Agenda
Audit Committee

3rd Meeting of the Audit Committee

November 7, 2018, 12:00 PM

Council Chambers

<u>Members</u>

P. Hubert (Chair), A. Hopkins, S. Turner, M. van Holst, S. Khullar

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    A matter pertaining to personal matters about an identifiable individual, including municipal or local board employees, with respect to employment-related matters and advice and recommendations of officers and employees of the Corporation advice that is subject to solicitor-client privilege, including communications necessary for that purpose.

7.   Adjournment

Memo

Date:	October 29, 2018
To:	Members of The Corporation of the City of London Audit Committee
From:	Jim Pryce, Partner, Deloitte LLP
Subject:	Internal Audit Summary Update

Internal Audit has included a summary memo with our material to highlight major accomplishments since our last update to the Audit Committee and to draw your attention to the matters of greatest importance. We will cover these documents in more detail at the meeting and respond to all questions you may have.

1. **Internal Audit Dashboard Report:**

   a. The approved 2017-2018 plan continues to be executed and is expected to be completed by the end of January 2019. Internal Audit continues to have quarterly meetings with the City Manager and City Treasurer.

   b. Internal Audit issued two reports since the last Audit Committee update:

      i. Procurement process assessment

      ii. Homeless prevention assessment

      Action plans on above issued reports with observations are in place to achieve established and updated timelines.

   c. Internal Audit continues to work with management to improve the performance metrics of finalizing internal audit reports.

2. **Internal Audit Plan**

   a. Internal Audit to commence activities to refresh the 2019-2021 internal audit plan in January 2019.

3. **Audit Observation Status Summary of High and Medium Priority Observations and past due observation trending analysis:**

   a. Internal Audit closed two observations since the last Audit Committee update including one (1) high priority observation for Freedom of information process and one (1) medium priority observation for Management compensation process.

   b. A total of four (4) high and medium priority observations are past due as of October 29, 2018 compared to four (4) past due as of June 1, 2018:

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      i.   Three (3) observations continue to be past due including two (2) medium priority observations for Parks and Recreation cash handling and one (1) high priority observation for Freedom of information process.

      ii.   One (1) medium priority observation for Management compensation process has become past due since June 1, 2018.

c.   We are comfortable that management is making progress to remediate open items based on the timelines established and work plans in place which they have committed and asserted to.

d.   Additional weakness in internal controls were identified in the period requiring additional focus on Procurement process (2 medium priority observations) and Homeless prevention process (4 medium priority observations).

4. Reports issued:

a.   Procurement process assessment: Minor process control or efficiency weaknesses identified. The report identified two (2) medium priority observations and one (1) leading practice observation.

b.   Homeless prevention assessment: Minor process control or efficiency weaknesses identified. The report identified four (4) medium priority observations.

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City of London Audit Committee Observation Summary
As at October 29, 2018

LEGEND	
Observations closed	All observations have been addressed by management
Remediation in progress	Observations in progress are being addressed by management including observations where initial timeline was missed but a plan is in place for remediation that appears acceptable
Remediation in progress - exceptions noted	Management has missed implementation deadlines for observations and no adequate resource plan has been identified
Management accepts the risk	Management has accepted the remaining risk

Report Summary				Observation Status for Management Action Plans due October 29, 2018						
Internal Audit Plan Year	**Report**	**Report Issue Date**	**Total High & Medium Observations**	**Observations Closed Per Management**	**Closed Per Internal Audit***	**In Progress Observations (Not Due)**	**Past Due Observations**	**Observations Closed by IA Since June 1, 2018 update**	**Timing**	**Past Due Observation Commentary**
2017/2018	Parks and Recreation Cash Handling Review	Nov-17	3	1	1	0	2	0	Dec-18	• Two observations are past due as the issuance of the revised Cash Handling Policy is outstanding. Revised timeline is Dec 2018
2017/2018	Freedom of Information Process Assessment	Jan-18	2	1	1	0	1	1	Dec-18	• One observation is past due as activities to close the observation rely on the issuance of the Privacy Policy dated September 2018. Revised timeline is Dec 2018
2017/2018	Building Permit Process Assessment	Jan-18	3	0	0	3	0	0	Feb-19	
2017/2018	Management Compensation Process Assessment	Apr-18	3	1	1	1	1	1	Dec-18	• One observation is past due as priority has been the JD Edwards system upgrade that went live on October 22. Revised timeline to be determined early November 2018
2017/2018	Parking Revenue Generation Assessment	Jun-18	5	0	0	5	0	0	Dec-19	
2017/2018	Homeless Prevention Assessment	Oct-18	4	0	0	4	0	0	Dec-19	
2017/2018	Procurement Process Assessment	Oct-18	2	0	0	2	0	0	Aug-19	
Sub-total 2017/2018 reports			22	3	3	15	4	2		
Total High and Medium observations			22	3	3	15	4	2		

Closed per Management: Management has indicated that action plans due to be acted upon by October 29, 2018 are complete.

Closed per IA: Internal Audit has validated Management's assertions of observation closure through review of evidence.

In Progress Observations: Management action plans due beyond October 29,2018 are underway or management has asserted observations are closed but Internal Audit has not yet validated.

Past Due Observations: Actions plans due by October 29, 2018 have not been fully acted upon.

Observations Closed by Internal Audit since last update: Management has indicated in the current period that action plans are complete and Internal Audit has validated through review of evidence

Note *: Observation closed by Internal Audit once validation of activities undertaken have been independently verified by Internal Audit

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The Corporation of the City of London
June 2017 - December 2018 internal audit dashboard as at October 29, 2018

Project status – 2017-2018 Internal audit plan

2017-2018 Audit plan projects	Percent complete		Report issued
• Parks & Recreation cash handling process review		100%	✓
• Freedom of information process assessment		100%	✓
• Management compensation process assessment		100%	✓
• Building permit process assessment		100%	✓
• Parking revenue generation assessment		100%	✓
• Homeless prevention assessment		100%	✓
• Procurement process assessment		100%	✓
• IT portfolio management and project management assessment		80%	○
• Housing process assessment		15%	○
• Health and safety assessment		10%	○
• Class replacement project post-implementation review*		10%	○
• Construction procurement process assessment		10%	○
• IT security assessment		10%	○

