

INTERNAL AUDIT 2020 ANNUAL REPORT



2020: Year at a Glance

2020 was a challenging yet rewarding year for the City's Internal Audit team. We navigated through uncharted territory (due to the COVID-19 pandemic), adhered to strict Public Health protocols, and managed to successfully conduct our audit engagements.

As the COVID-19 pandemic reached North America in the late winter, we had to quickly adjust to working from home. Thanks to technology, an adaptable and innovative team, along with cooperation and support from our colleagues throughout the City, the Audit team remained connected, engaged, and continued performing audit engagements. We were able to perform all of our audit work thanks to virtual meetings, electronic files, and a resilient City of Brampton team.

During the second half of the year, three new members joined our division, adding to our team's talent, skill set, and diversity. Having a full team allows us to utilize each team member's strengths and acquired knowledge, learn from one another, and achieve our goals.

The Audit team was able to participate in several virtual learning opportunities throughout the year. The City facilitated workshops and seminars on a wide range of topics, and audit specific professional organizations also hosted online conferences and webinars, where we were able to learn with our peers and continue to network. These learning days allowed us to strengthen our skills and remain up to date with best practices and emergencing trends.

The International Standards for the Professional Practice of Internal Auditing ("Standards") require an external assessment of the Internal Audit function to be performed every five years. The Institute of Internal Auditors (IIA) Standards are authoritative guidance for the internal audit profession, and are seen as a minimum standard in professional internal audit functions. We engaged KPMG to conduct this review, and received an overall rating of "Partially Conforms". These recommendations are being implemented and will allow Internal Audit to continue to strive towards becoming a trusted advisor and a valuable business partner.

We continued cultivating and fostering strong relationships with our peers throughout the City through various audits and consulting engagements as well as special projects.

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

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

Our Mandate

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

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

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

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

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

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

Independence and Objectivity

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

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

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

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

Internal Audit's independence is assured as a result of the following:

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

Our Accomplishments

2020 Audits Completed and Workplan Completion

We started 2020 with 13 planned and ongoing audits, of which 12 were completed. This represents 92% completion of the 2020 work plan. Two audit memos were issued in 2020 and full-scope audits of the respective business units are scheduled for a later date. The IT Assurance and Risk Management Audit and Cyber Maturity and Vulnerability Assessment were combined into the CyberSecurity Assessment.

Figure 1: Status of Audit and Consulting Engagements

Engagement	Status
Transit Operations	Completed
HR Employee Benefits (Phase 2)	In progress
Rose Theatre Operations	Completed
Contract Management	Completed
Building Design & Construction	Completed
P-Card Management	Completed
Segregation of Duties	Completed
Asset Management	Completed
IT Assurance and Risk Management	Completed
Cyber Maturity & Vulnerability Assessment	Completed
DCP Fleet	Completed
Data Architecture & Management	Audit Memo Issued. Full audit deferred.
Real Estate Management	Audit Memo Issued. Full Audit deferred to 2021.

Please visit our [webpage](#) or refer to appendix 1 to view the 2021 work plan.

Management Action Plans (MAP)

Divisions are required to provide a quarterly update to Internal Audit on the progress of implementing agreed-upon audit recommendations. We review the comments submitted by the client, and where necessary, the Director of Internal Audit will meet with management to discuss the respective progress and comments. The implementation status updates from management are reported to the Audit Committee on a quarterly basis.

At the end of 2020, 24 of 56 recommendations were completed and implemented by management. The remaining 32 recommendations are scheduled to be implemented throughout 2021 and early 2022. The majority of these 32 recommendations are not yet due, meaning their original target completion dates are scheduled for 2021. There are four

recommendations with initial target completion dates in 2020 that remain open pending the completion of software implementations, with expected completion in 2021 and 2022. Internal Audit will continue working with management to monitor their progress implementing the recommendations, and continue to update Audit Committee on the implementation status on a quarterly basis.

