good faith, reports an activity they believe to be Fraud.

10. References and Resources

This Policy should be read and applied in conjunction with the following references and resources as updated from time to time. Please note that some of the following documents may not be publically available.

References to related by-laws, Council Policies, and Administrative Directives

- [Employee Code of Conduct](#)
- [Employee Expense Policies](#)
- [Information Technology Use Policy](#)
- [Respectful Workplace Policy](#)
- [Purchasing Card Policy PUR-120](#)
- [Purchasing By-Law 19-2018](#)
- [Conflict of Interest Provincial Offences Act Policy](#)

References to related corporate-wide procedures, forms, and resources

- [Fraud Service Card](#)
- [ClearView Connects \(Fraud Hotline\)](#)

Revision History

Date	Description
2018/03/07	Replaces Policy 2.14.0 Corporate Fraud Prevention Policy
2019/09/25	Annual review resulted in minor edits to add clarity to provisions; adding definitions for "person" and "good faith"; adding a complaint made in bad faith under the definition of Fraud; adding reporting to a member of the Senior Leadership Team any findings of Fraud

Date	Description
	investigations as appropriate and additional provision on protection of Whistle-blowers from retaliation. Housekeeping edits to the template. Amended by Council Resolutions C353-2019 and AU0352019.
CPT to enter date	<p>Policy amended through [CPT to insert resolution number].</p> <p>The review resulted in additions to provide clarity on:</p> <ul style="list-style-type: none"> • The assessment, investigation, and reporting processes, as lead by Internal Audit; • cases where the CAO, City Clerk, City Solicitor, City Treasurer, Director of Human Resources or Director of Internal Audit are implicated in allegations of Fraud; and • The requirement to comply with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA). <p>Minor changes were made, including:</p> <ul style="list-style-type: none"> • Added “Principles” section • Added definitions • Added links under “references” • Replaced occurrences of Chief Audit Executive and its acronym (CAE) to Director, Internal Audit. • Added “Notifying Internal Audit immediately upon learning of an incident of suspected Fraud” to paragraph 7.3 based on bench marking against other municipalities.
CPT to enter date	Next Scheduled Review

Appendix A

Some examples of Fraud under this Policy include:

- Obtaining a benefit or service from the City for which the person does not qualify;
- Providing a City benefit or service to a person for which that person does not qualify;
- Unauthorized reductions in fees or fines;
- Suspending or terminating enforcement action based on a personal relationship;
- Bid-fixing;
- Authorizing contracts in violation of city purchasing laws;
- Failure to disclose an actual or potential conflict of interest;
- Accepting bribes or kickbacks;
- Accepting gifts in excess of \$50;
- Carrying on a personal business during City of Brampton work hours using City resources;
- Wilful destruction of City property;
- Forgery or alteration of a cheque, document, or account belonging to the City;
- Misappropriation or embezzlement of City funds, securities, supplies, or other Assets;
- Unauthorized personal use of Assets;
- Personal use of procurement cards (P-Card) without reimbursement;
- Making an allegation of Fraud known to be false;
- Profiting as a result of insider knowledge;
- Theft of cash, cheques, procurement cards, or other Assets;
- Falsifying records such as timecards, expense reports, or official documents;
- Any activity (including computer-related) involving the alteration, destruction, forgery, or manipulation of data for Fraudulent purposes or misappropriation of City-owned software, hardware, or other Assets;
- Breach of federal, provincial, or municipal legislation;
- Disclosure of confidential information for personal gain;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/material to the City or City job applicants;
- Unauthorized use or misuse of City facilities, equipment, vehicles, or other Assets;
- Falsifying time worked or leave taken on a timesheet;
- Retaining ineligible dependents on health care coverage; and
- Incurring unnecessary costs as a result of inefficient or negligent practices, systems or controls.

Category: Governance

Title: Corporate Fraud Prevention Policy

Policy Number: GOV-110

Approved by: AU035-2019, C353-2019

Administered by: Office of Internal Audit

Effective: September 1, 2019

1. Background

The operation of municipalities is subject to risk of Fraud.

The City's goal is to establish and maintain an environment of fairness, ethical behaviour and honesty for employees, contractors, suppliers and those with whom the City has a relationship. To maintain such an environment requires the active assistance of each and every employee every day.

The City is committed to the deterrence, detection and correction of Fraud, implementation of measures to prevent, detect and report Fraud, and investigation of any suspected acts of Fraud.

2. Purpose

The purpose of this Policy is to provide guidance and establish responsibilities for the prevention, detection and reporting of Fraud, the conduct of Fraud investigations and the consequences when Fraud is found to have occurred.

3. Application and Scope

3.1 This Policy applies to:

- All employees or persons acting on behalf of the City including management, bargaining unit staff and regular and temporary employees; and
- Contractors, vendors and outside agencies doing business with the City who have agreed to be bound by this Policy.

- 3.2 This Policy does not apply to the Mayor and Members of Council who are governed by a separate Council Code of Conduct. Any behaviour or activity that contravenes that Code may be directed to the Office of the Integrity Commissioner.
- 3.3 This Policy applies to acts of unethical or dishonest conduct defined as Fraud for the purposes of this Policy.

4. Outcomes

- 4.1 Intended outcomes of this Policy are:
- a. An environment of fairness, ethical behaviour and honesty for our employees, contractors, suppliers and other parties with whom the City has established a relationship;
 - b. Zero tolerance for Fraud; and
 - c. Reasonable efforts to obtain recovery of any losses due to Fraud.

5. Policy Statements

- 5.1 Any person who suspects an act of Fraud by anyone who falls under the scope of this Policy must immediately report the event. Reports shall be made directly to the Chief Audit Executive (CAE), to their supervisor, or anonymously via the Fraud Prevention Hotline.
- 5.2 The City will not tolerate any form of retaliation against Whistleblowers who, in good faith, provide information concerning Fraud.
- 5.3 City staff are responsible for reporting, in good faith, any suspected Fraud.
- 5.4 Suspected acts of Fraud will be investigated in an impartial manner regardless of the suspected person's length of service, position, title or relationship to the City.
- 5.5 Due to the important and sensitive nature of suspected Fraud, effective professional follow-up and investigation is critical. Persons reporting suspected Fraud should not, under any circumstances, perform investigative or other follow-up steps on their own.
- 5.6 The Office of Internal Audit should be contacted if there are any questions or for clarification of what constitutes Fraud.

6. Definitions

- 6.1 In this Policy,

Assets – All property of the City, including but not limited to equipment, financial assets, land, vehicles, material, uniforms, cell phones, computers, electronic mail,

internet services, records, information and work time;

City – The Corporation of the City of Brampton;

Fraud – All unethical or dishonest acts, deception, abuse, waste and misconduct including, but not limited to:

- a. Intentional diversion, manipulation, misapplication, mistreatment or misuse of City resources;
- b. A false representation of facts, including making false or misleading statements, or trying to hide wrongdoing by a person or an organization;
- c. Deception which is intentional and results in a benefit to a person and/or causes damage, harm, or loss to the City or others;
- d. Unnecessary spending or careless squandering of the City's resources;
- e. Conduct contrary to the Employee Code of Conduct, specifically:
 - Failure to disclose a conflict of interest of whether direct or indirect;
 - Breach of trust;
 - Solicitation of gifts and/or benefits; and
 - Unauthorized use of City property and Assets for personal benefit, gain or enjoyment.
- f. Examples of fraud under this Policy include:
 - Obtaining a benefit or service from the City for which the person does not qualify;
 - Providing a City benefit or service to a person for which that person does not qualify;
 - Unauthorized reductions in fees or fines;
 - Suspending or terminating enforcement action based on a personal relationship;
 - Bid-fixing;
 - Authorizing contracts in violation of City purchasing laws;
 - Failure to disclose an actual or potential conflict of interest;
 - Accepting bribes or kickbacks;
 - Accepting gifts in excess of \$50;
 - Carrying on a personal business during City of Brampton work hours using City resources;
 - Wilful destruction of City property;
 - Forgery or alteration of a cheque, document, or account belonging to the City;
 - Misappropriation or embezzlement of City funds, securities, supplies or other Assets;
 - Unauthorized personal use of Assets;
 - Personal use of procurement cards (P-Card) without reimbursement;
 - Making an allegation of fraud known to be false;
 - Profiting as a result of insider knowledge;
 - Theft of cash, cheques, procurement cards or other Assets;

- Falsifying records such as timecards, expense reports or official documents;
- Any activity (including computer related) involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of City-owned software, hardware or other Assets;
- Breach of federal, provincial or municipal legislation;
- Disclosure of confidential information for personal gain;
- Accepting or seeking anything of material value from contractors, vendors, or persons providing services/material to the City or City job applicants;
- Unauthorized use or misuse of City facilities, equipment, vehicles or other Assets;
- Falsifying time worked or leave taken on a timesheet;
- Retaining ineligible dependents on health care coverage; and
- Incurring unnecessary costs as a result of inefficient or negligent practices, systems or controls.

Good Faith – A sincere belief or motive without any malice or the desire to defraud others.

Person – Includes individuals and companies;

Whistleblower – A person who, in good faith, reports an activity which he or she believes to be Fraud.

7. Investigating Fraud

- 7.1 The Office of Internal Audit has the primary responsibility for the management and coordination of the investigation of all suspected Fraud and related investigative activities with appropriate parties, as required.
- 7.2 The Office of Internal Audit and, if applicable, the members of the investigative team will have:
 - Free and unrestricted access to all City records, except records which are protected by law, and premises, whether owned or rented.
 - The authority to examine, copy and/or remove all or any portion of the contents of files, desks, cabinets and other storage facilities (whether in electronic or other format) without the prior knowledge or consent of any person who might use or have custody of such items or facilities when it is within the scope of investigation or related follow up activities.
- 7.3 Any person involved in an investigation of suspected Fraud shall keep the content of the investigation confidential. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know.

- 7.4 At the conclusion of an investigation, the CAE will report to a member of the Senior Leadership Team whom the CAE considers appropriate on any findings of active fraud or a breach of this Policy.

8. Acting in Good Faith

- 8.1 Anyone reporting a Fraud must act in good faith or have reasonable grounds for believing the information provided. No person shall make an allegation that is known to be false.
- 8.2 No disciplinary action will be recommended or taken against a person who makes an allegation of fraud in good faith, regardless of the outcome of the investigation.

9. Whistleblower Protection

- 9.1 All Whistleblowers' identities will remain confidential and anonymous.
- 9.2 No one governed by this Policy shall retaliate against a Whistleblower for reporting in good faith an act that the Whistleblower believes to be fraudulent or dishonest with the intent of adversely affecting the terms or conditions of employment or otherwise.
- 9.3 Protection from retaliation does not prohibit managers or supervisors from taking action, including disciplinary action, as part of their normal duties and based on valid performance-related factors.

10. Fraud Awareness Training

- 10.1 Each City employee is required to attend at least one session of Fraud Awareness Training every two years. Coordination and tracking of training will be done by the Human Resources Division.

11. Distribution

- 11.1 All newly hired employees and volunteers will be provided with a copy of the Policy as part of their orientation and will be required to provide a written acknowledgement upon receipt of the Policy.
- 11.2 On an annual basis, all employees are required to read and acknowledge understanding of this Policy by signing an acknowledgement form.

12. Related Policies and Administrative Directives

- 12.1 This Policy is designed to augment the Corporate policies, identified in Section 15, and is not intended to replace or preclude them.
- 12.2 To the extent that this Policy may conflict with any other policies containing related information, this Policy shall apply.

13. Roles and Responsibilities

13.1 Council is responsible for:

- a. ensuring adequate resources are made available to support investigations.

13.2 Chief Audit Executive (CAE) is responsible for:

- a. Management and coordination of investigations;
- b. Advising Council and, if appropriate, the CAO, of any allegations that, if true, may involve significant, imminent risk to the City;
- c. Administration, recommended revision, interpretation and application of this Policy; and
- d. Management and coordination of the investigation of all suspected Fraud and related investigative activities with appropriate parties and authorities, as required.

13.3 Employees with direct reports are responsible for:

- a. Recognizing the types of Fraud, risks and potential exposures within their area of responsibility and be alert for any indications of such;
- b. Creating and maintaining effective monitoring, review and control procedures to prevent and detect Fraud; and
- c. Retaining accountability for the effectiveness of the above responsibilities even when authority to carry them out is delegated to subordinates.

13.4 All Employees are responsible for:

- a. Reporting, in good faith, any suspected Fraud.

13.5 Human Resources Division is responsible for:

- a. Providing a copy of this Policy to all newly hired City employees and volunteers as part of their orientation;
- b. Retaining a copy of the written acknowledgement that the individual(s) have received this Policy; and
- c. Obtaining annual confirmation of adherence to this Policy from all employees.

13.6 Senior Leadership is responsible for:

- a. Management action on confirmed fraud breach;
- b. Creating monitoring for the detection and prevention of fraud.

14. Monitoring and Compliance

14.1 Consequences of non-compliance

- a. Non-compliance with this Policy by a person who falls under the scope of this Policy may result in disciplinary action up to and including dismissal and/or prosecution by appropriate authorities. The Director of Human Resources and/or the City Solicitor will be consulted by the Chief Audit Executive in advance of such action being taken.
- b. Failure to comply by a consultant, vendor, contractor, outside agency, person doing business with the City or otherwise within the scope of this Policy, may result in action being taken, including the cancellation of the business or other relationship between the entity and the City, or the termination of any contract in accordance with its terms.
- c. Any evidence of Fraud may be reported to the appropriate regulatory or other authorities.
- d. The City will pursue every reasonable effort to obtain recovery of losses due to Fraud.

15. References and Resources

This Policy should be read and applied in conjunction with the following references and resources as updated from time to time. Please note that some of the following documents may not be publically available.

References to related bylaws, Council policies, and administrative directives

- Conflict of Interest Policy
- Conflict of Interest Provincial Offences Act Policy
- Employee Code of Conduct
- Employee Expense Policies (various)
- Information Technology Use Policy
- Respectful Workplace Policy
- [Purchasing Card Policy PUR-120](#)
- [Purchasing By-Law 19-2018](#)

Revision History

Date	Description
2018/03/07	Replaces Policy 2.14.0 Corporate Fraud Prevention Policy
2019/09/25	Annual review resulted in minor edits to add clarity to provisions; adding definitions for person and good faith; adding a complaint made in bad faith under the definition of fraud; adding reporting to a

Date	Description
	member of the Senior Leadership Team any findings of fraud investigations as appropriate and additional provision on protection of whistleblowers from retaliation. Housekeeping edits to the template Amended by Council Resolutions C353-2019 and AU035-2019.
2020/08/05	Next Scheduled Review (<i>annual review</i>)

Date: 2022-09-12

Subject: **Corporate Fraud Prevention Hotline Update – Q2 2022**

Contact: Claire Mu, Director, Internal Audit, 905-874-2215,
fang.mu@brampton.ca

Report Number: CAO's Office-2022-897

Recommendations:

That the report titled: **Corporate Fraud Prevention Hotline Update- Q2 2022**, to the Audit Committee Meeting of September 27, 2022, be received.

