



INTERNAL AUDIT ANNUAL REPORT

January - December 2023

Agenda

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 - Management Action Plans
 - Ethics Hotline Report
- Looking Ahead

Claire Mu

Director, Internal Audit



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Greetings from the Director of Internal Audit



WHAT WE DO

Internal Audit Function in Context

Council (Municipal Act)

City Council's primary role is that of stewardship and oversight ensuring policies, practices and procedures are in place to implement the decisions of Council while ensuring accountability, transparency, and maintaining financial integrity.

**Audit Committee Mandate
(Terms of Reference/By-Law)**

The audit committee is a committee of City council and 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.

**Internal Audit Mandate
(Internal Audit Charter/By-Law)**

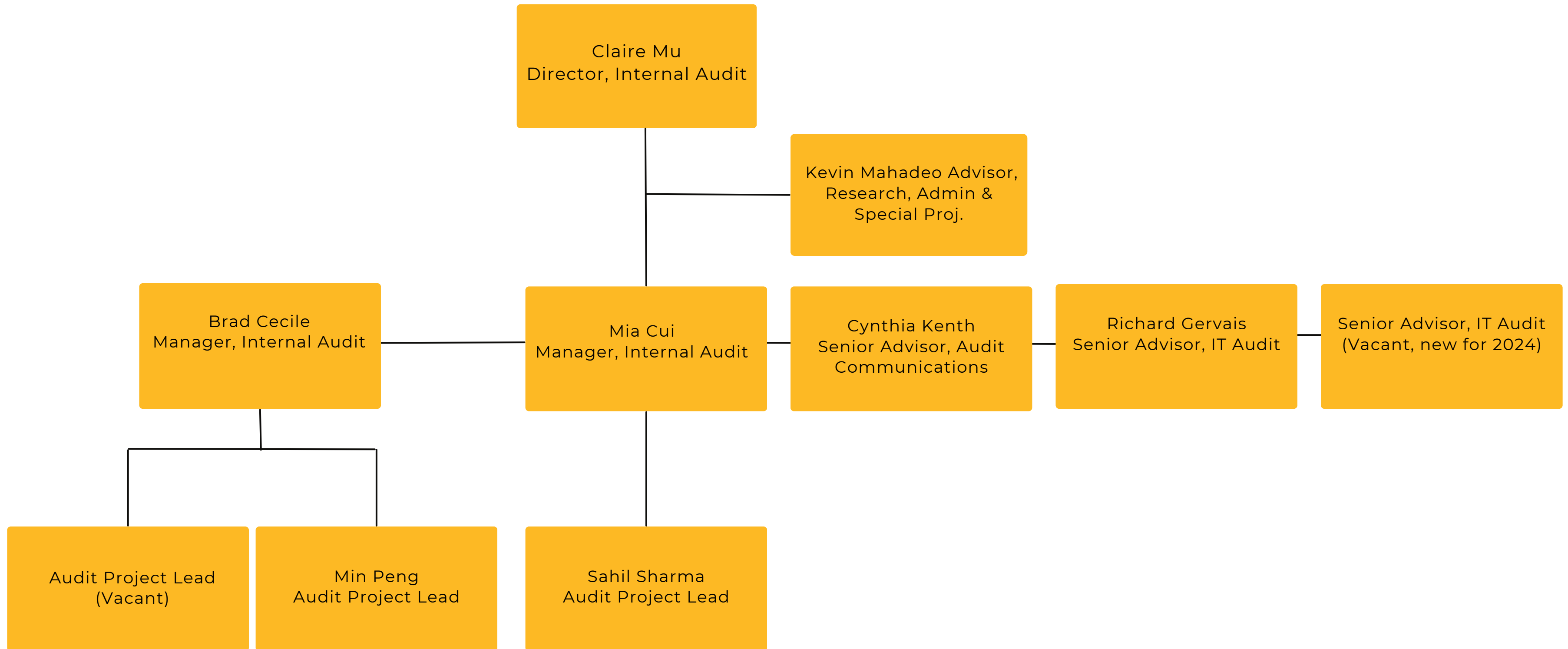
The purpose of the City of Brampton's Internal Audit Division is to provide independent and objective assurance services designed to add value and improve the operations of the City.

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.