Figure 2: Status of Audit Recommendations as of December 31, 2020

Audit Report	Rating	Year	MAPs open Q4 2020	MAPs Due at Q4	As of December 31, 2020		
					Completed	Deferred	Not Yet Due
Building Permits		2017	1	1	-	1	-
Building Inspections		2018	1	1	-	1	-
Corporate Security		2018	1	1	1	-	-
IT Service Desk		2019	1	1	-	1	-
Mobile Phone Management Follow-Up		2019	4	4	4	-	-
Payroll Services		2019	10	10	10	-	-
Construction- Countryside Dr. Road Widening		2019	1	1	-	1	-
HR Recruitment Follow-Up		2019	2	-	-	-	2
Contracted Cleaning		2019	1	-	-	-	1
Review of Councillor Budget and Staffing Model	N/A	2019	2	2	2	-	-
Fleet Services		2019	1	1	-	1	-
HR Benefits (Phase 1)		2019	3	-	-	-	3
Rose Theatre Operations		2020	2	2	1	1	-
Asset Management		2020	3	2	-	2	1
Contract Management		2020	1	1	1	-	-
Segregation of Duties		2020	1	1	-	1	-
Transit Operations		2020	9	3	3	-	6
Cyber Security Assessment	N/A	2020	10	1	2	-	8
Building Design & Construction	N/A	2020	2	-	-	-	2
TOTAL			56	32	24	9	23

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

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



Emerging Themes from Completed Audits

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

Internal Audit reviewed the completed 2020 audits, and identified these recurring themes as opportunities for continuous improvement to be addressed by management.

Policies and Procedures

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

Having updated policies that reflect current practice provides greater transparency and ensures consistency of practice for all staff. In addition, having a methodology with which to review and update policies on a regular basis ensures that all policies remain relevant.

Preparedness of Management

In two instances, we were not able to conduct full scope audits, as management was not ready for such work to be completed. It is important to note that COVID-19 played a significant role in this, as did resource constraints. Internal Audit always wants to add value, and as such, we worked with management to identify areas of improvement, and issued audit memos, outlining our findings. Full scope audits of these respective business units are scheduled to be conducted in the 2021 workplan.

Fraud Prevention and Awareness

As part of the City of Brampton's commitment to protecting its assets and to the principles of accountability, transparency, honesty, and respect, the Corporation has established a framework to prevent, detect, and report incidents of fraud, and a process to investigate and report on fraudulent acts. This initiative reflects the City's ongoing efforts to demonstrate our commitment to responsible, sound, and ethical operating practices. The Fraud Prevention Policy and the Fraud Hotline are components of this framework. They complement other existing policies, which, taken together, are intended to support and strengthen our commitment to the City's Corporate values (courage, trust, compassion, and integrity), to promote and maintain a high level of integrity of our employees so that they feel empowered to do the right thing, and to ensure the City's assets are protected.

The City's Fraud Prevention Hotline was established in July 2016 to provide all City staff with a convenient, secure, confidential, and anonymous way to report possible incidents of fraud. The City uses an independent third-party service provider to manage its Hotline.

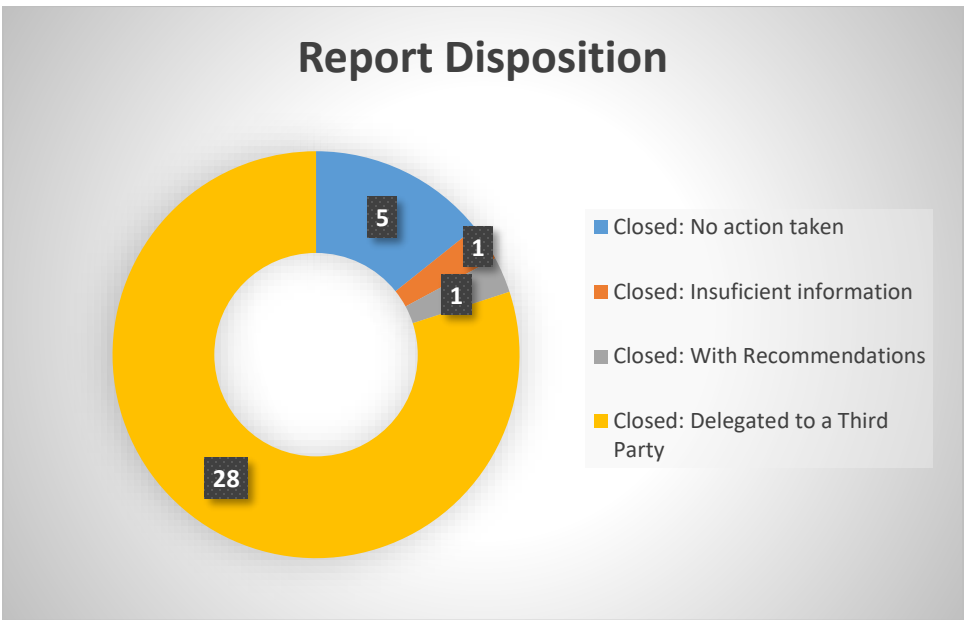
Between the launch of the Fraud Hotline and December 31, 2020, there has been a total of 77 reports received through the Fraud Hotline. In 2020, 35 reports were received through the web portal, which represents a 94% increase from the 18 reports received in 2019.

