



THE REGIONAL MUNICIPALITY OF PEEL

AUDIT AND RISK COMMITTEE

AGENDA

ARC - 1/2018

DATE: Thursday, February 1, 2018

TIME: 11:00 AM – 12:30 PM

LOCATION: Regional Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

MEMBERS: C. Fonseca; F. Dale; G. Miles; K. Ras; R. Starr; A. Thompson

Chaired by Councillor Fonseca or Vice-Chair by Councillor Ras

1. DECLARATIONS OF CONFLICTS OF INTEREST

2. APPROVAL OF AGENDA

3. DELEGATIONS

3.1. **Stephen VanOfwegen, Commissioner of Finance and Chief Financial Officer, Region of Peel**, Presenting the 2016 Government Finance Officers Association Canadian Award for Financial Reporting to Corporate Finance Staff

4. REPORTS

4.1. Facility and Occupant Services Audit (For information)
Presentation by Cheryl Remm, Manager, Facility and Occupant Services, Real Property Asset Management and Sean Lee, Senior Internal Auditor

4.2. 2017 Fraud Information (For information)

4.3. Revised 2017 Internal Audit Risk Based Work Plan (For information)

4.4. 2018 Internal Audit Risk Based Work Plan
Presentation by Jennifer Weinman, Manager, Internal Audit

5. COMMUNICATIONS

6. IN CAMERA MATTERS

7. OTHER BUSINESS

8. NEXT MEETING

April 19, 2018, 11:00 a.m. - 12:30 p.m.
Council Chamber, 5th Floor
Regional Administrative Headquarters
10 Peel Centre Drive, Suite A
Brampton, Ontario

9. ADJOURNMENT

FOR OFFICE USE ONLY

Meeting Name:

Audit and Risk Committee

Meeting Date : DD/MM/YY **01/02/2018**

Request Date :DD/MM/YY **18/12/2017**

Main Departmental Contact Information

Name **Monique Hynes** Department **Corporate Services**

Division **Corporate Finance** Section **Accounting** Ext. **4212**

Award Presentation Information

Provide a brief summary of the nature/purpose of the award presentation

The Region of Peel Finance Department has been awarded the Canadian Award for Financial Reporting from the GFOA for the 2016 Community for Life Report. This is the 17th consecutive award from GFOA and it is the highest form of recognition for excellence in governmental accounting and financial reporting.

Provide a list of all participants

Name **Steve VanOfwegen, S.Nagel, Monique Hynes, S.Calandra, E.Song, T.Lindley, L.Tomlinson, D.Tung & R.Lyons**

Title **Region of Peel, Finance Staff**

Organization **Region of Peel**

Name

Title

Organization

Provide details of what is to be presented (Photo, Award, Cheque, Plaque, etc.)

Plaque will be presented

Describe the format of your presentation (Power Point, DVD, VHS, Display, etc.)

None

* If the presentation is Power Point will it be provided in hard copy Yes No

* If you replied YES to the above, please prepare your handouts as follows:

- Two slides per page, double-sided, stapled, three-hole punched, 45 copies
- Provide the material, at a minimum, the day before the meeting to Legislative Services

Will there be a photo opportunity? Yes No

Who have you contacted in Communication Services regarding this award presentation?

Name Ext.

Will circulation of any materials to Councillors at the time of the presentation be required? Yes No

If YES please specify (i.e. pens, cups, brochures)

Note: Delegations to Council shall be limited to speaking no more than five minutes in accordance with Section IV-4 of the Region of Peel Procedure By-law 100-2012. For further information, please contact your **Legislative Services representative**.

For Information

DATE: January 22, 2018

REPORT TITLE: **FACILITY AND OCCUPANT SERVICES AUDIT**

FROM: Michelle Morris, Director, Internal Audit

OBJECTIVE

To inform the Audit and Risk Committee of the results of the Facility and Occupant Services audit.

REPORT HIGHLIGHTS

- Facility and Occupant Services provide various property and facility operations management support services which enable the day-to-day operation of buildings and the delivery of programs in a safe, timely, and effective manner.
- The audit focused on assessing whether management has implemented effective and efficient controls, processes, and procedures to ensure that service objectives are achieved.
- Effective formal controls in the areas of preventative maintenance planning and monitoring, regulatory compliance monitoring, and documentation for incident response and records retention are not in place.
- Management has restructured the section and prior to the commencement of the audit had begun undertaking a number of initiatives to standardize and formalize controls and to more effectively manage risks.
- Opportunities to standardize and formalize controls were identified in four main areas:
 - Develop a preventative maintenance plan (operations) including defined standards of service.
 - Enhance preventative maintenance activity monitoring and performance measurement.
 - Enhance the oversight and monitoring of maintenance and repair work performed.
 - Formalize the documentation of processes and procedures.
- Management has developed action plans and time lines to address the risks identified in this report.

DISCUSSION
1. Background

The 2017 Internal Audit Risk Based Work Plan included an audit of the Facility and Occupant Services section in the Real Property and Asset Management division.

Facility and Occupant Services ('Facilities') role is to deliver various property and facility operations management support services which enable the day-to-day operation of

FACILITY AND OCCUPANT SERVICES AUDIT

buildings and the delivery of programs in a safe and effective manner. This is achieved by effectively maintaining and preserving buildings and equipment; responding to requests for repairs and other services; as well as supervising third party vendors that provide various services including maintenance and repairs.

Sites managed by Facility and Occupant Services include Regional offices at 10 Peel Centre Dr. Suites A and B; 7120 Hurontario St.; Peel Art Gallery Museum and Archives; as well as all reporting and satellite locations for Peel Paramedic Services. The asset values for the portfolio currently managed total approximately \$285 million. Facility management services are also provided at various leased property sites including Public Health Clinics.