TEAM OVERVIEW

Team Overview



Team Profile and Focus

POSITION	EXPERIENCE IN AUDIT (YRS.)	SPECIALTIES	CERTIFICATIONS
Director	20	Leadership, Budget, HR/Staff Development, Stakeholder Liaison, Annual Work Plan, Quality Assurance, Communications, fraud	MPPA (MBA Actg) MFin, CPA (US), CISA, CFA, CGAP
Advisor, Research, Admin & Special Projects	N/A	Project Management, Stakeholder Liaison, Audit Timekeeping	BA, MA
Manager 1	15	Audit Mentorship, Manage Audits, Audit Work Plan	CPA, CIA
Manager 2	19	Audit Mentorship, Manage Audits, QAIP	CPA, CIA
Senior Advisor, IT	20	IT Audits, Automation of Management Action Plans, IT Audit Work Plan	CISA, CISSP
Senior Advisor, Communications	N/A	Communications	BA Communication
Project Lead 1	8	Lead Audits and Data Analytics	CPA, CIA
Project Lead 2	8	Lead Audits and QAIP	CPA
Project Lead 3	7	Lead Audits and Risk Assessment	CPA



ACCOMPLISHMENTS

2023 Achievements and Highlights



**We are continuously
aiming for excellence!**



Streamlined the report approval process to enhance audit independence



Enacted City of Brampton's Internal Audit Charter and Internal Audit Committee Terms of Reference into By-Law 108-2023



Updated the City's Fraud Governance Structure



Completed the Amended 2023 Audit Work Plan



Conducted audit staff role reviews to better align audit staff pay scale with market compensation



Established a Vendor Roster for audits, investigations, and IT audits

**Thanks to the commitment and support of the
CAO's Office and the Audit Committee**



Accomplishment #1

Streamlined the report approval process to enhance audit independence

City Council, at its meeting of March 1, 2023, approved an Audit Committee motion that:

- Any Internal Audit report directed to the Audit Committee by the Director of Internal Audit shall not require prior approval by the Chief Administrative Officer or other management staff; and
- That any process, including any electronic workflow process, be modified accordingly.

Audit Committee motion (AU009-2023), approved by Council motion C037-2023.

<https://pub-brampton.escribemeetings.com/Meeting.aspx?Id=5fe4894a-cf5f-46f1-9f7c-9cd2935bd83f&Agenda=PostMinutes&lang=English>



Accomplishment #2

Enacted City of Brampton's Internal Audit Charter and Terms of Reference into By-Law 108-2023

Internal Audit Charter and Terms of Reference were enacted into by-law on June 14, 2023.

These changes will provide greater stability to the reporting structure and the Internal Audit function of the City of Brampton.

<https://www1.brampton.ca/EN/City-Hall/Bylaws/Archive/108-2023.pdf>

Accomplishment #3

Updated Fraud Governance Structure

A few of the key changes included:

- Internal Audit leads the assessment, investigation, and reporting processes of allegations received by the Ethics Reporting Hotline
- Transferring Corporate Fraud Prevention Policy ownership to the City Legal Services to separate management function from the audit function for greater independence.



Accomplishment #4

Completed the amended 2023 Audit Work Plan

Although the team was often working through staff turnovers, at times less than 50% staffing level, Internal Audit made a concerted effort to focus our reduced staffing capacity on completing priority audits and delivered the 2023 amended audit work plan, which consists of the same number of audit projects (8) as planned at the beginning of the year.



The audit work plan will remain dynamic and flexible to address emerging risks and issues throughout the year.



Accomplishment #5

Conducted Audit Staff Role Reviews to Better Align Audit Staff Pay Scale with Market Compensation

With the support of the Audit Committee, the CAO's Office, and HR, Internal Audit successfully conducted audit staff role reviews and adjusted audit staff pay scales through benchmarking with neighbouring municipalities. Internal Audit is now in a better position to:

- attract qualified staff and fulfill its mandate
- retain staff and develop staff to provide more effective audits.

Thank you Audit Committee, CAO, and HR!



Accomplishment #6

Established a Vendor Roster for audits, investigations, and IT audits

Internal Audit established a Vendor Roster comprised of firms specializing in investigative and forensic services (financial, ethics, and employee relations), as well as auditing and IT auditing services.

The Vendor Roster will allow Internal Audit to onboard vendors within a shorter timeframe. This is important when an audit or investigation needs prompt attention.