After analysis, none of the reports were related to monetary fraud, misuse of City assets, and/or theft. The following provides a breakdown of the disposition of the 35 reports:

- 28 complaints (similar in nature) were referred to a third party investigator and the reports are now closed;
- No action was taken for 5 complaints after initial assessment and were then closed;
- 1 complaint was investigated by Internal Audit recommended process improvements were made to management and then closed; and,
- 1 complaint was closed due to insufficient information.

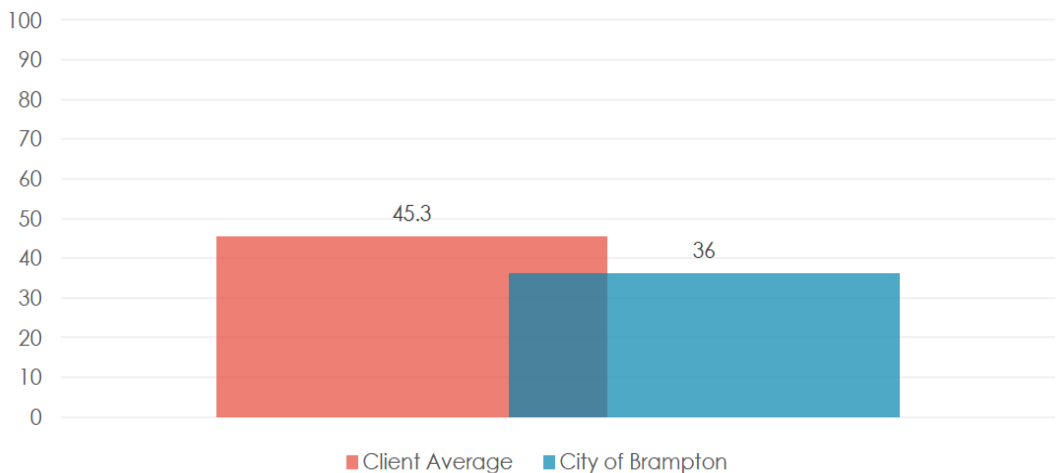
The following figure provides a summary of the 2020 reports by disposition.