Internal audit activities – November 2018 – January 2019

- IT portfolio management and project management process assessment (reporting)
- Housing process assessment (fieldwork and reporting)
- Health and safety assessment (fieldwork and reporting)
- Class replacement project post-implementation review* (scoping)
- Construction procurement process assessment (fieldwork and reporting)
- IT security assessment (fieldwork and reporting)

Other activities

- Prepare Audit Committee meeting materials
- Observation follow-ups and validation
- Internal audit plan refresh for 2019-2021 (January 2019)

2017-2018 Performance metrics

Project customer satisfaction
Overall quality of work/satisfaction level? (Based on completed reports surveys returned)

1   3   5

Objective = 4

% complete of the 2017-2018 internal audit plan
64% complete

Internal audit 2017-2018 reporting

	Draft (days)	Management comment (days)	Issue final (days)	Final (days)
• **Objective**	5.0	15.0	10.0	30.0
• **Performance**	6.7	19.9	16.6	43.2

* - Moved to a pre-implementation review at request of management and approval of the Audit Committee.

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The Corporation of the City of London
Procurement process assessment

Audit performed: July – September 2018
Report issued: October 26, 2018

Introduction

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Executive summary

Introduction

Internal Audit conducted a procurement process assessment from July to September 2018, as part of the 2017-2018 Internal Audit plan. The City provides professional Procurement Services for over 100 City Services and manages over 100 Request for Tenders and over 60 Request for Proposals annually. Procurement Services provides various informal and formal Request for Quotations that total to approximately $300 million in spending annually. The City also recently implemented an eProcurement solution.

The purpose and objective of this review was to assess the operational effectiveness and efficiency of processes and controls undertaken by the Purchasing and Supply Section following implementation of an eProcurement solution including:

- Review and assess the governance framework and organization structure for the Purchasing and Supply Section;
- Review and assess Purchasing and Supply Section business processes and relevant key controls;
- Assess the effectiveness of the City's controls in place for the eProcurement system (known as bids&tenders); and
- Review and identify overall process improvement opportunities within the Purchasing and Supply Section.

The detailed internal audit scope can be found in **Appendix 1** of this report.

Key strengths

Approval of award matrix: The approval limits detailed in the Procurement of Goods and Services Policy establishes clear requirements to control purchasing of goods or services. Specifically, the current matrix requiring Committee and City Council to approve award of tenders greater than $3,000,000 is effective and efficient and aligned with other local government procurement requirements. There is also a clear understanding amongst management and staff that all tenders with an expected award greater than $3,000,000 must be approved by Committee and City Council.

eProcurement: The recently implemented eProcurement solution demonstrates the City's commitment to innovation including an enhanced control environment. This new eProcurement solution has not only established a more balanced mix of manual and automated controls, it has also introduced opportunities for more reliable data retention and reporting and enabled Purchasing and Supply Division staff to focus efforts on more value-added priorities.

Purchase card audit: The current purchase card audit framework is effectively designed to mitigate risks utilizing an approved template and reliable reports. Management in Accounts Payable and Purchasing and Supply demonstrated effective activities to coordinate on a quarterly basis to perform a review of purchase card transactions to identify areas of concern including transactions that may not comply with Procurement of Goods and Services Policy requirements. Additionally, Management performed adequate follow-up procedures on identified items to support informed decision-making.

Staff standard operating procedures: Purchasing and Supply Division management and staff are committed to documenting all relevant staff procurement activities. Additionally, an inventory of all Standard Operating Procedures ("SOP") was created centrally; this listing includes a schedule to review and update each SOP on an annual basis.

Key observations

Deloitte's review of Purchasing and Supply Division practices identified the following observations:

Priority	High	Medium	Low	Leading Practice
Observations	0	2	2	1

Medium priority observations

PPA 1.01: Vendor management

Although the City maintains an inventory of third parties (vendors/ suppliers) within JD Edwards, varying vendor requirements (e.g. payment terms) has resulted in multiple addresses for the same vendor within the system. There is a need for a single supplier database to record pertinent vendor information. In addition, there is a need to provide further supporting guidelines for City management and staff to better understand practices for executing performance evaluation activities. Suboptimal vendor management practices could lead to unidentified exposures for the City, such as incorrect payments, and insufficient guidelines to support vendor management activities may lead to non-compliance with City expectations.

Management Comments

Purchasing and Supply Management agrees that further supporting guidelines need to be provided with respect to vendor performance evaluation. Guidelines will be developed to build on what is laid out in Section 20.5 of the Procurement of Goods and Services Policy. Further, Finance will look to explore the opportunity and feasibility to build on the existing address book in JD Edwards, associating evaluations with suppliers, creating a single database and opportunities to better group addresses by vendor name.

John Freeman, Manager III, Purchasing and Supply
August 31, 2019

PPA 2.01: File retention and maintenance

Purchasing and Supply has developed a document retention guideline; however, Internal Audit noted that the file retention and maintenance practices vary for document management and are inconsistent with established guidelines. Currently, Purchasing and Supply Division staff are storing documents in both physical and electronic copies. Misinterpreted document retention expectations may lead to undesired practices and non-compliance with City expectations or legislative requirements.

Management Comments

Purchasing & Supply will complete an SOP guideline for the current file retention process which takes into consideration the hybrid approach of keeping both electronic and paper copies of procurement records. Noting that some records at this time are best kept electronically, whereas others are best kept paper based.

