

# Agenda

## Audit Committee

5th Meeting of the Audit Committee

November 6, 2019, 12:00 PM

Council Chambers

Members

Deputy Mayor J. Helmer (Chair), M. van Holst, J. Morgan, S. Turner, L. Higgs

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Pages

1. **Disclosures of Pecuniary Interest**
2. **Consent**
3. **Scheduled Items**
4. **Items for Direction**
  - 4.1 Internal Audit Summary Update 2
  - 4.2 January - December 2019 Internal Audit Dashboard as at October 28, 2019 4
  - 4.3 Observation Summary as at October 28, 2019 5
  - 4.4 2020 - 2022 Internal Audit Plan 6
  - 4.5 Parking Enforcement Assessment - July 2019 - September 2019 30
5. **Deferred Matters/Additional Business**
6. **Adjournment**

## Memo

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**Date:** October 28, 2019

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**To:** Members of The Corporation of the City of London Audit Committee

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**From:** Jim Pryce, Partner, Deloitte LLP  
Aneesa Ruffudeen, Director, Deloitte LLP

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**Subject:** Internal Audit Summary Update

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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 Plan:

- a. Internal Audit is seeking Audit Committee approval of the 2020-2022 Internal Audit Plan.

### 2. Internal Audit Dashboard Report:

- a. The approved 2019 plan is underway. Internal Audit has initiated actions to execute on the plan and expects to have all projects underway by the end of 2019 with reporting for some reviews in early 2020.
- b. The Smart City Office Pre-implementation assessment has been ongoing as scoping discussions have been held but the project has been delayed until December 2019, to accommodate the hiring of a Smart City Manager.
- c. The remaining 2017-2018 projects continue to progress. Class Replacement Pre-implementation Project Review remains ongoing due to delay in the go live date to March 2020
- d. Internal Audit continues to have quarterly meetings with the City Manager and City Treasurer.
- e. Internal Audit completed the IT Cyber Risk Workshop with management.
- f. Internal Audit has issued two internal audit reports since the last Audit Committee update:
  - i. Parking Enforcement Assessment: Minor process control or efficiency weaknesses identified. The report identified one low priority observation and nine leading practice recommendations.

Action plans are in place, including a responsible party and timeline, to address the low priority observation noted in the issued report.

### **3. Audit Observation Status Summary of High and Medium Priority Observations:**













- a. Since the last Audit Committee meeting, Internal Audit closed one (1) high priority observation for Housing Process Assessment, as well as, (2) medium priority observations including one (1) Building Permit Process Assessment, and one (1) Management Compensation Process Assessment,
- b. A total of two (2) medium priority observations are past due as of October 28, 2019 compared to four (4) medium priority observations past due as at August 30, 2019. The current past due items are as follows:
  - i. Two (2) medium priority observations continue to be past due since reported at the last Audit Committee meeting, including one (1) for Building Permit Process Assessment and one (1) for Housing Process Assessment. Building Permit management is currently working with ITS on the recently accepted portal upgrade project, and Housing management is developing more effective process support tools.

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

## The Corporation of the City of London

January – December 2019 internal audit dashboard as at October 28, 2019

### Project status – 2019 internal audit plan

2019 Audit plan project	Percent complete	Est. timeframe <sup>1</sup>	Project status	Report issued
• Parking enforcement assessment	 100%	Jun – Aug		
• Smart City Office pre-implementation assessment	 25%	Aug – Dec	DL*	
• Electronic fund transfer compliance assessment	 50%	Sept – Nov	OT	
• Dearness Home process assessment	 45%	Nov – Jan	OT	
• IT cyber risk workshop	 100%	Jun – Jul		
• Computerized Maintenance Management System (CMMS) pre-implementation review	 35%	Sept - Nov	OT	





### Internal audit activities – November to December 2019

- IT Security Assessment (reporting)
- Smart City Office pre-implementation assessment (scoping & fieldwork)
- Electronic fund transfer compliance assessment (fieldwork and reporting)
- Dearness Home process assessment (fieldwork and reporting)
- Computerized Maintenance Management System (CMMS) pre-implementation review (fieldwork)

### Other activities

- Prepare Audit Committee meeting materials
- Observation follow-ups and validation

### Project status – 2017-2018 internal audit plan

2017-2018 Audit plan projects	Percent complete	Est. timeframe <sup>1</sup>	Project status	Report issued
• IT security assessment	 95%	Jul – Sept	DL*	
• Class replacement pre-implementation project review	 65%	Ongoing	DL*	

OT – On track

DF – Deferred

DL – Delayed

### Comments

<sup>1</sup> Agreed timing with management to scope project and kick-off fieldwork

\* - Due to a delay in Smart City Office management hiring, the pre-implementation assessment remains on-going with a delayed completion date of December 2019. IT Security Assessment Report is currently in review and finalization. Due to a delay for the Class replacement system go live date, the pre-implementation project review remains ongoing.