Overview:

- The Fraud Hotline received one new report from April 1 to June 2022 (Q2).
- The report was delegated to management and is closed.
- There are no "open" reports under investigation by Internal Audit.
- Information that could identify the reporter and named individuals have been omitted from this report to protect the privacy of named individuals and maintain the anonymity of reporters
- Internal Audit will provide ongoing updates on the status of the Fraud Hotline to the Audit Committee.

Background:

As part of the City of Brampton's ("the City") commitment to protecting its assets, a Fraud Framework to prevent, detect, and report fraud incidents and investigate any suspected acts of fraud was established. On July 4, 2016, the City launched the Corporate Fraud Prevention Hotline ("Fraud 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 secure third-party website or the telephone 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 Fraud Hotline activities quarterly.

Current Situation:

Internal Audit updates the Audit Committee on the status of the Fraud Hotline, including statistics on the number and types of reports received. The nature of these reports is sensitive. Therefore, to protect the named individuals' privacy and maintain the reporters' anonymity, we have omitted information that could identify individuals from this report.

The Fraud Hotline received one new report between April 1 and June 30, 2022 (Q2). The report has been delegated to management, and the report has been closed.

Fraud Reporting Categories and Disposition

Table 1 below is a summary of the hotline calls by category. When reporting the allegation, the reporter chooses the fraud category from a pre-populated list. The category remains unchanged throughout the process.

Table 1: Original Report Category and Disposition

Category	Count	Disposition
Miscellaneous		
	1	Closed. Alleged misuse of City time and resources involving a City employee. Delegated to management. No report back required.

Corporate Implications:

Financial Implications:

The 2022 operating budget approved by Council includes amounts for a third party to operate the Corporate Fraud Prevention Hotline.

Other Implications:

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 promotes Corporate accountability, our Corporate values, and governance best practices.

Conclusion:

The Corporate Fraud Prevention Policy and Fraud Hotline enhance and strengthen the City's governance structure. It reinforces the Council's expectations regarding rules of behaviour and emphasizes the values of the City. Internal Audit will update the Audit Committee on the status of the Fraud Hotline and any ongoing and completed fraud investigations.

Authored by:

Richard Gervais
Acting Director, Internal Audit

Reviewed by:

Claire Mu
Director, Internal Audit

Approved by:

Paul Morrison
Interim Chief Administrative Officer

Attachments: n/a

Date: 2022-09-14

Subject: **Status of Management Action Plans- Q2 2022**

Contact: Claire Mu, Director, Internal Audit, 905-874-2215,
fang.mu@brampton.ca

Report Number: CAO's Office-2022-905

Recommendations:

That the report titled: **Status of Management Actions Plans– Q2 2022**, to the Audit Committee Meeting of September 27, 2022, be received.

Overview:

- City departments are required to provide Internal Audit with an update on the current status and progress of all outstanding audit 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 information provided reflects the status management action plans on or before June 30, 2022;
- Management completed seven management action plans in the second quarter of 2022, and twenty-two are outstanding;
- **Appendix 1** contains a summary report of the status of action plans. The Management Action Plan status details are set out in **Appendix 2**; and
- Further details concerning the individual recommendations are available upon request.

Background:

Per 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 has successfully implemented its management action plans.

Departments are required to provide a quarterly update to Internal Audit on the progress of implementing agreed-upon recommendations. Internal Audit reviews the comments submitted by the department and, where necessary, 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. Where necessary, such follow-up audits are included in Internal Audit's annual work plan and approved by the Audit Committee.

This report summarizes the status of all recommendations implemented by management on or before June 30, 2022.

Current Situation:

By June 30, 2022, there were forty-six open recommendations. Seven recommendations were closed. Twenty-two recommendations are outstanding; seventeen are not yet due.

Management deferred some plans to allow for a broader corporate discussion. Other plans were deferred due to delays in policy approvals and recruitment. The remaining seventeen recommendations identified as "not yet due" have anticipated completion dates between Q3 2022 and Q4 2023.

The management action plans from three audits were closed in the previous quarter and have been retired from the active management action plan list: Building Design & Construction, HR Benefits Phase 2, and Snow Removal. This quarter, the management action plans from the Realty Services Gap Analysis were added to the active management action plan list.

Please refer to **Appendix 1** for the details of the recommendations as of Q2 2022. For additional information on the outstanding recommendations (outstanding and not yet due), please refer to **Appendix 2**.

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 establishing an internal audit follow-up procedure for implementing audit recommendations, which promotes Corporate accountability, values, and governance best practices.

Conclusion

Internal Audit is committed to continued collaboration with management in regularly reviewing, improving, and updating policies and procedures and enhancing efficiency 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:

Richard Gervais
Senior Advisor, Internal Audit

Reviewed by:

Claire Mu
Director, Internal Audit

Approved by:

Paul Morrison
Interim Chief Administrative Officer

Attachments:

Appendix 1: Management Action Plans as at June 30, 2022

Appendix 2: Management Action Plan Status Details as at June 30, 2022

Appendix 1 Management Action Plans as at June 30, 2022

As at June 30, 2022							
Audit Report	Rating	Year	Recs Open Q2 2022	Recs Due Q2 2022	Completed	Outstanding	Not Yet Due
HR Recruitment Follow-Up		2019	2	2		2	
HR Benefits (Phase 1)		2019	3	3	1	2	
IT Asset Management		2020	1	1	1		
Transit Operations		2020	4	3	2	1	1
Cyber Security Assessment	N/A	2020	2	2		2	
Executive Expenses		2021	1	1		1	
Corporate Governance		2021	13	12	2	10	1
Emergency Expenses		2021	2	2		2	
Vendor Performance Management		2021	2	1		1	1
Realty Services – Gap Analysis	N/A	2021	16	2	1	1	14
		TOTAL	46	29	7	22	17

APPENDIX 2- Management Action Plan Status Details as at June 30, 2022

Please note that:

- Management Action Plans marked as completed in this report will be omitted from future reports.
- Dates under the “Updated Target Completion Date” column were provided by the client.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status at Q2 2022
HR Recruitment- 2019 Policies & Procedures Require Review and Update	Q1 2020	Q3 2022	Outstanding: Policy and Standard Operating Procedures have been reviewed by the policy team, and feedback was provided. HR meeting with the Policy team in mid-August to finalize the policy and Standard Operating Procedures for HR Director and additional approvals
HR Recruitment- 2019 Policies & Procedures Require Review and Update	Q3 2020	Q3 2022	
HR Benefits (Phase 1)- 2019 Policies & Procedures are not current	Q4 2019	Q4 2022	Completed
HR Benefits (Phase 1)- 2019 Validation of Practitioners for Short Term Disability (STD) Update the Short Term Disability Policy and related Standard Operating Procedures (SOP)	Q4 2019	Q4 2022	Outstanding: Work is underway to update the STD Policy and related SOP by the end of Q4.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status at Q2 2022
HR Benefits (Phase 1)- 2019 Validation of Practitioners for Short Term Disability (STD) Implement a process to validate that the individual authorizing the Short Term Disability is a licensed medical practitioner as determined by the Short Term Disability policy.	Q4 2019	Q4 2022	Outstanding: The work is yet to start. A contract position for Disability Management Specialist has been approved in August. Once this position is filled, the STD process will be reviewed. Position to be filled before the end of 2022.
IT Asset Management- 2020 Key person dependency risk	Q1 2022	Q2 2022	Completed
Transit Operations- 2020 Scrap Sales & Potential Exposure	Q1 2022	Q4 2022	Outstanding: Current citywide contract on scrap is up for re-tendering. Guided by City Purchasing, Transit, Public Works, and Fire are reviewing requirements and processes to develop the specifications for a new procurement with the plan to have a new contract by Q4 2022. Market information is required to assess the implementation of Internal Audit recommendations, outcomes will be reported in Q3.
Transit Operations- 2020 Inventory Management systems are not integrated	Q2 2022	-	Completed
Transit Operations- 2020 Fare Collection and Enforcement	Q4 2021	Q2 2022	Completed

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status at Q2 2022
Transit Operations- 2020 Attendance cards Mechanics and Stock Keepers	Q4 2022	-	Not yet due
Cyber Security- 2020 Presented in camera Details available upon request	Q4 2021	Q4 2022	Outstanding: Activity on hold due to resource constraints. Resources assigned to new emerging threats.
Cyber Security- 2020 Presented in camera Details available upon request	Q4 2021	Q4 2023	Outstanding: Work being undertaken to get cost and effort estimates and identify a suitable solution to pursue.
Executive Expenses- 2021 Support for converted amount of out of country expenses not always included	Q4 2021	Q1 2023	Outstanding: Administrative Directive for Employee Business Expenses (FIN-160) has been reviewed and updated by Finance as well as reviewed by Corporate Policy Team. This amendment is to be included in a comprehensive report to Council along with all the other Finance policy amendments and additions. Due to the upcoming Municipal election, the target completion date has been moved to Q1 2023.
Corporate Governance- 2021 Implement an Enterprise Risk Management (ERM) Program	Q1 2022	Q4 2022	Outstanding: <ul style="list-style-type: none"> The new Legislative Services commissioner was hired in Q2. The commissioner will be recruiting a permanent Risk manager. ERM work cannot start until the Risk manager is hired. The target completion dates are likely to change once the
Corporate Governance- 2021 Implement an Enterprise Risk Management (ERM) Program	Q2 2022	Q1 2023	

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status at Q2 2022
Corporate Governance-2021 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q3 2023	full scope of implementing an ERM Program is reviewed.
Corporate Governance-2021 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q1 2023	
Corporate Governance-2021 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q1 2023	
Corporate Governance-2021 Implement an Enterprise Risk Management (ERM) Program	Q4 2022	Q1 2023	
Corporate Governance-2021 Records Management Retention and Disposal	Q2 2022	-	Completed
Corporate Governance-2021 Records Management Retention and Disposal	Q4 2022	-	Not yet due
Corporate Governance-2021 Records Management Retention and Disposal	Q2 2022	-	Completed

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status at Q2 2022
Corporate Governance-2021 Exercise of Delegation of Powers and Authorities	Q3 2021	Q1 2023	Outstanding: By-law review work started with projected reporting to Council adjusted to Q1 2023 with proposed by-law amendments.
Corporate Governance-2021 Council Code of Conduct for Council acknowledgement and review	Q1 2022	Q3 2022	Outstanding: Temporary Integrity Commissioner in place until July 2023. Code review work to continue with a temporary Integrity Commissioner. Housekeeping amendments for Code compliance within an election year were approved by Council in Q2 2022. Further Code review work to continue by Integrity Commissioner during the election hiatus period in Q3 2022.
Corporate Governance-2021 Lack of Code of Conduct coverage for Citizen Appointees	Q1 2022	Q3 2022	Outstanding: Further Code review work to continue by Integrity Commissioner during the election hiatus period in Q3 2022 for a version for advisory committees, local boards and tribunals.
Corporate Governance-2021 Lack of common Policy to address complaints	Q4 2021	Q4 2022	Outstanding: The policy is awaiting final approval from the main stakeholders.
Emergency Expenses-2021 Invoice Approval Process Needs to be Strengthened	Q4 2021	Q1 2023	Outstanding: Automation Software went live in November 2022 and is being deployed in stages. The remaining departments will go live by Q1 2023.

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status at Q2 2022
Emergency Expenses- 2021 Invoice Approval Process Needs to be Strengthened	Q3 2022	Q1 2023	Outstanding: Automation Software went live in November 2022 and is being deployed in stages. The remaining departments will go live by Q1 2023.
Vendor Performance Management- 2021 Vendor Performance Evaluation Effectiveness	Q1 2022	Q4 2022	Outstanding: Changes to the SOP were requested. Upon receipt of the input, the SOP and training material will be finalized.
Vendor Performance Management- 2021 Oversight and Utilization of Vendor Performance Data	Q4 2022	-	Not yet due
Realty Services - 2022 Vacant Positions and High Turnover	Q4 2022	-	Not yet due
Realty Services - 2022 Policies and Standard Operating Procedures	Q4 2023	-	Not yet due
Realty Services - 2022 Council report on real estate transactions	Q4 2023	-	Not yet due
Realty Services - 2022 Transitional building report to Council	Q4 2022	-	Not yet due
Realty Services - 2022 Maintaining up to date Inventory List	Q3 2023	-	Not yet due
Realty Services - 2022 Maintaining proof of Insurance from Tenants	Q2 2022	-	Completed

Audit and Finding/Issue	Original Target Completion Date	Updated Target Completion Date	Status at Q2 2022
Realty Services - 2022 Maintaining proof of Insurance from Tenants	Q2 2022	Q4 2022	Outstanding: Process implementation still in progress.
Realty Services - 2022 Maintaining proof of Insurance from Tenants	Q4 2023	-	Not yet due
Realty Services - 2022 Oversight over the appraisal process	Q4 2023	-	Not yet due
Realty Services - 2022 Oversight over the appraisal process	Q4 2023	-	Not yet due
Realty Services - 2022 Integrated Workplace Management System (IWMS)	Q3 2023	-	Not yet due
Realty Services - 2022 Integrated Workplace Management System (IWMS)	Q3 2023	-	Not yet due
Realty Services - 2022 Agreements with third-party vendors	Q1 2023	-	Not yet due
Realty Services - 2022 Physical and Electronic records/ files	Q3 2023	-	Not yet due
Realty Services - 2022 Access to Encroachment records	Q2 2023	-	Not yet due
Realty Services - 2022 Charging User Fees	Q1 2023	-	Not yet due

Date: 2022-09-23

Subject: **Internal Audit Work Plan – September 2022 Status Update**

Contact: Claire Mu, Director, Internal Audit, 905-874-2215,
fang.mu@brampton.ca

Report Number: CAO's Office-2022-923

Recommendations:

1. That the report titled **Internal Audit Work Plan – September 2022 Status Update** to the Audit Committee Meeting of September 27, 2022, be received.
2. That the updated 2022 Audit Work Plan, as set out in **Appendix 1** to this report, be approved.

Overview:

- Provide an update regarding the Internal Audit Work Plan and progress against the plan, as set out in **Appendix 1**
- Six of the eleven audits in the 2022 Internal Audit Work Plan are complete
- Propose adjustments to the Internal Audit Work Plan

Background:

The Director of Internal Audit submits, at least annually, to the Audit Committee a risk-based Internal Audit Work Plan for review and approval. The Work Plan sets out the priorities for Internal Audit and lists all planned engagements in the current year.

As set out in the Internal Audit Charter, the Director of Internal Audit is also required to report periodically to the Audit Committee regarding the Internal Audit Work Plan and progress against the plan. The Director is also responsible for communicating the impact of resource limitations on the Work Plan, adjustments, and significant changes to the Work Plan.

Current Situation:

Internal Audit Work Plan Report

The progress update and audit schedule are set out in **Appendix 1**.

Work Plan Adjustments

The following sets out proposed changes to the 2022 Internal Audit Work Plan. Some of these changes are recent, and Internal Audit must still assess the feasibility of proceeding with the "Replacement Audits". A list of alternative audits is set in section 4, "Other Audits to Consider," for the Audit Committee's consideration.

