Agenda
Audit Committee

3rd Meeting of the Audit Committee

November 15, 2023, 12:00 PM

Council Chambers - Please check the City website for additional meeting detail information. Meetings can be viewed via live-streaming on YouTube and the City Website.

The City of London is situated on the traditional lands of the Anishinaabek (AUh-nish-in-ah-bek), Haudenosaunee (Ho-den-no-show-nee), Lūnaapéewak (Len-ah-pay-wuk) and Attawandaron (Add-a-won-da-run).

We honour and respect the history, languages and culture of the diverse Indigenous people who call this territory home. The City of London is currently home to many First Nations, Métis and Inuit today.

As representatives of the people of the City of London, we are grateful to have the opportunity to work and live in this territory.

Members

Deputy Mayor S. Lewis (Chair), P. Cuddy, S. Stevenson, J. Pribil, I. Cheema

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Pages

City of London

Updated Risk-Based Internal Audit Plan

November 15, 2023

MNP Wherever business takes you

PRAXITY

Internal Audit Plan Update Process

- MNP updated the City's Internal Audit Plan through a collaborative approach with City Management and input from members of the Audit Committee.

- MNP spoke with members of the Audit Committee, SLT and select members of Management and during these meetings with organizational leaders, MNP facilitated a discussion on key risk areas, gaining an understanding of the City's risks, the status of these risks and completing an analysis of each risk to assist with determining the overall significance of each risk item.

- Additionally, MNP reviewed key City documentation and conducted a review of applicable information from comparable municipalities and public sector organizations, as well as leading literature.

Internal Audit Plan Update Process *cont.*

- Audits planned in response to the risk assessment were prioritized based on a range of factors relevant to the operations of the City.

- In addition to our understanding arising from interviews, documentation review and leading practices, factors considered included:

  - If the area is auditable or not.

  - Audit Committee and Senior Leadership priorities.

  - The results of recently conducted internal audits within each risk area.

  - Major changes expected within the next few years, such as IT and systems, legislative or process changes.

  - Historical or topical issues within each risk area.

- This culminated an updated Risk-Based Internal Audit Plan.

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Internal Audit Plan FY 2023

Audit	Type	Risk	Scope	Timing
Accessibility	Compliance	The City does not appropriately comply with the requirements of the Accessibility for Ontarians with Disabilities Act ("AODA").	Assess the City's compliance with the AODA and the standards defined in the Integrated Accessibility Standards Regulation ("IASR") in order to provide an overview of gaps in compliance, the associated risks with non-compliance, and recommendations for improvement.	Q4 2023

Internal Audit Plan FY 2024

Audit	Type	Risk	Scope	Timing
Emergency Management	Compliance	The City's emergency management program is not appropriately designed, operational and sustained.	Assess the procedures and controls in place related to the City's emergency management process. Elements of business continuity, disaster recovery and cyber incident response will be considered including an evaluation of end-user requirements.	Q1 2024
HRIS Readiness Assessment	Readiness Assessment	HRIS implementation does not achieve the desired objectives and outcomes, resulting in operational inefficiencies.	Current state assessment of the preparedness for the implementation of the HRIS, including a review of the implementation plan. The assessment will focus on evaluating whether project objectives are being met, desired outcomes are on track to be achieved, efficacy of project management and identify lessons learned to support successful implementation.	Q1 2024
Municipal Affordable Housing Development	Value for Money	Projects and funding associated with affordable housing through the Municipal Housing Development Program have not delivered value to the citizens of the City of London as intended.	A review to understand if the Municipal Housing Development Program and associated processes and funds were administered with due regard for economy and efficiency and determine if desired outcomes were effectively achieved.	Q2 2024
Anti-Racism Anti-Oppression (ARAO)	Compliance	The City has not made the desired/anticipated progress related to its Anti-Racism Anti-Oppression program.	A review of the City's progress towards implementation of its ARAO framework and policies.	Q2 2024
Privacy	Compliance	The possibility of direct or indirect impacts to operations, resulting from inadequate or failed internal processes and systems, lack of appropriate safeguards, issues related to staff and/or external events relating to privacy around the collection, storge, adaption, alteration, disclosure and dissemination of data.	Review of processes for the collection, use and disposal of personal identifiable information and an evaluation of the design and operating effectiveness of in scope/relevant privacy practices and controls.	Q3 2024
Climate Emergency Action Plan	Compliance	The City has not made the desired/anticipated progress against the action items within the Climate Emergency Action Plan, resulting in operational and reputational impact.	A review of the City's progress against actionable items within the Climate Emergency Action Plan.	Q4 2024

Internal Audit Plan FY 2025

Audit	Type	Risk	Scope	Timing
Creating a Safe London for Women and Girls	Compliance	The City has not made the desired/anticipated progress related to its Creating a Safe London for Women and Girls initiative.	A review of the City's progress towards the execution of its Creating a Safe London for Women and Girls initiative.	Q1 2025
Continuous Improvement	Compliance	The City's Continuous Improvement Program is not aligned with the strategic framework and implementation plan.	An assessment to determine the efficiency and effectiveness of the Continuous Improvement Program, including tools and controls in place to support people, processes and customers such as enterprise-wide training, tools and techniques, standard practices, improvement methodologies, and benefits analysis.	Q2 2025
Homelessness	Value for Money	The City is not obtaining optimal outcomes to commensurate with the investment made into the Hubs Implementation Plan.	An assessment to determine if the City is realizing value from the investment made into the Hubs Implementation Plan, specifically considering whether the hubs have assisted the highest acuity individuals to move safely indoors, stabilize, access supports and become sustainably housed.	Q3 2025
Service London	Value for Money	The City is not obtaining maximum return of investment from the Service London service.	A review to understand if key processes of Service London are effective and delivering the appropriate return and value for the City, considering economy and efficiency.	Q3 2025
Community Improvement Plans (CIPs)	Value for Money	The City is not obtaining optimal return of investment from Community Improvement Plans (CIPs).	A review of Community Improvement Plans (CIPs) incentives to assess value for money and determine the effectiveness of the CIPs. Select CIPs will be selected for assessment (depending on size and complexity).	Q4 2025

Internal Audit Pool

Additional audits that were identified during the risk assessment process have been placed in an audit pool and can be considered as alternatives to proposed audits. These audits and can also be considered for future years.

Audit	Type	Risk	Scope
Procurement	Compliance	The City is not compliant in following procurement practices for the purchasing of services, products or resources, resulting in possible fraud, quality, cost and delivery risk.	Review of procurement practices to test compliance to policies and the effectiveness of controls in place to ensure vendors are appropriately approved, authorized, onboarded and terminated.
Project Management	Compliance	Inconsistent and ineffective use of project management processes for the delivery and management of projects, resulting in undesired outcomes (e.g., delays, overtures, project outcomes not being delivered).	An assessment to determine the efficiency and effectiveness of the project management processes across the City, including methodologies, tools, controls and training in place for project planning, execution and reporting.
Performance Measurement	Compliance	Performance metrics are not aligned with corporate goals and the controls around performance measurement and reporting, including information collection, analysis and reporting have not been designed adequately and are not operating effectively, resulting in inaccurate, incomplete and unclear data being reported.	An assessment of the City's performance metrics and frameworks to ensure alignment with corporate strategies and goals. The assessment will support determine whether the City has the data and tools to appropriately evaluate the efficiency and effectiveness of its performance, including a review of the data and tools used, and controls in place to ensure data for performance standards is accurate, valid, reliable and transparent.
Fire Vehicles	Value for Money	The City is not obtaining maximum return of investment from its fire vehicles fleet.	A review to understand if City funds have been/are being spent with due regard for economy and efficiency to help determine if there is an opportunity to change the current fire vehicle model (i.e., electrification).

MEMO TO   : City of London – Audit Committee

FROM   : MNP LLP

SUBJECT   : Briefing Note From Internal Audit

DATE   : November 15, 2023

- MNP are in the reporting phase of the Cyber Security Audit, in which MNP reviewed the City's cyclical cyber security activities and identified certain areas for improvement. The results of the audit are being actively discussed with City management and key stakeholders and are being validated to ensure accuracy and adequate coverage. This audit report will be presented to the Audit Committee in early 2024.

- MNP is in the planning stages of the Accessibility Audit. This audit will look to assess the City's compliance with the AODA, and the standards defined in the Integrated Accessibility Standards Regulation ("IASR") in order to provide an overview of gaps in compliance, the associated risks with non-compliance, and recommendations for improvement. This audit report will be presented to the Audit Committee in early 2024.

- MNP conducted an enterprise-wide risk assessment which was underpinned by speaking with members of the Audit Committee, Senior Leadership Team and select members of City management. During these meetings with organizational leaders, MNP facilitated a discussion on key risk areas, gained an updated understanding of the City's risks and the status of these risks. Furthermore, MNP reviewed strategic documentation including existing assurance materials and applicable information from comparable municipalities as well as leading literature to inform an updated risk based internal audit plan. This revised risk based internal audit plan is to be presented today for Audit Committee approval.

City of London
Audit Committee Meeting
November 15, 2023
Internal Audit Follow Up Activities Dashboard

Internal Audit Follow Up Activities as of November 1, 2023

A strong indicator of an effective internal control environment is the timeliness with which Management addresses reported control deficiencies. On a quarterly basis, MNP will conduct an audit follow-up process to ensure internal audit findings have been effectively remediated through the implementation of related Management action plans on a timely basis.

There are nineteen (19) recommendations from issued audit reports that were followed up on during this quarter. Nine (9) Management action items were closed, and ten (10) Management action items are on track to be completed by their respective due dates.

- Fire Process Assessment – Three (3) Medium Risk Observations
- Fleet Allocation & Utilization Management Assessment – One (1) Medium Risk Observations
- Advanced Traffic Management System (ATMS) Project Review – One (1) Medium Risk Observation
- Neighbourhood Decision Making Program Value for Money ("VfM") Audit – Seven (7) Medium Risk Observations
- Asset Retirement Obligations ("ARO") Audit – Five (5) Medium Risk Observations
- Recruitment and Selection Audit – Two (2) Medium Risk Observations

Remediation Status Legend

On Track For Completion	Delayed	Critical Delay/Deviation

Open Management Action Plans

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
	Fire Process Assessment				
1	**Key Performance Indicators ("KPI")** The Records Management System (RMS) implementation team has the KPIs that should be utilized. These data capturing requirements will be built into the RMS processes. This will provide the ability to run reports as needed. This enhancement is contingent on the completion of the RMS and the ability of personnel to log data appropriately. Please note, if this recommendation requires updates or enhancements to the current RMS system vendor, from either an ITS perspective and/or service area perspective, Civic Administration will take this project through the next multi-year ITS and budget approval processes.	Medium	**Original Due Date:** December 2022 **Revised Due Date #1:** September 2023 **Revised Due Date #2:** November 2023 **(Completed).**	Closed	Management action item has been completed. Due to program delays with the current RMS, KPI data is now being collected into Excel which will enable annual reports to be produced.
2	**Condition Based Vehicle Assessments** We recommend implementing policies and procedures to require and drive the completion of condition assessments in conjunction with maintenance data, that will support the Corporate Asset Management Plan and Fire Department Financial Capital Planning. This initiative is twofold. Firstly, there is the need to align policies and procedures to the actions that will be undertaken within the current Records Management system. Secondly, the RMS implementation team has the KPIs that should be utilized. These data capturing requirements will be built into the current RMS processes. This will provide the ability to run reports as needed. This enhancement is contingent on the completion of the current RMS system and the ability of personnel to log data appropriately. Please note, if this recommendation requires updates or enhancements to the current RMS system, from either an ITS perspective and/or service area perspective, Civic Administration will take this project through the next multi-year ITS and budget approval processes.	Medium	**Original Due Date:** December 2022 **Revised Due Date #1:** September 2023 **Revised Due Date #2:** November 2023 **(Completed).**	Closed	Management action item has been completed. Due to program delays with the current RMS, fleet data is now being collected into Excel which will enable annual reports to be produced. These reports are being utilized to extrapolate asset condition of the fleet on an annual basis.