John Freeman, Manager III, Purchasing and Supply
December 31, 2018

Leading practice observations

Approvals and signatures

Electronic or digital signatures have not yet been adopted by the City. The current method to approve items such as purchase certificates, purchase requisitions and other procurement related items is manually intensive, requiring approvals to be in the form of original signatures. Management should consider evaluating the available technologies to assist with creating a more efficient and effective approval process.
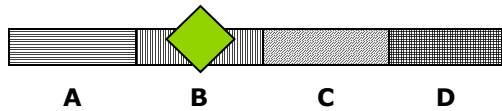
Priority heat map
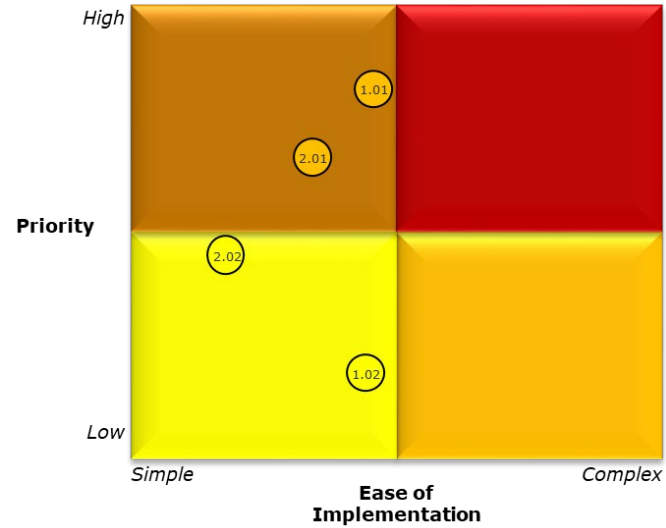
Conclusion

Based on our assessment of Purchasing and Supply Division practices we noted two medium priority observations with the potential to impair the effectiveness of current processes, two low priority observation with minor control or efficiency improvement opportunities, and one leading practice with the opportunity to improve the maturity model. The issues noted in the report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

The following scale depicts our overall process conclusion as it relates to the scope of areas audited as outlined above:

Description		Definition
	A	No or insignificant process control or efficiency weaknesses identified
	B	Minor process control or efficiency weaknesses identified
	C	Moderate process control or efficiency weaknesses identified
	D	Significant control process or efficiency weaknesses identified Impairing the effectiveness of the process

Detailed observations and recommendations

Observation 1.0 – Purchasing and Supply governance – vendor management

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
PPA 1.01 Vendor management Per discussions with stakeholders, as well as review of documentation, Internal Audit identified the following themes with respect to vendor management: **Comprehensive supplier inventory:** Although the City maintains an inventory of third parties within JD Edwards, varying vendor requirements (e.g. payment terms) has resulted in multiple addresses for the same vendor in the system module. **Integrated reporting:** A single supplier database for City management and staff to record and store pertinent vendor non-financial information such as performance results is needed. **Guidelines:** Although vendor performance evaluation requirements can be found in the Procurement of Goods and Services Policy, there is a need to provide further supporting guidelines for City management and staff to better understand practices for executing vendor performance evaluation activities.	**PPA 1.01 Vendor management** Suboptimal vendor management practices could lead to unidentified exposures for the City, such as incorrect payments. Insufficient guidelines to support vendor management activities may lead to non-compliance with City expectations.	**PPA 1.01 Vendor management** Financial Services Management should consider opportunities to reduce the number of addresses for each vendor in the master file and to rationalize vendor records into a single database for City management and staff to record and store pertinent vendor non-financial information. Additionally, Financial Services Management should consider providing further supporting guidelines for City management and staff for executing vendor performance evaluation activities.	**Management agrees** Purchasing and Supply Management agrees that further supporting guidelines need to be provided with respect to vendor performance evaluation. Guidelines will be developed to build on what is laid out in Section 20.5 of the Procurement of Goods and Services Policy. Further, Finance will look to explore the opportunity and feasibility to build on the existing address book in JD Edwards, associating evaluations with suppliers, creating a single database and opportunities to better group addresses by vendor name.	John Freeman Manager III, Purchasing and Supply August 31, 2019

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LP	**PPA 1.02 Service delivery** There are informal practices in place for Management to measure, share, and monitor the effectiveness of Purchasing and Supply service delivery to City Service Areas for procurement related activities.	**PPA 1.02 Service delivery** There is risk that the Purchasing and Supply Division is not identifying improvements or changes needed for service delivery operations in a timely manner.	**PPA 1.02 Service delivery** Purchasing and Supply Management should formalize a service delivery program to measure procurement effectiveness. Management should review the program periodically to ensure performance indicators are still relevant and effective.	**Management agrees** Purchasing & Supply will implement a survey mechanism to gather data to measure procurement effectives, creating a framework for analysing feedback.	John Freeman Manager III, Purchasing and Supply April 30, 2019

Observation 2.0 – Purchasing and Supply Division operations

	Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
MP	**PPA 2.01 File retention and maintenance** Although Purchasing and Supply has developed a document retention guideline, Internal Audit noted that file retention and maintenance practices vary for document management and are inconsistent with established guidelines. Currently, Purchasing and Supply Division staff are storing documents in both physical and electronic copies.	**PPA 2.01 File retention and maintenance** Misinterpreted document retention expectations may lead to undesired practices and non-compliance with City expectations or legislative requirements.	**PPA 2.01 File retention and maintenance** Purchasing and Supply Management should enhance the current standard operating procedure (SOP) guideline to clarify file retention expectations. Additionally, Management should establish a file maintenance schedule to periodically dispose and destroy of old documentation, with consideration given to legislative requirements and City expectations.	**Management agrees.** Purchasing & Supply will complete an SOP guideline for the current file retention process which takes into consideration the hybrid approach of keeping both electronic and paper copies of procurement records. Noting that some records at this time are best kept electronically, whereas others are best kept paper based.	John Freeman Manager III, Purchasing and Supply December 31, 2018
LP	**PPA 2.02 Management standard operating procedures (SOP)** Internal Audit noted a commitment to documenting all relevant staff procurement activities as well as the central creation of staff standard operating procedures. However, Internal Audit noted that standard management-related business processes or guidelines are not fully documented for Purchasing and Supply management activities.	**PPA 2.02 Management SOP** Insufficient documentation of management practices could lead to undesired process activities and may restrict new management from fully understanding relevant processes and controls when undertaking their responsibilities.	**PPA 2.02 Management SOP** Purchasing and Supply Management should create a management related SOP inventory listing and document all standard operating procedures (SOP) relevant to management.	**Management agrees.** Purchasing and Supply Management will develop routine work processes via SOP's specific to the management of Purchasing and Supply.	John Freeman Manager III, Purchasing and Supply January 31, 2019

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Leading Practice 3.0 – Approvals and Signatures

Observation	Implication	Recommendation
PPA 3.0 Approvals and signatures Electronic or digital signatures have not yet been adopted by the City. The current method to approve items such as purchase certificates, purchase requisitions and other procurement related items is manually intensive, requiring approvals to be in the form of original signatures.	**PPA 3.0 Approvals and signatures** Failure to utilize available technologies may lead to suboptimal approval processes and timelines.	**PPA 3.0 Approvals and signatures** Management should collaborate with internal City stakeholders to assess opportunities to adopt electronic and/or digital signatures.