1. Deferred Audit: *Identity and Access Management*

Internal Audit proposes removing the planned *Identity and Access Management Audit* from the 2022 work plan. We determined during the planning stage that an audit at this time would not identify new issues. The IT Infrastructure and Cloud Management Audit conducted in 2022 identified relevant access management issues, and management has plans to address the findings. In addition, an audit would divert resources already working on initiatives to strengthen the City's access and security controls. We will defer the *Identity and Access Management Audit* to a later date.

2. Deferred Audits: *Business and Property Taxes*, and *Development Fees and Charges*

Management requested deferring the planned *Business and Property Taxes* and *Development Fees and Charges* Audits from the 2022 work plan to Q2 2023. The deferral was requested due to unplanned staff changes, coupled with the timing of the audit, and year-end deliverables.

3. Replacement Audits: *User Fees* and *Health and Safety*

Internal Audit proposes that a *User Fees* audit and a *Health and Safety* audit replace the *Business and Property Taxes*, and *Development Fees and Charges* audits. These will be performed in Q4 2022. Neither of the activities has been audited and were rated as high risk in the 2021 Corporate Risk Assessment.

- The *User Fees* audit will review the framework, determination and revision, and application of user fees.
- The *Health and Safety* audit will review the roles and responsibilities of Health and Safety across the City, including training, monitoring of programs and the role of the Joint Health and Safety Committee.

4. Other Audits to Consider

The following table lists audits that are on the horizon for Internal Audit, and we may turn to these audits in the short term if we need to make further adjustments to the audit work plan.

Audit	Description
Asset Management - Public Works	Review of processes in place to procure, store, monitor, dispose and safeguard assets used in City operations.
Accessibility	Review the current state of compliance with accessibility laws and highlight opportunities to implement best practices.
By-law Enforcement	Review of By-law enforcement (proactive, reactive) of building, licenses and other relevant areas.

Risk Summary

Risk Area	Comments
Internal Audit Resources	<p>There are two vacant positions in Internal Audit:</p> <ul style="list-style-type: none"> • Senior Auditor • Coordinator, Research and Admin Services <p>Based on current information, Internal Audit estimates it can complete the remaining work as planned.</p> <p>Internal Audit can outsource or contract work to third parties should it be needed.</p>
Corporate Resources	<p>There is a corporate resource availability risk associated with the municipal election. As a result, Internal Audit adapted the 2022 work plan to account for this risk. However, should resource conflicts arise, the municipal election will take priority.</p>
Client/Auditee Resources	<p>We have identified potential resource availability risks associated with some planned audit areas due to competing work priorities and staff experience on the clients' side.</p> <p>This may impact the progress of some audits and require further adjustments of the work plan.</p>

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 ongoing monitoring and reporting of the Internal Audit Work Plan, which promotes corporate accountability, values, and governance best practices.

Conclusion:

Internal Audit will continue to monitor and report on the status of the Internal Audit Work Plan at Audit Committee meetings to ensure that risks to the Internal Audit Work Plan are identified, managed, and reported.

Authored by:

Richard Gervais
Senior Advisor, Internal Audit

Reviewed by:

Claire Mu
Director, Internal Audit

Approved by:

Claire Mu
Director, Internal Audit

Submitted by:

Paul Morrison
Interim Chief Administrative Officer

Attachments:

Appendix 1: Internal Audit September 2022 Work-Plan Status

Appendix 1: Internal Audit September 2022 Work-Plan Status

Proposed 2022 Plan Changes - Pending Audit Committee Approval

Engagements	Audit Stage
Business and Property Taxes	Defer to Q2 2023 at management's request
Development Fees and Charges	Defer to Q2 2023 at management's request
Health & Safety	To replace deferred audit. To perform in Q4 2022
User Fees	To replace deferred audit. To perform in Q4 2022
Identify and Access Management	Defer to 2023 as recommended by Internal Audit

Audits Completed in Q2/Q3

Engagements	Audit Stage
IT Infrastructure and Cloud Management	Report to the September Audit Committee meeting
Claims Management	Report to the September Audit Committee meeting
Driver Certification Program Transit and Fleet Services	Report to the September Audit Committee meeting Two separate reports
Procurement and Sole Source Purchasing	Report to the September Audit Committee meeting
Park Operations and Maintenance	Report to the September Audit Committee meeting

Remaining 2022 Audits

Engagements	Audit Stage
Information Technology Risk Assessment	In Progress. Scheduled to complete in Q4
IT Vendor Management	In planning stage

Closed 2022 Audits

Engagements	Audit Stage
Realty Services	Closed. Presented at May Audit Committee

Audits on the Horizon

Engagements	Description
Asset Management - Public Works	Review of processes in place to procure, store, monitor, dispose and safeguard assets used in City operations.
Accessibility	Review the current state of compliance with accessibility laws and highlight opportunities to implement best practices.
By-law Enforcement	Review of By-law enforcement (proactive, reactive) of building, licenses and other relevant areas.

Date: 2022-08-25

Subject: **Claims Management Audit Report 2022**







Contact: Claire Fang Mu, Director, Internal Audit, (905) 874 2215,
Fang.Mu@brampton.ca

Report Number: CAO's Office-2022-893

Improvement Required**Executive Summary:**

- The report highlights control gaps in the Claims Management Process around recording and tracking of Certificates of Insurance, insurance risk evaluations of City properties, tracking and reporting of the division's key performance indicators, and formalizing periodic quality assurance reviews.
- The overall audit was rated as **"Improvement Required."**
- The first finding, that "Certificates of Insurance are not properly recorded and tracked," was noted in previous Internal Audits. Vendors are responsible for recording and updating their Certificates of Insurance as part of a project. Having an expired COI on file does not necessarily mean the vendor has not renewed their insurance. In some cases, vendors may have an updated COI but have not uploaded the renewed COI into the City's digital procurement System. Without a current COI on file, the City would not know if the vendor carries valid insurance. City management is responsible for verifying that the vendor has adequate insurance coverage throughout the lifetime of a contract to protect the City and ensuring that Certificates of Insurance are properly recorded and tracked in the City system(s).
- The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Claims Management Audit Report 2022.**
- See **Appendix 2** and **Appendix 3** for the criteria for rating findings and audit report rating.

Internal Audit discussed the following improvement opportunities with the Insurance and Risk Management Services Unit:

Process	Finding	Rating
1. Certificates of insurance from City vendors	Certificates of Insurance are not properly recorded and tracked to ensure the vendor has adequate insurance coverage to protect the City. Approximately 56% of all active contracts had expired Certificates of Insurance (COIs) on file. Without a current COI on file, the City would not know if the vendor carries valid insurance.	 P1
2. Insurance risk evaluations of City facilities	Insurance risk evaluations of City properties, including public-use facilities, to identify and remediate deficiencies have not been performed since 2014. Although risk evaluations are not mandatory, they are considered a best practice as they help identify building issues which could result in claims, and make recommendations to reduce the likelihood or severity of such claims.	 P2
3. Performance management and reporting	Annual reports outlining the key performance information and an overview of activities performed by the Insurance and Risk Management division have not been prepared and submitted to the Committee of Council since 2018.	 P2
4. Performance management and reporting	Key performance indicators (KPIs) have not been formally tracked and reported regularly. KPIs should be clearly defined and directly tied to specific business objectives.	 P2
5. Reconciliation of trust funds and expense reimbursement audits	Trust fund expenditure details submitted by the external adjuster as part of the trust fund reconciliation are not verified by staff for accuracy and supporting evidence.	 P2
6. Review of insurance claim files	There is no formal quality assurance review process to ensure the accuracy and completeness of claims files.	 P2
These issues and associated management action plans are discussed in more detail in Appendix 1 . These issues are rated as per the criteria described in Appendix 2 .		

Conclusion:

The objective of the audit was to assess the effectiveness of the existing control framework to determine the adequacy of internal controls to ensure compliance with policies and procedures related to the City of Brampton insurance and claims management program. It was determined that improvement is required by management to strengthen oversight over the claims management process.

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

Authored by:

Ruchir Patel, Manager
Internal Audit

Reviewed by:

Richard Gervais, Acting Director
Internal Audit

Approved by:

Claire Fang Mu, Director
Internal Audit

Submitted by:

Paul Morrison
Interim Chief Administrative Officer

Attachments:

Appendix 1: Claims Management Audit Report 2022

Appendix 2: Criteria for Evaluating Audit Findings

Appendix 3: Criteria for Audit Report Rating

City of Brampton Claims Management Audit– Final Audit Report
Private & Confidential
Audit Report

Audit Name	City of Brampton, Claims Management		
Sponsor(s)	Jonathan Brewer (Acting Manager, Risk & Insurance)		
Business Unit	Insurance and Risk Management, Legislative Services	Date Issued:	August 25, 2022

1.0 Executive Summary

Audit Report Rating: The Claims Management Audit is rated as "**Improvement Required.**" See **Appendix 2** for the criteria for Audit Report Rating.

The inherent risk was evaluated as high given the dollar value of contracts and potential insurance liability risk exposure. The audit report identifies six issues, one of which is rated as Priority 1 (P1), and the rest have been rated as Priority 2 (P2). The P1 finding that "Certificates of Insurance are not properly recorded and tracked" does not impact the overall Claims Management process. However, the finding was reported in previous Internal Audits. Vendors are responsible for recording and updating their Certificates of Insurance as part of a project. City management is responsible for verifying that vendors properly record Certificates of Insurance during the lifetime of a project, and management should ensure the verification is taking place. Please see the detailed findings below.

During our review, we observed the following strengths across the organization:

- Insurance coverage for risk categories is periodically reviewed and updated per the City's current insurance risk profile. This includes checking claims for accuracy, estimating reserves, and following up on unusual claims to ensure that the claims are receiving the attention required.
- Insurance and Risk Management staff possess several years of relevant industry experience managing insurance claims.

Internal Audit discussed the following improvement opportunities with Management:

- Certificates of Insurance (COI) should be properly recorded and tracked to ensure the vendor has adequate insurance coverage to protect the City.
- Voluntary risk evaluations for City properties should be conducted periodically.
- Annual reports outlining the division's performance should be prepared and submitted to the Committee of Council.
- Key Performance Indicators should be formally tracked and reported.
- Trust fund expenditure details received from the external adjuster should be verified for accuracy and supporting evidence.
- Formal quality assurance review of insurance claims files should be performed monthly or at least quarterly.

These issues and associated management action plans are explained in more detail within the body of this report.

2.0 Background, Objectives, and Scope

Background

The City mitigates the risks of adverse events that can prevent the City from achieving its objectives with an insurance and claims management program by purchasing sufficient insurance coverage. Adverse events could negatively affect the municipal services the City provides, potentially delay the delivery of a project, negatively affect any of the City's stakeholders, and adversely impact the City's finances. The insurance coverage includes the risk of legal action by third parties against the City arising from any incident causing losses or injuries to any person or property and the risk of damage or loss to the City or its assets. The Insurance and Risk Management (IRM) section of the Legislative Services Department administers the program.

The IRM provides the following specific claims management services:

- Investigating and processing insurance claims
- Adjusting (making a determination of how much the City should pay) third-party claims made against the City
- Processing City claims for first-party vehicle and property loss or damage (i.e. damages suffered by the City)

In addition, IRM reviews City contracts and agreements for vendor's insurance coverage and indemnification provisions, renew the City's insurance policies annually, conducts risk assessments, and provides recommendations to address potential risk exposures. The IRM also provides subrogation to the City departments that have incurred expenses to repair or replace City property damaged by a third party, where the third party has been identified. As an example of subrogation, suppose the City has incurred costs of replacing a bus shelter damaged by a third party vehicle where the identity of the third party is known. In that case, IRM may pursue efforts to recover costs from the third party (or the third party's insurance provider). Lastly, IRM also provides training to City staff on how to deal with incidents that may give rise to claims.

According to data provided by IRM, the City paid approximately \$9 million in claims between 2017 and 2021 for 1,625 claims received. On average, the City received 325 claims and paid out \$1.8 million per year.

The following table shows the total amount of claims paid for the years 2017-2021 for major claim types. Liability and Transit claims accounted for 85% of all claims paid in 2017-2021.

Value of claims paid ('000's) 2017-2021

Claim Type	2017	2018	2019	2020	2021	Total	%
Liability	\$436	\$522	\$423	\$109	\$151	\$1,641	18%
Transit	\$1,249	\$774	\$1,961	\$1,412	\$610	\$6,006	67%
Other Claims*	\$102	\$552	\$142	\$173	\$365	\$1,334	15%
Total	\$1,787	\$1,848	\$2,526	\$1,694	\$1,126	\$8,981	100%

*Auto Fleet, Property, and Errors & Omissions

2.0 Background, Objectives, and Scope

The following tables show the number of claims received in 2017-2021 by the type of claim. Liability and Transit claims accounted for 91% of the claims received and 85% of the total value of claims paid in 2017-2021.