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
3	**Preventative Maintenance, Productivity, and Inventory** Maintenance: The RMS system modules for mechanic productivity improvement, telematics data (once available) and KPIs should be used to drive maintenance effectiveness and productivity and help address the balance of reactive and preventive maintenance. Parts Inventory: We recommend implementing a policy and supporting process to track parts inventory and required parts on hand (minimum stock holdings for example). This initiative is twofold. Firstly, there is the need to align policies and procedures to the actions that will be undertaken within the Records Management system. Secondly, the RMS implementation team has the KPIs that should be utilized. These data capturing requirements will be built into the RMS processes. This will provide the ability to run reports as needed. This enhancement is contingent on the completion of the RMS and the ability of personnel to log data appropriately. The implementation of this recommendation is also contingent on the additional resources requested through the next multi-year budget process.	Medium	**Original Due Date:** December 2022 **Revised Due Date:** September 2024 **(Completed).**	Closed	Management action item has been completed. Due to program delays with the current RMS, maintenance, productivity, and inventory data is now being collected into Excel which will enable annual reports to be produced. As the Parts/Stores Technician position has been integrated into the Apparatus Division, time for mechanics is being freed up to allow them to perform work on vehicle needs instead of sourcing parts.

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
	Fleet Allocation & Utilization Management Assessment				
1	**Improve Productivity/Reduce Costs** **Automation of Work Orders/General Productivity and Operator Damage** Develop a submission to the Technology Investment Strategy Committee through the designated process. A work order automation business case request will be submitted for consideration as part of the next intake of the Technology Investment Strategy as ITS support will be required. Should this project be prioritized to proceed with technology support, it will be submitted as a business case for consideration as part of the next Multi-Year Budget process. Continue to work closely with Driver Safety and Compliance. Establish a task team of key service area reps to meet regularly to discuss driver safety, trends, training, programming, and compliance issues. Develop a full telematic strategy that includes the required human resource support required to analyze data. Make recommendation on telematics strategy to Director of Fleet and Facilities and subsequently bring forward to CWC committee. Explore a PM maintenance program that utilizes telematics data to support the planned maintenance and service schedules. **Asset Pool Program** Develop and implement a gradual vehicle pool program in certain vehicle classes utilizing learned experiences from other municipalities.	**Medium**	Driver Safety Task Team to be developed and in place by **April 2022** (**Completed**). Work order automation and telematics – Feasibility and Recommendations to Director of Fleet and Facilities **December 2022** (**Completed**). Telematic Strategy – Meet with stakeholders and Driver Safety and Compliance and continue expansion of the telematics program in the interim. Full telematics strategy and policy developed for **December 2023**.	**On Track for Completion**	Management is on track to complete their action plan by the documented due date.

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
	Advanced Traffic Management System (ATMS) Project Review				
1	**No Process for Benefits Realization Management Including Baselining and Quantification of Benefits** Quantification of benefits realization are an ongoing challenge of the ATMS project both due to ever-changing, dynamic nature of transportation systems and, most recently, the impacts of COVID which show increased positive benefits due to decreased travel demands. However, opportunities will be sought to demonstrate the ATMS benefits through specific improvement initiatives including the Adaptive Corridor Pilot, corridor timing improvements, and transit priority through typical metrics such as travel time and reliability indexes and transit schedule adherence. The ATMS is a nexus point of many tools that will be realized under the overall TIMMS program.	Medium	Corridor timing improvements metric to be implemented by **June 2023 (Completed).** Adaptive corridor pilot metric and transit priority metric to be implemented by **Original Due Date:** June 2023 **Revised Due Date:** December 2023	**On Track for Completion**	Management is on track to complete their action plan by the documented due date. Management has started collecting transit schedule adherence data from the ATMS which will be used to determine the transit signal priority ("TSP") metric. Adaptive corridor pilot metric is currently under development.
	Neighbourhood Decision Making Program Value for Money ("VfM") Audit				
1	**Tracking the Effectiveness of Implemented Ideas/Projects** The success of ideas post implementation should be measured, where practical. The frequency, type and nature of analysis can vary depending on the implemented idea. Both qualitative and quantitative analysis should be utilized to help determine if desired outcomes have been accomplished. As an example, to determine the effectiveness of an implemented idea, the City could utilize factors such as: • Measuring resident attendance or usage (i.e., for park playgrounds, benches, skate parks, community electric vehicle charging stations, etc.). • Tracking social media engagement (i.e., reviewing hashtags for locations/implemented ideas). • Performing resident surveys to obtain their opinions on the implemented idea. • Measuring community safety metrics (i.e., after installation of streetlights and traffic signs).	Medium	March 2025	**On Track for Completion**	Management is on track to complete their action plan by the documented due date.

| 2 | **Consolidation, Formalization and Documentation of Key NDM Program Processes and Templates**

An overarching framework outlining the end-to-end process of the NDM Program should be developed. This framework should outline the key roles and responsibilities of each key stakeholder.

Key processes should also be documented within a procedural manual and should outline the detailed steps of each process and the responsibilities of staff. This information should be communicated and accessible to relevant staff.

A 'version control' section should be included within the framework and procedural manual. This section should cover the following information:

• Owner;
• Approver;
• Date of approval;
• Date issued;
• Date effective;
• Date of last change;
• Description/rationale of changes;
• Frequency of Review (e.g., annually, biennially); and,
• Date of next review.

In addition, templates should be created to ensure key processes are standardized. For example, the following factors should be considered when creating a template for documenting the feasibility analysis performed on a resident's idea:

• Assessment of the competency and capability of the service area to implement the idea including assessing resource capacity.
• Assessment of the idea against guiding principles of the Program.
• All potential expenditures including the following:
    o Costs for implementing an idea;
    o Ensuring each stated cost for implementing an idea are tied back to a responsible party;
    o Potential increase in costs due to market conditions such as inflation, supply chain etc.; and,
    o Lifetime maintenance costs.
• Approvals from the following key parties:
    o The SME and key members of City Management. | Medium | **Original Due Date:**
August 2023

Revised Due Date:
September 2023
(Completed). | Closed | Management action item has been completed.

The NDM Procedural Manual and applicable templates have been finalized and were approved by the Director of Community Development and Grants, Neighbourhood and Community-Wide Services (NCWS) on October 19, 2023. |

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
3	**Idea/Project Feasibility Analysis and Documentation of Approvals** Anticipated lifetime maintenance costs should be taken into consideration when determining the feasibility of a resident's idea. In addition, idea feasibility approvals should be documented from the following key parties: • The SME and key members of City Management. These approvals can be documented within the template for recording the feasibility analysis performed on a resident's idea as noted in Recommendation #4.	Medium	**Original Due Date:** August 2023 **Revised Due Date:** September 2023 (**Completed**).	Closed	Management action item has been completed. The NDM Procedural Manual which provides guidance regarding the consideration of maintenance costs and idea feasibility approvals was approved by the Director of Community Development and Grants, Neighbourhood and Community-Wide Services (NCWS) on October 19, 2023.
4	**Cancellation Contingencies for Implementing an Idea/Project** The City should establish a contingency which allows it to reserve the right to cancel and/or amend the implementation of a winning idea if factors pertaining to implementing the idea were to substantially change. This contingency should be displayed on the City's website and residents should be made aware of this contingency when submitting their ideas and when being notified of a winning idea.	Medium	March 2024 (**Completed**).	Closed	Management action item has been completed. The NDM Procedural Manual which provides guidance regarding the establishment of a cancellation contingency was approved by the Director of Community Development and Grants, Neighbourhood and Community-wide Services (NCWS) on October 19, 2023.
5	**NDM Program Status Update Report** A standardized status update report should be established, updated, and distributed to key stakeholders at a regular frequency. The following Program information is an example of what can be considered when creating the status update report: • Number of ideas received; • Number of ideas currently in feasibility analysis; • Pending approvals on feasibility for a resident's idea; • Number of ideas determined to be feasible and unfeasible; • Social media metrics; • Program health (i.e., on track, experiencing some delays or experiencing significant delays); and, • Potential risks.	Medium	**Original Due Date:** August 2023 **Revised Due Date:** September 2023 (**Completed**).	Closed	Management action item has been completed. The NDM Procedural Manual which provides guidance regarding the weekly status report has been finalized and was approved by the Director of Community Development and Grants, Neighbourhood and Community-Wide Services (NCWS) on October 19, 2023.

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
6	**External Cloud Based Platform and User Limitations** The City should consider performing a cost/benefit analysis to help determine whether another system may be more suitable to help administer and manage key processes of the NDM Program.	**Medium**	December 2023	**On Track for Completion**	Management is on track to complete their action plan by the documented due date. Delivery of training for the current system is on track to be completed and system enhancements are being reviewed.

7	**Service Level Agreements ("SLAs") and Key Performance Indicators ("KPIs")**
	
	SLAs and related KPIs should be established for key processes of the Program. The development of the SLAs and KPIs should factor in the processing of ideas by type, volume, and frequency to help ensure any service standards created are realistic and represent an accurate reflection on performance.
	The following are examples of internal and external measures that could be implemented by the NDM Program team:
	• Feasibility Analysis (Internal Measure)
	   o Average time taken for SMEs or relevant staff to provide idea feasibility notes and conclusion.
	• Communications with idea submitters (External Measures)
	   o Average time taken to communicate the idea feasibility result to an idea submitter.
	   o Average time taken to communicate the voting results to an idea submitter and next steps for idea implementation.
	   o Average time taken to provide status update/progress of implementation to an idea submitter.
	Internal measures should be communicated within the City and external measures should be communicated to residents via the City's website to ensure performance expectations are clear and understood by each party.
		Medium	December 2024	**On Track for Completion**	Management is on track to complete their action plan by the documented due date.
					
					The development of SLAs and related KPIs are in progress and will be finalized in collaboration with relevant City Service Area leads.

	Asset Retirement Obligations (ARO) Audit				
1	**Measurement Uncertainty** Finance Supports will create a questionnaire that will be sent on an annual basis to Service Area representatives requesting information about new or existing AROs. The questionnaire will request information regarding the settlement date and, for existing AROs, whether that date has changed since the previous year. Finance Supports will then ensure that the settlement date is considered as part of the measurement estimate.	**Medium**	December 2023 **(Completed).**	**Closed**	Management action item has been completed. The consolidated ARO listing has been updated to include the questionnaires that will be provided to various City Service Areas on an annual basis.