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Appendix 1: Internal audit detailed scope

Specifically, the internal audit addressed the following areas:

Review and assess the governance framework and organization structure for the Purchasing and Supply Section
- Reviewed and assessed the current Purchasing and Supply Section's organizational structure and departmental charts to ensure roles, reporting lines, and responsibilities are effectively designed and established to enforce existing policies, guidelines, and procedures;
- Assessed whether roles, reporting lines, and responsibilities are adequately understood by staff to ensure staff are enabled to fulfill their responsibilities;
- Assessed governing guidelines and procedures in place to assure the procurement process is adhering to legislation and meeting established timelines;
- Reviewed and assessed existing procedures to communicate with other stakeholders involved in the process within the procurement process; and
- Reviewed and assessed the annual compliance monitoring and reporting activities.

Review and assess Purchasing and Supply Section business processes and relevant key controls
- Reviewed the existing processes within the Purchasing and Supply Section to administer and undertake the procurement process for goods and services using purchase cards (P Cards), centralized informal quotes, formal quotes, formal request for qualifications, formal proposals, formal tenders, and assess its adequacy in complying with the Procurement of Goods and Services Policy, procedures and guidelines;
- Reviewed a select sample of purchases of goods and services and evaluate procedures to assess the adequacy to mitigate residual business risks (i.e., adhering to Procurement of Goods and Services Policy, etc.), assure transparency, and efficiently execute the process;
- Reviewed the procurement process and evaluate procedures to validate that purchases of goods and services have been administered in a timely manner and within established timelines;
- Reviewed the process in place for the Purchasing and Supply Section to cancel the procurement contract of goods and services;
- Reviewed the process in place for the Purchasing and Supply Section to communicate with internal stakeholders on questions related to a specific procurement of goods and services;
- Reviewed existing practices for Purchasing and Supply Section to solicit and incorporate feedback from internal and external stakeholders into the purchasing processes; and
- Reviewed and assessed the contract management and monitoring procedures performed by a sample of departments to ensure compliance Purchasing and Supply Section requirement.

Assess the effectiveness of the City's controls in place for the eProcurement system (known as Bids and Tenders):
- Gained an understanding of the internal controls, including IT general controls, currently in place for the eProcurement system;
- Evaluated alignment of internal controls with that of project expectations;
- Reviewed and assessed on a sample basis, the effectiveness of existing internal controls including system access controls, business process controls, and segregation of duties controls;
- Evaluated the internal control framework to ensure an optimum mix of manual and automated controls has been implemented to completely and accurately validate data;

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- Reviewed documentation related to the procedures to enter new data into the system and assess to ensure that information is effectively captured;
- Reviewed knowledge of the system reporting and functionalities to ensure City personnel are adequately trained and have appropriate access to resources for efficient system use.

Review and identify overall process improvement opportunities within the Purchasing and Supply Section
- Reviewed the existing process for administrative award of tenders to determine if there is value in an incremental increase to the existing threshold;
- Reviewed and assessed existing procurement processes to identify opportunities for efficiency or standardization.

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Appendix 2: Internal audit rating scale

Individual observation prioritization

Internal Audit will prioritize each observation and recommendation within a report using a three point rating scale. The three point rating scale will be as follows:

Description		Definition
	High	Observation is high priority and should be given immediate attention due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
	Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term.
	Low	Observation does not present a significant or medium control risk but should be addressed to either improve internal controls or process efficiency.
	Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

Appendix 3: Stakeholder involvement

In conducting the assessment, the following management and staff were interviewed to gain an understanding of the City's Purchasing and Supply Section processes and practices.

Stakeholder	Position
Anna Lisa Barbon	Managing Director, Corporate Services, City Treasurer and Chief Financial Officer
Ian Collins	Director, Financial Services
John Freeman	Manager III, Purchasing and Supply
Geoff Smith	Manager I, Purchasing and Supply Operations
Sarah Denomy	Procurement Officer
Chris Ginty	Procurement Officer
Mary Ma	Procurement Officer
John Stevely	Procurement Officer
Ian Harris	Procurement Specialist
Chris Rinehart	Procurement Specialist
Billy Sevier	Procurement Specialist
Suzie Oliveira	Procurement Assistant
Judy Spencer	Procurement Assistant
Various – Deloitte met with various management and staff in select Service Areas to gather an in-depth understanding of purchasing practices and perform audit procedures.	

Appendix 4: Audit procedures performed

As part of the Procurement Process Review the following procedures were performed:

- Conducted a planning meeting with the Managing Director of Corporate Services and City Treasurer and Chief Financial Officer, Director of Financial Services, Manager of Purchasing and Supply, and Manager of Purchasing and Supply Operations;
- Updated and issued a finalized Project Charter and request for information;
- Conducted meetings and interviews with Purchasing and Supply management and staff to obtain an understanding of:

  - The governance framework and organization structure for the Purchasing and Supply Section,
  - Purchasing and Supply Section business processes and relevant key controls,
  - Purchasing and Supply Section's use of their eprocurement system bids&tenders, and
  - Existing opportunities within procurement business operations to increase efficiency and standardization;

- Obtained documentation regarding relevant procedures and controls to perform an inspection of:

  - Procurement of Goods and Services Policy;
  - Conflict of Interest Policy;
  - Standard procurement operating procedures;
  - EProcurement project management and implementation documentation;
  - Listing of 2018 year-to-date procurement requests (qualification, quotation, proposal, tender);
  - Sample completed procurement files;
  - Listing of 2017 purchase card transactions;
  - 2017 purchase card transaction audit;
  - Sample communications (internal and external);
  - Purchasing and Supply Division job descriptions;
  - Relevant procurement forms and templates (e.g., Procurement Initiation Approval, etc.);

- Conducted sample testing activities related to procurement, vendor management, and contract management processes and controls as well as communication protocols, and management oversight activities;
- Drafted preliminary observations and verified observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and
- Issued this internal audit report with our detailed observations

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The Corporation of the City of London
Homeless Prevention Assessment

Audit Performed: February – July 2018
Report Issued: October 29, 2018

Introduction

Executive summary

Introduction

Internal Audit conducted a Homeless Prevention assessment as part of the 2018 Internal Audit plan, performing the review from April to July 2018. The City's Homeless Prevention System focuses on securing housing, housing with support, housing stability and shelter diversion. "A Housing First or Housing with Support approach assists individuals and families by seeking out and supporting the right housing, at the right place, with the right level of support to develop lasting housing stability." The Homeless Prevention System maintains two priority outcomes to guide the efforts and form the basis for the indicators of success:

1. Individuals and families experiencing homelessness obtain and retain housing; and
2. Individuals and families at risk of homelessness remain housed.