Number of claims received 2017-2021

Claim Type	2017	2018	2019	2020	2021	Total	%
Liability	169	243	234	217	132	995	61%
Transit	116	82	120	91	72	481	30%
Other Claims*	35	30	33	17	34	149	9%
Total	320	355	387	325	238	1,625	100%

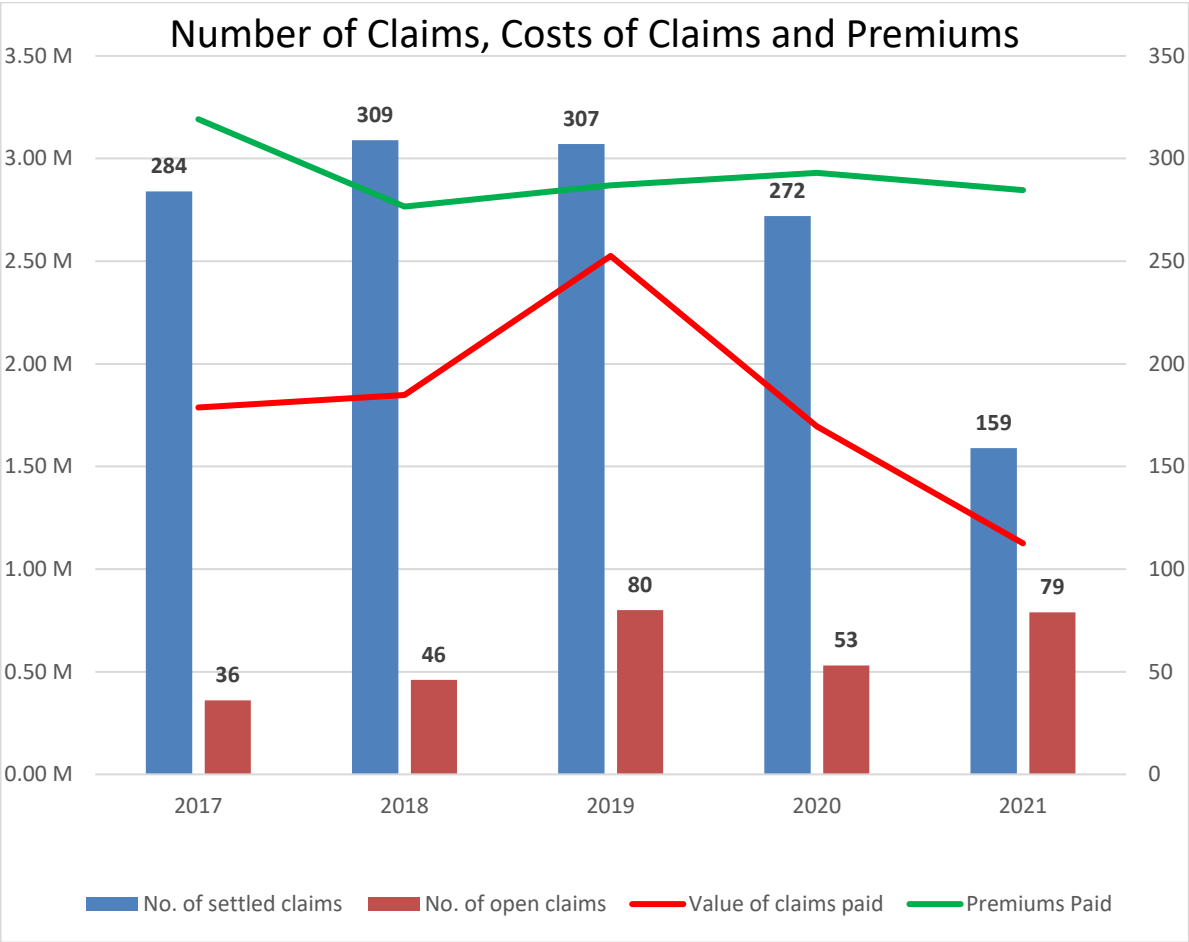
*Auto Fleet, Property, and Errors & Omissions

The following table shows the number of open and settled claims and the value of claims and insurance premiums paid in 2017-2021. Between 2017 and 2021, the City incurred \$14.6 M in insurance premiums, paid out \$9 M in insurance claims, and recovered \$0.4 M through subrogation. In addition, IRM has estimated the potential exposure from the open claims to be \$6.2 M as of December 31, 2021.

Year	No. of claims settled	No. of open claims	Value of claims paid	Premiums Paid
2017	284	36	1.78 M	3.19 M
2018	309	46	1.85 M	2.77 M
2019	307	80	2.53 M	2.87 M
2020	272	53	1.69 M	2.93 M
2021	159	79	1.13 M	2.85 M
2017-21	1,331	294	8.98 M	14.60 M

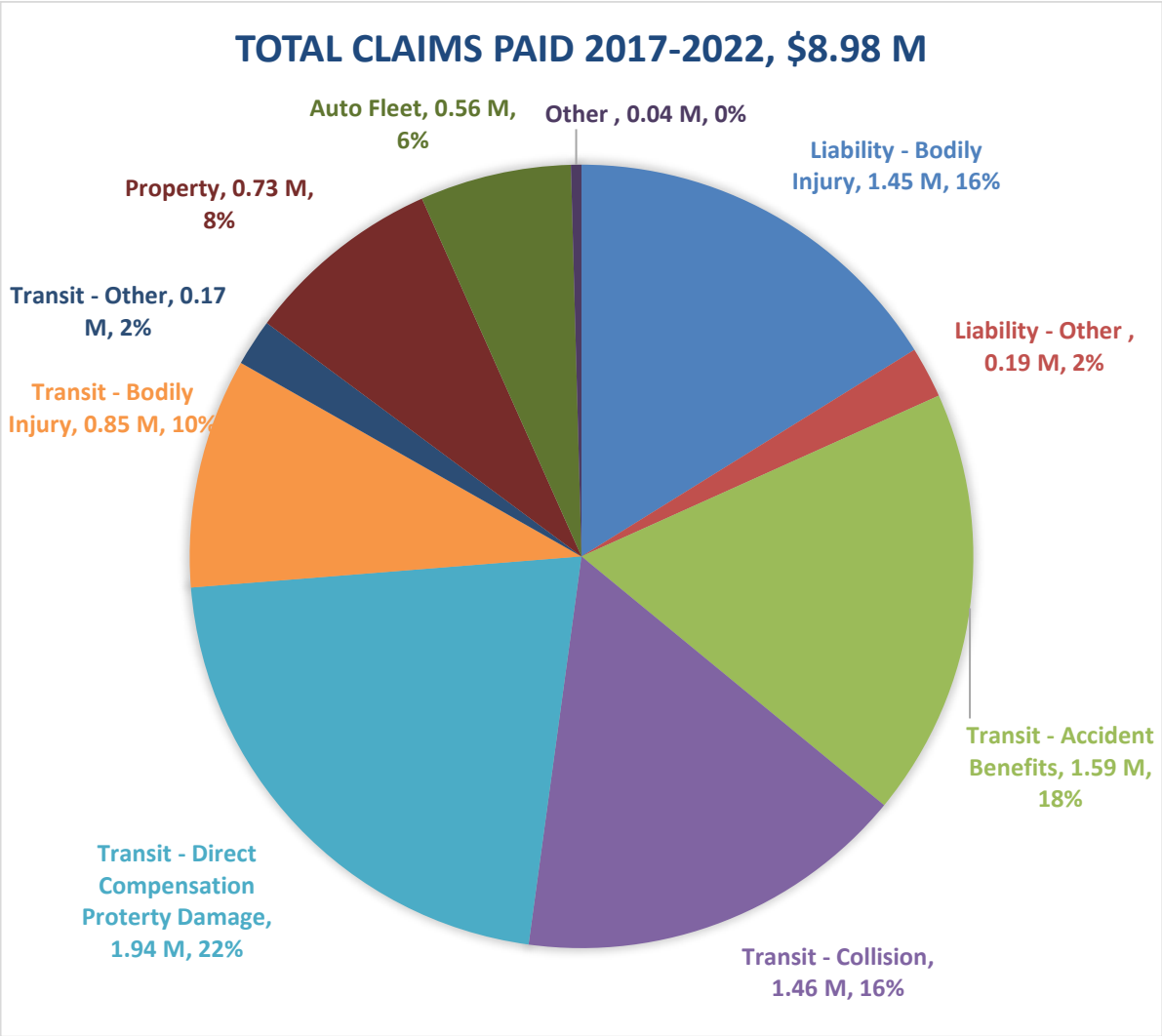
2.0 Background, Objectives, and Scope

The following chart shows the number of claims, claims costs, and insurance premiums paid by the City of Brampton between 2017 and 2021.



2.0 Background, Objectives, and Scope

Between 2017 and 2021, Transit claims accounted for 67% of the value of the claim paid. The following chart shows the major claim categories by the value of claims paid between 2017 and 2021.



2.0 Background, Objectives, and Scope

Objectives

This engagement aimed to assess the effectiveness and efficiency of the existing control framework to determine the adequacy of internal controls to ensure compliance with policies, procedures, and legislation related to the City of Brampton insurance and claims management program.

Scope

The audit included a review of internal controls and processes for claims and risk management, specifically those relating to the following:

- Claims administration
- Annual insurance policy renewal process
- Monitoring of third-party service providers
- Risk management practices and procedures relevant to the administration of the insurance program
- Use of information system to efficiently and effectively manage the claims

The audit covered January 1st, 2017, to December 31st, 2021.

Scope Limitations

The scope of our review excluded the following insurance program not managed by IRM:

- Insurance provided through employee benefits, which is managed by the Human Resources Department and outsourced to third parties
- Insurance related to Workplace Safety and Insurance Board (WSIB) which the Ontario Government administers

3.0 Detailed Audit Findings and Proposed Management Actions

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
1	<p><u>Certificates of Insurance are not properly recorded and tracked to ensure the vendor has adequate insurance coverage to protect the City</u></p> <p>Approximately 56% of all active contracts on file had expired COIs on file. Having an expired COI on file does not necessarily mean the vendor has not renewed their insurance. In some cases, vendors may have an updated COI but have not uploaded the renewed COI into the City's digital procurement system. Without a current COI on file, the City would not know if the vendor carries valid insurance.</p> <p>The City of Brampton requires its suppliers, vendors and contractors to provide a Certificate of Insurance (COI) as proof of insurance coverage to protect the City from potential claims resulting from the actions, activities, and conduct of its suppliers, vendors, and contractors. A COI is issued by an insurance company or broker and verifies the existence of an insurance policy with the City of Brampton and that the City is added as an insured party. The vendor has the responsibility to provide a valid COI before the start of their contract with the City, and annually upon insurance renewal. The Contract Administrators are required to ensure that all COIs are up to date.</p>	P1	<ol style="list-style-type: none"> 1. It is recommended that IRM work with Purchasing Department and CAO's Office to clearly define roles and responsibilities in ensuring Certificate of Insurance for vendors are reviewed periodically and kept up-to-date at all times. 2. It is recommended that IRM should periodically prepare aging reports of delinquent COI and forward them to the respective division heads for follow-up with contract administrators. 3. It is recommended that the Purchasing Division should ensure that the expired Insurance Report is accurate and free from duplicate or erroneous entries. 	<p>Risk Management will work with Purchasing, responsible Contract Administrators and other relevant departmental staff to review all expired COIs and ensure updated COIs are obtained and/or uploaded to the City's digital procurement system.</p> <p>1. Risk Management will be working with Purchasing and other relevant divisions to develop a City-wide SOP regarding the COI requirements and process, which will include periodic reviews by Risk Management to ensure the requirement for Contract Administrators and/or Vendors to obtain and upload COIs to Bids & Tenders occurs as required. In addition, Risk Management will work with the Purchasing division with respect to COI training in connection with the Bids & Tenders operation. The</p>	Manager, Risk & Insurance.

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p><u>Process overview:</u></p> <ul style="list-style-type: none"> IRM reviews and approves the amounts and type of insurance coverage that a vendor must have to protect the City against any claims arising from the vendor's conduct. The amount and type of insurance coverage depend on the scope and nature of the work. IRM also reviews the actual Certificate of Insurance to ensure that the vendor has obtained adequate coverage and meets or exceeds the IRM's recommendations. The vendor is required to maintain active insurance coverage for the entire duration when the contract is active. Since the COI has an expiry date, the vendor must provide a renewed COI with extended validity to prove continued insurance coverage for as long as the contract is active. Automatic reminder emails are sent to vendors 30 days before the COI expires. If no renewal COI has been received by the expiry date, a 2nd automated email reminder is sent to the vendor advising them of non-compliance with their contractual agreements and that their work, and payments for their work may be suspended. <p><u>Findings:</u></p>			<p>new SOP will also address the specific recommendations identified by Internal Audit in this Report.</p> <p>Expected Completion: Q2 2023</p> <p>2. Refer to response #1. 3. Refer to response #1.</p>	

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>As of April 12th, 2022, out of 674 active contracts on file, 377 (or 56%) active contracts were showing as having expired COIs.</p> <p>Samples were also taken of COIs relating to 30 active contracts with contract values ranging from \$64,000 to \$41.8 million, issued between 2017 and 2021. We noted that 60% (18 out of 30) of the sampled active contracts had expired COIs on file. This is in line with the data analysis where 56% of all active contracts appear to have expired COIs on file.</p> <p>To summarize, there are a few potential issues that contributed to a high percentage of expired COIs on file:</p> <ul style="list-style-type: none"> • Vendors did not upload the renewed insurance certificates and Contract Administrators did not follow up to ensure that the COI was uploaded in the digital procurement system. • In some cases, system design limitations caused COIs to be counted as expired even though replacement COIs may have already been uploaded. According to the Purchasing group, at renewal, if the insurance certificate type selected does not match with the original COI type in the digital procurement system (Bids & Tenders), the system will still show the insurance as expired. For example, an original COI with Auto and General liability coverage may be replaced with two separate COIs providing the same 				

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>coverage upon renewal. In such cases, the original COI will continue to show as expired.</p> <ul style="list-style-type: none"> • In addition, some completed contracts may not be closed within the system, inflating the number of expired insurance certificates. • There are no clearly defined roles and responsibilities among the City divisions on who is responsible for checking and following up on insurance renewals. Currently, it is unclear whose job it is to ensure that current and valid COIs are on file and uploaded onto the digital procurement system. Also, there is no standard operating procedure for dealing with outdated COIs. <p><u>The importance of having valid COIs on file</u></p> <p>The vendor insurance provides the financial backing for the indemnification provisions that the vendors have agreed to. For example, if a vendor is small, it may not have the funds to pay for a large claim and it might declare bankruptcy without insurance. With an updated COI on file, the City can report the matter to vendor's insurers as the City is included as the "additional insureds" on the vendor's policy. Therefore, it is important to have valid and current COIs on file for all active contracts.</p> <p>According to management, however, none of the 1625 claims, received between 2017 and 2021, involved a situation where the City had</p>				

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>to accept liability and pay a claim because of an expired COI. Management also indicated that the contracts have indemnification provisions so regardless of whether or not the City has undated COI on file, vendors are still legally obligated to defend and indemnify the City. This means vendors would be directly exposed to liability for any claims arising from their work for the City.</p> <p><u>Potential exposure</u></p> <p>Expired COIs expose the City to liability risks as many of these expired certificates pertain to active contracts. Currently, it is unclear which division is responsible for ensuring the periodical and timely review and renewal of vendor COIs. Implementing the recommendations will help mitigate the risk of liability and potential financial losses to the City.</p>				
2	<p><u>Risk evaluations not completed in the last few years</u></p> <p>Although not mandatory, risk evaluations of City properties may provide additional risk mitigation and improvement opportunities if the City opts to conduct insurance risk evaluations.</p> <p>The risk evaluation reports seek to identify potential risks and risk improvement opportunities in the following areas:</p>	P2	<ol style="list-style-type: none"> 1. Given that no Risk Evaluation has been completed in the last nine years, it is recommended that the IRM actively engage MARSH Canada to conduct a comprehensive Risk Evaluation to identify any deficiencies that may exist. Further, the Risk Evaluations of the City properties should be conducted periodically. 2. Ensure that the respective divisions resolve deficiencies 	<ol style="list-style-type: none"> 1. We have engaged Marsh Risk Consulting this year, and Risk evaluations for the City's largest two recreation centers, Gore Meadows and Cassie Campbell are scheduled for October 2022, with two additional evaluations to take place early in 2023. 	<p>Manager, Risk & Insurance.</p> <p>Facilities Managers responsible for rectifying deficiencies.</p>