2023 Audits At-a-Glance

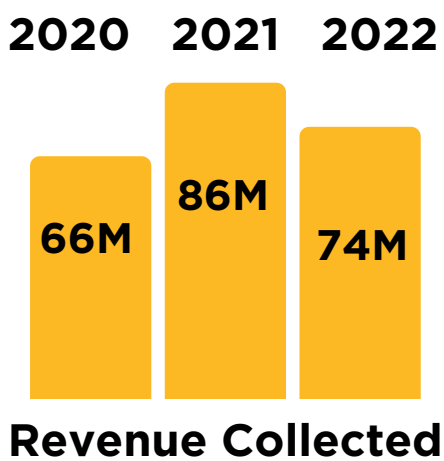
2023 Audits

AC Date	Audit	Source
June 12, 2023	Development Charges	2023 Audit Work Plan
November 7, 2023	Bovaird Barn	This was added to the Internal Audit Work Plan through Committee of Council resolution CW420-2022.
November 7, 2023	Cyber Security	2023 Audit Work Plan
November 7, 2023	Property Tax	2023 Audit Work Plan
February 6, 2024	Data Security & Privacy	2023 Audit Work Plan
February 6, 2024	Fleet Management	2023 Audit Work Plan
February 6, 2024	Asset Management (Small Equipment & Operating Tools)	2023 Audit Work Plan
February 6, 2024	Review of the Q2 2023 Procurement Activities	Added by Committee of Council at meeting of September 20, 2023 and replaced the By-law Enforcement Audit planned for Q4 2023

Development Charges Audit

Why Does this Audit Matter?

Collecting development charges is a significant revenue source for funding growth-related capital investments.



What are the Audit Objectives?

The objective of this audit was to evaluate the effectiveness of processes and controls around development charges and ensure compliance with legislation, policies, and procedures.

What Did we Find?

Our main findings concluded that there was a combination of inefficiencies, control risks, and system limitations in the development charge billing process that could reduce billing accuracy.

How Will our Recommendations Benefit the City?

- Strengthen the City’s administrative process related to development charges by reducing manual errors, processing times, and enhancing overall efficiencies
- Decrease liability risk to the City when insurance certificates are up-to-date

Historic Bovaird House Audit

Why Does this Audit Matter?

Recommendation CW420-2022 of the Committee of Council Meeting of December 7, 2022, referred City Council Resolution C330-2022 to Internal Audit for review within its 2023 workplan, including the process whereby this resolution came about, the question of payment origins, and the nature of the Friends of Bovaird House organization. Recommendation CW420-2022 was approved by City Council on December 14, 2022,

What are the Audit Objectives?

- Assess the process whereby the funding for the Robinson Barn was approved
- Review the governance and mandate of the Friends of Bovaird House organization
- Review operating expenses of the Historic Bovaird House
- Assess compliance to the City's Conflict of Interest Policy
- Identify the Pendergast Log Cabin funding source

What Did we Find?

- In regards to the Friends of Bovaird House organization
- Formalize the Relationship between FHBH and the City
 - Periodically review the agreement
- In regards to the Conflict of Interest Policy
- Consider a Policy that Addresses Conflicts of Interest as they relate to Volunteers
 - Consider adding a Declaration of City Councilors' Conflicts of Interest including non-pecuniary interests.

How Will our Recommendations Benefit the City?

Provide better oversight over the operations of the Bovaird House enhance the City's Conflict of Interest Policies.

Cyber Security Audit

Why Does this Audit Matter?

Cyber security is a critical risk as most organizations, municipalities and other government entities are under constant threat of cyber attacks. It's imperative for organizations to have appropriate mitigation to manage the risk. Given the persistent and evolving nature of cyber threats, municipalities must prioritize cyber security as a critical component of their overall risk management strategy.

What are the Audit Objectives?

The Cyber Security Audit is confidential as it involves the security of the property of the City of Brampton. The details will not be shared in this Annual Report.

What Did we Find?

The Cyber Security Audit is confidential as it involves the security of the property of the City of Brampton. The details will not be shared in this Annual Report.

How Will our Recommendations Benefit the City?

Enhance the City's ability to protect itself from cyber attacks.

Property Tax Audit

Why Does this Audit Matter?

Property tax is the largest single source of revenue for the City and in 2022 the City collected \$503M, accounting for 51% of total revenue. It is important that the assessment, billing and collection of property tax is administered properly and any potential opportunity to increase additional revenue is reviewed.

What are the Audit Objectives?

Our objective was to evaluate the effectiveness of processes and controls around property tax and ensure compliance with legislation, policies, and procedures.

What Did we Find?