In early 2013, London City Council approved a 3-year Implementation Plan that was developed through a consultative process with numerous community forums. In November 2013 the Homeless Prevention and Housing Plan 2010-2024 was approved by London City Council following a new requirement under the Ontario Housing Services Act. This Plan was built upon the 3 Year Implementation Plan. The City's Homeless Prevention Area has recently experienced significant changes and growth to execute the Plan. Homeless Prevention leadership has self-recognized the need to implement enhanced core controls to align with this recent change and growth. Management has noted their continued focus on building a mature control environment to support the Homeless Prevention Area's added responsibilities and business operations, including adapting to changing priorities to solve homelessness in the community, which are beyond management's control and can affect the delivery of the services. Management has also noted that Homeless Prevention has in place a dashboard for the Council approved homeless prevention housing allowance and retains third party consultants to complete program-focussed evaluations, such as the following:

*   London Emergency Shelters Progress Report 2011-2017, showing demographics, trends and change over time;
*   Housing Stability Bank, an evaluation of the use of crisis utility program and last months rent program including customer satisfaction;
*   Street Level Women at Risk, a program created through community consultation;
*   Order to Reside;
*   Project Home; and
*   London' Enumeration results 2015-2018.

The purpose and scope of this review was to assess the operational and financial processes and controls surrounding homeless prevention processes. Specifically, the objectives of this review were to:

*   Review and assess the City's Homeless Prevention System Implementation Plan and governance framework, including monitoring and performance metrics;
*   Review the City's financial processes, guidelines, and controls relevant to the Homeless Prevention System; and
*   Review and assess the Homeless Prevention System contract aware process and subsequent monitoring of contracts.

The detailed internal audit scope can be found in **Appendix 1** of this report.

Key strengths

Information technology system: The Homeless Prevention Plan identifies, as an Action, "to introduce an integrated homeless information and case management system." In October 2016, the Manager, Homeless Prevention made a recommendation with support from the Director of Information Technology Services to

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select HIFIS as its Homeless Management Information System (HMIS). Since this recommendation, HIFIS is now live, relevant information has been migrated from thirteen (13) contracted agencies, and two full-time positions to manage HMIS were created and recruited.

Disbursements: Financial and Business Services maintains effective procedures and controls to process disbursements for Homeless Prevention. In addition to reconciling batch process details prior to disbursing funds, the Financial and Business Services team will also review requested disbursements against approved budgets per contract agreements to ensure that total disbursed funds does not exceed the agreed amount.

Key observations

Deloitte's review of Homeless Prevention practices identified the following observations:

Priority	High	Medium	Low	Leading Practice
Observations	0	4	2	0

Medium priority observations

HPMA 1.01: Homeless Prevention dashboard

The Homeless Prevention Area currently generates various reports that provides insights to various ongoing initiatives. In addition, aggregate information is available monthly and quarterly related to the federal and provincial funding requirements. There is an opportunity to develop a scorecard or dashboard to quantitatively measure the status of each Homeless Prevention Area in aggregate on a regular basis. For example, the Homeless Prevention Area has not yet established and implemented a dashboard or scorecard that articulates clear status updates based on a defined progress scale for each area of focus with performance indicators for trending and benchmarking. Without a dashboard or scorecard to regularly review and assess Plan progress in aggregate, there is risk that the City may be unaware of events that could affect Homeless Prevention objectives and desired outcomes.

Jan Richardson, Manager, Homeless Prevention

September 30, 2019

HPMA 1.02: Priority assessment and funding allocation

The Homeless Prevention Area evaluates whether planned actions as defined in the Homeless Prevention System Implementation Plan are appropriately prioritized and aligned with funding allocation decisions. However, analysis and rationale to support priority and funding allocation decisions is not documented using a standardized format with defined evaluation criteria, which outlines rationale for decisions made by Management. Without using a standardized rationale for priority and funding allocation decisions, management prudence may not be understood and lead to stakeholder misunderstanding. There is also risk of knowledge loss within the Homeless Prevention Area when critical analysis and judgments applied to determine priority and funding allocations are not consistently recorded.

Jan Richardson, Manager, Homeless Prevention

September 30, 2019

HPMA 2.0: Service delivery

Practices for Management to measure, share, and monitor the effectiveness of Homeless Prevention service delivery with contracted agencies are informal. Internal Audit identified that Homeless Prevention Management receives regular feedback from contracted agencies and has performance indicators defined in the 2016-2019 business plan however, Homeless Prevention service delivery feedback is not consistently measured, and existing performance indicators are not regularly tracked and monitored. There is risk that

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Homeless Prevention is unaware of performance measures that indicate a need for improvements or changes to service delivery operations.

Jan Richardson, Manager, Homeless Prevention

September 30, 2019

HPMA 3.0: Standard operating procedures (SOP)
Internal Audit noted Management needs to increase its documentation of standard business processes or guidelines for the following Homeless Prevention operations: Priority assessment and fund allocation; Proposal evaluation; Homeless Prevention Implementation Plan monitoring; and Component monitoring (including financial and non-financial monitoring). Limited documented processes/guidelines could lead to ineffective, inefficient, or duplicated processes. In addition, the limited documented processes/guidelines may restrict new staff from fully understanding relevant processes and controls when undertaking their responsibilities.