Prior to the audit, a number of changes to the team structure were implemented within the Facility and Occupant Services section:

- The section was recently restructured with a focus on strengthening asset management best practices while supporting the needs of the various program partners. Staff are now working in a matrix environment where activities are inter-dependent but with clarified roles.
- The new role of Property Integration Manager provides programs with high level advisors who are experts in facility management. Property Integration Managers are accountable for facility operations and managing client relationships and the full integration of asset management services.
- The newly created Technical Services team has accountability for comprehensive preventative maintenance programs; legislative compliance; health and safety practices; vendor and contract management; as well as the technical standards to manage the Region's assets most effectively and maintain program business continuity.

2. Audit Objective

The objective of this audit was to assess whether management has implemented effective and efficient controls, processes, and procedures to reasonably ensure that facility related support services are delivered in a safe, timely, and effective manner.

- Assessing the management of preventative maintenance services, repair services, and other service requests.
- Assessing the management of compliance with relevant building laws and regulations.
- Assessing the management of property and operations safety and security requirements and practices.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

3. Audit Observations and Management Response

Effective formal controls in the areas of preventative maintenance planning and monitoring; regulatory compliance monitoring; and documentation for incident response and records retention are not in place. As discussed above; management has restructured the section

FACILITY AND OCCUPANT SERVICES AUDIT

and prior to commencement of the audit had begun undertaking a number of initiatives to establish and formalize controls and to more effectively manage risks. One completed initiative is the development and implementation of the 'Contractor Safety Program for Operations' in collaboration with Health and Safety within the Human Resources division.

Opportunities to standardize and formalize controls were identified in four areas.

a) Develop a Preventative Maintenance Plan (Operations) Including Defined Standards of Service

A preventative maintenance plan should be in place to determine asset maintenance priorities and manage the activities performed including expected maintenance projects and requirements. Currently staff maintain their own schedules of required maintenance based on their discipline, for example the building automation specialist or the building operations technician. As a result, there is a risk that required operational maintenance work may not be appropriately prioritized and completed on a timely basis. Further, equipment and system failures may occur which could impact the activities of employees and the services delivered to the public.

Documented standards of service and specifications help ensure that services are delivered consistently and in-line with operating and regulatory requirements and client needs. A comprehensive consolidated set of documented and effectively communicated standards of service and specifications for key services performed currently does not exist. As a result, there is a risk that services may not be delivered consistently and in accordance with standards of service and client needs potentially impacting work environments; service delivery; compliance with regulations; response times; and cost.

Management Response

Preventative maintenance plans will be formalized by portfolio to schedule activities, provide reminders, and to track work that is completed. Service expectations, specifications, and standards will be documented and communicated. Service Level Agreements will define program and facility management responsibilities. These actions are expected to be completed by March 2019.

b) Enhance Preventative Maintenance Activity Monitoring and Performance Measurement

Accurate and timely data on the preventative maintenance activities planned and performed should be available for monitoring and measurement purposes. Facilities management currently has minimal preventative maintenance activity monitoring and performance measures available to effectively and accurately schedule and track maintenance status, history, and cost. Existing systems either do not have the required functionality or the functionality is not being used to effectively and efficiently track and monitor work order and asset related data in a formal and systematic manner.

There is a risk that management may not be able to effectively assess whether repairs and other service requests have been completed efficiently and effectively and in accordance with requirements including standards; regulations; and contract terms. Delays may occur responding to preventative and demand work orders. Urgent and other repairs may not be completed resulting in unsafe conditions.

FACILITY AND OCCUPANT SERVICES AUDIT**Management Response**

Processes are being implemented to capture timely and accurate data on preventative operational maintenance activities planned and performed. Consistent work order creation, monitoring, and measurement will include cost; time to perform work; repair activities; and date completed. In the near term, this information will be recorded in the existing legacy system including preventative maintenance activities aligned to operational service contracts; costs of completed work with details; and prioritization. This full action plan is expected to be completed by December 2018.

The Region is currently conducting a business assessment to upgrade the Asset Management System for the corporation including a technology solution to automate facility management activities. Facility and Occupant Services will be one of the sections using the new system when it becomes available.

c) Enhance the Monitoring and Oversight of Maintenance and Repair Work Performed

An appropriate monitoring system should be in place to help ensure that scheduled and purchased maintenance and repairs are carried out in accordance with standards and expectations. There are limited processes in place to formally and consistently monitor that internally completed and purchased maintenance and repair work are carried out in accordance with defined standards and contract terms. There is no formal inspection protocol or physical record to support that the maintenance and repair work was performed. There is the risk that work performed may not adhere to required quality standards; or may not comply with the work order and contract specifications.

Management Response

Management is developing processes and procedures including inspections to ensure that internally performed and purchased maintenance and repairs are completed in accordance with defined standards and contract terms. Standard operating procedures and formal checklists for quality of workmanship will be completed by December 2018.

d) Formalize the Documentation of Processes and Procedures**• Regulatory Compliance Monitoring and Control**

Protocols should exist to help ensure that the receipt of notification of changes to legislation, laws, and regulations is consistent, and that any changes made as a result are documented and responded to consistently. Currently there is no systematic process to receive and handle notifications. Regulatory agencies send new legislation notifications to different employees through various means in an inconsistent manner including through industry connections and associations. As a result, the notification of revised or new regulatory requirements may be missed or delayed resulting in possible non-compliance.

FACILITY AND OCCUPANT SERVICES AUDIT**Management Response**

A formal protocol will be developed to receive, process, report and maintain information related to regulatory and legislative compliance. A centralized repository has been created to facilitate this. This action is expected to be completed by March 2018.

- **Incident Response Procedure Documentation**

Documented procedures should be in place to help ensure that incident responses are handled in a safe and effective manner. There are currently minimal documented procedures including protocols for handling unusual events. As a result, processes may not be performed consistently including safely and effectively to respond to various incidents and emergencies.

Management Response

Documented procedures and practices will be put in place to ensure incident responses are handled in a safe and effective manner. This action is expected to be completed by September 2018.