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
2	**ARO Disclosure Checklist** Management has created a template for presentation and disclosure that provides the required information to insert into the financial statements. A tab will be added to the template document for a checklist that includes the standard requirements copied from PS3280.63, .64, .65 and .66.	**Medium**	March 2024 **(Completed).**	**Closed**	Management action item has been completed. A mock financial statement has been created displaying how the AROs will be disclosed. A tab has been added which outlines the requirements of the standard and where within the financial statements the related information can be found.
3	**Evidence of Review in ARO Estimates Workbooks** Management will add a tab to the estimate calculation workbooks that will include a table to be filled out by the reviewing manager. The table will require information as to who has done the review, the date the review was complete and a section for an explanation stating what was reviewed and reconciled to ensure correctness and completion.	**Medium**	March 2024	**On Track for Completion**	Management is on track to complete their action plan by the documented due date.
4	**Lack of Review of ARO Estimates** Within the table outlined under the action plan for Observation 4, a section will be added to state who prepared the workbook. It will be noted that the preparer and the reviewer must be two different individuals.	**Medium**	March 2024	**On Track for Completion**	Management is on track to complete their action plan by the documented due date.
5	**Consolidation and Formalization of ARO Processes** All procedures required for ARO will be assembled and documented in a single framework. The framework will contain all processes from start to finish including recognition, measurement, presentation, and disclosure as well as who is responsible for each step. The document will be shared with Service Area representatives and will remain available and accessible on CityHub for future reference.	**Medium**	December 2023	**On Track for Completion**	Management is on track to complete their action plan by the documented due date.
	Recruitment and Selection Audit				
1	**Sourcing and Attracting Applicants** People Services will develop the value proposition for working at the City of London and work with Strategic Communications on how best to promote this within our recruitment processes with full implementation targeted for Q2 2024.	**Medium**	June 2024	**On Track for Completion**	Management is on track to complete their action plan by the documented due date. People Services continues to regularly meet with Strategic Communications to develop and implement the value proposition and related communications marketing campaign.

#	Management Action Plan	Risk Rating	Due Date	Remediation Status	Quarterly Update
2	**Screening, Interviewing, Assessing, and Selecting Candidates** The City has a blanket policy of requiring a police record check from a final candidate who is also expected to bear the financial cost of undertaking the police check. It was noted that these practices can create barriers for some candidates and there may be roles within the City that do not require a police check as an essential job requirement. Civic Administration will undertake a review, including looking at municipal comparators, barriers, and financial costs, etc., aiming to have a new procedure in place by end of Q4 2023.	Medium	December 2023	**On Track for Completion**	Management is on track to complete their action plan by the documented due date. People Services continues to regularly meet with Legal Services to help revise the procedures and requirements for criminal record checks ("CRC") at the City. A communications plan will also be developed prior to the rollout of the new CRC requirements.

City of London - Internal Audit

Vendor Risk Management ("VRM") Audit

Final Report – November 1, 2023

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MNP

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1.0 BACKGROUND

The City of London ("City") is a municipality with a population of approximately 420,000 (as of 2021) and it provides various community support services to its residents including neighborhood support programs, infrastructure services, recreational amenities, and cultural facilities. As a municipality, the City is continually attempting to improve its operating efficiency, effectiveness, and transparency for the benefit of its residents.

Vendor risk can be defined as potential threats stemming from the use of third parties, affiliates and other external parties that support an organization. With a growing reliance on vendors to help deliver City services, there is an increased risk exposure that the City must manage and mitigate. From data breaches to operational disruption, from compliance to reputational damage, vendor risks can be passed on and become City risks which need to be managed appropriately. Mismanagement of these risks can result in violations of laws, regulations, and internal processes, loss, or disclosure of customer information due to negligence or data breach, operational performance requirements not being met and operational service interruption.

With this awareness and in accordance with the City's FY2023 internal audit plan, an audit of the City's Vendor Risk Management "VRM" processes was performed to assess its effectiveness in managing vendor risks throughout a vendor's lifecycle and to identify opportunities for improvement.

2.0 OBJECTIVE

To review and evaluate the processes and mechanisms employed to manage vendor risks throughout a vendor's lifecycle from onboarding (after selection via procurement) through to offboarding or service renewal and to identify opportunities for improvement, where practical.

3.0 SCOPE

The following graphic depicts the vendor risk management lifecycle used by MNP to assess an organization's vendor risk management program including the efficiency and effectiveness of controls established to mitigate vendor risks. It has been developed based on MNP's experience and leading practices.

This audit followed a structured approach to review the City's vendor risk management processes. The scope included the following:

1. Review of existing governance structures and roles and responsibilities of key stakeholders managing vendors.
2. Review of existing policies, process documentation, templates and procedures that are currently being used to support the management of vendors.
3. Evaluation of the design and operating effectiveness of key vendor risk management processes and mechanisms in place to manage vendor risks throughout a vendor's lifecycle including the following:
   a. Contracting & onboarding;
   b. Performance monitoring & evaluation; and,
   c. Vendor offboarding or service renewal.
4. Review of existing vendor risk management reporting processes, both internal and external.
5. Identification of opportunities for improvement, where practical.

4.0   RISKS

Given the stated objectives and scope, the following inherent risks[1] were considered and assessed during this audit:

- Ineffective vendor management resulting in violations of laws, regulations, and internal processes, loss, or disclosure of customer information due to negligence or data breach, fiscal performance requirements not being met and operational service interruption;
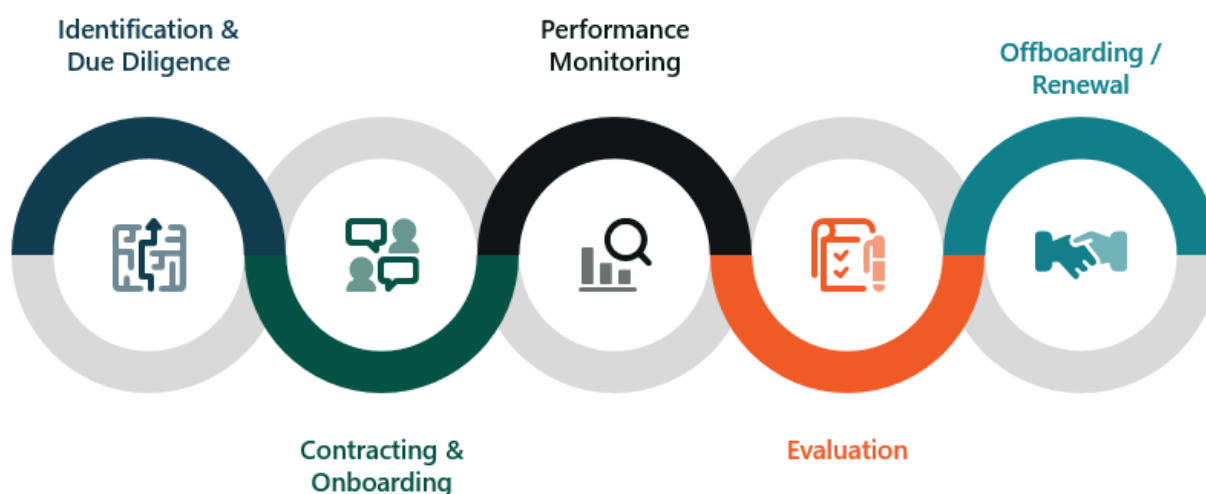- Appropriate governance structures and roles and responsibilities have not been established leading to ineffective oversight and vendor risk management;
- Policies and procedures are not documented or are insufficient, leading to inconsistent execution of key vendor risk management processes and loss of institutional knowledge should key team members leave the City or are unavailable for a period of time;
- Key controls pertaining to vendor risk management do not exist or are operating ineffectively resulting in unsuccessful vendor management and an increase in vendor risk;
- Sufficient vendor risk management reporting is not provided to City Management, Audit Committee and the Council leading to ineffective oversight; and,
- Vendor is unable to handle sensitive data and Personally Identifiable Information ("PII") as per vendor contract.

5.0   APPROACH

In accordance with MNP's Internal Audit methodology, the high-level work plan for the audit included the following phases:

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[1] *The risk derived from the environment without the mitigating effects of internal controls; Institute of Internal Auditors.*

Phase 1 - Define Engagement and Develop Review Planning Memo
- Agree on objective & scope.
- Agree on project duration & schedule.
- Confirm interview list.
- Agree on deliverables.
- Develop and obtain approval of the Planning Memo addressing the above.

Phase 2 - Develop Review Program and Criteria
- Review relevant policies and procedures.
- Review existing process documentation.
- Develop detailed audit program.

Phase 3 - Execute Review Program
- Conduct interviews and update understanding of policies, processes and controls.
- Obtain sample documentation.
- Identify gaps and improvement opprtunities.

Phase 4 - Deliver Results and Insights
- Validate findings.
- Issue Draft Report.
- Issue Final Report.

6.0   SUMMARY OF OBSERVATIONS

As reviewed and tested during the audit, it was noted that there are some established processes in place to support the effective administration and management of VRM within City. These processes include the use of legal counsel and subject matter expertise to review vendor contracts, conduct of vendor due diligence and the monitoring of vendor performance.

However, opportunities for improvement were identified during the conduct of the audit, including establishment of a Vendor Management Office ("VMO"), formalization of the vendor risk assessment and periodic vendor evaluation processes, creation of periodic vendor management reporting, formal documentation of key VRM processes, enhancement of the vendor due diligence process and ensuring secure storage of all key documents pertaining to vendor arrangements.

The following table presents a summary of observations identified, recommendations, and their respective risk rating based on the rating scale identified in **Appendix A**. These observations and recommendations were discussed with the City's Management responsible for the respective control area. Management has agreed with the observations and provided action plans to address the recommendations. A full list of the observations identified, and the detailed associated recommendations and management action plans are included in **Section 7.0** of this report.

Ref	Summary of Observations	H	M	L
1	**Vendor Management Office ("VMO")** It was noted that the City does not utilize a centralized VMO to administer and manage the City's vendor management program across the various City Service Areas. Instead, the City currently utilizes a decentralized approach where each City Service Area has the responsibility of administering and managing its own vendor management activities resulting in inconsistency of processes and standards across the various City Service Areas. Without a centralized VMO, the City may be unable to ensure uniformity in vendor management processes and enforcement of standards across the various City Service Areas resulting in operational inefficiencies and vendor risks. In addition, the City will be unable to perform key vendor management processes, such as monitoring the City's adherence and compliance to vendor management processes and the creation of periodic vendor management reporting.	H		
2	**Vendor Due Diligence and Formalization of the Vendor Risk Assessment Process** MNP noted that the following key vendor risks/factors are not assessed as part of the vendor due diligence process: - Compliance risk associated with the vendor relationship or its services, including compliance history with applicable laws, regulations, regulatory guidance, and ethical standards to identify previous trends of non-compliance; - Reputation risk associated with the vendor relationship or its services; - Strength of the vendor's risk management programs, processes, and internal controls; and, - Vendor capacity to provide critical services through disruption. Furthermore, MNP noted that the City does not have a formalized and standardized vendor risk assessment and reassessment process in place to help identify and differentiate between high risk/critical and low risk/non-critical vendors. Without the consideration of all key vendor risks/factors during the conduct of vendor due diligence, the City may be unable to identify and mitigate relevant concerning risks a vendor presents particularly for vendors providing key services. Without a formal vendor risk assessment process, the City will be unable to identify its high-risk vendors and employ the necessary oversight and monitoring activities which commensurate with a vendor's risk profile. Without the conduct of risk-based periodic reassessment of City vendors, the City may be unable to update a vendor's risk profile to commensurate with its current risk posed to the organization and implement relevant controls to mitigate these risks.	H		