Jan Richardson, Manager, Homeless Prevention

December 31, 2019
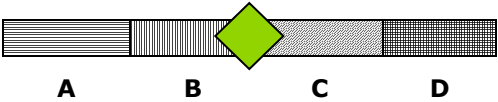
Priority heat map
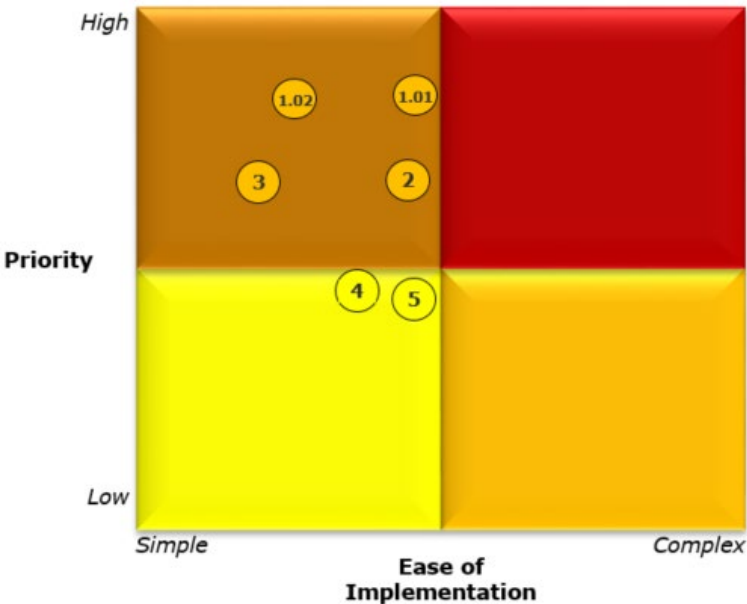
Conclusion
Based on our assessment of Homeless Prevention practices we noted four medium priority observations with the potential to impair the efficiency of current processes, and two low priority observations. The issues noted in the report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Management has provided action plans for the observations noted in the 'Detailed observations and recommendations' section.

The following scale depicts our overall process conclusion as it relates to the scope of areas audited as outlined above:

Description	Definition
A	No or insignificant process control or efficiency weaknesses identified
B	Minor process control or efficiency weaknesses identified
C	Moderate process control or efficiency weaknesses identified
D	Significant control process or efficiency weaknesses identified Impairing the effectiveness of the process

Detailed observations and recommendations

Observation 1.0 – Homeless Prevention governance

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
HPMA 1.01 Homeless Prevention dashboard The Homeless Prevention Area currently generates various reports that provide insights to ongoing initiatives. In addition, aggregate information is also available monthly and quarterly related to the federal and provincial funding requirements. However, a dashboard to measure the status of each homeless prevention area in aggregate on a regular basis is not a current practice.	**HPMA 1.01 Homeless Prevention dashboard** Without a dashboard or scorecard to regularly review and assess plan progress in aggregate, there is risk that the City may be unaware of events that could affect Homeless Prevention objectives and desired outcomes.	**HPMA 1.01 Homeless Prevention dashboard** Management should develop an oversight dashboard/scorecard to regularly measure, assess and track plan progress. When developing this dashboard/scorecard, Management should consider the following: • Define key stakeholders and consult to understand all reporting requirements and reportable information interests; • Incorporate clear status definitions (i.e., on track, deferred, delayed, complete, etc.) into the scorecard/dashboard that will be applied to each planned phase, area of focus and action; • Assign key performance indicators to each area of focus and planned action to clearly articulate relevant insights on the scorecard/dashboard; • Integrate, where possible, data from the recently implemented Homeless Management Information System; and • Create a free text section to inform readers of relevant insights to areas	**Management agrees** The Homeless Management Information System (HMIS) was introduced in April 2018 and reports are being developed to assist with regular assessment. The Homeless Prevention Plan will be updated through active community consultation to be completed in mid-2019. New indicators will be established to match the new priorities. A dashboard/ scorecard will be developed based on the updated Homeless Prevention Plan. A dashboard is currently in place for	Jan Richardson, Manager, Homeless Prevention September 30, 2019

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
		of focus or actions not explained through performance indicators.	the Homeless Prevention Housing Allowance.	
HPMA 1.02 Priority assessment and funding allocation The Homeless Prevention Area evaluates whether planned actions as defined in the Homeless Prevention System Implementation Plan are appropriately prioritized and align with funding allocation decisions. However, analysis and rationale to support priority and funding allocation decisions is not documented using a standardized format.	**HPMA 1.02 Priority assessment and funding allocation** Without using a standardized rationale for priority and funding allocation decisions, management prudence and ongoing engagement efforts with funded agencies and stakeholders may not be understood and lead to stakeholder misunderstanding. There is also risk of knowledge loss within the Homeless Prevention Area when critical analysis and judgments applied to determine priority assessment and funding allocations are not consistently recorded.	**HPMA 1.02 Priority assessment and funding allocation** Homeless Prevention Management should develop a standard priority assessment and funding allocation template supported by defined evaluation criteria to record key decisions and supporting rationale. When developing this template, Homeless Prevention Management should consider the following: • Incorporate defined criteria to standardize assessment and decision making factors (e.g., value measures, implementation complexity measures, etc.); • Consult and record results of consultation with key stakeholders to capture qualitative factors; • Integrate, where possible, data from the recently implemented Homeless Management Information System; and • Guidelines to ensure decisions align with key Homeless Prevention System Implementation Plan factors (e.g., guiding principles, critical success factors, etc.).	**Management agrees** The Homeless Prevention Plan will be updated in early 2019. The HMIS will be used to develop reports to match to updated priorities. In addition to the current standard template of approval for funding allocations, a standardized assessment template will be developed to assist with decision making to complete priority assessments and funding allocations. Funding is received from the Government of Canada, Province of Ontario, and City Council – each have different reporting and allocation requirements. The active involvement of the	Jan Richardson, Manager, Homeless Prevention September 30, 2019

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Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
			Homeless Prevention Team in community engagement and discussions such as the Community Alcohol and Drug Strategy, London Homeless Coalition, Drug Induced Psychosis Working Group etc. allows for informed and agile changes to be made and optimizes attention to urgent changes including funding allocations.	