- **Health & Safety Incident and Inspection Record Retention**

All health and safety related records of incidents and inspections including inspections by governing regulatory authorities, contractors, and Regional health and safety committees should be retained in a centralized repository. There are currently limited formal health and safety procedures clarifying record retention. In addition, there is no analysis of incident and inspection results for trending. As a result, trends in health and safety incident and inspection results may not be promptly identified and addressed resulting in potential impacts to the workplace and the service delivery to clients.

Management Response

Procedures and practices will be put in place to document and maintain a record of all required safety inspections performed internally and by contractors and by governing regulatory authorities. Centralized repositories will store all incident and inspection reports. This action is expected to be completed by September 2018.

- **Critical Equipment and Parts Availability Protocol**

Formalized processes and procedures should be in place for the timely provision of equipment and parts to perform critical maintenance and repairs. There is currently no formal inventory of equipment and parts in place, or alternately a formal approach to ensure quick access to such items in order to respond to critical maintenance and repair situations. As a result, critical equipment and parts may not be available for quick remediation, and lengthy delays may occur in obtaining the necessary replacements.

FACILITY AND OCCUPANT SERVICES AUDIT**Management Response**

Standard operating procedures will include what critical parts are available by local vendors or what additional parts should be stocked based on a risk assessment. This action is expected to be completed by March 2019.

CONCLUSION

Management has not implemented effective formal controls in the areas of preventative maintenance planning and monitoring, regulatory compliance monitoring, and documentation for incident response and records retention. Management has restructured the section and prior to the commencement of the audit had begun undertaking a number of initiatives to establish formalized controls and to more effectively manage risks. Opportunities exist to further standardize and formalize controls in four areas.

Management has developed action plans to address the audit observations noted in this report. Internal Audit has reviewed the action plans and feels comfortable they will address the risks noted during the audit. Internal Audit will follow up on the status of management action plan implementation and report back to the Audit and Risk Committee as part of the annual follow up process in 2019.



Michelle Morris, Director, Internal Audit

Approved for Submission:

D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Michelle Morris, Director, Internal Audit. Ext. 4247, michelle.morris@peelregion.ca

Authored By: Jennifer Weinman, CPA, CA, CIA, CRMA and Sean Lee, CPA, CGA, CIA, CISA, CGAP, CRMA, PMP



Facility and Occupant Services Audit

Cheryl Remm,
Manager Facility and Occupant Services
Sean Lee,
Senior Internal Auditor



Background

- Main role - provide various property and facility operations support services which enable the day-to-day operation of buildings and delivery of programs in a safe and effective manner.
- Key services include:
 - Effectively maintaining buildings and equipment
 - Responding to requests for repairs and other services
 - Managing the services provided by third-party vendors

Background

- Sites managed include:
 - 10 Peel Centre Drive Suites A and B
 - 7120 Hurontario Street
 - Peel Art Gallery Museum and Archives facility
 - Peel Paramedic Services reporting stations and satellite stations
 - Public Health Clinics

Background

- Prior to commencement of the audit, management:
 - Restructured the section with focus on strengthening asset management best practices including creation of high level facility expert advisor roles and new technical services team
 - Began undertaking number of actions to standardize and formalize controls and more effectively manage risks

Audit Objective and Scope

- To assess whether management has implemented effective controls to manage the provision of facility related program services including:
 - Preventative maintenance services, repair services, and other service requests
 - Compliance with relevant building laws and regulations
 - Property and operations safety and security requirements and practices

Audit Observations

- Opportunities to standardize and formalize controls were identified in four key areas:
 - Preventative maintenance plan
 - Preventative maintenance activity monitoring and performance measurement
 - Oversight and monitoring of maintenance and repair work performed
 - Documentation of processes and procedures

Audit Observations

1. Develop a preventative maintenance plan including defined standards of service
 - Preventative maintenance plan to determine asset maintenance priorities and manage the activities performed
 - Documented standards of service and specifications to ensure that services are delivered consistently and in-line with operating and regulatory requirements and client needs

Audit Observations

2. Enhance preventative maintenance activity monitoring and performance measurement
 - Processes and controls to provide accurate and timely data on the preventative operational maintenance activities planned and performed
 - Appropriate systems and tools to perform data tracking and monitoring.

Audit Observations

3. Enhance the monitoring of maintenance and repair work performed
 - Consistent monitoring system to help ensure that scheduled and purchased maintenance and repairs are carried out in accordance with standards, expectations, and contract requirements

Audit Observations

4. Formalize the documentation of processes and procedures
 - Critical equipment and parts availability protocol
 - Regulatory compliance monitoring and control
 - Health and safety record retention
 - Incident response documentation and record retention

Management Action Plans

- Develop a preventative maintenance plan including defined standards of service:
 - Service expectations, specifications and standards will be documented, formalized by portfolio, and communicated
 - Service Level Agreements will define program versus facility management responsibilities and levels of service

Management Action Plans

- Enhance preventative maintenance activity monitoring and performance measurement:
 - Formalize preventative operational maintenance plans using the database to schedule activities, provide reminders and track work that is completed
 - Implement processes and controls to capture and record preventative maintenance activity details and provide timely data

Management Action Plans

- Enhance the monitoring of repair maintenance work performed:
 - Strengthen documented contract management practices for vendor oversight and quality checklists to ensure scheduled and purchased maintenance and repairs align to standards, expectations and contract requirements
 - Additional information will be recorded in the database including preventative maintenance activities aligned to operational service contracts, costs of completed work with details and prioritization

Management Action Plans

- Formalize the documentation of processes and procedures:
 - Conduct a risk assessment to identify critical parts and implement procedures to ensure availability
 - Expand the Quality Management System and include protocol
 - Refine procedures and practices to maintain a record of all required safety inspections performed internally, by Contractors or governing regulatory authorities
 - Implement practices to ensure incidents are managed in a safe and effective manner and retained in a centralized repository
 - Develop additional emergency response measures in partnership with Regional Emergency Management and Workplace Health

Conclusion

- Internal Audit has reviewed the management action plans and is satisfied they will address the risks identified.
- Internal Audit will follow up and report back to the Audit and Risk Committee on the status of management action plans.