### 2019 Performance metrics

#### Project customer satisfaction

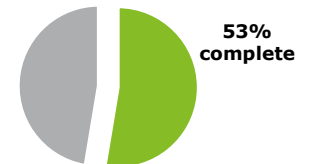
Overall quality of work/satisfaction level? (Based on completed reports surveys returned)

1                      3                      5



Objective = 4

#### % Complete of the 2019 internal audit plan



### Internal audit 2019 reporting

	Draft (days)	Management comment (days)	Issue final (days)	Final (days)
• <b>Objective</b>	5.0	15.0	10.0	30.0
• <b>Performance</b>	0.0	8.0	7.0	15.0



City of London Audit Committee Observation Summary  
As at October 28, 2019

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 28, 2019						
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 August 2019 update	Timing	Past Due Observation Commentary
2017/2018	Building Permit Process Assessment	Jan-18	3	2	2	0	1	1	Dec-19	• (BPR 1.0) Management is engaged with ITS on a portal upgrade project. Revised timeline is Dec 31, 2019.
2017/2018	Management Compensation Process Assessment	Apr-18	3	3	3	0	0	1	Complete	
2017/2018	Parking Revenue Generation Assessment	Jun-18	5	2	2	3	0	0	Dec-19	
2017/2018	Homeless Prevention Assessment	Oct-18	4	1	1	3	0	0	Dec-19	
2017/2018	Health and Safety Assessment	Mar-19	3	1	1	2	0	0	Dec-19	
2017/2018	Housing Process Assessment	Mar-19	5	1	1	3	1	1	Apr-20	• (HPA 4.0) While drafting updated procedure for extraordinary financial requests, management has initiated development of additional resource tools to support the process. Revised timeline is Dec 31, 2019.
2017/2018	IT Portfolio Management and Project Management Assessment	Mar-19	4	3	3	1	0	0	Apr-20	
2017/2018	Class Replacement Pre-implementation Project Review (Progress Memo)	Jun-19	2	1	1	1	0	0	Apr-20	
2017/2018	Construction Procurement Process Assessment	Aug-19	8	0	0	8	0	0	Feb-21	
<b>Sub-total 2017/2018 reports</b>			<b>37</b>	<b>14</b>	<b>14</b>	<b>21</b>	<b>2</b>	<b>3</b>		
2019	Parking Enforcement Assessment	Oct-19	0	0	0	0	0	0	Complete	
<b>Sub-total 2019 reports</b>			<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>Total High and Medium observations</b>			<b>37</b>	<b>14</b>	<b>14</b>	<b>21</b>	<b>2</b>	<b>3</b>		

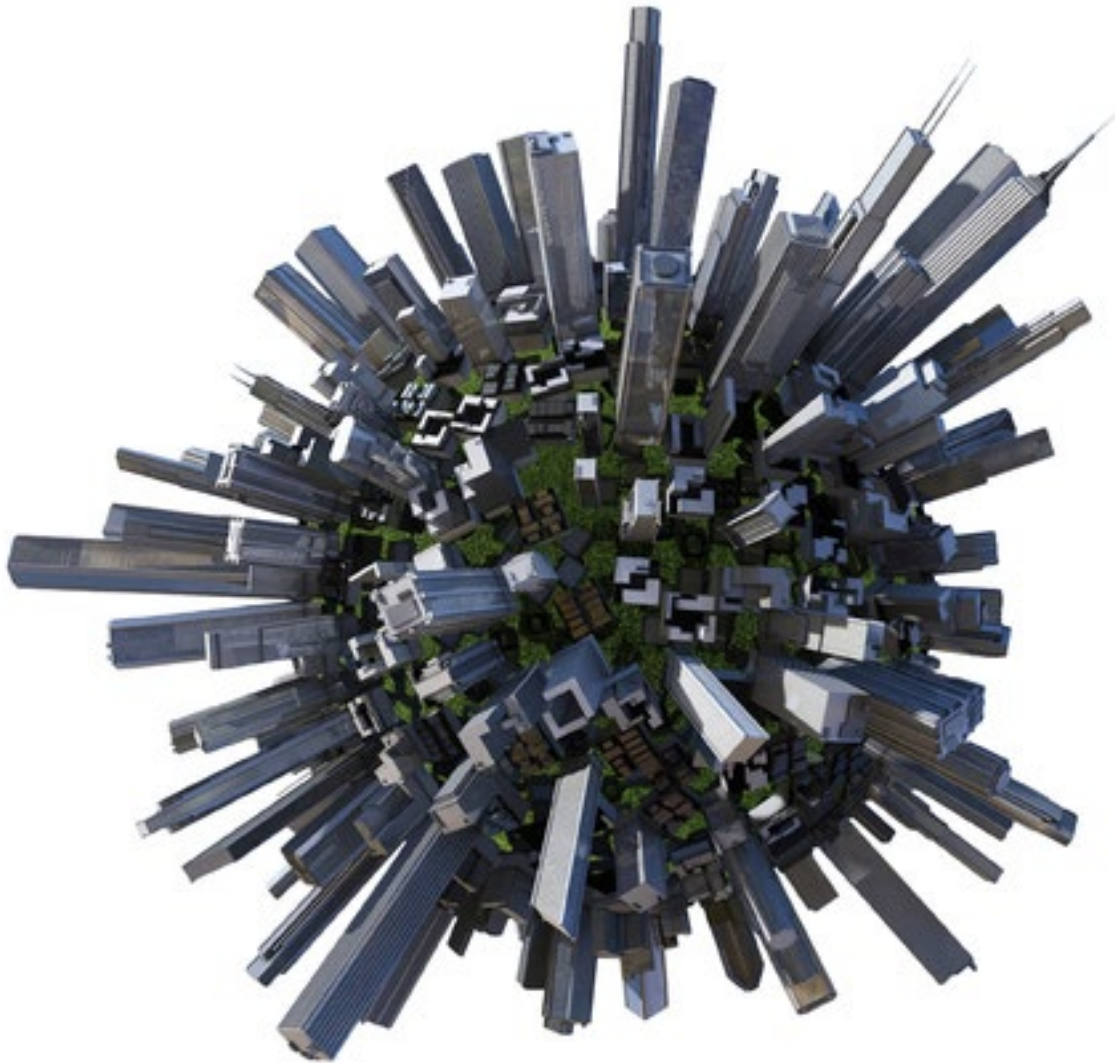
Closed per Management: Management has indicated that action plans due to be acted upon by October 28, 2019 are complete.