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<ul style="list-style-type: none"> • Fire protection and property loss prevention • Other property exposures • Safety and liability • Crime prevention and security • Facility and property maintenance • Environmental hazards <p>Risk evaluations are not mandatory. However, they are considered a best practise as they help identify building issues which could result in claims, and make recommendations to reduce the likelihood or the severity of such claims. For example, issues with sprinkler systems, fire alarms, plumbing deficiencies, lighting, etc. Risk evaluations are helpful in risk reduction, but are not mandatory. For example, if a claim arose in a building that had not been inspected lately; the insurance coverage would still be available to the City.</p> <p>Typically, the insurer initiates such inspections to get a better understanding of the risks it is covering. The City can also voluntarily request such inspections to identify and fix deficiencies to reduce the likelihood of claims.</p> <p>Each year the IRM renews its insurance policies. At the time of policy renewal, the coverage is reviewed in detail, keeping in mind the changes that have happened since the last review. The process involves collecting information from the divisions, highlighting any potential exposures for the insurance company to consider before underwriting the new policy. Risk evaluations of City properties can be a</p>		identified on the risk evaluation report.	<p>2. Agreed.</p> <p>Due date-Q1 2023, to allow for receipt and actioning of the Risk Evaluation Reports.</p>	

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>useful addition to the City's risk mitigation strategy.</p> <p><u>Findings:</u></p> <p>According to the Acting Manager, Risk & Insurance, the Risk Inspections have not been done since 2014.</p> <p>Before 2014, the then City-insurer, OMEX (the Ontario Municipal Insurance Exchange), and its broker Marsh Canada Limited had conducted limited risk inspections of certain facilities, which included the following:</p> <p>2013: City Hall, Civic Centre, Transit - Clark, South Fletcher's Sportsplex, and Rose Theatre</p> <p>2014: Cyril Clark Library and Loafers Lake Recreation Center</p> <p>In 2015, the City moved its insurance program to JLT (a broker) which did not offer these property inspections, so no risk evaluations were completed for a number of years.</p> <p>The IRM staff is not aware of any <u>facility inspections</u> being completed since leaving OMEX, i.e. switching the insurer. More recently, AVIVA has conducted a detailed review of Fleet Auto Operations. The staff is not aware of or able to locate any documentation or recommendations due to these reviews. However, staff recall the insurer was satisfied with all the information, documentation and responses provided by Fleet Operations staff to their questions about the City's Fleet Training & Operations. The</p>				

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>staff is unaware of and has not been able to locate a report or any major recommendations issued by the insurer arising from this review or whether the involved departments implemented these recommendations.</p> <p>In 2021, the City moved its insurance program to MARSH. No risk evaluations of City properties have been completed by MARSH since their new contract came into effect in 2021.</p> <p>Although not mandatory, the City should periodically obtain risk evaluations of City properties, specifically public-use properties, to identify any operational and risk management deficiencies that should be remediated to prevent, control, and contain various risks.</p> <p><u>Potential exposure</u></p> <p>Without periodic risk evaluations, the City may not be aware of deficiencies and may be exposed to certain risks. Any deficiencies that are identified but not remediated timely may also increase the insurance premiums.</p>				
3	<p><u>Annual reports have not been prepared since 2018</u></p> <p>It has been a practice at the IRM to prepare an annual report outlining the key performance information and an overview of activities completed by the department and submit them</p>	P2	<p>1. IRM should consider preparing a comprehensive report for the periods 2019 to 2021. Thereafter, it is recommended that the annual reports be prepared and submitted to the Committee on a regular basis.</p>	<p>1. Agreed. We will resume comprehensive annual reports. The next report will also cover 2019 to 2021.</p> <p>Due Date: End of Q2 2023</p>	Manager, Risk & Insurance.

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>to the Committee of Council. The annual report provides information on insurance claims experienced during the year. The information includes an outline of claims received, denied or closed, open claims and files handled by IRM to recover damage costs to City property caused by third parties (i.e. subrogation), and risk management initiatives undertaken by IRM.</p> <p>However, the last annual report was submitted to the Committee of Council in 2018. No further annual reports have been submitted to the Committee since then.</p> <p>The reporting of performance and activities annually is a practice that supports good governance.</p> <p><u>Potential exposure</u></p> <p>Without annual reports being prepared, Council may be made aware of any major claims or exposures to the City in addition to the progress made with respect to major initiatives.</p>				
4	<p><u>Key Performance Indicators (KPIs not available for prior years)</u></p> <p>Performance measurement is an ongoing process of collecting data and key indicators that measure progress towards achieving objectives in the business planning process. It</p>	P2	<p>1. Review the KPIs to ensure that all aspects of KPIs are clearly defined (e.g. description, frequency of reporting, data requirement, ownership, and targets) and are directly tied to specific business objectives.</p>	<p>1. Insurance & Risk Management (IRM) began working with Organizational Performance (OP) on performance measurement approximately 1 year</p>	Manager, Risk & Insurance

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party												
	<p>is an unbiased tool using quantitative information to tell a fact-based story.</p> <p>The unit has only recently started tracking the performance information from the beginning of 2022. At this point, no data on the unit's performance is available. The first set of KPI reports will be available at the end of 2022.</p> <p>Following are some of the KPIs:</p> <table><tr><th>Performance Measures</th></tr><tr><td>Number of Claims open/closed</td></tr><tr><td>Number of Subrogation claims open/closed</td></tr><tr><td>Number of Certificate of Insurance (COI) reviews</td></tr><tr><td>Number of contract/agreement reviews</td></tr><tr><td>Number of site inspections</td></tr><tr><td>Claims Settlement expenditures</td></tr><tr><td>Legal fees expenditures</td></tr><tr><td>Subrogation recovery (dollar value)</td></tr><tr><td>Cost of Risk per \$1000 in Revenue</td></tr><tr><td>Percent of claims settlements avoided</td></tr><tr><td>Percent of claims meeting required response times</td></tr></table> <p><u>Potential Exposure</u></p> <p>Inadequate KPI reporting may result in sub-optimal assessment of the Insurance & Risk</p>	Performance Measures	Number of Claims open/closed	Number of Subrogation claims open/closed	Number of Certificate of Insurance (COI) reviews	Number of contract/agreement reviews	Number of site inspections	Claims Settlement expenditures	Legal fees expenditures	Subrogation recovery (dollar value)	Cost of Risk per \$1000 in Revenue	Percent of claims settlements avoided	Percent of claims meeting required response times		<p>2. Where possible, the KPIs should also include benchmarking with other municipal corporations.</p> <p>3. KPIs on insurance training provided by the unit to City staff should be included in the annual KPI report.</p> <p>4. An analysis of KPIs should be included in the annual report.</p>	<p>ago, and as a result has developed the KPI's listed on the "Performance Measures" chart. We have been collecting the data monthly since January 1st, 2022. OP has asked us to report annual figures. We will also conduct a review of KPI's to ensure we track those that add value and eliminate any that create unnecessary work, while providing little or no real value.</p> <p>2. We agree that benchmarking with other municipalities is preferable, but in working with OP, we discovered that most such data is unavailable; however we will benchmark where possible.</p> <p>3. Agreed-we will document and record any insurance and risk training we provide to City staff.</p> <p>4. Agreed. This will be included in our annual reports.</p>	
Performance Measures																	
Number of Claims open/closed																	
Number of Subrogation claims open/closed																	
Number of Certificate of Insurance (COI) reviews																	
Number of contract/agreement reviews																	
Number of site inspections																	
Claims Settlement expenditures																	
Legal fees expenditures																	
Subrogation recovery (dollar value)																	
Cost of Risk per \$1000 in Revenue																	
Percent of claims settlements avoided																	
Percent of claims meeting required response times																	

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	Management Department against goals and objectives.			As end of year figures will be required, we suggest a due date of end of Q1, 2023.	
5	<p><u>Trust fund expenditure details submitted by the external adjuster as part of the trust fund reconciliation are not periodically verified by staff for accuracy and supporting evidence</u></p> <p>COB uses an external insurance adjusting firm, Crawford & Company, to handle accident benefit claims. Since this area of litigation and insurance is heavily regulated, a significant amount of paperwork and accident benefit claims processing work is involved. COB funds the trust accounts with Crawford & Company, which are used for paying accident benefits. When the funds are running low, the external adjuster submits the trust fund reconciliation along with a detailed transaction report of expenses paid to claimants for each claim and also an invoice requesting for additional funds for replenishing the trust fund. Currently, the staff do not perform a detailed review of transactions on the expense report to verify accuracy and supporting evidence.</p> <p><u>Potential exposure</u></p> <p>Lack of review of transaction on the expense report may lead to errors, omissions, and inappropriate or unauthorized use of funds by the external adjuster to be undetected.</p>	P2	<p>1. It is recommended that IRM establish a Standard Operating Procedure (SOP) for reviewing trust fund expense reimbursements for accuracy against the supporting evidence, and ensure that staff comply with the SOP.</p>	<p>1. Agreed. IRM will develop an SOP regarding the review and audit of trust fund expenditures by our Independent Adjusters (IA), and will ensure compliance with the SOP.</p> <p>Expected Completion: Q1 2023</p>	Manager, Risk & Insurance.

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
6	<p><u>There is no formal quality assurance review process to ensure the accuracy and completeness of claims files</u></p> <p>Based on the discussions with staff, an informal quarterly review is conducted to:</p> <ol style="list-style-type: none"> 1. Ensure that all claims are receiving attention 2. Check for accurate financials (payments and reserves) 3. Discuss amongst adjusters and Risk Manager any claims which require action <p>Following are some of the issues we noted:</p> <p>We noted that in the RiskMaster system, which holds data on claims, there were 21 claims with event cause description as 'No details provided.' According to staff, IRM has no control over what claimants or their lawyers put in their claim notices to the IRM. As a result, the IRM often receives vague or limited information. In such cases, "No details provided" is selected as a "Cause Code." Assigning a "Cause Code" is mandatory to set up the claim. However, the "Cause Code" is not updated in the RiskMaster once more information is available.</p> <p>We reviewed a listing of 1,625 claims with a value of \$14.8 million (including the reserve amounts for open claims). We noted four open claims in 2021 with no reserve amounts. There</p>	P2	<ol style="list-style-type: none"> 1. It is recommended that a monthly or quarterly quality assurance review of insurance claims files (both electronic and paper files) be conducted on a sample basis. 2. RiskMaster file status should be updated for all significant events. A case synopsis should also be prepared and periodically updated in RiskMaster. 	<ol style="list-style-type: none"> 1. IRM practice is to conduct quarterly staff claims reviews. IRM will ensure future reviews address the specific findings of IA in this Report, including reviewing our claims with an eye to quality control; ensuring information is up to date, claims are moving towards conclusion and claims payments are appropriate. <p>Due Date: Q1 2023</p> <ol style="list-style-type: none"> 2. File status is currently required to be updated as developments occur. Claims synopsis is typically updated if and when a file enters litigation. For large losses, we will ensure an updated synopsis is entered every 6 months. <p>Due Date: Q1, 2023</p>	Manager, Risk & Insurance.

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>were 21 claims with an event cause description of "No details provided."</p> <p>We noted that the system allows default values to be overridden and claims are not numbered sequentially and can be manually overridden. While we did not note any duplicate claims, the system does not prevent the entry of duplicate claims.</p> <p>Overall, the exceptions noted were not significant. However, a formal quality assurance process will provide an added assurance on the accuracy and completeness of claims files.</p> <p><u>Potential exposure</u></p> <p>A lack of a formal quality assurance review exercise may result in undetected errors and omissions.</p>				

Report Distribution List	
Paul Morrison	Acting Chief Administrative Officer
Diana Soos	Commissioner, Legislative Services
Jonathan Brewer	Acting Manager, Risk & Insurance

Internal Audit Team	
Richard Gervais	Acting Director, Internal Audit
Ruchir Patel	Internal Audit Manager
Anand Heeraman	Senior Internal Auditor
Nibal Matar	Senior Internal Auditor

City of Brampton Parks Maintenance Audit – Final Audit Report
Private & Confidential

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 Parks 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: 2022-08-23

Subject: Limited Tendering Audit Report 2022

Contact: Claire Fang Mu, Director, Internal Audit, (905) 874 2215,
Fang.Mu@brampton.ca

Report Number: CAO's Office-2022-837

Recommendations:

That the report titled: **Limited Tendering Audit Report 2022** to the Audit Committee Meeting of Sept 27, 2022, be received.


Improvement Required

Executive Summary:

- The report highlights control gaps in the Limited Tendering Process around authority limits, reporting to Council, and the complaint process.
- The overall audit was rated as **“Improvement Required.”**
- The impact of the one Priority 1 (P1) finding on the overall audit rating is mitigated by the overall strengths of the process and the medium inherent risk as follows;
 - Compliance with Purchasing By-law 19-2018, Schedule C (Justification process), and Schedule B (Award authority) for sample Limited Tendering/ Non-Competitive procurements;
 - Adequate identification, tracking, and reporting of Limited Tendering procurements in the PeopleSoft financial system;
 - Reporting of Limited Tendering procurements to Council in accordance with its existing defined process through the Purchasing By-law; and,
 - Appropriate approval and documentation processes were followed for Limited Tendering procurements, including approved requisitions, verification that funds were available, and insurance requirements were met before releasing the Purchase Order (PO).
- The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Limited Tender Audit 2022 Report**.
- See **Appendix 2** and **Appendix 3** for the criteria for rating findings and audit report rating.

Internal Audit discussed the following improvement opportunities with Corporate Support Services Management:

Process	Finding	Rating
1. Limited Tendering Award Authority Limits	<p>When read together with the City's <i>Administrative Directive for the Delegation of Department Head Purchasing Authority</i>, the current Purchasing By-law makes it possible to circumvent award authority limits.</p> <ul style="list-style-type: none"> The current City of Brampton Purchasing By-law does not require approvals or approvers to consider the total contract value, only the cumulative extensions. Some municipalities, such as the City of Mississauga, require the approver consider the total contract value, including the initial contract value, and not just the value of the amendment. Other municipalities specify limitations on contract extensions, either by a percentage of the original contract value or by a predetermined threshold amount. We noted that approvals for competitive and non-competitive multi-year contracts do not consider the total contract value over the contract duration when determining the appropriate level of approval authority. Similarly, when seeking approval for competitive and non-competitive contract extensions, approvers do not consider the total contract value when determining the appropriate level of approval authority. 	P1
2. Council Report on Limited Tendering Transactions	<p>City Council may not have adequate oversight over Limited Tendering contracts for the following reasons:</p> <ul style="list-style-type: none"> The current Purchasing By-law does not require Limited Tendering procurements under 100 thousand dollars be reported to Council. Limited Tendering procurement as a percentage of total procurement is not required to be reported to Council. Limited Tendering contract extensions and renewals over 100 thousand dollars totalling 26.59 million dollars, were not explicitly identified, categorized and summarized in reports to Council. 	P2

3. Complaint and Dispute Resolution	<p>There is currently no defined procedure for bidders to raise any potential disputes or concerns over how the City conducts its procurements. Section 2.6 of the Purchasing By-law requires consideration is given to any bid complaint submitted to the City in accordance with Supporting Policies and Procedures.</p> <p>In the absence of a formal bid dispute process, the City may not be aware of any possible vendor concerns which could exist and jeopardize a fair and transparent public procurement process.</p>	
<p>These issues and associated management action plans are discussed in more detail in Appendix 1. These issues are rated as per the criteria described in Appendix 2.</p>		

Conclusion:

The objective of the audit was to evaluate the effectiveness of processes and controls in place around Limited Tendering procurements, to identify strengths and to provide recommendations for improvement. It was determined that improvement is required by management to strengthen oversight over the limited tendering process.