Thank you!



For Information

DATE: January 23, 2018

REPORT TITLE: **2017 FRAUD INFORMATION**

FROM: Michelle Morris, Director, Internal Audit

OBJECTIVE

To provide the members of the Audit and Risk Committee with information to respond to fraud related enquiries from the external auditor.

REPORT HIGHLIGHTS

- The external auditors are required to obtain feedback from members of the Audit and Risk Committee on their perception of fraud risk, fraud allegations and anti-fraud programs at the Region of Peel.
- Internal Audit conducted a survey on fraud risk and fraud allegations to assist the members of Audit and Risk Committee to respond to the enquiry from the external auditor.
- Ninety-four per cent of survey respondents agreed there are effective controls and oversight that may detect or prevent fraud in their areas of responsibility, and 84 per cent agreed risk of fraud in their areas are low.
- There were three reported fraud allegations during 2017, one of which was confirmed.

DISCUSSION

1. Background

The external auditors are required by their professional standards to gather feedback from members of the Audit and Risk Committee on their perception of fraud risk, fraud allegations and anti-fraud programs at the Region.

The Audit and Risk Committee Charter (July 2015) outlines the role of the Committee that includes:

- Review the results of the annual fraud survey on fraud risk and fraud allegations.
- Respond to the external auditor's questions related to the Committee's view of the fraud risk, fraud allegations and the Committee's role in the Region's anti-fraud program.

Our external audit firm Deloitte LLP will be asking members of the Audit and Risk Committee questions related to the following:

- Their views of the risk of fraud at the Region.
- Their knowledge of any actual, suspected or alleged fraud incidents.

2017 FRAUD INFORMATION

- The role that the Audit and Risk Committee exercise in the oversight of management fraud prevention programs.

Internal Audit conducted a fraud risk survey across the organization to gather the information to assist the members of Audit and Risk Committee to address the external auditor's questions.

2. Survey Results and Analysis

A definition of fraud can be found in the Region's Fraud Prevention policy (G00-22):

"Fraud is an act of using dishonesty as a tool for personal gain. Fraud includes any misuse or attempt to misuse the Region's assets for personal gain or purpose unrelated to the Region's business."

a) Results

A total of 47 Directors and two Managers were surveyed and we received a 100 per cent response rate. Three questions were asked in the survey. The results are as followed:

1. There is a high risk of fraud occurring in my area of responsibilities.
 - Disagree: 86 per cent
 - Agree: 14 per cent
2. There are effective controls and oversight that will detect or prevent fraud in my area.
 - Agree: 94 per cent
 - Disagree: 6 per cent
3. Has there been any actual suspected or alleged fraud in your area over the past year?

Three respondents indicated on the survey that there was an allegation in their area. Internal Audit followed up on the allegations with management. As a result of that follow up, there was one confirmed fraud allegation. Details of the confirmed allegation and outcomes of the investigation are in the section that follows.

b) Analysis

Seven respondents indicated they agree there is a high risk of fraud occurring in their area of responsibility, all oversee areas with significant financial transactions. These areas have an inherently higher risk of fraud occurring by virtue of these financial transactions. In all cases, those respondents indicated, in response to the second survey question, they agree there are effective controls and oversight in their area that will detect or prevent fraud.

There were three respondents to the second survey question who indicated they disagree there are effective controls and oversight in place in their area of responsibility that will detect or prevent fraud. There is an inherently lower risk of fraud occurring in

2017 FRAUD INFORMATION

these areas due to the nature of the services provided. As such, it is reasonable to see that fraud controls may not be as heightened in these areas.

3. 2017 Confirmed Fraud Allegation InformationScrap Inventory Misappropriation

There was an allegation that scrap metal from Regional job sites was sold and the proceeds were being held in the personal bank account of an employee. An investigation into the matter confirmed that the proceeds from the sale of scrap were being held in an employee's personal account. The practice of selling scrap and the proceeds being used to fund staff lunches and flowers for staff who lost family members has been on-going for several years. Funds of approximately \$2,500 were returned to the Region in September 2017. Management has addressed the employee matter and has commenced work on action plans to strengthen controls over the disposal of scrap metal.

CONCLUSION

The 2017 fraud risk survey results captured in this report provide members of Audit and Risk Committee the information related to fraud risk and fraud allegations at the Region of Peel in order to meet the requirements of the external audit.



Michelle Morris, Director, Internal Audit

Approved for Submission:


D. Szwarc, Chief Administrative Officer

For further information regarding this report, please contact Michelle Morris, at ext. 424 or michelle.morris@peelregion.ca

Authored By: Lynn Guo, MBA, CMA (US), CIA and Jennifer Weinman, CPA, CA, CIA

For Information

DATE: December 6, 2017

REPORT TITLE: **REVISED 2017 INTERNAL AUDIT RISK BASED WORK PLAN**

FROM: Michelle Morris, Director, Internal Audit

OBJECTIVE

To inform the Audit and Risk Committee of the changes to the approved 2017 Internal Audit Risk Based Work Plan.

REPORT HIGHLIGHTS

- The 2017 Internal Audit Risk Based Work Plan was approved at the February 2, 2017 Audit and Risk Committee.
- The Committee is responsible for reviewing the status of the approved Work Plan due to changes occurring throughout the year.
- Internal Audit is responsible to communicate changes to the Audit and Risk Committee for review and approval.
- Having the flexibility to amend the plan provides Internal Audit with the opportunity to address risks and issues as they arise.

DISCUSSION
1. Background

The Audit and Risk Committee Charter states that the Committee is responsible to approve the Internal Audit Risk Based Work Plan (Work Plan) recommended by the Director of Internal Audit and to review the status of the approved Work Plan. As per the *International Standards for the Professional Practice of Internal Auditing* (Professional Standards), Internal Audit has a responsibility to “communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval”.