Figure 3: Report Disposition

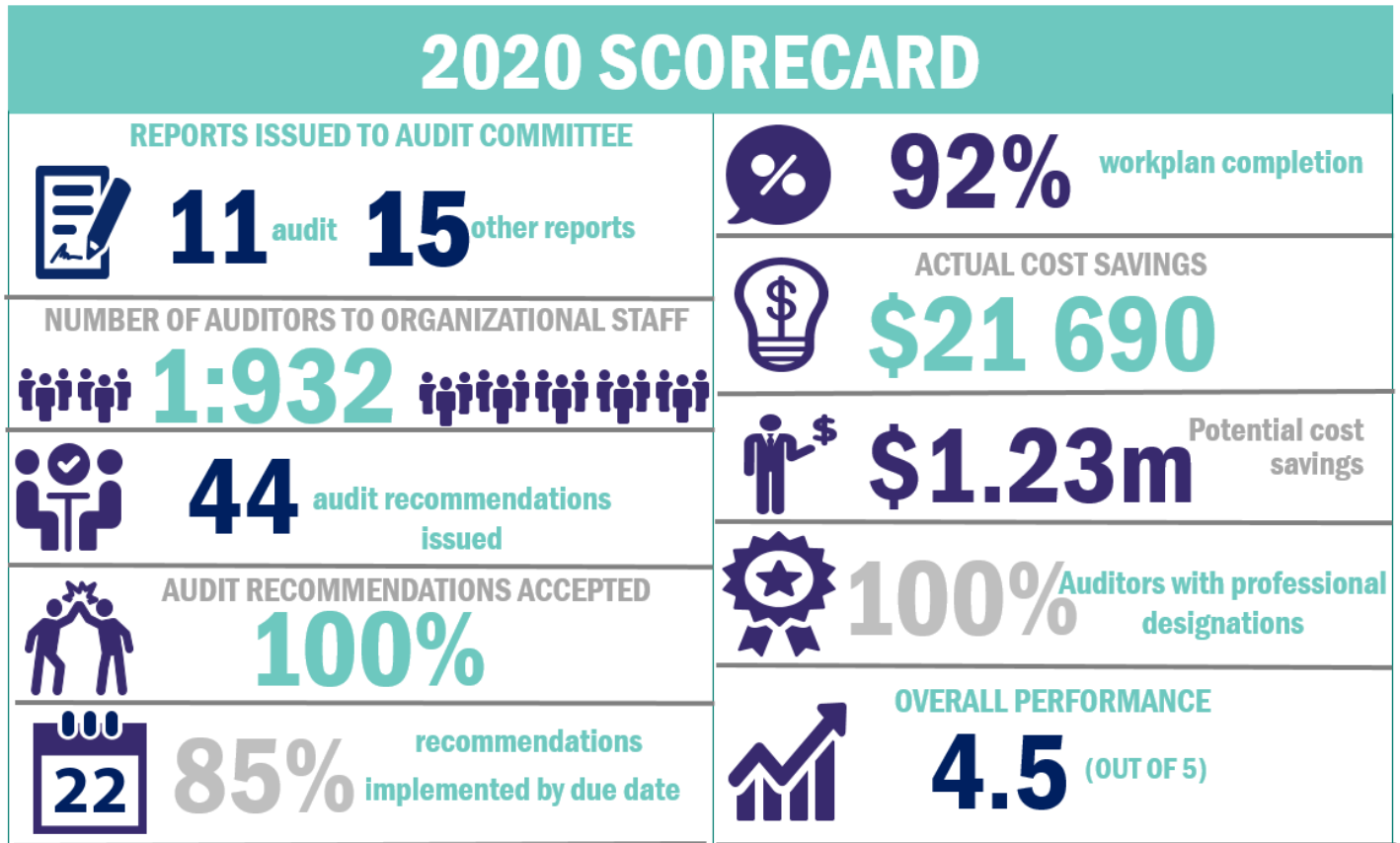


The Fraud Hotline service provider also provided Internal Audit with a benchmarking report, consisting of some other Canadian municipalities (Clients) for the period January 1, 2020 to December 31, 2020. Figure 4 shows that the number of reports received in 2020 was 45.3 on average for other clients, whereas for the City the number was 36 during the same time period.

Figure 4: Number of Reports Received Compared to Other Clients



Internal Audit Scorecard



APPENDIX 1: INTERNAL AUDIT 2021 WORKPLAN

Engagements
Corporate Governance (incl. anti-corruption & money laundering policies)
Executive Expenses
Vendor Performance
Economic Development Division
Emergency Spending Review
Transit (Follow-Up)
Contract Management- Snow Removal
Real Estate Management
Corporate Facility Management & Operations
IT Vendor Management
IT Infrastructure & Cloud Management
Project Assurance- IT Management Action Plans
Project Assurance- CLASS Migration to A2G
Project Assurance- Implementation of Video Court Appearances



APPENDIX 2: CRITERIA FOR AUDIT REPORTING

The audit report rating is intended to provide management with an indication of the overall status of internal controls and processes in the audited area. The audit report rating is based on Internal Audit's overall assessment of the significance of issues identified during the audit process, and in conjunction with professional judgement also considers the following:

1. Design and effectiveness of internal controls, processes, procedures, policies, and systems.
2. Compliance with policies, standard operating procedures, and other requirements (i.e. legal, regulatory, accounting, contractual).
3. Quality of the data and information provided by management and related systems.
4. Efficiency of systems, processes and procedures.

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.
Enhancement Required	<ul style="list-style-type: none"> - A few key control weaknesses were noted that require enhancements to better support objectives and manage risks. - One Priority 2 finding 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**

- 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 Corporate Leadership Team is required immediately.
- Follow-up of such audit findings by Internal Audit would be of high priority.



APPENDIX 3: CRITERIA FOR EVALUATING AUDIT FINDINGS

<p>Priority 1 (P1)</p> <p><u>One or more</u> of the following conditions exist that require <u>immediate attention of the Corporate Leadership Team</u>. 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 risks and/or financial loss. - One or more of the following conditions is true: i) management failed to identify key risks; ii) management failed to implement processes 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><u>One or more</u> 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><u>One or more</u> 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.