Ref	Summary of Observations	H	M	L
3	**Periodic Performance Evaluation of Vendors** While the City does require City Service Areas to evaluate vendor performance, MNP noted that the Procurement of Goods and Services Policy does not provide explicit guidance to City Service Areas regarding the frequency of vendor performance evaluation based on a vendor's risk profile (i.e., Vendors that are determined to be high risk should be evaluated more frequently than vendors that are determined to be low risk). Without the periodic performance evaluation of vendors, the City will be unable to effectively evaluate and manage a vendor's performance throughout a contract's lifecycle. This can limit the effectiveness of detecting poor performance early into service delivery and identify issues which can prevent the vendor from fulfilling the terms of the contract and drive continuous improvement throughout the contract life cycle.		M	
4	**Vendor Contract** MNP selected five ("5") vendor contract samples for review and noted that for one sample, the signed version of the vendor contract was not available/held on record. Without an accessible signed vendor contract, the City may not be able to refer to the signed version of the contract to confirm vendor and City responsibilities, contractual clauses, and vendor performance requirements. Moreover, the City may not be able to hold a vendor accountable for its performance in providing agreed upon services.		M	
5	**Vendor Management Reporting** It was noted that there is currently no reporting being provided to Senior Management and/or relevant oversight parties regarding vendor management to inform them of the performance of current high risk/critical vendors providing services to the City. Without insights on the performance of key vendors, Senior Management and/or relevant oversight parties may be unable to make informed decisions on the continued use of vendors.		M	

Ref	Summary of Observations	H	M	L
6	**Formalization of Key VRM Processes** There is an opportunity to enhance the Procurement of Goods and Services Policy by including requirements for the following key VRM processes and procedures: • Vendor due diligence process including additional vendor due diligence requirements (Refer to Observation #2); • Vendor risk assessment and periodic reassessment process; • Process for periodic evaluation of a vendor; • Periodic vendor management reporting requirements; and, • Vendor Management Office responsibilities (if it is established). Without the documentation of key VRM processes, there is a risk that protocols will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.		M	
7	**Process to Review Key Third-Party Reports** It was noted that there is no formal process to request (where relevant) and document the review of third-party vendor reports for critical/high risk vendors, including two key supporting reports: Business Continuity Plan ("BCP") reports and System and Organization Control ("SOC") reports. Without the review of BCP reports which includes BCP testing results, there is an increased risk that the City will not be adequately prepared to continue operations should a critical vendor not be able to provide services. In the absence of reviewing third-party assurance or compliance reports, the City may not be able ensure that it has fulfilled its responsibilities to identify, assess and manage vendor operations.			L

6.1   ACKNOWLEDGEMENT OF COOPERATION AND EFFORTS

Internal Audit would like to express our appreciation for the cooperation and efforts made by City personnel within the Construction Administration and Child Care Teams who manage and administer the vendor risk management processes within their respective City Service Areas. Their contributions assisted in ensuring a successful engagement.

6.2   LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of the City of London and should not be distributed to third parties without MNP's prior written consent. Any use that a third-party makes of this report, and any reliance or decisions made based on it, are the responsibility of such third-party. MNP accepts no liability or responsibility for any loss or damages suffered by any third-party as a result of decisions made or actions taken based on this report.

7.0   DETAILED OBSERVATIONS AND RECOMMENDATIONS

#	Observation	Priority	Recommendation	Management Response
1	**Vendor Management Office ("VMO")** It was noted that the City does not utilize a centralized VMO to administer and manage the City's vendor management program across the various City Service Areas. Instead, the City currently utilizes a decentralized approach where each City Service Area has the responsibility of administering and managing its own vendor management activities resulting in inconsistency of processes and standards across the various City Service Areas. The establishment of a VMO will help the City to better perform the following key vendor management processes: • Ensure awareness and timely communication to City Service Areas of past vendor issues, past vendor performance and past or pending litigation for vendors that had already been utilized by other City Service Areas; • Ensure standardization, continuous improvement and streamlining of vendor management workflows and processes which can help reduce costs, improve quality, and mitigate operational risks; • Monitor City's adherence and compliance to vendor management processes such as periodic risk assessments, periodic vendor evaluation, conduct of vendor due diligence etc.; • Support the production of periodic vendor management reporting;	**High**	The City should consider establishing a VMO to help administer and manage the City's vendor management program. The City should give consideration to which member(s) of Senior Management should have oversight over the VMO and whether the VMO will be responsible for managing the complete or a partial part of the City's vendor portfolio.	**Action Plan:** A Business Case will be submitted through the 2024 – 2027 Multi Year Budget process requesting operating funds to increase staffing resources to take on the additional responsibilities of a full Vendor Performance Program/Office. **Accountability:** Finance Supports **Timeline:** Multi Year Budget Business Case to be submitted December 2023.

#	Observation	Priority	Recommendation	Management Response
	• Support the secure centralized storage of all key documents pertaining to vendor arrangements and manage vendor data; • Enforce and update City's vendor management processes and standards including providing refresher training and/or training on new vendor management requirements to City staff; and, • Answer City Service Area queries regarding vendor management in a timely manner. Without a centralized VMO, the City may be unable to ensure uniformity in vendor management processes and enforcement of standards across the various City Service Areas resulting in operational inefficiencies and vendor risks. In addition, the City will be unable to perform key vendor management processes, such as monitoring the City's adherence and compliance to vendor management processes and the creation of periodic vendor management reporting.			
2	**Vendor Due Diligence and Formalization of the Vendor Risk Assessment Process** While the City does consider certain vendor key due diligence factors such as vendor qualifications and experience, past performance, and insurance confirmation as part of the request for proposal ("RFP") process, MNP noted that the following key vendor risks/factors are not assessed as part of the vendor due diligence process: • Compliance risk associated with the vendor relationship or its services, including compliance history with applicable laws, regulations,	**High**	The City should implement a standardized vendor risk assessment form which should consider the noted vendor due diligence factors and the following: • Importance of vendor arrangement to the City; • Vendor arrangement's importance to achieving and implementing City objectives; • Size of contractual expenditure; • Impact on meeting regulatory requirements due to inadequate performance from the service provider;	**Action Plan:** Procurement Services has engaged a consultant to review and advise on adding vendor management tools including: risk assessments, performance evaluations, performance rectification processes and vendor

#	Observation	Priority	Recommendation	Management Response
	regulatory guidance, and ethical standards to identify previous trends of non-compliance; • Reputation risk associated with the vendor relationship or its services, including prior or pending investigation or complaints against the vendor; • Strength of the vendor's risk management programs, processes, and internal controls; and, • Vendor capacity to provide critical services through disruption by examining its business continuity and disaster recovery plans. Furthermore, MNP noted that the City does not have a formalized and standardized vendor risk assessment and reassessment process in place to help identify and differentiate between high risk/critical and low risk/non-critical vendors. A risk assessment process takes into account the risk profile of a vendor and its potential impact on an organization's operations, reputation, earnings, and other key factors to help determine a vendor's criticality or materiality. It is important to establish a vendor risk assessment process since it helps an organization identify its high risk or critical vendors in order to ensure the appropriate oversight and monitoring activities are deployed which commensurate with a vendor's risk profile. Without the consideration of all key vendor risks/factors during the conduct of vendor due diligence, the City will be unable to identify and mitigate relevant concerning risks a vendor presents particularly for vendors providing key services.	■	• Expected impact on the City's operations, residents, reputation and/or risk profile if the service provider is unable to perform service; • Availability of alternative service providers; • Access to the City's systems and types of data; and, • Number of vendor arrangements with the same service provider. Supporting definitions and related thresholds, if applicable, for risks/factors noted within the form should be included within the form. The City should assign a weighting to each vendor risk/factor noted within the risk assessment form depending on the potential impact of the risk/factor to the City. The weighting assigned can differ by City Service Areas, if required, to accommodate differences in operations. The total weighting of all vendor risks/factors should amount to 100%. Moreover, vendor risk thresholds for risk assessment conclusions should be established (i.e., Low Risk Vendor, Medium Risk Vendor and High Risk Vendor). The initial vendor risk assessment form completed for a vendor should conclude on whether the vendor passed or failed vendor due diligence and the related rationale for the conclusion. The City should also ensure that relationship owners document their supporting rationale, within the form, for the risk level ratings that they assign to each vendor. Each risk assessment	debarment. A consulting project is underway with an estimated update of the Procurement of Goods and Services Policy targeted for June 2024. The degree to which additional due diligence is implemented, will be dependant upon the business case submitted requesting operating funds to take on the additional responsibilities of a full Vendor Performance Program/Office. **Accountability:** Senior Manager, Procurement & Supply **Timeline:** Roll out of tools targeted for the 3rd quarter of 2024.

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#	Observation	Priority	Recommendation	Management Response
	Without a formal vendor risk assessment process, the City will be unable to identify its high-risk vendors and employ the necessary oversight and monitoring activities which commensurate with a vendor's risk profile. Without the conduct of risk-based periodic reassessment of City vendors, the City may be unable to update a vendor's risk profile to commensurate with its current risk posed to the organization and implement relevant controls to mitigate these risks.		form should be signed off by a member of Management within the respective City Service Area. In addition, the City should establish a vendor risk reassessment frequency based on the risk rating of a vendor (i.e., Vendors that are determined to be high risk should be reassessed more frequently than vendors that are determined to be low risk.). The risk assessment form should be periodically reviewed and refreshed to ensure that it captures emerging risk areas that could foreseeably have a direct or indirect impact on vendor arrangements, and accordingly have a direct or indirect impact on City operations.	
3	**Periodic Performance Evaluation of Vendors** While the City does require City Service Areas to evaluate vendor performance, MNP noted that the Procurement of Goods and Services Policy does not provide explicit guidance to City Service Areas regarding the frequency of vendor performance evaluation based on a vendor's risk profile (i.e., Vendors that are determined to be high risk should be evaluated more frequently than vendors that are determined to be low risk). Without the periodic performance evaluation of vendors, the City will be unable to effectively evaluate and manage a vendor's performance throughout a contract's lifecycle. This can limit the effectiveness of detecting poor performance early into service delivery and identify issues	**Medium**	The City should evaluate the performance of its vendors on a periodic basis. The frequency at which a vendor is evaluated should be based on a vendor's risk as determined by the vendor risk assessment process (i.e., Vendors that are determined to be high risk should be evaluated more frequently than vendors that are determined to be low risk.). A standardized vendor performance evaluation form should be established, where applicable, to help document the review of a vendor's performance and the rationale provided by the relationship owner for the rating or grade assigned. At a minimum, the form should look to incorporate the following details: • Vendor and service overview;	**Action Plan:** Procurement Services has engaged a consultant to review and advise on adding vendor management tools including: risk assessments, performance evaluations, performance rectification processes and vendor debarment. **Accountability:**

#	Observation	Priority	Recommendation	Management Response
	which can prevent the vendor from fulfilling the terms of the contract and drive continuous improvement throughout the contract life cycle.		- Relationship owner details; - Results of periodic monitoring performed throughout the year such as formal meetings and performance reports; - Outcome of third-party reports, if applicable (Refer to Observation #7 for more details regarding review of third-party reports); - Issues encountered if any; and, - Rating or grade assigned.	Senior Manager, Procurement & Supply **Timeline:** Q4 2024
4	**Vendor Contract** MNP selected five ("5") vendor contract samples for review and noted that for one sample, the signed version of the vendor contract was not available/held on record. It is acknowledged that the City is currently in the process of updating the contractual agreement with the vendor utilizing a non-signed version of the contract. Without an accessible signed vendor contract, the City may not be able to refer to the signed version of the contract to confirm vendor and City responsibilities, contractual clauses, and vendor performance requirements. Moreover, the City may not be able to hold a vendor accountable for its performance in providing agreed upon services.	**Medium**	A centralized document repository system should be utilized to support the secure storage of all key documents pertaining to vendor arrangements. This will help minimize the risk of misplacing documentation and support the City's document retention requirements. One possible method for implementing this system is by the establishment of a centralized VMO (Refer to Observation #1 for more details regarding the establishment of a centralized VMO).	**Action Plan:** Procurement Services has engaged a consultant to draft a standard City of London Master Contract document. Starting in 2024, for centralized procurements entered into, Procurement will require copies of signed agreements to be provided when complete. Procurement Services will establish the centralized repository to store these contracts along with procurement records.