The 2017 Internal Audit Risk Based Work Plan was approved at the February 2, 2017 Audit and Risk Committee meeting. Internal Audit noted the Work Plan as presented may need to be amended based on risks and issues that occur during the year. Outlined in the report of the Director, Internal Audit, titled “Revised 2017 Internal Audit Risk Based Work Plan” are the changes to the approved Work Plan.

2. Revised Plan Highlights and Comments

At the time the 2017 Work Plan was developed, Internal Audit was fully resourced. Subsequently in 2017, two permanent staff members retired and one contract staff returned to their home position which had an impact on our ability to deliver the Work Plan as intended. Also, the Digital Strategy audit consumed a greater portion of staff time than originally planned.

REVISED 2017 INTERNAL AUDIT RISK BASED WORK PLAN

The Internal Audit division has completed or is in the process of completing nine projects from the 2017 Internal Audit work plan.

Listed below are the specific changes to the approved 2017 work plan:

Projects Deferred/Cancelled

- Environmental Health – was cancelled. Results of the preliminary assessment determined that the End-to-End Public Health Practice Strategic Priority may have a significant impact on Environmental Health's broader approach to meeting its objectives. This priority combined with upcoming regulatory changes made an audit less practical in 2017.
- Long-term Water Forecasting Model – was cancelled. Results of the preliminary assessment determined that the risks associated with the use of the model to forecast for capital construction planning was lower risk than initially understood. As a result, this audit was cancelled to prioritize audit resources to higher risk areas.
- Payroll - was deferred. Based on the results of the preliminary survey it was determined that due to shifting priorities in Payroll, this audit would provide more value if conducted at a later date.

CONCLUSION

Having the flexibility to amend the approved 2017 Work Plan was necessary in order to address emerging risks and issues that occurred throughout the year. Internal Audit will continue to update the Audit and Risk Committee each year with significant changes that occur to the approved Work Plan in accordance with Professional Standards.



Michelle Morris, Director, Internal Audit

Approved for Submission:


D. Swarc, Chief Administrative Officer

APPENDICES

Appendix I - Revised 2017 Internal Audit Risk Based Work Plan

*For further information regarding this report, please contact Michelle Morris, x4247.
 Authored By: Michelle Morris, CPA, CGA, FCCA, CIA, CRMA and Lorraine Bradbury Moore*

**APPENDIX I
REVISED 2017 INTERNAL AUDIT RISK BASED WORK PLAN**

Table 1 – Status of 2017 Work Plan Projects

Strategic Plan Area of Focus	Audit Project	Status
Living (People’s lives are improved in their time of need)	Long Term Care	Completed
	Childcare Fee Subsidies	Completed
	Ontario Works	In progress
Thriving (Communities are integrated, safe and complete)	Heart Lake Community Recycling Centre Contract Review	Completed
	Environmental Health	Cancelled
	Residential Property Management	In progress
	Water Billing System	To be started in 2018
	Long-term Water Forecasting Model	Cancelled
Leading (Government is future-oriented and accountable)	Digital Strategy	Completed
	Peel Living Procurement	Completed
	Use of Employment Agencies	In progress
	Sewer Inspection and Collection Process	To be started in 2018
	Payroll	Deferred
	Facility Management	Completed
	Construction Project Management – Real Property Assets Management	To be started in 2018

DATE: January 22, 2018

REPORT TITLE: **2018 INTERNAL AUDIT RISK BASED WORK PLAN**

FROM: Michelle Morris, Director, Internal Audit

RECOMMENDATION

That the 2018 work plan as outlined in the report of the Director, Internal Audit, titled “2018 Internal Audit Risk Based Work Plan” be approved;

And further, that the Director, Internal Audit has the authority to change the plan and will report back to the Audit and Risk Committee.

REPORT HIGHLIGHTS

- The 2018 Internal Audit Risk Based Work Plan was developed based on risk assessment information gathered from various sources.
- The 2018 Work Plan has been aligned with the Term of Council Priorities and Region’s Strategic Plan.
- The 2018 Work Plan will remain dynamic and flexible to address emerging risks and issues throughout the year.
- Internal Audit is able to independently and objectively carry out the audit projects identified in the 2018 Work Plan.
- The 2018 Work Plan is intended to provide Audit and Risk Committee and senior management reasonable assurance that controls are working as intended in the areas audited.

DISCUSSION

1. Background

Internal Audit has a responsibility in accordance with the *International Standards for the Professional Practice of Internal Auditing* (‘Standards’) to develop an annual work plan that reflects the current and emerging risks within the Region. The 2018 Risk Based Work Plan (Work Plan) was developed in alignment with the Region’s strategic goals, and sets the priorities of Internal Audit activities for 2018.

Internal Audit commenced the planning process in the summer of 2017 by interviewing Executive Leadership Team members and selected Directors. Information collected in these interviews was the major source of information that formed the Work Plan. A comprehensive risk assessment framework was applied to prioritize risks identified in developing the Work Plan.

2018 INTERNAL AUDIT RISK BASED WORK PLAN

The 2018 Work Plan will remain flexible to allow for new in-year requests. Changes to the Work Plan may be required as risks and issues unfold during the year. Internal Audit will update the Audit and Risk Committee and the Executive Leadership Team of changes to the Work Plan as required in the Internal Audit Charter and the *Standards*. The *Standards* require review and adjustment of the Work Plan in response to changes in the business, risks, operations, programs, systems, and controls; and that the changes relative to the Work Plan be reported.

Details of the Work Plan are presented in Appendix I. There are three tables in Appendix I:

- Table 1 is the audit projects identified that will commence in 2018. Rationale and risks associated with the projects are presented in the Table;
- Table 2 presents projects that have been started in 2017 and will be concluded in 2018; and,
- Table 3 outlines other services that Internal Audit provides and the descriptions of these services.