We noted the following issues that limit options available to property owners and impact the timing and completeness of information transmitted to MPAC: Online services available to property owners is limited, Building permit data transmitted to MPAC is not always complete or timely, Limitations in technology resulting in process inefficiencies.

How Will our Recommendations Benefit the City?

- Acting on the recommendations in the report will strengthen the City’s administration of property tax and improve online services available to property owners.
- Staff should work with IT to implement the capabilities needed to address the findings.

Data Privacy & Security Audit

Why Does this Audit Matter?

There is a heightened awareness of the damage that cyber security attacks and privacy breaches can cause due to increasing disruptive and destructive cyberattacks on public sector entities, including Canadian municipalities.

The purpose of this audit was to assess the effectiveness of controls in place to protect the privacy and security of the City of Brampton's electronic data.

What are the Audit Objectives?

The Data Security and Privacy Audit is confidential as it involves the security of the property of the City of Brampton. The details will not be shared in this Annual Report.

What Did we Find?

The Data Security and Privacy Audit is confidential as it involves the security of the property of the City of Brampton. The details will not be shared in this Annual Report.

How Will our Recommendations Benefit the City?

Enhance our ability to protect data and safeguard private employees, residents and business owners' information.

Fleet Maintenance Audit

Why Does this Audit Matter?

Fleet maintenance is responsible for maintaining safe and sustainable vehicles for operating departments across the City. Maintenance, repair and inspection activities performed by Fleet Maintenance ensure vehicles comply with provincial regulations and are properly maintained.

What are the Audit Objectives?

The audit objectives were to review fleet maintenance processes and controls for their effectiveness, efficiency and compliance to Provincial legislation and City policies.

What Did we Find?

Our main findings concluded that there is a number of required improvements in the areas of preventative maintenance, compliance, monitoring of procurement activity and access to inventory.

How Will our Recommendations Benefit the City?

- Improve preventative maintenance processes
- Reinforce the importance of daily vehicle inspections and compliance with Provincial requirements
- Enhance oversight over purchasing activity
- Restrict unauthorized access to inventory storage areas

Asset Management Audit

(Small Equipment and Operating Tools)

Why Does this Audit Matter?

The City uses specialized small equipment and operating tools to deliver public services.

The Small Engine Shop, alone, managed \$2.1M in small assets, before its closure in 2017. This value is likely outdated as the City has grown significantly.

Currently, City staff have not tracked the purchases, and usage of small equipment and operating tools.

What are the Audit Objectives?

The objective of this engagement was to assess the management practices of small equipment and operating tools and identify gaps to best practices.

What Did we Find?

We observed that no formalized policies and operating procedures are in place for managing the lifecycle of small equipment and operating tools. Data is not available for overall past purchases or current inventory level.

This has led to a lack of management controls in asset planning, purchasing, inventorying, tracking of purchases and usage, repairs, disposals, and the storage and safeguarding of assets.

How Will our Recommendations Benefit the City?

The recommendations outlined in this report provide a roadmap for the City to improve its management of small equipment and operating tools.

Limited Tendering Audit

Why Does this Audit Matter?

The Committee of Council, at its meeting held on September 20, 2023 passed the following motion:

6.4/8.2.1CW316-2023
“That Internal Audit be requested to review the limited tendering activities, in accordance with the Purchasing By-law, as set out in this report, and report back to Council through the Audit Committee.”

What are the Audit Objectives?

The objective is to assess whether the City’s Q2 2023 limited tendering procurement activities comply with the City’s existing Purchasing By-law.

What Did we Find?

We found that the City has not extended the conflict of interest risk consideration and declaration to bidders and City staff participating in limited tendering activities.

In addition, the City has not formalized the procedures for due diligence reviews of limited tendering procurements.

How Will our Recommendations Benefit the City?