#	Observation	Priority	Recommendation	Management Response
				Accountability: Senior Manager, Procurement & Supply **Timeline:** Q3 2024
5	**Vendor Management Reporting** It was noted that there is currently no reporting being provided to Senior Management and/or relevant oversight parties regarding vendor management to inform them of the performance of current high risk/critical vendors providing services to the City. Without insights on the performance of key vendors, Senior Management and/or relevant oversight parties may be unable to make informed decisions on the continued use of vendors.	Medium	A report noting the performance of high risk/critical vendors should be provided to Senior Management and/or relevant oversight parties on a set frequency. The establishment of a centralized VMO will help collate vendor management information from the various City Service Areas in order to produce periodic vendor management reports (Refer to Observation #1 for more details regarding the establishment of a centralized VMO).	**Action Plan:** A Vendor Performance Management (VPM) program will need to be implemented and included in new bidding templates. Reporting would begin after the VPM has been implemented for a year. **Accountability:** Senior Manager, Procurement & Supply. **Timeline:** Q3 2025 – dependant on annual, bi-annual or quarterly requirements

#	Observation	Priority	Recommendation	Management Response
6	**Formalization of Key VRM Processes** As noted, the City utilizes the Procurement of Goods and Services Policy to support the administration of established VRM processes. However, there is an opportunity to enhance the Policy by including requirements for the following key VRM processes and procedures: • Vendor due diligence process including additional vendor due diligence requirements (Refer to Observation #2); • Vendor risk assessment and periodic reassessment process; • Process for periodic evaluation of a vendor; • Periodic vendor management reporting requirements; and, • Vendor Management Office responsibilities (if it is established). Without the documentation of key VRM processes, there is a risk that protocols will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.	Medium	The Procurement of Goods and Services Policy should be updated to include the noted key processes and should outline the detailed steps of each process and the responsibilities of the staff who are accountable for the execution of these processes. This information should be communicated and accessible to relevant staff.	**Action Plan:** Procurement Services has engaged a consultant to review the City's Procurement of Goods and Services Policy, which will take into consideration vendor management. Approval of the VPM Business Case will affect the degree in which this is undertaken. **Accountability:** Senior Manager, Procurement & Supply **Timeline:** Q3 2024
7	**Process to Review Key Third-Party Reports** It was noted that there is no formal process to request (where relevant) and document the review of third-party vendor reports for critical/high risk vendors, including two key supporting reports: Business Continuity Plan ("BCP")	Low	The City should establish a process to request (where relevant) and review BCP and third-party assurance or compliance reports for high risk/critical vendors on a periodic basis and should consider documenting the evidence of review within the vendor performance evaluation form for each vendor.	**Action Plan:** The City will look to further explore what third-party reports would be applicable to incorporate into procurement

#	Observation	Priority	Recommendation	Management Response

	reports and System and Organization Control ("SOC") reports.
	
	It is acknowledged that the City primarily utilizes in-house resources to perform City operations rather than utilizing outsourcers. However, there is still an opportunity to implement this process where outsourcers are being utilized, if any.
	
	Without the review of BCP reports which includes BCP testing results, there is an increased risk that the City will not be adequately prepared to continue operations should a critical vendor not be able to provide services.
	
	In the absence of reviewing third-party assurance or compliance reports, the City may not be able ensure that it has fulfilled its responsibilities to identify, assess and manage vendor operations.
			Some baseline third-party report areas to review include:
			
			• BCP report which include BCP testing results:
			   o Contents of the BCP Plan – Determine the reasonableness of the plan. This would include ensuring that the vendor is testing appropriate scenarios and systems that might seriously affect City operations.
			   o Conclusion of BCP testing – Determine if the test was performed successfully. If performed unsuccessfully, the City should follow up with the vendor to ensure an appropriate action plan is in place to remediate any weakness or failure points found within the plan in a timely manner.
			• SOC report:
			   o Audit opinion – Was a qualified opinion provided, and if yes, what were the reasons for a qualification or denial of opinion;
			   o Complimentary User Entity Considerations ("CUEC") – These are controls that the City should implement. The report will help the City determine if those controls are applicable and whether the City needs to adopt and implement them to satisfy the CUECs.
				requirements and evaluations. An example would be, but not limited to Ontario's Certificate of Recognition (COR) standard, where applicable. The degree and amount of attention would be subject to the adoption of recommendation # 1.
				
				Accountability:
				
				Senior Manager, Procurement & Supply
				
				Timeline:
				Q2 2025.

#	Observation	Priority	Recommendation	Management Response
			○ Deviations and responses – Look at any shortcomings and deviations, as well as the possible impact of those deviations. If deviations threaten to negatively affect City's operations, City management should mitigate or compensate for them. ○ Exceptions or points of non-compliance – Pinpoint any references to exceptions that took place during testing. This portion of the report is crucial since it helps identify any non-compliance issues and how they may impact data and systems upon which the City may be reliant.	

APPENDIX A – RATING SCALE

The findings outlined in this report have been assessed based on a rating scale defined in the table below:

Rating	Description
Low	The finding is not critical but should be addressed in the longer term to improve either internal controls, efficiency of the process, or mitigate a minor risk.
Medium	The finding represents a control weakness or risk that could have or is having an adverse effect on the ability to achieve process objectives and/or a significant impact to the City's residents. The finding requires Management action within the short-to-intermediate term.
High	The finding represents a significant control weakness or risk that could have or is having a major adverse effect on the ability to achieve process objectives and/or a material impact to the City's residents. The finding requires immediate Management action.

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APPENDIX B – REPORT DISTRIBUTION LIST

This report was distributed to the following parties:

City of London
To:
Audit Committee
Anna Lisa Barbon, Deputy City Manager, Finance Supports
MNP LLP
Geoff Rodrigues, Engagement Partner
Cliff Trollope, Quality Assurance Partner
Deepak Jaswal, Engagement Leader and Third-Party Risk Management Specialist
Osman Qureshi, Senior Auditor

City of London - Internal Audit

Community Arts Investment Program Value for Money ("VfM") Audit

Final Report – November 2, 2023

Prepared By: Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP, CSC
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1.0 BACKGROUND

The City of London ("City") is a municipality with a population of 439,500 as of 2023 and it provides various community support services to its residents including neighborhood support programs, infrastructure services, recreational amenities and cultural organizations and programing. As a municipality, the City is continually attempting to improve its operating efficiency, effectiveness, and transparency for the benefit of its residents.

The Community Arts Investment Program ("CAIP" or "Program") is a City program that provides funding to non-profit arts organizations or artists within the London arts community to help encourage public awareness and appreciation of the arts, increase access to quality local arts programming and enhance London's desirability as a community. The program is funded by the City and administered and managed by a third party, the London Arts Council ("LAC").

With this awareness and in accordance with the City's FY2023 internal audit plan, a value for money ("VfM") audit of the CAIP was performed to assess the Program through the lens of economy, efficiency, and effectiveness in order to help identify opportunities to help optimize the value delivered.

2.0 OBJECTIVE

To review the design and operating effectiveness of key controls pertaining to the CAIP including grant application submission, evaluation, and approvals, as well as return on investment (measuring outputs and outcomes) and identify opportunities to optimize the Program, where practical.

3.0 SCOPE

The audit followed a structured approach to review the CAIP. The scope included the following:

1. Review of existing governance structures and roles and responsibilities for the CAIP at the City and LAC.
2. Review existing City policies and guidelines, and LAC process documentation, templates and procedures that are currently being used to support the administration of the CAIP.
3. Evaluate key controls regarding grant application submission, evaluation, approval, and allocation of funding to successful applicants.
4. Evaluate the effectiveness and completeness of the criteria utilized by community review panels to evaluate grant applications for the CAIP.
5. Review measures used to determine the outcomes of a given grant and identify opportunities for improvement.
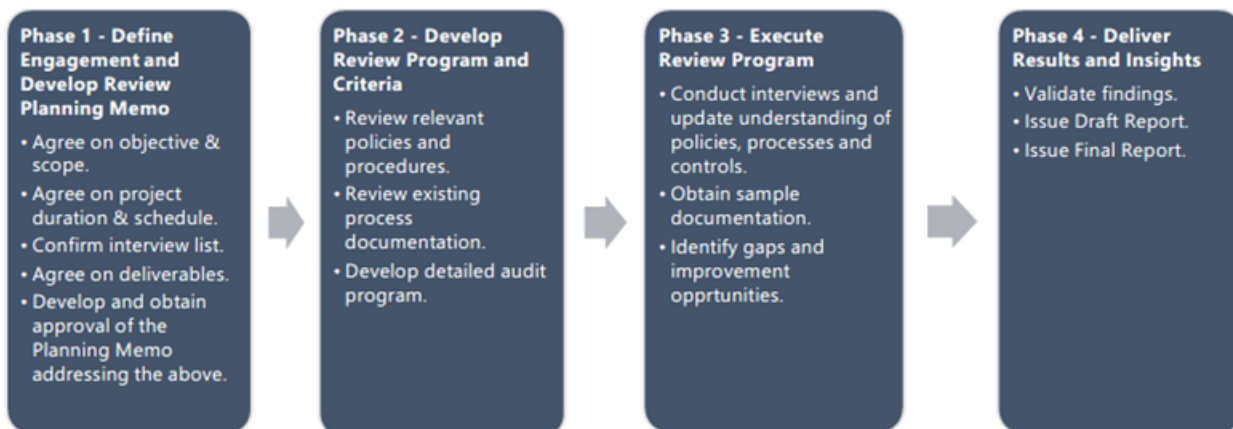
4.0 RISKS

Given the stated objective, several inherent[1] risks were considered in the planning of this audit
which included:

- Appropriate governance structures and roles and responsibilities have not been established leading to ineffective oversight and management of the CAIP;
- Policies and procedures are not documented or are not sufficient leading to inconsistent execution of key processes and loss of institutional knowledge should key team members leave or are unavailable for a period of time;
- Key controls pertaining to the CAIP do not exist or are not operating effectively leading to a reduction of economy, efficiency, and effectiveness of the program and mismanagement of budgetary funds;
- Criteria utilized to evaluate grant applications is not sufficient or complete leading to an inaccurate conclusion; and,
- Evaluation regarding the outcomes of a given grant is not conducted or is insufficient resulting in the City being unable to determine the success of approved grant applications.

5.0 APPROACH

In accordance with MNP's Internal Audit methodology, the high-level work plan for the audit included the following phases:

Phase 1 - Define Engagement and Develop Review Planning Memo
- Agree on objective & scope.
- Agree on project duration & schedule.
- Confirm interview list.
- Agree on deliverables.
- Develop and obtain approval of the Planning Memo addressing the above.

Phase 2 - Develop Review Program and Criteria
- Review relevant policies and procedures.
- Review existing process documentation.
- Develop detailed audit program.

Phase 3 - Execute Review Program
- Conduct interviews and update understanding of policies, processes and controls.
- Obtain sample documentation.
- Identify gaps and improvement opprtunities.

Phase 4 - Deliver Results and Insights
- Validate findings.
- Issue Draft Report.
- Issue Final Report.

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[1] *The risk derived from the environment without the mitigating effects of internal controls; Institute of Internal Auditors*

6.0 STRENGTHS

During the course of this audit, a number of strengths pertaining to the CAIP were identified as described in the table below.