2. 2018 Internal Audit Risk Based Work Plan Highlights and Comments

The audit projects in the 2018 Work Plan have been aligned with the Term of Council Priorities and Region's Strategic Plan. This alignment ensures audits will be conducted on programs and services where associated risks are higher.

In addition to conducting audit projects; Internal Audit also sets aside time in the Work Plan to:

- Respond to requests for control advice;
- Follow up on outstanding management action plans;
- Conduct investigations as needed;
- Promote and advance the fraud prevention program; and,
- Participate in advisory and governance committees.

Based on existing resources; Internal Audit will be able to independently and objectively carry out the audit projects presented in the 2018 Internal Audit Risk Based Work Plan.

RISK CONSIDERATIONS

The 2018 Internal Audit Risk Based Work Plan has been developed using the best available information at the time of development. Inherently, there is a risk that the 2018 Work Plan may not include time for auditing a high risk area of the Region of Peel. As discussed, the 2018 Work Plan is flexible and will be adjusted should such a situation come to Internal Audit's attention.

CONCLUSION

The 2018 Internal Audit Risk Based Work Plan was developed in alignment with the Region's strategic goals and sets the priorities for Internal Audit activities for 2018. The 2018 Work Plan is intended to provide Audit and Risk Committee and senior management reasonable assurance that controls are working as intended in the areas audited.

2018 INTERNAL AUDIT RISK BASED WORK PLAN



Michelle Morris, Director, Internal Audit

Approved for Submission:



D. Szwarc, Chief Administrative Officer

APPENDICES

Appendix I - 2018 Internal Audit Risk Based Work Plan

For further information regarding this report, please contact Michelle Morris x4247.

Authored By: Jennifer Weinman, CPA, CA, CIA, CRMA and Sean Lee, CPA, CGA, CIA, CISA, CGAP, CRMA, PMP

APPENDIX I
2018 INTERNAL AUDIT RISK BASED WORK PLAN

Table 1 – 2018 Work Plan Projects

Strategic Plan Area of Focus	Audit Project	Last Time Audited	Rationale and Risk
Leading (Government is future-oriented and accountable)	Purchase Card Usage	2009	<p>Rationale: Purchase cards facilitate low value purchases and help ensure timely payment to suppliers. The Regional Purchase Card program facilitates the business of Regional programs and services. Effective monitoring and management of purchase card activity ensures that purchasing is conducted within the Regional Purchasing By-law.</p> <p>Risk: Without a periodic review of purchase card usage, there is a risk that purchasing practices may not be in compliance with the Regional Purchasing By-law.</p>
	Water Billing System	N/A	<p>Rationale: A new and enhanced water billing system was deployed in 2015. The system is used to bill water and wastewater charges for residents and businesses in the Region. Effective January 2016, the Region began collecting storm water charges on behalf the City of Mississauga. It is important that customer information is managed properly and water revenue is collected accurately and timely.</p> <p>Risk: Without effective controls in place, there is a risk that customers may be billed incorrectly and / or payment may be incorrect or delayed.</p>
	Construction Project Management	N/A	<p>Rationale: The Construction Project Management section of the Real Property Asset Management division provides contract and project management services for Regional owned facilities and Peel Living buildings. Their services include contract and project management of facility planning, development, and construction. The team manages the scope and budget for each contract to ensure completed facilities meet operational requirements.</p> <p>Risk: Without effective controls in place, there is a risk that construction projects may not efficiently and effectively meet operational standards and requirements.</p>

**APPENDIX I
2018 INTERNAL AUDIT RISK BASED WORK PLAN**

Strategic Plan Area of Focus	Audit Project	Last Time Audited	Rationale and Risk
	Energy Management	N/A	<p>Rationale: The Office of Climate Change and Energy Management was formed to build upon the various climate change and energy management initiatives happening across the Region, and to integrate the work towards achieving outcomes. The Office of Climate Change and Energy Management is working with all departments to ensure that energy measures are effectively integrated and implemented into decision making. There is an opportunity to review whether the goals related to the management of the Region's energy consumption are being achieved.</p> <p>Risk: Without effective strategy and controls in place to manage the process, there is a risk that the objectives of the program may not be achieved.</p>
	Development Charge Collections	2013	<p>Rationale: Development charges are collected in accordance with the Region of Peel Development Charges By-law 46-2015. Each of the area municipalities collect and remit development charge collections in accordance with the By-law and agreed to terms of the municipality's Memorandum of Understanding. Development charges assist in financing capital projects required to meet the increased need for infrastructure resulting from growth and development.</p> <p>Risk: Without effective practices and controls, there is a risk that the Region's portion of Development Charge collections is not effectively managed and all funds appropriately remitted.</p>
Thriving (Communities are integrated, safe, and complete)	Traffic Signal Operations and Maintenance Service Agreements	2010	<p>Rationale: In 2013, the Region entered into a Traffic Signal Operations and Maintenance Agreement with each of the cities of Brampton and Mississauga. Ultimate responsibility for the operation of the signals remains with the Region. The Agreements outline the extent to which the Region will oversee the day-to-day operations of the Area Municipalities and provides a system of checks and balances to ensure that certain legal standards are met and maintained.</p> <p>Risks: Without effective controls in place to manage and oversight these Agreements, there is the risk that services delivered may not meet the Region's expectations including standards and requirements.</p>