Observation 2.0 – Service delivery

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
HPMA 2.0 Service delivery Practices for Management to measure, share, and monitor the effectiveness of Homeless Prevention service delivery with contracted agencies are informal. Internal Audit identified that Homeless Prevention Management receives regular feedback from contracted agencies and has performance indicators defined in the 2016-2019 business plan however, Homeless Prevention service delivery feedback is not consistently measured, and existing	**HPMA 2.0 Service delivery** There is risk that Homeless Prevention is unaware of performance measures that indicate a need for improvements or changes to service delivery operations.	**HPMA 2.0 Service delivery** Homeless Prevention should formalize a service delivery performance measurement program to regularly measure, interpret and assess Homeless Prevention effectiveness. When establishing a formal program, Homeless Prevention Management should consider the following: • Continue collaborating with stakeholders to determine needs and use of service information that is measurable and meaningful and to enhance existing reporting standards;	**Management agrees** Improvement of practices is always beneficial and Homeless Prevention remains committed to increase practices to measure and monitor effectiveness. Homeless Prevention reports	Jan Richardson, Manager, Homeless Prevention December 31, 2019

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Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
performance indicators are not regularly tracked, and monitored.		• Integrate key performance indicators and operational metrics measuring activities that effectively demonstrate service levels; • Build a balanced scorecard to actively monitor trends that demonstrates all angles of service delivery (e.gl, Homeless Prevention Training and Education Program, Homeless Management Information System, etc.); and • Create a schedule to periodically review the program to ensure performance indicators and other measurable and reporting are still relevant and effective.	to the Government of Canada monthly including financial monitoring reports and data and completes, on an annual basis, a report outlining results of the Homeless Prevention Plan. The Province of Ontario receives quarterly financial statements, and annually receives data and cost allocation for each of the five core areas of the Homeless Prevention Plan. Council receives regular reports including regular updates to the Strategic Plan and Multi Year Budget. Continuous improvement to service delivery is ongoing through collaboration with stakeholders including reporting standards and improved measuring activities.	

Observation 3.0 – Standard operating procedures (SOP)

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
HPMA 3.0 Standard operating procedures (SOP) Internal Audit noted Management needs to increase its documentation of standard business processes or guidelines for the following Homeless Prevention operations: • Priority assessment and fund allocation; • Proposal evaluation; • Homeless Prevention Implementation Plan monitoring; and • Component monitoring (including financial and non-financial monitoring).	**HPMA 3.0 SOP** The limited documented processes/ guidelines could lead to ineffective, inefficient, or duplicated processes. The limited documented processes/ guidelines may restrict new staff from fully understanding relevant processes and controls when undertaking their responsibilities.	**HPMA 3.0 SOP** Homeless Prevention should document relevant standard operating procedures (SOP) while also establishing a cycle to regularly review and revise SOP documentation on an ongoing basis. When preparing to document SOP and create a review cycle, Homeless Prevention Management should consider the following: • Generating an inventory of all standard operating procedures documents and creating and recording performance of a review schedule at an appropriate frequency; • Storing all relevant documentation centrally for ease of access using a Corporate approved database (e.g., SharePoint, etc.); • Documenting an executive summary for each SOP to clearly articulate role responsibility, management oversight, etc.; • Utilizing version control including documenting the date of last revision with management approval to clearly articulate completion of any review and revision; and • Adopt a schedule with assigned responsibility to regularly review and revise standard operating procedures and guidelines at minimum annually.	**Management agrees** There are a number of policies/processes in place. Continual development and review of standard operating procedures is beneficial to the operation of Homeless Prevention. Homeless Prevention has in place a standard practice regarding the filing of draft and final documents.	Jan Richardson, Manager, Homeless Prevention December 31, 2019

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Observation 4.0 – Component oversight and monitoring

	Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
LP	**HPMA 4.0 Component oversight and monitoring** The Homeless Prevention Area performs activities to regularly engage contracted components. However, there is a lack of documentation of Homeless Prevention Area's review and assessment to support activities performed over submitted reports including limited recorded follow-up action items and follow-up responses.	**HPMA 4.0 Component oversight and monitoring** There is risk that the City is not recording component monitoring activity results and follow-up actions consistently, which may restrict Homeless Prevention from achieving desired outcomes and lead to knowledge loss.	**HPMA 4.0 Component oversight and monitoring** Homeless Prevention Management should establish a formal component monitoring framework with defined guidelines and templates to record monitoring activities performed and their results. When formalizing this framework, Management should consider the following: • Document a standard guideline to assist in ongoing component oversight and monitoring; • Integrate, where possible, data from the recently implemented Homeless Management Information System for independent validation of component operations; • Enhance the above noted standard guideline to include feedback activities once gaps or deviations are identified and assessed to support corrective actions and optimize agency practices; • Enhance reporting templates to require changes in performance trends with explanations for deviations or significant improvements; and • Continue to utilize existing communication streams to ensure stakeholders are identifying and sharing best practices. To most effectively monitor each component, the above should be established and implemented with consideration given to scaling an outcome-driven approach relative to the size and maturity of the agency (i.e., Less mature agencies may require more support and oversight).	**Management agrees** London's homeless prevention system is moving from start-up to early stages of system maturity. Management will rely on a combination of the HMIS and 3rd party evaluations to assist with monitoring each component. Standard community development, business and change management tools are applied that assist the team to remain alert and responsive to trends. Resolutions can be quickly put in place to improve	Jan Richardson, Manager, Homeless Prevention December 31, 2019

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	Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
				the community response. The 5-Year review and update of the Homeless Prevention Plan will identify actions and indicators to assist with the monitoring framework.	

Observation 5.0 – Risk inventory

	Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
LP	**HPMA 5.0 Risk inventory** Through inquiry and discussions with Management Internal Audit identified that Management has not yet established activities to identify and formally document risks to the service, including existing or emerging risks.	**HPMA 5.0 Risk inventory** There is no common documented view on the set of key Homeless Prevention risks, which may lead to a suboptimal allocation of attention and resources.	**HPMA 5.0 Risk inventory** Homeless Prevention Management should perform an exercise to create a common documented inventory of risks facing Homeless Prevention and implement activities to regularly assess and prioritize risks to support clear action plans. Management should also establish a cycle to identify emerging risks, regularly evaluate, and reprioritize existing risks on an ongoing basis.	**Management agrees** Documentation in the form of briefing notes and reports expose the issues, risks and concerns in real time. Documentation demonstrates that proactive changes to programs and services are achieved as a result of active	Jan Richardson, Manager, Homeless Prevention September 30, 2019

Observation	Implication	Recommendation	Management comments and action plan	Responsible party and timing
			community engagement, and through project management tools, budget review, forecasting and other review practices. A cycle of identifying emerging risks is in place and it is agreed that this could be enhanced to link to the standard allocation template.	