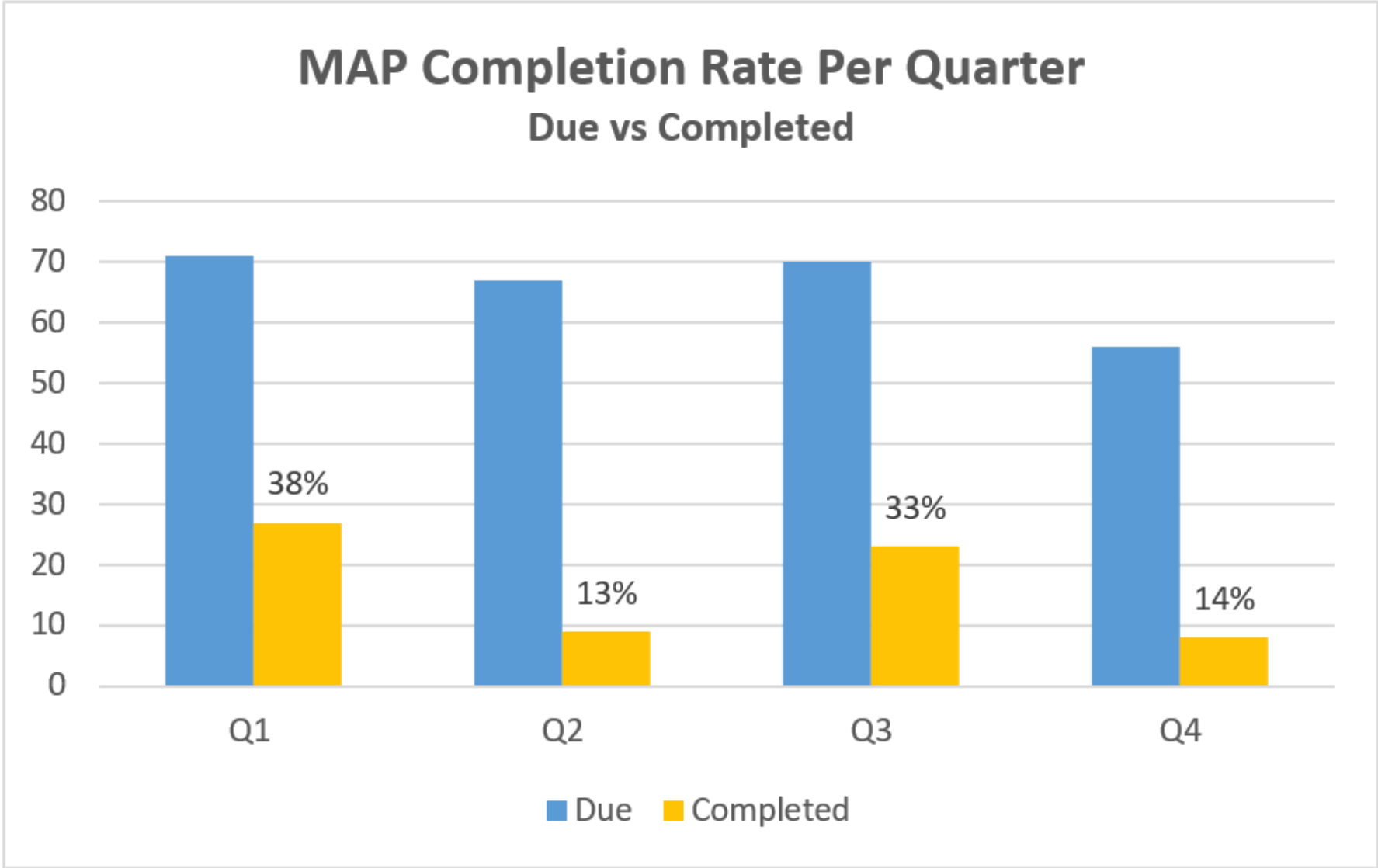
Extending the conflict of interest declaration requirement to limited tendering and formalizing the procedures for conducting due diligence reviews of limited tendering procurement will enhance the City’s limited tendering procurement process and ensure compliance with the current Purchasing By-law.