Experienced and Knowledgeable CAIP Personnel	Key personnel directly involved in the CAIP at the LAC and City have strong expertise and experience in operating and managing the Program. Furthermore, due to the long service tenure of these individuals in supporting the Program, there is a high level of institutional knowledge which serves the administration of the Program well. These individuals include the Executive Director (LAC), Officer of Development and Investments (LAC) and Manager of Culture Services (City).
Annual CAIP Report	On an annual basis, the LAC provides the City a robust report which provides a comprehensive overview of the Program and its results for the most recent Program cycle. The 2022 report included the activities and investment results of the 2022 CAIP regarding CAIP Arts Funding Streams, Artist in Residence Stream, London Arts Live ("LAL") and provided additional details such as community feedback. This report keeps the City informed and aware of the Program results and its utilization of public funds.
Assessors Guide	CAIP applications are reviewed by the CAIP Assessment Panel which consists of independent and volunteer assessors that advise on priority funding areas, assess submissions, and make recommendations on the awarding of investments. Each assessor is provided with an extensive and detailed "Assessors Guide" which provides guidance to each assessor regarding the following: • Assessment Process; • Roles and Responsibilities of Assessors; • Responsibilities of Administration; • Policies on Release of Assessors; • Conflict of Interest; • Confidentiality; • Human Rights; and, • Freedom of Expression Policy.
Successful Applicant's Investment Report	Each successful applicant is required to submit an investment report to help assess and determine the outputs and outcomes of a given grant. Information provided within the report may include details regarding: • Reconciled budget; • Recipients challenges and achievements; • Impact on artist development and community; • Community involvement/attendees and related metrics; • Advertisements, marketing & promotion tools used; and, • Media coverage.

7.0   SUMMARY OF OBSERVATIONS

As reviewed and tested during the audit, CAIP adheres to established tasks and procedures from application receipt to submission of an investment report. The parties involved in the direct administration of the CAIP possess strong experience, expertise, and institutional knowledge of the CAIP, having been directly involved in the administration of this Program for several years. In addition, MNP found that there are various established processes in place to support the effective administration and management of the CAIP. These processes include the creation of the annual CAIP report, the use of an assessors guide and the applicant's submission of an investment report.

However, some opportunities for improvement were identified during the conduct of the audit, including documenting the confirmation of an assessor's conflict of interest check or declaration, documentation of assessor selection approvals and key CAIP processes, utilization of applicant and assessor surveys and paid advertisements, opportunities to enhance the LAL Program and consideration of internal or in-house administration and management of the CAIP.

The following table presents a summary of observations identified, recommendations, and their respective risk rating based on the rating scale identified in **Appendix A**. These observations and recommendations were discussed with City management responsible for the respective control area. Management has agreed with the observations and provided action plans to address the recommendations. A full list of the observations identified, and the detailed associated recommendations and management action plans are included in **Section 8.0** of this report.

Ref	Summary of Observations	H	M	L
1	**Assessor Conflict of Interest Check/Declaration** It was noted that the assessor conflict of interest check or declaration is performed verbally, and confirmation evidence of an assessor's self assessment is not documented. Without the documentation of conflict-of-interest checks/declarations, there is a risk that it may not be performed, or results are not always appropriately escalated. The occurrence of a conflict of interest can result in a loss of public and internal trust and reputational, financial, and legal risks.		▉	
2	**Assessor Selection Approvals** CAIP applications are reviewed by the CAIP Assessment Panel which consists of independent and volunteer assessors that advise on priority funding areas, assess submissions, and make recommendations on the awarding of investments. Proposed assessors are approved by the Officer of Development and Investments and the Executive Director prior to being selected. However, it was noted that these approvals are not consistently documented and may be provided verbally. Without the documentation of approvals, there is a risk that approvals from appropriate parties will not be consistently obtained and/or documented. This can result in noncompliance with established internal processes.			▉
3	**Applicant, Recipient and Assessor Feedback** MNP noted that standardized and physical applicant and assessor surveys are not conducted annually to obtain feedback regarding their participation with the CAIP and to help identify opportunities for improvement. Without appropriate collection and use of applicant, recipient and assessor feedback, there is limited ability to enhance CAIP processes, resulting in a potential increase in applicant and assessor disengagement.			▉

Ref	Summary of Observations	H	M	L
4	**London Arts Live ("LAL") Program** The LAL pop-up and performance-based temporary art activation program provides high-quality arts activations of diverse artistic forms within various public spaces around the City while strategically leveraging funding from other programs including CAIP. It was noted that a conflict of interest check or declaration, regarding the assessors, is not performed prior to the artist assessment. Moreover, an assessment or scoring template is not utilized to provide guidance and/or document an assessor's overall rating and instead, each assessor provides a verbal rating out of five ("5"). Furthermore, overall assessment conclusion or decision of each artist is not documented and is instead, discussed verbally during a meeting. In addition, it was noted that the success or outcomes of an artist's performance is not measured. It is acknowledged that staff member(s) from the LAC attend the event and have an informal meeting with the venue's owner to discuss the event and its success. The occurrence of an assessor conflict of interest can compromise an assessor's judgement when assessing an artist's audition due to personal bias. Without the documentation of approvals and/or ratings, there is a risk that approvals and/or ratings from appropriate parties will not be consistently obtained and/or documented. This can result in noncompliance with established internal processes.			█
5	**Opportunity to Utilize Paid Advertisements** The LAC primarily utilizes social media, LAC website and community information sessions to advertise the CAIP to relevant or key members. However, MNP noted that paid advertisements are not conducted to help promote and expand the reach of the CAIP as social media, LAC website, and community information sessions can have a limited/niche reach. When marketing efforts are not maximized, it negatively impacts an organization's ability to increase member engagement and retention.			█

Ref	Summary of Observations	H	M	L
6	**Documentation of Key CAIP Processes** There is an opportunity to enhance the existing suite of CAIP guidance by including the following key processes and procedures: • Process for developing and approving the annual CAIP communications Plan including timeline; and, • Assessor selection and approval process for the London Arts Live ("LAL") program. Without the documentation of key CAIP processes, there is a risk that processes will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.			
7	**Administration and Management of CAIP** It was noted that while the CAIP is administered and managed by a third party, the City has the ultimate accountability of ensuring the successful delivery of this program and utilization of public funds. There is an opportunity for the City to consider internal or in-house administration and management of the program. The City may expose itself to avoidable liabilities that would normally be mitigated with the use of internal resources and established internal processes or operation and the City may not be saving funds by utilizing an external party vs administering the Program in-house.			

7.1   ACKNOWLEDGEMENT OF COOPERATION AND EFFORTS

Internal Audit would like to express our appreciation for the cooperation and efforts made by City and LAC personnel who manage and administer the Program. Their contributions assisted in ensuring a successful engagement.

7.2   LIMITATIONS AND RESTRICTIONS

This report is intended solely for the information and use of the City of London and should not be distributed to third parties without MNP's prior written consent. Any use that a third party makes of this report, and any reliance or decisions made based on it, are the responsibility of such third party. MNP accepts no liability or responsibility for any loss or damages suffered by any third party as a result of decisions made or actions taken based on this report.

8.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS

#	Observation	Priority	Recommendation	Management Response
1	**Assessor Conflict of Interest Check/Declaration** Each assessor is provided with a listing of applicants to help self-assess and declare potential conflicts of interest. Any occurrence of an assessor's conflict of interest is declared to the Officer of Development and Investments and the assessor is then recused from reviewing and assessing the related application. However, it was noted that the assessor conflict of interest check or declaration is performed verbally, and confirmation evidence of an assessor's self assessment is not documented. It is acknowledged that the LAC will be combining the Confidentiality and Non-Disclosure Agreement ("NDA") Form and the CAIP Assessors Guide, which includes guidance regarding conflicts of interest, to help document conflict of interest checks/declarations for the 2024 CAIP. However, without the documentation of conflict-of-interest checks/declarations, there is a risk that this task may not be performed, or results escalated. The non occurrence of a conflict of interest can result in a loss of public and internal trust and lead to other liabilities arising.	**Medium**	Confirmation of an assessor's conflict of interest check or declaration should be documented and retained. .	**Action Plan:** The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement. LAC will implement this recommendation for the 2024 grants process. **Accountability:** Neighbourhood and Community Wide Services (NCWS) (Culture Services) London Arts Council **Timeline:** Q1 2024

#	Observation	Priority	Recommendation	Management Response
2	**Assessor Selection Approvals** CAIP applications are reviewed by the CAIP Assessment Panel which consists of independent and volunteer assessors that advise on priority funding areas, assess submissions, and make recommendations on the awarding of investments. The LAC keeps an active roster of assessors and potential new assessors can submit an "Assessor Expression of Interest Form" to display their interest for being an assessor. In addition, potential new assessors can be recommended by Board members, community members, previous assessors, and artists. Proposed assessors are approved by the Officer of Development and Investments and the Executive Director prior to being selected. However, it was noted that these approvals are not consistently documented and may be provided verbally. Without the documentation of approvals, there is a risk that approvals from appropriate parties will not be consistently obtained and/or documented. This can result in noncompliance with established internal processes.	Low	Assessor approvals should be documented prior to their selection. These approvals may be documented within a checklist or via email.	**Action Plan:** The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement. LAC will implement this recommendation for the 2024 grants process. **Accountability:** NCWS (Culture Services) London Arts Council **Timeline:** Q1 2024
3	**Applicant, Recipient and Assessor Feedback**	Low	Standardized and physical recipient and assessor surveys should be conducted annually to obtain	**Action Plan:**

#	Observation	Priority	Recommendation	Management Response
	MNP noted that standardized and physical applicant and assessor surveys are not conducted annually to obtain feedback regarding their participation with the CAIP and to help identify opportunities for improvement. It is acknowledged that at the conclusion of each assessment panel meeting, fifteen ("15") minutes are dedicated to assessor feedback of the process and each applicant can provide their feedback to the Officer of Development, and Investments, if requested. It is also acknowledged that the LAC is in discussions for releasing an applicant survey for the 2024 CAIP. Without appropriate collection and use of applicant and assessor feedback, opportunities to enhance CAIP processes are restricted, resulting in a potential increase in applicant and assessor disengagement.		feedback regarding their participation with the CAIP and to help identify opportunities for improvement. The surveys may ask questions regarding the following: • Process satisfaction; • Process improvement opportunities; • Likeliness of involvement with the CAIP again and of a referral; • How they heard about the CAIP.	The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement. LAC will implement this recommendation for the 2024 grants process. **Accountability:** NCWS (Culture Services) London Arts Council **Timeline:** Q4 2024
4	**London Arts Live ("LAL") Program** The LAL pop-up and performance-based temporary art activation program provides high-quality arts activations of diverse artistic forms within various public spaces around the City while strategically leveraging funding from other programs including CAIP. Three ("3") artist assessors are selected by the Curator of Public Programs and Learning to evaluate the live artist auditions. It was noted that a conflict of interest check or declaration, regarding the assessors, is not performed prior to the	**Low**	MNP recommends the following: • Conflict of interest check or declaration, regarding assessors, should be performed and documented prior to the artist assessment; • An assessment or scoring template should be developed and utilized to provide guidance and to document an assessor's overall feedback rating;	**Action Plan:** The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement. LAC will implement this recommendation