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Appendix 1: Internal audit detailed scope

Specifically, the internal audit addressed the following areas:

Reviewed and assessed the City's Homeless Prevention System Implementation Plan and governance framework, including monitoring and performance metrics
- Reviewed the Homeless Prevention System Implementation Plan designed to deliver the Homeless Prevention System approach and ensured priority setting aligns with strategic objectives of the City;
- Reviewed and assessed the processes in place to measure and monitor the outcomes of the Implementation Plan, including monitoring of related components (e.g., Community Housing Strategy, Community Plan on Homelessness, etc.);
- Reviewed and assessed the method to communicate changes related to Homeless Prevention System enhancements and Implementation Plan including procedures to escalate issues; and
- Reviewed and assessed monitoring activities established to determine whether strategies are achieving desired outcomes including any monitoring of metrics and key indicators.

Reviewed and assessed the City's financial processes, guidelines, and controls relevant to Homeless Prevention System
- Reviewed and assessed finance activities in place to govern the disbursement, controls, financial reporting, and oversight of funds for the Homeless Prevention System;
- Assessed the Homeless Prevention System process for allocation of funds across agencies, programs, etc. to ensure that funding is appropriately allocated using consistent decision criteria to achieve the required objectives; and
- Assessed financial assistance processes and controls to ensure payments are appropriately handled (e.g., payment requests are submitted against approved contracts, payments made have received all appropriate internal approvals, payments made directly to third party recipient and not the client, etc.) including the process to recover funds incorrectly issued.

Reviewed and assessed the Homeless Prevention System contract aware process and subsequent monitoring of contracts
- Reviewed and assessed the process to evaluate proposals to ensure it is confidential, fair, and equitable with consistent application of defined criteria;
- Assessed the process to ensure proposal evaluators are an independent person free from conflict of interest in accordance with relevant City policies;
- Reviewed and assessed the process to determine successful proponents to ensure the appropriate approvals were received in a timely manner;
- Reviewed and assessed the process to ensure agencies/programs, consultants and services are adhering to the financial requirements of the program including the processes to handle contractor financial mismanagement;
- Reviewed and assessed the monitoring procedures to ensure agencies/programs, consultants and services are adhering to the contract requirements including periodic on-site visits; and
- Reviewed and assessed the processes in place to communicate with applicable agencies/programs, consultants and services.

The following elements were out of scope for the Homeless Prevention Assessment:

- Assessment of City policies related to the Homeless Prevention System; and
- Assurance of systems or tools used across the Homeless Prevention System.

Appendix 2: Internal audit rating scale

Individual observation prioritization

Internal Audit will prioritize each observation and recommendation within a report using a three point rating scale. The three point rating scale will be as follows:

Description		Definition
	High	Observation is high priority and should be given immediate attention (e.g. 0-3 months) due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
	Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term (e.g. 3-6 months).
	Low	Observation does not present a significant or medium control risk but should be addressed (e.g. within a 6-12 month timeframe) to either improve internal controls or process efficiency.
	Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

Appendix 3: Stakeholder involvement

In conducting the assessment, the following management and staff were interviewed to gain an understanding of the City's Homeless Prevention processes and practices.

Stakeholder	Position
Lynne Livingstone	Managing Director, Neighbourhood, Children and Fire Services
Jan Richardson	Manager, Homeless Prevention
Kyle Murray	Senior Financial Business Administrator, Financial and Business Services
Lisa Parent	Manager, Accounting and Reporting, Financial and Business Services
Douglas Drummond	Financial Business Administrator, Financial and Business Services
Laura Cornish	Manager, Homeless Prevention
Danielle Neilson	Manager, Homeless Prevention
Vala Gylfadottir	Manager, Business Solutions
Alise Rimniceanu	Manager, Homeless Prevention
Zane Eastabrook	Specialist I, Homeless Prevention

Appendix 4: Audit procedures performed

As part of the Homeless Prevention internal audit review the following procedures were performed:
- Conducted a planning meeting with the Managing Director of Neighbourhood and Children Services, Manager of Homelessness, and Senior Financial Business Administrator;
- Updated and issued a finalized Project Charter and request for information;
- Conducted meetings and interviews with Homeless Prevention management and staff to:

  – Gain an understanding of the Homeless Prevention System Implementation Plan and governance model, including monitoring and performance metrics,
  – Understand financial processes, guidelines and controls related to Homeless Prevention System, and
  – Understand Homeless Prevention System contract process and subsequent monitoring of contracts;

- Obtained documentation regarding relevant procedures and controls to perform an inspection of:

  – Homeless Prevention and Housing Plan;
  – London's Homeless Prevention System and Implementation Plan;
  – 2016 Service Manager Update to the Housing and Homelessness Plan;
  – 2017 Year-end Operating Budget Monitoring Report;
  – 2016-2019 Homelessness Prevention Budget;
  – Review Committee Team Rules;
  – Review Committee Terms of Reference;
  – Procurement Policy;
  – Conflict of Interest Policy;
  – CHPI Investment Plan 2018-2019;
  – HPS Funding Allocations 2018-2019;
  – Relevant HMIS materials (e.g., HMIS recommendation, hosting agreement, data provision agreement, etc.);
  – Sample London Homeless Coalition Steering Committee agendas and meeting minutes;
  – Sample Homeless Prevention System Implementation Team agendas and meeting minutes;
  – Sample Street Level Women at Risk Governance Group agendas and meeting minutes;
  – Year 1 Street Level Women at Risk Summary Report;
  – Internal Update Memo template;
  – Housing Allowances Authorization Memo;
  – Homeless Prevention Allowance Control Sheet;
  – Homeless Prevention Allowance Guidelines;
  – Sample Homeless Prevention Allowance invoices and tracking forms;
  – Various Request for Proposals, related evaluation materials, and recommendations;

- Conducted sample testing activities related to Homeless Prevention monitoring processes and controls, financial processes and controls, component monitoring processes and controls; communication protocols, and proposal evaluation activities;
- Drafted preliminary observations and verified observations with management;
- Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and
- Issued this internal audit report with our detailed observations.

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