STAFF REPORT UPDATE

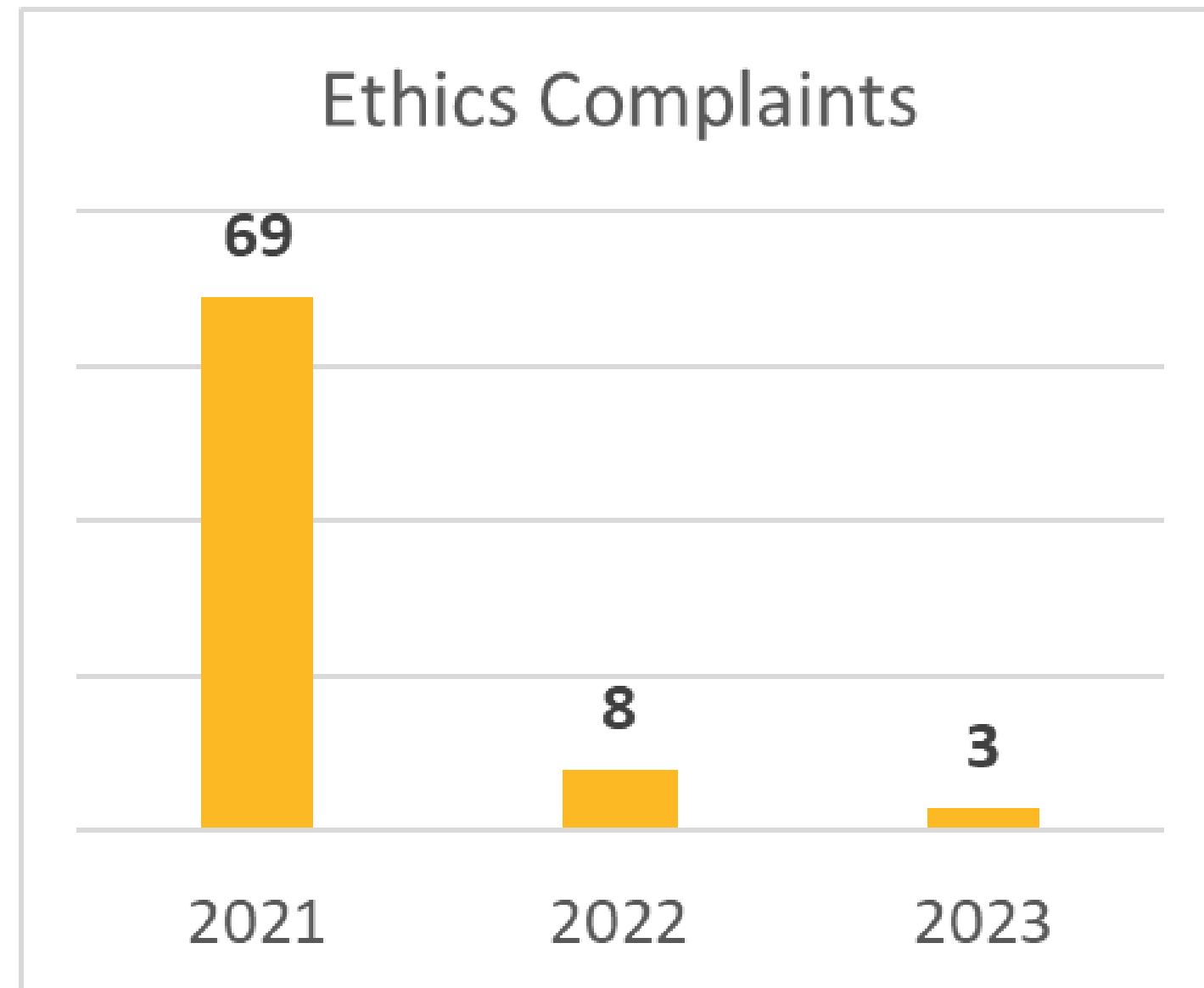
Management Action Plans

MAPs are City management’s response to audit findings and recommendations to mitigate risk. Management owns the plans and Internal Audit reports on the progress of the plans every quarter. The MAP numbers are dynamic. The number of MAPs DUE decreased as MAPS are COMPLETED, indicating that management are taking action to address recommendations. Conversely, the total of MAPs DUE increases when new MAPS are added.



The current MAP admin process is manual and time-consuming. Internal Audit is transitioning to a new software to automate MAPs admin freeing the auditors time for audit activities.

Ethics Hotline Report



The Ethics Hotline enhances and strengthens the City's governance structure. It reinforces the Council's expectations regarding rules of behaviour and emphasizes the values of the City.

Internal Audit provides summary information to the Audit Committee on a quarterly basis on any complaints received through the Ethics Hotline.



LOOKING AHEAD

2024 Deliverables and Projects



Risk-based audits

Develop and complete a risk-based 2024 Audit Work Plan



Staff Retention and Development

Continue to focus on staff retention and development to produce more effective audits



Quality Assurance

Develop a robust Quality Assurance & Improvement Program (QAIP) to align with the updated IIA Standards through enhancing internal audit processes



MAPs Automation

Automate the Quarterly Management Action Plans (MAPs) Follow-up Process



IT Audit Continuity

Increase IT audit capacity and build IT business continuity



SharePoint Redevelopment

Streamline and manage Internal Audit documentation and workflows

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Audits

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