APPENDIX I
2018 INTERNAL AUDIT RISK BASED WORK PLAN

Strategic Plan Area of Focus	Audit Project	Last Time Audited	Rationale and Risk
	Roads Operations and Maintenance	2010	<p>Rationale: Roads Operations and Maintenance serves the residents and businesses of Peel Region through the responsible and effective management of 1,578 lane kilometres of arterial road systems in Brampton, Mississauga and Caledon. Paved maintenance activities performed include new installations, hard surface repairs, shouldering, as well as maintenance strip repair and installation. There is an opportunity to assess whether processes and controls are working effectively.</p> <p>Risk: Without effective controls in place, there is the risk of excess costs and overspending; poor quality work; as well as contract and vendor management oversight gaps.</p>
	Sewer Inspection and Collection Process	2008	<p>Rationale: The Environmental Control section enforces the Region's Wastewater By-Law 2010. The focus of this Bylaw is to protect the natural environment and the wastewater treatment plants from the adverse effects of discharged material such as toxic chemicals, high alkalinity wastewater, oil or gas spills, and other detrimental material. The discharge of materials into the wastewater system in the Region must be in compliance with the By-law. There is an opportunity to review whether the processes and controls are working effectively.</p> <p>Risk: Without effective controls in place, there is a risk that detrimental materials may be released to the wastewater system. Industries may not be in compliance with the By-law.</p>

APPENDIX I
2018 INTERNAL AUDIT RISK BASED WORK PLAN

Table 2 – 2017 Audit Projects to Be Concluded in 2018

Strategic Plan Area of Focus	Audit Project	Last Time Audited	Audit Objectives /Rationale and Risk
<p>Living (People's lives are improved in their time of need)</p>	Ontario Works	2011	<p>Rationale: The Region on behalf of the Province provides financial assistance to eligible families and individuals. The system used for managing the program was replaced with a new system in 2014. The Community Access division established a peer group to support and address the challenges and risks associated with the new system. There is an opportunity to review whether measures put in place are effective in mitigating the associated risk.</p> <p>Risk: The objectives of the program may not be achieved without effective mitigating strategy and controls to manage the system related risks.</p>
	Residential Property Management	N/A	<p>Rationale: The Peel Housing Corporation currently provides residential and facility services to 71 residential properties, two transitional housing residences and three emergency shelters across the Region and supports the facilities needs of Human Services staff. The Region of Peel's audit group provides audit services to Peel Housing Corporation. There is an opportunity to review the processes and practices in place to manage the large portfolio of properties.</p> <p>Risk: Ineffective and inefficient processes and practices may impact the quality of services provided to facility residents.</p>
<p>Leading</p>	Use of Employment Agencies	2010	<p>Rationale: Employment agencies are often retained across the organization to enhance the workforce. There is an opportunity to review whether Regional policies are followed when retaining employment agencies and whether invoices from the agencies are accurate.</p> <p>Risk: There is risk that the Region's interest may not be protected should Regional policies not be followed when retaining employment agencies and when approving invoices.</p>

APPENDIX I
2018 INTERNAL AUDIT RISK BASED WORK PLAN

Table 3 – Other Audit Related Services

Strategic Plan Area of Focus	Audit Service	Description
Leading	Advisory Services	<p>Risks and issues emerge and evolve throughout the year. Internal Audit sets aside time to handle special projects, assignments and advisory work. The objective is to be proactive by addressing client needs on the front-end.</p> <p>In addition, Internal Audit may be asked to sit in on committees or provide education and training as a way to provide proactive control advice to management.</p>
	Consulting - Internal Controls in Selected Human Services Programs	Performing consulting work to help management strengthen internal controls on selected higher risk and higher dollar value provincially funded programs.
	Follow-up on Internal Audit Reports	Audit staff follows up on outstanding audit observations and management action plans from audit reports that have been previously reported to the Audit and Risk Committee.
	Fraud Prevention Program	This service is to advance and promote the fraud prevention program as defined in the Fraud Prevention Policy. The Director, Internal Audit has the lead responsibility for advancing, promoting and educating the organization about the fraud prevention program.
	Investigation	The Region is committed to protecting its revenue, property, proprietary information and other assets from any misuse or misappropriation of those assets. It is the Region's intent to fully investigate any suspected acts of 'fraud' as defined in Fraud Prevention Policy. The Director, Internal Audit has the lead responsibility for conducting fraud related investigations.



2018 Internal Audit Risk Based Work Plan

Jennifer Weinman,
Manager, Internal Audit
Region of Peel



Background

- Internal Audit Standards provisions:
 - Annual work plan reflects the current and emerging risks within the Region
 - Audit and Risk Committee reviews and approves work plan
 - Audit and Risk Committee and Executive Leadership Team updated of changes to work plan

Background (continued)

- 2018 Work Plan aligns with Region's Strategic Plan and sets the priorities for Internal Audit activities for 2018
- 2018 Work Plan will provide reasonable assurance that controls are working as intended in the areas audited
- Changes to 2018 Work Plan may occur as risks and issues develop during the year and as new in-year requests are made

Background (continued)