#	Observation	Priority	Recommendation	Management Response
	artist assessment. Moreover, an assessment or scoring template is not utilized to provide guidance and/or document an assessor's overall rating and instead, each assessor provides a verbal rating out of five ("5"). Furthermore, overall assessment conclusion or decision of each artist is not documented and is instead, discussed verbally during a meeting.		• Overall assessment conclusion or decision of each artist should be documented; and, • The success or outcomes of an artist's performance should be measured and documented, where possible.	for the 2024 London Arts Live process. **Accountability:** NCWS (Culture Services) London Arts Council **Timeline:** Q2 2024
	While it was noted that the success or outcomes of an artist's performance is not measured, it is acknowledged that staff member(s) from the LAC attend the event and have an informal meeting with the venue's owner to discuss the event and its success.			
	It is also acknowledged that the LAL Program is not a granting program, and the aim of the program is to provide a barrier-free and inclusive access to applicants, and to encourage the maximum amount of interested members to enter into the Program, as possible. It is also acknowledged that LAL Program utilizes a small portion of the overall CAIP budget ($42,098 out of the overall 2022 CAIP budget of $750,000 was utilized by the 2022 LAL Program) and the dollar value usually provided per applicant is relatively low.			
	The non occurrence of an assessor conflict of interest can compromise an assessor's judgement when assessing an artist's audition due to personal bias.			
	Without the requirement to document approvals and/or performance ratings, there is a risk that approvals and/or ratings from appropriate parties will not be consistently			

#	Observation	Priority	Recommendation	Management Response
	obtained and/or documented. This can result in noncompliance with established internal processes and can make it difficult to standardize performance ratings.			
5	**Opportunity to Utilize Paid Advertisements** The LAC primarily utilizes social media, LAC website and community information sessions to advertise the CAIP to relevant or key members. However, it was noted that paid advertisements are not conducted to help promote and expand the reach of the CAIP as social media, LAC website, and community information sessions can have a limited/niche reach. It is acknowledged that traditional media outlets may not be the media of choice for LAC's relevant or key members and LAC must conform to budgetary parameters. However, when marketing efforts are not maximized, it can negatively impact an organization's ability to increase engagement and retention.	Low	The utilization of paid advertisements across different mediums should be considered to help promote and expand the reach of the CAIP.	**Action Plan:** The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CAIP requirement. LAC will implement this recommendation for the 2024 grants process. **Accountability:** NCWS (Culture Services) London Arts Council **Timeline:** Q1 2024
6	**Documentation of Key CAIP Processes** The LAC utilizes various guidance and informative materials to support the administration of established CAIP processes. However, there is an opportunity to	Low	All key processes should be documented within a procedural manual and should outline the detailed steps of each process and the responsibilities of staff. This information should be communicated and accessible to relevant staff.	**Action Plan:** The LAC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address

#	Observation	Priority	Recommendation	Management Response
	enhance the existing suite of CAIP guidance by including the following key processes and procedures: • Process for developing and approving the annual CAIP communications plan including timeline; and, • Assessor selection and approval process for the London Arts Live ("LAL") program. Furthermore, MNP noted that while these processes may not be formally documented, they are well understood by those involved in the process. Without the documentation of key CAIP processes, there is a risk that processes will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.			this CAIP requirement. LAC will implement this recommendation for the 2024 CAIP granting process. **Accountability:** NCWS (Culture Services) London Arts Council **Timeline:** Q1 2024
7	**Administration and Management of CAIP** The CAIP is a City program that is funded by the City and administered and managed by a third party, the LAC through a Multi-year Purchase of Service Agreement with the City of London in accordance with the City of London	Low	The City should consider performing a cost/benefit analysis of internal and/or 3rd party management and administration value opportunities such as: financial cost savings of administration, leveraging additional funds, development of specific sector expertise, and complaint resolution processes to protect the City.	**Action Plan:** Neighbourhood and Community-Wide Services to hire an external consultant to undertake a cost/benefit analysis

#	Observation	Priority	Recommendation	Management Response
	Community Arts Investment Program Council approved Policy. As reviewed and tested during the audit, CAIP adheres to established tasks and procedures from application receipt to submission of an investment report. The parties involved in the direct administration of the CAIP possess strong experience, expertise, and institutional knowledge of the CAIP, having been directly involved in the administration of this Program for several years. In addition, it was noted that there are various established processes in place to support the effective administration and management of the CAIP. It was noted that while this Program is administered and managed by a third party, the City has the ultimate accountability of ensuring the successful delivery of this Program and utilization of public funds. There is an opportunity for the City to consider the internal or in-house administration and management of the CAIP. The City may expose itself to avoidable liabilities that would normally be mitigated with the use of internal resources and established internal processes or operation and the City may not be saving funds by utilizing an external party vs administering the Program in-house.			of the current program. **Accountability:** Neighbourhood and Community-Wide Services. **Timeline:** Q4 2025 (to be completed prior to the multi-year purchase of service renewal in 2028).

APPENDIX A – RATING SCALE

The findings outlined in this report have been assessed based on a rating scale defined in the table below:

Rating	Description
Low	The finding is not critical but should be addressed in the longer term to improve either internal controls, efficiency of the process, or mitigate a minor risk.
Medium	The finding represents a control weakness or risk that could have or is having an adverse effect on the ability to achieve process objectives and/or a significant impact to the City's residents. The finding requires Management action within the short-to-intermediate term.
High	The finding represents a significant control weakness or risk that could have or is having a major adverse effect on the ability to achieve process objectives and/or a material impact to the City's residents. The finding requires immediate Management action.

This report was distributed to the following parties:

City of London
To:
Audit Committee
Cheryl Smith, Deputy City Manager, Neighbourhood and Community-Wide Services
Robin Armistead, Manager, Culture Services
MNP LLP
Geoff Rodrigues, Engagement Partner
Cliff Trollope, Quality Assurance Partner
Deepak Jaswal, Engagement Leader and VfM Specialist
Osman Qureshi, Senior Auditor

City of London - Internal Audit

Community Heritage Investment Program Value for Money ("VfM") Audit

Final Report – November 1, 2023

Prepared By: Geoff Rodrigues, CPA, CA, CIA, CRMA, ORMP, CSC
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                  MNP LLP
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1.0 BACKGROUND

The City of London ("City") is a municipality with a population of 439,500 in 2023 and it provides various community support services to its residents including neighborhood support programs, infrastructure services, recreational amenities and cultural organizations and programing. As a municipality, the City is continually attempting to improve its operating efficiency, effectiveness, and transparency for the benefit of its residents.

The Community Heritage Investment Program ("CHIP" or "Program") is a City Program that provides funding to museums, heritage organizations and professionals within the City to help support workforce development, professional development, and job creation within the museum and heritage sector, encourage public awareness and appreciation of London's heritage and cultural heritage sector, increase access to quality local heritage and cultural heritage activities, enhance London's desirability as a community and more. The Program is funded by the City and administered and managed by a third party, the London Heritage Council ("LHC").

With this awareness and in accordance with the City's FY2023 internal audit plan, a value for money ("VfM") audit of the CHIP was performed to assess the program through the lens of economy, efficiency, and effectiveness in order to help identify opportunities to help optimize the value delivered.

2.0 OBJECTIVE

To review the design and operating effectiveness of key controls pertaining to the CHIP including grant application submission, evaluation, and approvals, as well as return on investment (measuring outputs and outcomes) and identify opportunities to optimize the Program, where practical.

3.0 SCOPE

The audit followed a structured approach to review the CHIP. The scope included the following:

1. Review of existing governance structures and roles and responsibilities for the CHIP at the City and LHC.
2. Review existing City policies and guidelines, and LHC process documentation, templates and procedures that are currently being used to support the administration of the CHIP.
3. Evaluate key controls regarding grant application submission, evaluation, approval, and allocation of funding to successful applicants.
4. Evaluate the effectiveness and completeness of the criteria utilized by community review panels to evaluate grant applications for the CHIP.
5. Review measures used to determine the outcomes of a given grant and identify opportunities for improvement.

4.0 RISKS

Given the stated objective, several inherent[1] risks were considered in the planning of this audit which included:

- Appropriate governance structures and roles and responsibilities have not been established leading to ineffective oversight and management of the CHIP;
- Policies and procedures are not documented or are not sufficient leading to inconsistent execution of key processes and loss of institutional knowledge should key team members leave or are unavailable for a period of time;
- Key controls pertaining to the CHIP do not exist or are not operating effectively leading to a reduction of economy, efficiency, and effectiveness of the Program and mismanagement of budgetary funds;
- Criteria utilized to evaluate grant applications is not sufficient or complete leading to an inaccurate conclusion; and,
- Evaluation regarding the outcomes of a given grant is not conducted or is insufficient resulting in the City being unable to determine the success of approved grant applications.

5.0 APPROACH

In accordance with MNP's Internal Audit methodology, the high-level work plan for the audit included the following phases:

Phase 1 - Define Engagement and Develop Review Planning Memo
- Agree on objective & scope.
- Agree on project duration & schedule.
- Confirm interview list.
- Agree on deliverables.
- Develop and obtain approval of the Planning Memo addressing the above.

Phase 2 - Develop Review Program and Criteria
- Review relevant policies and procedures.
- Review existing process documentation.
- Develop detailed audit program.

Phase 3 - Execute Review Program
- Conduct interviews and update understanding of policies, processes and controls.
- Obtain sample documentation.
- Identify gaps and improvement opprtunities.

Phase 4 - Deliver Results and Insights
- Validate findings.
- Issue Draft Report.
- Issue Final Report.

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[1] *The risk derived from the environment without the mitigating effects of internal controls; Institute of Internal Auditors*

6.0 STRENGTHS

During the course of this audit, a number of strengths pertaining to the CHIP were identified as described in the table below.

Experienced and Knowledgeable CHIP Personnel	Key personnel directly involved in the CHIP at the LHC and City have strong expertise and experience in operating and managing the Program. Furthermore, due to the long service tenure of these individuals in supporting the Program, there is a high level of institutional knowledge which serves the administration of the Program well. These individuals include the Executive Director (LHC), Operations Manager (LHC) and Manager of Culture Services (City).
Annual CHIP Report	On an annual basis, the LHC provides the City a robust report which provides a comprehensive overview of the Program and its results for the most recent Program cycle. The 2022 report provided a detailed overview regarding the CHIP and its results, LHC's online presence and other key reporting items. This report keeps the City informed and aware of the Program results and its utilization of public funds.
Assessor Surveys	Each year the LHC conducts an assessor survey to obtain an assessor's feedback regarding the application assessment process. This survey is an important information gathering tool and helps to ensure that the application assessment process continuously improves each year.
Successful Applicant's Grant Report	Each successful applicant is required to submit a grant report to help assess and determine the outputs and outcomes of a given grant. Information provided within the report may include details regarding: • Reconciled budget; • Recipient timeline and activities; • Recipient's challenges and achievements; • Recipient objectives and outcomes; • Overall impact of the funding; and, • Community involvement/attendees and related metrics.

7.0 SUMMARY OF OBSERVATIONS

As reviewed and tested during the audit, CHIP adheres to established tasks and procedures from application receipt to submission of a grant report. The parties involved in the direct administration of the CHIP possess strong experience, expertise, and institutional knowledge of the CHIP, having been directly involved in the administration of this Program for several years. In addition, MNP found that there are various established processes in place to support the effective administration and management of the CHIP. These processes include the creation of the annual CHIP report, the use of an assessor survey and the applicant's submission of a grant report.

However, some opportunities for improvement were identified during the conduct of the audit, including documenting the confirmation of an assessor's conflict of interest check or declaration, consolidation and documentation of key CHIP processes, utilization of a method for interested stakeholders to express and submit their interest in becoming an assessor, documentation of assessor selection approvals, utilization of applicant surveys and paid advertisements and consideration of internal or in-house administration and management of the CHIP.

The following table presents a summary of observations identified, recommendations, and their respective risk rating based on the rating scale identified in **Appendix A**. These observations and recommendations were discussed with City Management responsible for the respective control area. Management has agreed with the observations and provided action plans to address the recommendations. A full list of the observations identified, and the detailed associated recommendations and management action plans are included in **Section 8.0** of this report.