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

Authored by:

Anand Heeraman, Sr. Internal Auditor
Internal Audit

Reviewed by:

Gurpreet Singh, Manager
Internal Audit

Approved by:

Claire Fang Mu, Director
Internal Audit

Submitted by:

Paul Morrison
Interim Chief Administrative

Attachments:

Appendix 1: Limited Tendering Audit Report 2022
Appendix 2: Criteria for Evaluating Audit Findings
Appendix 3: Criteria for Audit Report Rating

City of Brampton Limited Tendering Audit – Audit Report
Private & Confidential
Appendix 1

Audit Name	City of Brampton, Limited Tendering Audit		
Sponsor(s)	Rick Conard, Commissioner, Corporate Support Services Rino Minaudo, Acting Director, Purchasing Diane Oliveira, Manager, Purchasing		
Business Unit	Purchasing, Corporate Support Services	Date Issued:	August 23, 2022

1.0 Executive Summary

Audit Report Rating: The report highlights control gaps around authority limits, reporting to Council, and the Complaint process. The overall processes and controls over Limited Tendering (LT) were rated as **“Improvement Required.”** This takes into consideration the key strengths we noted, including compliance with the Purchasing By-law, documentation management, and tracking of controls. See **Appendix 2** for the criteria for Audit Report Rating.

The inherent risk was evaluated as a medium given the moderate dollar value of limited tendering contracts during our review period.

During our review and limited sample testing, we observed the following strengths:

- Compliance with Purchasing By-law 19-2018, Schedule C (Justification process), and Schedule B (Award authority) for sample Limited Tendering/ Non-Competitive procurements;
- Adequate identification, tracking, and reporting of LT procurements in the PeopleSoft financial system;
- Reporting of LT procurements to Council in accordance with its existing defined process through the Purchasing By-law; and,
- Appropriate approval and documentation processes were followed for LT procurements, including approved requisitions, verification that funds were available and insurance requirements were met before releasing the Purchase Order (PO).

Internal Audit discussed the following improvement opportunities with the Management:

- Purchasing’s current procedure for approving multi-year contracts (competitive and non-competitive) does not consider the total procurement value over the life of the contract. All multi-year contracts were approved considering the value of the contract for the initial term, not the total amount associated with the contract which includes known contract renewals. This may possibly allow for the circumvention of authority limits.

- Similarly when approving extensions, the approvers consider the cumulative amount of the extension but not the initially approved amount. This may also possibly allow the circumvention of authority limits.
- Further, reporting on the LT extensions and renewals does not specifically identify the initial procurement method. This results in limited visibility to Council. We suggest it would be beneficial to identify the original form of procurement at the time of reporting LT extensions and renewals and that they are separately identified, categorized and summarized to Council.
- Current Purchasing By-law under Section 11 does not require LTs under \$100k to be reported to Council. LT procurement as a percentage of total procurement is also not required to be reported to the Council. The absence of such reporting, limits Council's visibility of LT procurements.

For instance, we reviewed purchasing data and City staff's purchasing reports to Council from January 2020 to April 2022 and found that Council does not have the full visibility of LT procurements due to the following:

- New LT procurement under \$100k totalling \$3.66M were not required to be reported.
- Total LT extensions and renewals were \$31.13M for this period, of which \$4.54M consisting of LT extensions and renewals less than \$100k, were not required to be reported. The other \$26.59M were reported as LT but their original procurement forms were not identified in the reports. Not providing the original form of procurement does not provide a full picture of the amount and form of the procurement type, particularly if the original form is already a LT procurement.
- Currently, LT procurements were approved either through manual signature or through email (for which email approval is acceptable) by circulating a Limited Tendering form. This process may be prone to errors.
- Currently there is no defined procedure for bidders to raise any potential disagreements or concerns over the way the City conducts its procurements despite the Purchasing By-law requirement under Section 2.6 that "objective and timely consideration be given to any Bid complaint submitted to the City in accordance with Supporting Policies and Procedures."

These issues and associated management action plans are detailed in the body of this report.

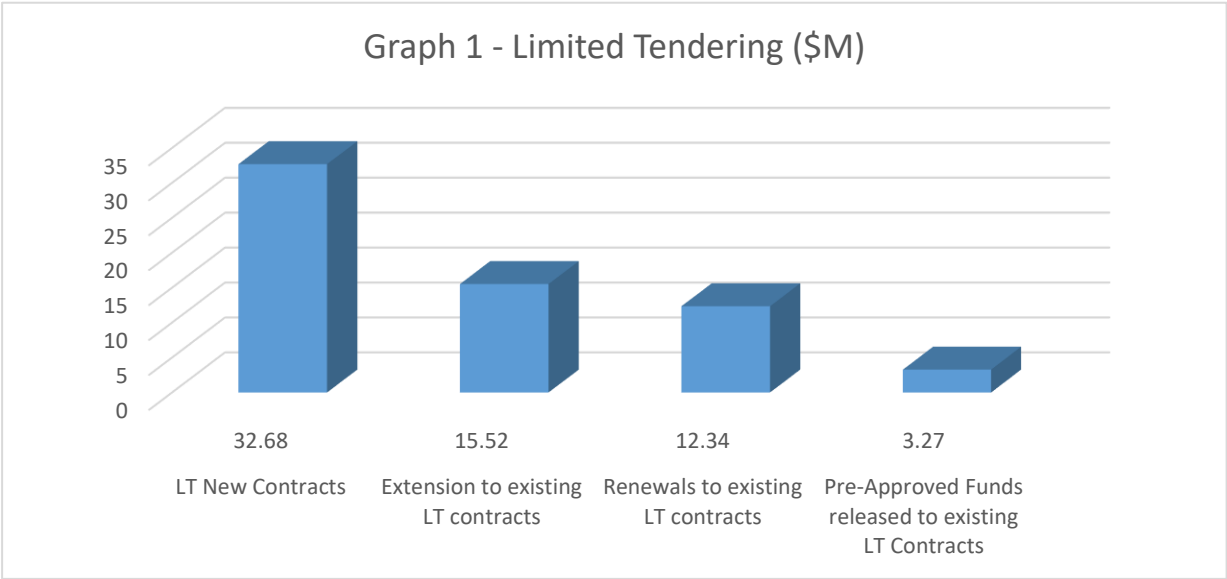
2.0 Background, Objectives, and Scope

Background

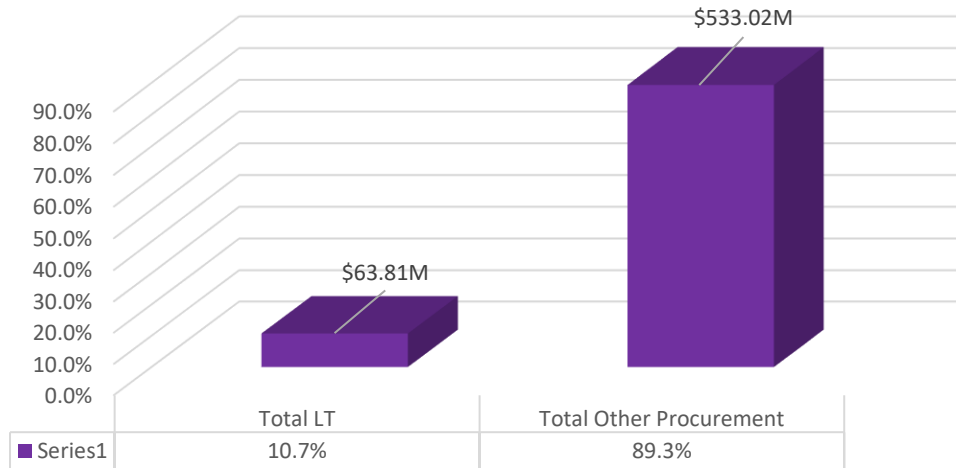
The key objective of the City of Brampton (COB) purchasing function is to promote procurement activities consistent with the City's strategic, financial, social, and environmental objectives. Procurements must be carried out in a manner so as to achieve best value for money while also maintaining trust and confidence in the stewardship of public funds.

The City strives to competitively procure all goods and services. However, as specified in Schedule C of the Purchasing By-law 19-2018, limited tendering (i.e. single/ sole source) procurement is permitted in certain circumstances. The schedule outlines the circumstances under which non-competitive procurement and the specific vendor can be justified in good faith.

From January 2020 to April 2022, the overall procurement transaction value was \$596.83M, consisting of \$417.65M in new procurement, and \$179.18M in renewal and extension of existing contracts. LT procurement accounts for \$63.81M, or 10.7%% of total procurement for this period of time. The following Graph 1 depicts the breakdown of the LT procurement while Graph 2 depicts LT procurement vs Total Other Procurement.



Graph 2 - LT and Total Other Procurement



Effective controls over the LT process is critical to ensure that the public's funds are spent effectively, economically, and ethically (value for money).

Objectives and Scope

The objective of the audit is to evaluate the processes and controls in place around LT procurements, identify strengths and weaknesses, and provide recommendations for improvement.

The scope of this audit includes all identifiable sole and single source (Limited Tendering) procurements entered into between Jan 2020 to April 2022. The scope of the audit will focus on the following:

- Efficiency and effectiveness of existing internal controls framework around limited tendering procurements;
- Sample testing of limited tendering procurement to ensure compliance with By-law including justification and approvals;
- Controls around effective identification, tracking, and coding of limited tendering procurements; and,
- Controls around periodic reporting and monitoring.

The following will not be included in the scope of this audit:

- Emergency Purchases as these transactions were audited in 2021;
- P-Card purchases as these transactions were audited in 2020; and,
- Invitational/Public Procurements (Competitive Procurements).

3.0 Detailed Audit Findings and Proposed Management Actions

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
1	<p><u>Limited Tendering Award Authority Limits</u></p> <p>Purchasing By-law 19-2018, Schedule B establishes approval threshold limits for LT contracts depending upon the dollar amounts.</p> <p>Our review of the existing process against best practices and benchmarking with other comparable municipalities indicated certain anomalies and areas for improvement:</p> <p>a) Multi-year contracts</p> <p>According to existing practice for both competitive and non-competitive procurements, approvals as per the authority matrix were obtained for the duration of the initial term of the contract, even for multi-year contracts with planned/known renewals.</p> <p>A limited review indicated that higher authorization approvals may be required if all known renewals were considered when the contract was first approved.</p> <p>Our comparison of the other municipalities (such as Toronto, Hamilton, Vaughan, and Aurora) highlighted that multi-year contracts are approved for cumulative value for the entire contract duration including known renewals.</p>	P1	<ol style="list-style-type: none"> 1) Initial procurement approvals should include the estimated amount for contract renewals in addition to the initial contract amount. 2) A process should be put in place to ensure approvals are obtained for the cumulative value, including original contract value and any future extensions or renewals. 3) System workflow should be defined for all LT procurement approvals. 	<ol style="list-style-type: none"> 1) Purchasing is currently working towards digitizing its current limited tendering approval process, through AgilePoint (with a defined system workflow), for which approvals will be obtained considering the initial contract amount and optional contract renewal amounts to ensure higher level of approval authority is obtained. <p>Expected Completion: Q1, 2023</p> <ol style="list-style-type: none"> 2) Refer to response 1) 3) Refer to response 1) 	<ol style="list-style-type: none"> 1) Manager, Purchasing & Manager, Procurement Performance 2) Refer to response 1) 3) Refer to response 1)

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>b) Contract extension/renewal approvals</p> <p>As per the current process, contract extension and renewal approvals are obtained without considering the contract cumulative value (that is, the original contract amount + the cumulative value of all extension/renewal amounts). This may result in circumvention of the authority limits on the total contract amount.</p> <p>We selected 11 samples and identified four cases where, due to the existing process, the total contract value (including the original amount and extensions/renewals) was not approved as per the authority limits. The summary is as follows:</p> <ul style="list-style-type: none"> • In two instances overall contract value which includes contract extensions and/or renewals exceed \$1M and approval should have been obtained from the CAO whereas, extensions were only approved by the Director. • Similarly, in one instance, Director approval was obtained instead of Commissioner for a cumulative value exceeding \$500K, and • In one instance, the manager approved the cumulative value of PO exceeding \$100k instead of the Director. <p>The above approvals, complied with existing processes where the approval was only required to be obtained considering the</p>				

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>cumulative value of contract extension and renewal portions only, and not the total contract values.</p> <p>Management confirmed that this is the prevailing practice for both competitive and non-competitive procurements.</p> <p>c) Manual approval for LT Contract</p> <p>The current process requires that LT procurements are approved either through manual signature or via email. This process may be prone to errors.</p> <p><u>Potential Exposure</u> Inadequate oversight and approval process may result in possible circumvention of authority limits.</p>				
2	<p><u>Council Report on Limited Tendering Transactions</u></p> <p>As per the existing process, Council receives a quarterly report from Purchasing summarizing the City's purchasing activity in the previous quarter.</p> <p>Our evaluation of the current reporting process against publicly available information of best practices and benchmarking with other municipalities indicated certain anomalies and areas for improvement:</p> <p>a) LT reporting threshold</p>	P2	<p>4) As a best practice, the City should consider lowering the threshold for reporting LT procurements to Council.</p> <p>5) Given the significant financial values, LT contract extensions and renewals should be clearly identified, categorized, summarized and included in the quarterly LT reports to City Council.</p> <p>6) Purchasing should define Key Performance</p>	<p>4) A formal review of the City's Purchasing By-law is anticipated to take place in Q1/2 2023, for which Purchasing will take the opportunity to review reporting thresholds and compare against neighbouring municipalities to determine alignment to potentially implement recommended changes.</p>	<p>4) Manager, Purchasing & Manager, Procurement Performance</p> <p>5) Refer to response 4)</p> <p>6) Refer to response 4)</p>

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>According to the existing procedure, City Council receives quarterly reports only for LT contracts of \$100k and over.</p> <p>Due to \$100k threshold, \$3.66M (i.e. 11%) of the \$32.67M in new LT procurement were not reported to Council.</p> <p>However, most LT procurements were reported by other equivalent municipalities (such as Toronto, Vaughan, Hamilton, Milton, and Aurora), regardless of monetary value.</p> <p>b) LT Contract extensions/renewals</p> <p>While ALL contract extensions and renewals of \$100k and over are reported to Council, the report does not specifically identify the initial procurement method i.e. Limited Tendering method for extensions and renewals which results in limited visibility to the Council.</p> <p>In addition, the total LT procurement for the review period (January 2020 to April 2022) was approximately \$63.81 million. Of that, \$31.13 million (49%) were specifically extensions or renewals of existing LT contracts already awarded. \$26.59M of the \$31.13M was reported to Council but management did not specify the original form of procurement for these extensions and renewals. The remaining \$4.54M of the \$31.13M was under the \$100K reporting threshold and therefore was not required to</p>		<p>Indicators (KPIs) including Non-Competitive to Total Procurement and report to City Council.</p>	<p>5) Purchasing will be updating the quarterly activity report to Council to provide clarity of contract extensions and renewals for LT contracts.</p> <p>Expected Completion: Q1, 2023</p> <p>6) Through the office of the CAO (organizational performance team), Purchasing is currently working towards reporting KPIs (through a dashboard) relative to competitive and non-competitive (limited tendering) spend across all City departments for Senior Management (inclusive of the CAO and Council).</p> <p>Expected Completion: Q2, 2023</p>	