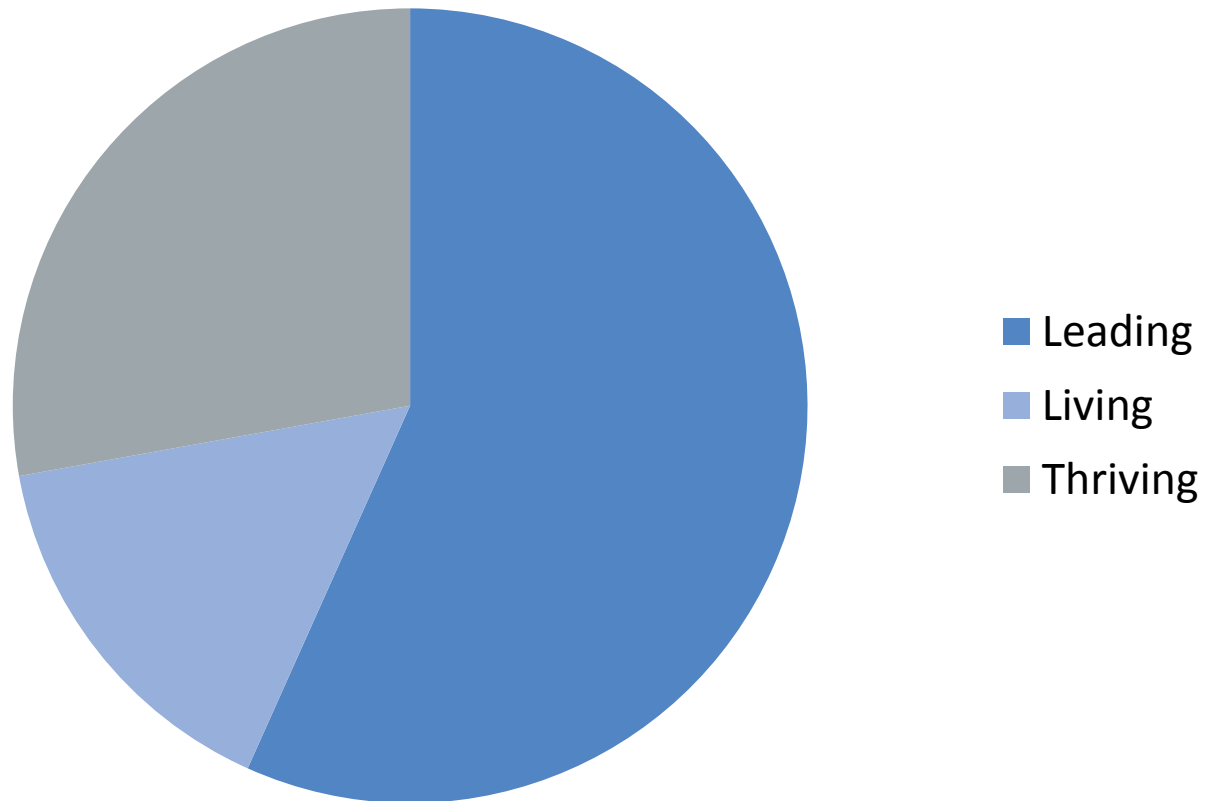
- Development of 2018 Work Plan involved interviews with commissioners and selected directors to identify risks
- Comprehensive risk assessment framework was applied to prioritize risks identified

2018 Work Plan Projects

- 2018 Work Plan includes:
 - Projects identified that will commence in 2018
 - Projects that have been started in 2017 and will conclude in 2018
 - Other types of services that Internal Audit provides

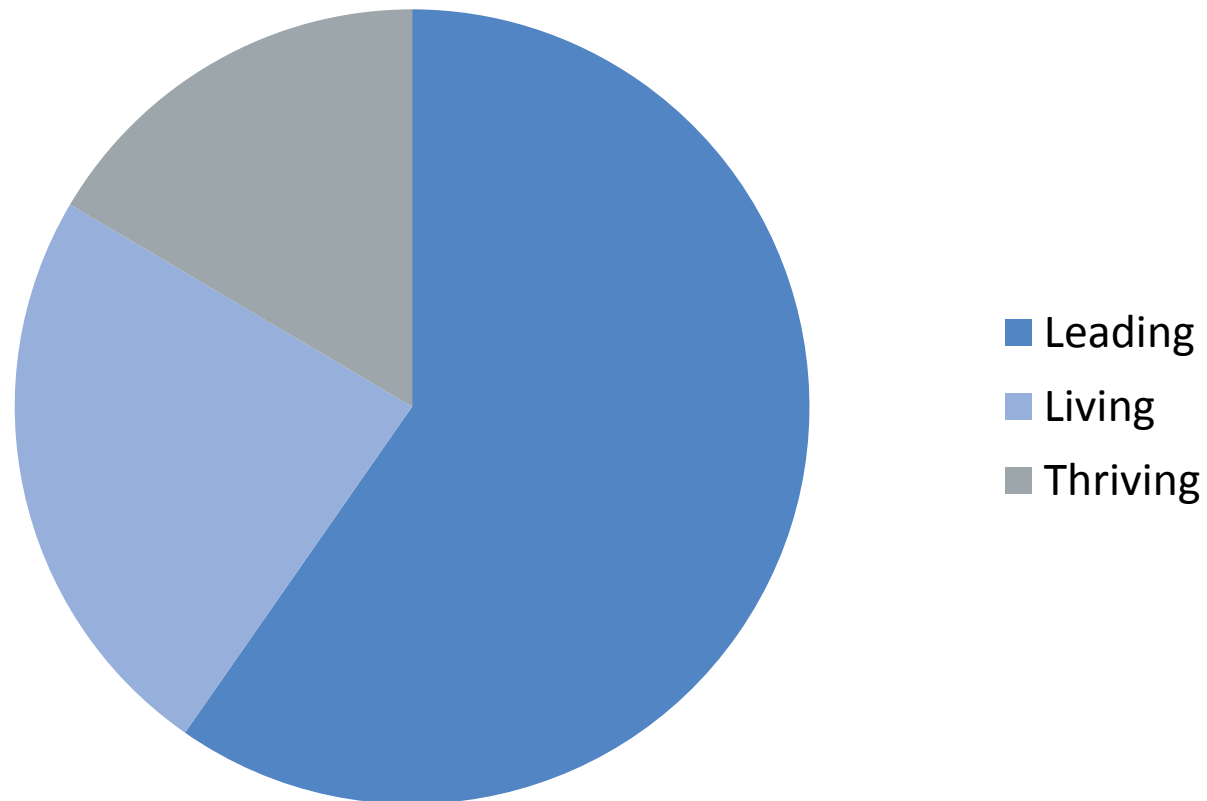
2018 Work Plan Alignment with Strategic Plan

- Time Allocated to 2018 Audit Projects



2016 – 2018 Work Plans Alignment with Strategic Plan

- Time Allocated to 2016 - 2018 Audit Projects



Conclusion

- Detailed planned audit projects are outlined in the report appendix
- Audit projects will cover higher risk areas identified
- Internal Audit has sufficient resources to carry out 2018 Work Plan independently and objectively

Thank you!