Ref	Summary of Observations	H	M	L
1	**Assessor Conflict of Interest Check/Declaration** It was noted that the assessor conflict of interest check or declaration is performed verbally, and evidence of an assessor's self assessment is not documented. Without the documentation of conflict-of-interest checks/declarations, there is a risk that it may not be performed, or results are not always appropriately escalated. The occurrence of a conflict of interest can result in a loss of public and internal trust and reputational, financial, and legal risks.		M	

2	**Consolidation and Documentation of Key CHIP Processes**
	
	The Guidelines for CHIP that provide a detailed overview of the Program have been approved by Council and are an attachment to the LHC Multi-year Purchase of Service Agreement. There is an opportunity to enhance the existing suite of CHIP guidance by including the following key processes and procedures into a comprehensive policy and procedure manual for the CHIP granting program. This manual should include the following:
	
	• Funds transfer process including approvals needed prior to disbursement;
	
	• The following key Evaluation Committee processes:
	
	    ○ Member selection and approval process;
	    ○ Conflict of interest check/declaration and confidentiality agreement processes;
	    ○ Process for documenting the Evaluation Committee discussion and conclusion;
	    ○ Process for creating and approving the annual report that is submitted to the City of London annually as required in the current Purchase of Service Agreement; and,
	    ○ Process for developing and approving the annual CHIP communications plan.
	
	Without the documentation of key CHIP processes, there is a risk that processes will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.
			M	

Ref	Summary of Observations	H	M	L
3	**Assessor Selection** It was noted that there is no method for interested stakeholders to express and submit their interest in becoming an assessor and instead, potential assessors are only selected based on referrals or prior relationships. Furthermore, proposed assessors are approved by the Operations Officer and the Fund Development Officer prior to being selected. However, it was noted that these approvals are not consistently documented and may be provided verbally. There is a risk that the LHC is not utilizing the most qualified assessors for the assessment of CHIP applications and without the documentation of approvals, there is a risk that approvals from appropriate parties will not be consistently obtained. This can result in non-compliance with established internal processes.			
4	**Applicant, Recipient and Assessor Feedback** MNP noted that standardized and physical applicant surveys are not conducted annually to obtain feedback regarding their participation with the CHIP and to help identify opportunities for improvement. Without appropriate collection and use of applicant, recipient and assessor feedback, there is limited ability to enhance CHIP processes, resulting in a potential increase in applicant and assessor disengagement.			
5	**Opportunity to Utilize Paid Advertisements** It was noted that paid advertisements are not conducted to help promote and expand the reach of the CHIP as social media and LHC website can have a limited/niche reach. When marketing efforts are not maximized, it limits an organization's ability to increase member engagement and retention.			
6	**Administration and Management of CHIP** It was noted that while the CHIP is administered and managed by a third party, the City has ultimate accountability of ensuring the successful delivery of this Program and utilization of public funds. There is an opportunity for the City to consider in-house administration and management of the Program. The City may expose itself to avoidable liabilities that would normally be mitigated with the use of internal resources and established internal processes or operation and the City may not be saving funds by utilizing an external party vs administering the Program in-house.			

7.1 ACKNOWLEDGEMENT OF COOPERATION AND EFFORTS

Internal Audit would like to express our appreciation for the cooperation and efforts made by City and LHC personnel who manage and administer the Program. Their contributions assisted in ensuring a successful engagement.

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8.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS

#	Observation	Priority	Recommendation	Management Response
1	**Assessor Conflict of Interest Check/Declaration** It was noted that an assessor conflict of interest check or declaration is performed verbally, and evidence of an assessor's self assessment is not documented. However, without the documentation of conflict-of-interest checks/declarations, there is a risk that this task may not be performed, or results escalated. The non occurrence of a conflict of interest can result in a loss of public and internal trust and lead to other liabilities arising.	**Medium**	Confirmation of an assessor's conflict of interest check or declaration should be documented and retained.	**Action Plan:** The LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement. LHC will implement this recommendation for the 2024 grant process. **Accountability:** Neighbourhood and Community Wide Services (NCWS) (Culture Services) London Heritage Council **Timeline:** Q2 2024
2	**Consolidation and Documentation of Key CHIP Processes** Guidelines that provide a detailed overview of the Program have been approved by Council and are an attachment to the LHC Multi-year Purchase of Service Agreement. The LHC also utilizes various guidance and	**Medium**	An overarching policy and procedure manual for the CHIP granting program outlining the end-to-end process of the CHIP should be developed. This policy should outline the key roles and responsibilities of each key stakeholder.	**Action Plan:** The LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement.

#	Observation	Priority	Recommendation	Management Response

	informative materials to support the administration of the established CHIP processes.
	
	There is an opportunity to enhance the existing suite of CHIP guidance by including the following key processes and procedures into a comprehensive policy and procedure manual for the CHIP granting program. This manual should include the following:
	
	• Funds transfer process including approvals needed prior to disbursement;
	• The following key Evaluation Committee processes:
	   o Member selection and approval process;
	   o Conflict of interest check/declaration and confidentiality agreement processes;
	   o Process for documenting the Evaluation Committee discussion and conclusion;
	   o Process for creating and approving the annual report that is submitted to the City of London annually as required in the current Purchase of Service Agreement; and,
	   o Process for developing and approving the annual CHIP communications plan.
	
	Furthermore, it was noted that while these processes may not be formally documented, they are well understood by those involved in the process.
	
	Without the documentation of key CHIP processes, there is a risk that processes will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team
			Key processes should be documented within a CHIP policy and procedure manual and should outline the detailed steps of each process and the responsibilities of staff. This information should be communicated and accessible to relevant staff.
			
			A 'version control' section should be included within the policy and procedure manual. This section should cover the following information:
			
			• Owner;
			• Approver;
			• Date of approval;
			• Date issued;
			• Date effective;
			• Date of last change;
			• Description/rationale of changes;
			• Frequency of Review (e.g., annually, biennially); and,
			• Date of next review.
				LHC will implement this recommendation for the 2024 grant process.
				
				Accountability:
				
				NCWS (Culture Services)
				
				London Heritage Council
				
				Timeline:
				
				Q2 2024
				
				The CHIP Policy and Procedure Manual will be developed for the 2024 CHIP process.

#	Observation	Priority	Recommendation	Management Response
	members leave the organization or be unavailable for a period of time.			
3	**Assessor Selection** CHIP applications are reviewed by the Evaluation Committee which consists of independent and volunteer assessors that advise on priority funding areas, assess submissions, and make recommendations on the awarding of investments. It was noted that there is no method for interested stakeholders to express and submit their interest in becoming an assessor and instead, potential assessors are only selected based on referrals or prior relationships. Moreover, proposed assessors are approved by the Operations Officer and the Fund Development Officer prior to being selected. However, it was noted that these approvals are not consistently documented and may be provided verbally. There is a risk that the LHC is not utilizing the most qualified assessors for the assessment of CHIP applications. Without the requirement to document approvals, there is a risk that approvals from appropriate parties will not be consistently obtained. This can result in noncompliance with established internal processes.	Low	A clear method for interested stakeholders to express and submit their interest in becoming an assessor should be established. One possible method would be via a submission of an online form. In addition, assessor approvals should be documented prior to their selection. These approvals may be documented within a checklist or via email.	**Action Plan:** LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement. LHC will implement this recommendation for the 2024 grant process. **Accountability:** NCWS (Culture Services) London Heritage Council **Timeline:** Q2 2024
4	**Applicant, Recipient and Assessor Feedback**	Low	Standardized and physical recipient surveys should be conducted annually to obtain feedback regarding their participation with the CHIP and to	**Action Plan:**

#	Observation	Priority	Recommendation	Management Response
	MNP noted that standardized and physical applicant surveys are not conducted annually to obtain feedback regarding their participation with the CHIP and to help identify opportunities for improvement. It is acknowledged that each unsuccessful applicant can provide their verbal feedback to the Fund Development Officer, if requested. Without appropriate collection and use of applicant, recipient and assessor feedback, there are restricted opportunities to enhance CHIP processes, resulting in a potential increase in applicant and assessor disengagement.		help identify opportunities for improvement. The surveys may ask questions regarding the following: • Process satisfaction; • Process improvement opportunities; • Likeliness of involvement with the CHIP again and of a referral; • How they heard about the CHIP.	LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement. LHC will implement this recommendation for the 2024 grant process. **Accountability:** NCWS (Culture Services) London Heritage Council **Timeline:** Q4 2024
5	**Opportunity to Utilize Paid Advertisements** The LHC utilizes social media and LHC website to advertise the CHIP to relevant or key members. However, MNP noted that paid advertisements are not conducted to help promote and expand the reach of the CHIP as social media and LHC website can have a limited/niche reach. It is acknowledged that traditional media outlets may not be the media of choice for LHC's relevant or key members and LHC must conform to budget parameters.	**Low**	The utilization of paid advertisements should be considered to help promote and expand the reach of the CHIP.	**Action Plan:** LHC 2024 – 2028 Multi-Year Purchase of Service Agreement with the City of London will address this CHIP requirement. LHC will implement this recommendation for the 2024 grant process. **Accountability:**

#	Observation	Priority	Recommendation	Management Response
	When marketing efforts are not maximized, it negatively impacts an organization's ability to increase member engagement and retention.			NCWS (Culture Services) London Heritage Council **Timeline:** Q1 2024
6	**Administration and Management of CHIP** The CHIP is a City Program that is funded by the City and administered and managed by a third party, the LHC through a Multi-year Purchase of Service Agreement with the City of London that includes CHIP Guidelines. It was noted that while this City Program is administered and managed by a third party, the City has the ultimate accountability of ensuring the successful delivery of this Program and utilization of public funds. There is an opportunity for the City to consider the in-house administration and management of the Program to determine if cost and operational efficiencies can be obtained. There is a risk that the City may expose itself to avoidable liabilities that would normally be mitigated with the use of internal resources and established internal processes and the City may not be saving funds or gaining operational efficiencies by utilizing an external party vs administering the Program in-house.	Low	The City should consider performing a cost/benefit analysis of internal and/or 3rd party management and administration value opportunities such as: financial cost savings of administration, leveraging additional funds, development of specific sector expertise, and complaint resolution processes to protect the City.	**Action Plan:** Neighbourhood and Community-Wide Services to hire an external consultant to undertake a cost/benefit analysis of the current program. **Accountability:** Neighbourhood and Community-Wide Services **Timeline:** Q4 2025 (to be completed prior to the multi-year purchase of service renewal in 2028).

MNP

APPENDIX A – RATING SCALE

The findings outlined in this report have been assessed based on a rating scale defined in the table below:

Rating	Description
Low	The finding is not critical but should be addressed in the longer term to improve either internal controls, efficiency of the process, or mitigate a minor risk.
Medium	The finding represents a control weakness or risk that could have or is having an adverse effect on the ability to achieve process objectives and/or a significant impact to the City's residents. The finding requires Management action within the short-to-intermediate term.
High	The finding represents a significant control weakness or risk that could have or is having a major adverse effect on the ability to achieve process objectives and/or a material impact to the City's residents. The finding requires immediate Management action.

APPENDIX B – REPORT DISTRIBUTION LIST

This report was distributed to the following parties:

City of London
To:
Audit Committee
Cheryl Smith, Deputy City Manager, Neighbourhood and Community-Wide Services
Robin Armistead, Manager, Culture Services
MNP LLP
Geoff Rodrigues, Engagement Partner
Cliff Trollope, Quality Assurance Partner
Deepak Jaswal, Engagement Leader and VfM Specialist
Osman Qureshi, Senior Auditor