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	<p>be reported thereby resulting in limited visibility to Council. We think it is beneficial to report the \$31.13M as limited tenders and at the same time identify that they were extensions and renewals.</p> <p>c) Non-Competitive to Total Procurement</p> <p>Currently, the total value of competitive and non-competitive sourcing is not reported to City Council.</p> <p>Following best practices from other municipalities/regions, an annual report detailing non-competitive sourcing as a percentage of total sourcing is provided. In addition, some municipalities have shown a long-standing trend in LT procurement for greater visibility.</p> <p><u>Potential Exposure</u></p> <p>Council may not have adequate oversight over LT contracts executed, renewed and extended by the City.</p> <p>Inadequate reporting on key performance metrics (such as non-competitive procurement as % to total procurement) may result in sub-optimal assessment of the purchasing process against divisional goals and objectives.</p>				

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
3	<p><u>Complaint and Dispute Resolution</u></p> <p>There is currently no defined procedure for bidders to raise any potential disagreements or concerns over the way the City conducts its procurements despite the following Purchasing By-law requirement and definition.</p> <p>According to Section 2.6 of the Purchasing By-law 19-2018, Complaints and Disputes Resolution, states that "Objective and timely consideration will be given to any Bid complaint submitted to the City in accordance with Supporting Policies and Procedures."</p> <p>Also, Schedule A of the Purchasing By-law 19-2018 defines a Procurement Complaints and Disputes Resolution Committee to mean a "Committee of City staff as described in the Procurement Complaints and Disputes Resolution Policy and Procedures".</p> <p>In addition and according to best practices, comparable municipalities (such as Mississauga, Region of Peel, Toronto, Vaughan, Hamilton, Milton, and Aurora) have procedures, policies, or By-laws that allow bidders to file official complaints or protests if they believe the City's procurement operations conduct has been unfair or inappropriate.</p> <p><u>Potential Exposure</u></p>	P2	7) Formal complaint procedures should be implemented as required by the Purchasing By-law and communicated to potential bidders for all future procurements.	<p>7) Purchasing is actively working towards a formalized complaint and dispute resolution process</p> <p>Expected Completion: Q2, 2023</p>	7) Manager, Purchasing

Ref #	Audit Findings	Finding Rating	Audit Recommendations	Management Response and Due Date	Responsible Party
	In the absence of a formal bid dispute process, the City may not be aware of any possible vendor concerns including favouritism or collusion which could exist and jeopardize a fair and transparent public procurement process.				

Report Distribution List	
Paul Morrison	Interim Chief Administrative Officer
Rick Conard	Commissioner, Corporate Support Services
Rino Minaudo	Acting Director, Purchasing
Diane Oliveira	Manager, Purchasing

Internal Audit Team	
Fang (Claire) Mu	Director, Internal Audit
Gurpreet Singh	Manager, Internal Audit
Anand Heeraman	Senior Internal Auditor

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Appendix 3 – 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)

<p>Priority 2 (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) 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 4 – 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: 2022-08-30

Subject: **Parks Maintenance Audit Report 2022**

Contact: Claire Fang Mu, Director, Internal Audit, (905) 874 2215,
Fang.Mu@brampton.ca

Report Number: CAO's Office-2022-891

Improvement Required**Executive Summary:**

The report highlights control gaps in Parks Maintenance in standard operating procedures (SOPs), contract management, and assets.

The overall audit was rated as **“Improvement Required.”**

The audit noted the following strengths relating to controls and processes around Parks Maintenance:







- The required frequency of grass cutting at sports fields (1x per week) is being met.
- The required frequency of garbage bin pick-ups at parks (1x per week) is being met.
- The required frequency of playground and water safety station inspections (1x per month) is being met.
- All playground inspectors have certifications for CPSI (Certified Playground Safety Inspector) or OPA (Ontario Parks Association).
- Documentation to support all snow removal activity (Snow logs) is properly completed and maintained.
- All park maintenance equipment (Fleet & Small engine) contains asset tags.
- Purchase orders are in place for all vendors with expenditures over \$25K in accordance with Purchasing By-law 19-2018.
- Grass-cutting invoices are appropriately supported (Completed assignment sheets) and approved before payment.
- Snow removal invoices are appropriately supported (Completed snow logs) and approved before payment.


- Staff demonstrated a commitment to learning and adopting the newly implemented Cityworks system.

The issues and associated management action plans are detailed in the body of the audit report located in **Appendix 1: Parks Maintenance Audit Report 2022**.

See **Appendix 2** and **Appendix 3** for the criteria for rating findings and audit report rating.

Internal Audit discussed the following improvement opportunities with Parks Maintenance Management:

Process	Finding	Rating
1. Standard Operating Procedures	Standard operating procedures (SOPs) are not in place or are outdated for some processes. Management should work with operations staff and administration to create and update necessary SOPs.	
2. Contract Management	Inspections of vendor grass cutting are not always performed or completed promptly. To properly assess the quality and completeness of grass cutting, staff should complete inspections within one day of the cut.	
3. Contract Management	Tracking new grass areas added to existing contracts needs to be strengthened. A reconciliation between the "Added hectares" spreadsheet and the respective "Assignment sheet" should be performed at least annually.	
4. Asset Management	The quantity of small park equipment showing in asset records is not always accurate. Staff should continue to perform physical asset counts at all parks periodically.	
5. Asset Management	The process for tracking park maintenance equipment needs to be strengthened. Parks Maintenance should use the M5 system to track all fleet and small engine assets.	
6. Report Review	The status of resolved service requests is not always up to date in Cityworks. Open service requests should be reviewed monthly, and the status of all resolved service requests should be updated.	

7. Contract Management	Vendor performance evaluations for grass-cutting vendors have not yet been completed. Staff should complete the vendor performance evaluations for each vendor per the required frequencies outlined in the Vendor Performance Evaluation SOP.	
These issues and associated management action plans are discussed in more detail in Appendix 1 . These issues are rated as per the criteria described in Appendix 2 .		

Conclusion:

The objective of the audit was to evaluate the effectiveness of processes and controls around Park Maintenance activities, identify strengths, and provide recommendations for improvement. Management should strengthen oversight and controls for certain processes.

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

Authored by:

Brad Cecile, Acting Manager
Internal Audit

Reviewed by:

Richard Gervais, Senior Advisor
Internal Audit

Approved by:

Claire Fang Mu, Director
Internal Audit

Submitted by:

Paul Morrison
Interim Chief Administrative Officer

Attachments:

Appendix 1: Parks Maintenance Audit Report 2022

Appendix 2: Criteria for Evaluating Audit Findings

Appendix 3: Criteria for Audit Report Rating

City of Brampton Internal Audit – Parks Maintenance
Private & Confidential

Audit Name	Parks Maintenance		
Sponsor(s)	Marlon Kallideen, Commissioner, Community Services; Edward Fagan, Director, Parks Maintenance & Forestry; Jim Pitman, Manager, Parks Maintenance		
Business Unit	Parks Maintenance & Forestry	Date Issued:	August 19, 2022

1.0 Executive Summary

Audit rating: Processes and controls around Parks Maintenance activities were rated as "Improvement Required" (See **Appendix 2** for the criteria for audit report rating).

The inherent risk was assessed as a medium based on the operating budget, capital assets employed, and complexity of processes and activities.

Based on our review of processes, controls and sample testing, we observed the following strengths:

- The required frequency of grass cutting at sports fields (1x per week) is being met.
- The required frequency of garbage bin pick-ups at parks (1x per week) is being met.
- The required frequency of playground and water safety station inspections (1x per month) is being met.
- All employees performing playground inspections have CPSI (Certified Playground Safety Inspector) or OPA (Ontario Parks Association-Playground Practitioner) certifications.
- Documentation to support all snow removal activity (Snow logs) is properly completed and maintained.
- All park maintenance equipment (Fleet & Small engine) contains asset tags.
- Purchase orders are in place for all vendors with expenditures over \$25K in accordance with Purchasing By-law 19-2018.
- Grass-cutting invoices are appropriately supported (Completed assignment sheets) and approved before payment.
- Snow removal invoices are appropriately supported (Completed snow logs) and approved before payment.
- Staff demonstrated a commitment to learning and adopting the newly implemented Cityworks system.

Internal Audit staff discussed the following improvement opportunities with Management:

- Standard Operating Procedures (SOPs) are not in place or are outdated for some processes.
- Inspections of vendor grass cutting are not always performed or completed promptly.
- Tracking new grass areas added to existing contracts needs to be strengthened.
- The quantity of park equipment (benches, bleachers) in asset records is not always accurate.
- The process for tracking park maintenance equipment needs to be strengthened.
- The status of resolved service requests is not always up to date in Cityworks.
- Vendor performance evaluations for grass-cutting vendors have not yet been completed.

2.0 Background, Objectives, and Scope

Background

Parks Maintenance is a sub-service of the Parks Maintenance & Forestry department which operates under Community Services. The 2022 operating budget for Parks Maintenance is \$10.8M, and park assets' total value is approximately \$518M. The unit is responsible for the maintenance of all parks, sports fields, and boulevards, including:

- 4,110 Hectares of parkland
- 835 Parks, Open Spaces, and Valley Lands
- 328 Sports Fields
- 279 kilometres of Recreational Trails
- 261 Shade Shelters
- 13 Spray Pads
- 4 Leash-free areas.

The main activities to support these public spaces are grass cutting (parks, sports fields, boulevards), sports field maintenance, turf maintenance, recreation trail maintenance, emptying garbage bins, and park inspections. Inspection staff are responsible for inspecting park infrastructure and responding to internal or external (311) service requests or complaints.

There are 62 full-time (permanent) employees in Parks Maintenance. However, every spring, approximately 250 additional seasonal employees are hired. Most of these seasonal employees are students and are used to help meet the increased demand for park maintenance activities in the spring and summer months. In 2019, the City cut the budget for seasonal staff by 22% on the west district and 29% on the east district.

The COVID safety protocols also had a significant impact on seasonal staffing levels. The safety protocols restricted the number of employees in any work vehicle to just one, so all candidates applying for seasonal positions had to have a "G" license as well as a full "DZ" license (motor vehicles over 11,000 KG). These requirements reduced the number of eligible candidates and hires.

Parks Maintenance is also responsible for the winter maintenance of all City owned parking lots and recreation trails. Recreation trails on the west are maintained by park maintenance staff, whereas outside contractors maintain all trails on the east.

Outside contractors are hired to ensure maintenance objectives are met, and service levels are maintained. The main areas where contractors are used are grass cutting and snow removal. The total cost of outside contractors in 2021 was approximately \$3.67M (grass cutting – \$3.5M, snow clearing – \$0.17M).

The system used to track Parks Maintenance activities is currently in transition. Most tasks are still tracked manually using crew cards; however, by the end of 2022, all maintenance activities will be managed through the Cityworks system.

Cityworks is a work management system under the GIS Asset Management framework. The system creates efficiencies by streamlining operations and allowing users to manage assets, work orders, schedules, activities, inspections, and service requests from any location in real-time. Currently, all service requests (311), garbage bin service, and park inspections are managed through Cityworks.

Objectives

This engagement aimed to determine whether proper oversight and controls were in place for Park Maintenance activities and to assess if current processes were designed to optimize service delivery. The review assessed whether:

- Standard Operating Procedures are in place and current for all park maintenance activities
- Maintenance activities comply with city By-laws and legislative requirements
- Park asset inventory records are accurate and properly maintained
- Park Maintenance activities are appropriately scheduled, performed, and tracked
- Work performed by outside vendors is appropriately scheduled, performed, and tracked
- Contracts with outside vendors are in place and monitored for compliance
- Systems are fully utilized to enhance the efficiency and transparency of park maintenance operations
- Park Maintenance activities align with the City's strategic direction (Parks and Recreation Master Plan, Eco Park Strategy, etc.)

Scope

Our audit focused on Parks Maintenance activity from January 1, 2020, to June 30, 2022.

The following areas and functions were excluded from the scope of this audit since they operate independently of Parks Maintenance.

- Forestry, Horticulture, Cemetery
- Peel Village Golf Course
- Salaries and related expenditures
- Employee expenses

3.0 Detailed Audit Findings, Recommendations, and Proposed Management Actions

Ref #	Findings	Rating	Recommendations	Management Response and Due Date	Responsible Party
1	<p><u>Standard Operating Procedures</u></p> <p>Some processes within Parks Maintenance have no Standard Operating Procedures (SOPs). Some SOPs are outdated.</p> <p>1. Some core activities do not have a standard operating procedure. Areas without formal SOPs include grass-cutting, garbage pick-up, sports field maintenance, and playground inspections.</p> <p>2. Some existing SOPs have not been updated for over ten years.</p> <p><u>Potential Exposure</u> Missing or outdated SOPs can result in inconsistent or inappropriate execution of processes that do not meet current standards.</p>	P2	<p>Management should work with operations staff and administration to create and update necessary SOPs.</p> <p>Input for these SOPs should be obtained by internal staff, interfacing departments, and other municipalities, if necessary, to ensure SOPs are updated, and complete in relation to core activities, and reflect best practices.</p>	<p><i>Budget cuts and Covid impacts delayed the review of the SOPs.</i></p> <p><i>Staff is Currently working on reviewing and updating the SOP's. Full review, aiming to complete Q3 2023.</i></p>	Manager, Parks Maintenance
2	<p><u>Grass Cutting Inspections – Contractors</u></p> <p>Parks Maintenance performs grass-cutting for all sports fields. Outside contractors, currently four in total, handle grass-cutting for the majority of tableland, all boulevards, medians, and curbs.</p> <p>Every day, contractors update an "Assignment sheet" on SharePoint showing what grass they cut. Parks Maintenance grass inspectors use the information on the assignment sheet to inspect the</p>	P2	<p>To properly assess the quality and completeness of grass cutting, staff should complete inspections within one day of the cut.</p> <p>Staff reported that due to limited resources, complete and timely inspections of all grass areas had been a significant challenge.</p>	<p><i>Ideally the department should Hire additional resources with the goal of having the appropriate number of Inspectors to inspect Contractors work in a timely manner. This will be requested in the 2023 operating budget.</i></p>	Manager, Parks Maintenance

Ref #	Findings	Rating	Recommendations	Management Response and Due Date	Responsible Party
	<p>cuts and ensure cuts are complete and meet standards.</p> <p>As per Parks Maintenance guidelines, inspections are to be performed for every single location cut by each contractor the next day.</p> <p>We reviewed the process for tracking and inspecting grass-cutting by contractors for May 2022 and noted the following:</p> <ol style="list-style-type: none"> 1. Not all grass-cutting areas were inspected. City staff inspected 1,266, or 81% of 1,560 grass-cutting areas. 2. There are often excessive delays between when the grass was cut and when it was inspected. Staff conducted inspections, on average 7.7 days (including weekends) after the grass-cutting, with the delays ranging from 1 to 15 days. <p>Potential Exposure Missing inspections increases the risk that incomplete or sub-standard grass-cutting will not be detected. Excessively delayed grass-cutting inspections serve little or no purpose.</p>		<p>In order to optimize the coverage of grass inspections, Parks Maintenance should;</p> <ol style="list-style-type: none"> 1. Identify the most critical grass areas based on pre-determined factors such as size, use, condition, and visibility and ensure the consistent and timely inspections of these prioritized areas. 2. Ensure that grass inspections are not missed for the same area in consecutive cuts in order to ensure no areas are being neglected by the contractor. 	<p><i>In the interim, Staff will identify the most critical grass areas and ensure the consistent and timely inspections of these prioritized areas.</i></p>	
3	<p><u>Grass Cutting Additions – Contractors</u></p> <p>Since the start of current grass cutting contracts (2020), additions of parks, valleys, and boulevards resulted in an increased grass-cutting workload. All grass locations cut by contractors are tracked in the "Assignment sheet;" and all additions to</p>	P2	<p>A reconciliation between the "Added hectares" spreadsheet and the respective "Assignment sheet" should be performed at least annually.</p>	<p><i>Additional Hectares are added every year without additional resources. The department is currently reviewing the structure and operational model so that Moving forward</i></p>	<p>Manager, Parks Maintenance</p>

Ref #	Findings	Rating	Recommendations	Management Response and Due Date	Responsible Party
	<p>existing grass areas are tracked in the "Added hectares" document. The two documents should reconcile with each other.</p> <p>Our review of additional hectares and the corresponding assignment sheet for one of the areas (Area 2) found that 12 new grass areas were added to the assignment sheet since 2020, but only 11 are showing on the added hectares document. The missing grass addition was identified as Rhapsody Park, now called Hon. Gurbax Singh Malhi Park.</p> <p>No reconciliation was done to ensure that hectares added to an area in the year equal to the total hectares of that area in the "Assignment Sheet" at the end of the year.</p> <p>Potential Exposure Reconciling the "Added hectares" sheet with the respective "Assignment sheet" ensures that all hectares added throughout the year are approved and accurate. Lack of reconciliation can mean potential overpayment for the contractors.</p>		Completing this reconciliation will ensure that all additions have been captured in the "Added hectares" document and thus approved. It will also increase the transparency of total hectares and allow staff to detect input errors and avoid overpayment to contractors.	<i>we will ensure that reconciliation of documents are complete. Q2 2023 depending on budget approval.</i>	
4	<p><u>Assets - Park Equipment</u></p> <p>Park equipment (Playgrounds, splash pads, sports fields, bleachers etc.) assets are tracked by administrative staff in the "Lifecycle tracker" spreadsheet.</p>	P3	1. Staff should perform physical counts of assets at all parks periodically. It is important to have an accurate inventory of park assets, including small assets. Staff report the values of park assets such as bleachers in the Corporate Asset Management Plan (CAMP) and	<i>1. The department proposed new structure will have accountability for asset management and for collecting and tracking small assets. In the interim, a contract resource will be allocated to assist in</i>	Supervisor, Parks Administration, Contracts & Asset Mgmt.

Ref #	Findings	Rating	Recommendations	Management Response and Due Date	Responsible Party
	<p>We reviewed the lifecycle tracker as well as physical counts of park equipment at ten parks and noted the following:</p> <ol style="list-style-type: none"> 1. The quantity of small park assets shown in the lifecycle tracker is not always accurate. Our physical count of park equipment at ten parks found that there was at least one small asset discrepancy at eight parks. All discrepancies found were for player benches, park benches, and bleachers. 2. Listing of flower beds is not broken down by park. All flower beds in the City are broken down between non-irrigated (Approximately 980 beds at \$2K/bed) and irrigated (Approximately 220 beds at \$8K/bed), but are not listed by park. <p>Potential Exposure Outdated or lack of detailed asset inventory can result in inaccurate asset quantities and values.</p>		<p>these values are used for budgeting purposes. Small asset quantities may also be used to track park service statistics such as park benches per hectare, bleacher seats per sports field among others.</p> <p>2. Based on aggregated value of flower beds (\$3.72M), these assets should be itemized by park to increase visibility of flower bed locations.</p>	<p><i>this area. Process review will take place prior to Q2 2023 upon budget approval.</i></p> <p><i>2. Staff supports this concept, however, not all flowerbeds are associated with a Park. With regards to recommendations Parks will amend the flowerbed list to include the park/location name. Aiming for Q2, 2023 completion.</i></p>	
5	<p><u>Assets – Fleet & Small Engine</u></p> <p>Assets used for park maintenance operations are categorized as either fleet such as riding mowers, aerators, and rototillers; or small engine equipment such as push mowers, grass trimmers, and backpack blowers.</p> <p>These assets were tracked in the M5 system by Public Works until Parks Maintenance moved from Public works to Community Services. Assets over \$1.5K are still tracked in M5 by Public works and</p>	P3	<p>Parks Maintenance should use the M5 system to track all fleet and small engine assets.</p> <p>Prior to importing asset information into M5, a physical count should be performed on all assets to ensure asset quantities, condition and attributes are up to date.</p>	<p><i>The process to implement small engine equipment into M5 has begun. Physical counts are being performed and condition attributes are being updated.</i></p> <p><i>This responsibility will be moved under the Asset Management area in 2023 depending on budget approval.</i></p>	Supervisor, Parks Administration, Contracts & Asset Mgmt.

Ref #	Findings	Rating	Recommendations	Management Response and Due Date	Responsible Party
	<p>assets under \$1.5K are tracked by parks maintenance in an Excel spreadsheet.</p> <p>We randomly selected 20 items (10-fleet, 10-small engine) for a physical count. Although we were able to locate all items with the assistance of operations, we found that asset information is not always complete or accurate. For example;</p> <ol style="list-style-type: none"> 1. The manufacturer of one of the assets was different from the manufacturer shown in the master spreadsheet. 2. Master spreadsheet showed two assets with the same unit # (#813). 3. We physically located one of the assets that was shown as "Missing" on the master spreadsheet (Unit 1013-Honda Generator). 4. Some items over \$1,500 are tracked in M5 and the master spreadsheet, while others are only tracked in M5. <p>Potential Exposure Incomplete or inaccurate asset information can confuse staff and result in erroneous asset values.</p>		Using M5 will reduce the risk of entry errors, centralizes asset information, provides system controls, and makes it easier to track asset history.		
6	<p><u>Service Requests - Status Review</u></p> <p>Any park issues or deficiencies observed by employees or residents can be reported to the City through 3-1-1 (Service Brampton). A "Service Request" is created for all reported issues and is sent to the appropriate department within the City.</p>	P3	Open service requests should be reviewed monthly by the respective Foreperson and the status of all resolved service requests should be updated to "Completed" or "Closed."	<i>Supervisor to review & ensure that the foreperson have closed off monthly outstanding SR's. Going forward, investigate the feasibility of Integrating Parks Maintenance into City Works for work orders. Q2, 2023.</i>	Supervisor, East Parks Maintenance and Supervisor, West Parks Maintenance

Ref #	Findings	Rating	Recommendations	Management Response and Due Date	Responsible Party
	<p>All service requests are tracked in the City works system.</p> <p>Our review of open service requests noted that some service requests that have been resolved are still showing as outstanding ("Assigned" or "In Progress") in Cityworks.</p> <p>We also found that some Forepersons did not perform periodic reviews of open service requests.</p> <p><u>Potential Exposure</u> Not updating the status of resolved service requests promptly results in an inaccurate snapshot of outstanding service requests and can impact resource planning.</p>				
7	<p><u>Vendor Performance Evaluations</u></p> <p>Per the Vendor Performance Evaluation SOP, after August 1, 2021, a vendor performance evaluation is required for all service contracts over \$100K.</p> <p>We reviewed the vendor management process and noted that although there is a process for tracking performance deficiencies of grass-cutting vendors, a formal performance scorecard has not yet been completed.</p> <p>Currently, four vendors are providing grass cutting with contract values ranging from \$535K to \$1.3M annually. Based on the requirements of the Vendor Performance Evaluation SOP, Staff should have completed an interim performance scorecard for</p>	P3	<p>Staff should complete the vendor performance evaluations for each vendor per the required frequencies outlined in the Vendor Performance Evaluation SOP.</p> <p>Staff should forward these evaluations (Interim and Final) to Purchasing for review and consideration in future tenders.</p>	<p><i>This will be the responsibility of the contract supervisor moving forward upon budget approval.</i></p> <p><i>In the interim, the managers will ensure that Parks Maintenance Vendor Performances are completed for Contracts in Q4 of 2022 and sent to Purchasing.</i></p>	Supervisor, Parks Administration, Contracts & Asset Mgmt.

Ref #	Findings	Rating	Recommendations	Management Response and Due Date	Responsible Party
	<p>each vendor, given the length and value of these contracts.</p> <p><u>Potential Exposure</u> Not completing performance evaluations for all required vendors may result in poor performance not being communicated to procurement promptly.</p>				

Report Distribution List	
Paul Morrison	Interim Chief Administrative Officer
Marlon Kallideen	Commissioner, Community Services
Edward Fagan	Director, Parks Maintenance & Forestry
Jim Pitman	Manager, Parks Maintenance

Internal Audit Team	
Claire Mu	Director, Internal Audit
Richard Gervais	Senior Advisor, IT Audit
Ruchir Patel	Manager, Internal Audit
Brad Cecile	Acting Manager, Internal Audit

City of Brampton Parks 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)

<p>Priority 2 (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) 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

City of Brampton Parks 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: 2022/06/30

Subject: Driver Certification Program Fleet and, Fire and Emergency Service Compliance Audit

Contact: Claire Mu, Director, Internal Audit, 905-874-2215, fang.mu@brampton.ca

Report Number: CAO's Office-2022-823

Effective**Executive Summary:**

- The City of Brampton Internal Audit Division conducted a compliance audit of the Brampton Fleet Services Driver Certification Program (DCP) on behalf of the Ministry of Transportation.
- The DCP allows the City to train and test its drivers. The Fleet training program includes members of Brampton Fire & Emergency Services.
- The Ministry of Transportation requires an audit of the DCP every three years for the City to maintain its authority to test and train drivers. The ministry defines all audit test procedures.
- The audit conducted by Internal Audit indicated no issues, and the ministry acknowledged receipt of the 2022 report.
- The next audit due date is July 1, 2025.

Background:

The Driver Certification Program (DCP) Fleet and Fire & Emergency Service compliance audit is in the 2022 Internal Audit Work Plan.

The Ministry of Transportation (MTO) for the Province of Ontario has authority over the DCP. The DCP allows approved organizations to train and test drivers. The MTO also authorizes persons to deliver this training and perform the testing. In addition, the MTO requires periodic inspections for organizations to continue to operate their DCP.

Recognized Authorities (RA) under the DCP are permitted to train, conduct both written and road test examinations, and grant license upgrades and renewals for several classifications of driver's licenses. The MTO granted the City of Brampton Fleet

Services the status of RA in December 1982. Fire and Emergency Services amalgamated with the Brampton Fleet Services DCP Program in January 2015.

The MTO requires an audit of a participating organization's DCP every three years to maintain their authority to test and train drivers. A re-audit could occur more quickly if the auditor reports infractions. The City of Brampton's Internal Audit Division meets the criteria to conduct the DCP audits on behalf of MTO. The result report is a Specified Procedures Inspection Report which Internal Audit uploads to the MTO DCP website. Previous audits were conducted in 2015, 2016, 2019 and 2020.

Current Situation:

The City of Brampton Internal Audit Division conducted the 2022 DCP Audit for Fleet and Fire & Emergency Services. The audit period was from June 2020 to May 2022.

Internal Audit staff completed the work in conformance with the requirements of MTO and delivered the Specified Procedures Inspection Report (SPIR) before the MTO deadline of July 1, 2022.

Conclusion:

The audit conducted by Internal Audit indicated no infractions. Accordingly, the ministry acknowledged receipt of the 2022 Specified Procedures Inspection Report (SPIR) for the Corporation of the City of Brampton. Therefore, with a satisfactory audit result, the next audit due date is July 1, 2025.

Authored by:

Nibal Mater

Sr. Internal Auditor, Internal Audit

Reviewed by:

Claire Mu

Director, Internal Audit

Approved by:

Paul Morrison

Interim Chief Administrative Officer

Date: 2022/06/30

Subject: Driver Certification Program Transit Compliance Audit

Contact: Claire Mu, Director, Internal Audit, 905-874-2215,
fang.mu@brampton.ca

Report Number: CAO's Office-2022-838

Effective**Executive Summary:**

- The City of Brampton Internal Audit Division conducted a compliance audit of the Brampton Transit Driver Certification Program (DCP) on behalf of the Ministry of Transportation.
- The DCP allows the City to train and test its drivers.
- The Ministry of Transportation requires an audit of the DCP every three years for the City to maintain its authority to test and train drivers. The ministry defines all audit test procedures.
- The audit conducted by Internal Audit indicated no issues, and the ministry acknowledged receipt of the 2022 report.
- The next audit due date is July 1, 2025.

Background:

The Brampton Transit Driver Certification Program (DCP) compliance audit is in the 2022 Internal Audit Work Plan.

The Ministry of Transportation (MTO) for the Province of Ontario has authority over the DCP. The DCP allows approved organizations to train and test drivers. The MTO also authorizes persons to deliver this training and perform the testing. In addition, the MTO requires periodic inspections for organizations to continue to operate their DCP.

Recognized Authorities (RA) under the DCP are permitted to train, conduct both written and road test examinations, and grant license upgrades and renewals for several classifications of driver's licenses. The MTO granted Brampton Transit the status of RA in October 1988.

The MTO requires an audit of a participating organization's DCP every three years to maintain their authority to test and train drivers. A re-audit could occur more quickly if

the auditor reports infractions. The City of Brampton's Internal Audit Division meets the criteria to conduct the DCP audits on behalf of MTO. The result report is a Specified Procedures Inspection Report which Internal Audit uploads to the MTO DCP website. Previous audits were conducted in 2014, 2016 and 2019.

Current Situation:

The City of Brampton Internal Audit Division conducted the 2022 DCP Audit for Brampton Transit. The audit period was from May 1, 2019 to May 31, 2022.

Internal Audit staff completed the work in conformance with the requirements of MTO and delivered the Specified Procedures Inspection Report (SPIR) to the MTO on June 15, 2022.

Conclusion:

The audit conducted by Internal Audit indicated no infractions. Accordingly, the ministry acknowledged receipt of the 2022 Specified Procedures Inspection Report (SPIR) for the Corporation of the City of Brampton Transit Department. Therefore, with a satisfactory audit result, the next audit due date is July 1, 2025.

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