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 28, 2019 are underway or management has asserted observations are closed but Internal Audit has not yet validated.

Past Due Observations: Actions plans due by October 28, 2019 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



## **The Corporation of the City of London**

### **2020 - 2022 Internal Audit plan**

Draft

October 28, 2019

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# Background

## Overview

The City of London ("City") continues to focus its efforts on creating a City that is connected to the world as a leader in commerce, culture and innovation. The City of London continues to build a respected and inspired public service partnership with the following initiatives:

- Strengthening the City of London community
- Building a sustainable City
- Growing the City economy
- Creating a Safe London for women and girls
- Leading in public service

As result of these priorities for the City, the Internal Audit Plan focuses on assessing the impact of these and other changes on the control frameworks for the City. The enclosed Audit Plan is for the period January 2020 - December 2022 and was developed using a combination of critical end-to-end business process coverage, understanding of the City of London environment, understanding of key industry risks, discussions with the Senior Leadership Team (SLT) and members of the Audit Committee, and past audit coverage and results.

The 2020 budget for the proposed plan is \$250,000.00. The plan includes utilizing core business process and IT auditor resources, supplemented by Deloitte subject matter advisors for certain audits to assist with providing value-added recommendations to the Audit Committee and management.

## Objectives

Our overall objectives in executing the proposed 2020 internal audit plan include the following:

- Assist the City Audit Committee and SLT in fulfilling their oversight responsibilities; and
- Provide independent, objective audit and advisory services designed to add value and improve the effectiveness of the City's control, compliance and governance processes

This will be achieved through the execution of the internal audit plan, which could include a variety of projects covering areas such as:

- Validating that the tone of leadership as set by SLT reflects appropriate risk and control consciousness and accountability, consistent with the City's values
- Monitoring and evaluating the effectiveness of the City's control activities
- Validating that management in each division provides effective monitoring and oversight of processes and activities while balancing risk, cost and benefit
- Reviewing the reliability and integrity of financial and operating information, and the means used to identify, measure, classify and report such information
- Reviewing the systems and processes established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on City of London operations
- Assessing whether resources and assets are adequately protected against loss or misappropriation
- Reporting on observations raised during the course of our audits and reviews and on any identified incidents of internal and/or management fraud; and



- Facilitating the proper level of coordination between Internal Audit, the Audit Committee, external auditors, service reviews and Lean Six Sigma reviews

### Role of Internal Audit

As defined by the Institute of Internal Auditors (IIA), "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

It is management's responsibility to establish, maintain and provide primary assurance to the Committee that appropriate internal control, risk management and governance practices have been put in place within the organization, to reduce business risks to an acceptable level and to ensure that programs are delivered and transactions are executed in accordance with applicable acts, legislation and corporate policies. Internal Audit's role is to provide independent assessment that the practices have been designed appropriately and are operating effectively.

The Institute of Internal Auditors notes that the internal audit function can conduct both assurance services as well as advisory services. Assurance services involve the provision of an objective assessment of internal control, risk management and/or governance practices, often involving the assessment of compliance with policies, procedures and standard operating practices. Advisory services typically involve the conduct of broader business process and efficiency reviews as well as providing support to management in executing its strategies and initiatives, and improving business process performance. When performing advisory services, the internal audit function must maintain objectivity and not assume management responsibility for decision-making.

# Internal Audit plan methodology and risk framework

## Internal Audit plan methodology

The Internal Audit plan methodology and approach draws upon the results of the risk assessment activities and audit risk universe development activities. As part of our approach, we have inquired through discussion about the current priorities at the City to determine the higher risk audit universe areas and developed a prioritized audit plan to address those risks. Our Internal Audit approach also supports a risk-based approach.

## Risk framework

The Internal Audit program is designed to provide a more systematic means for determining whether risks are effectively assessed, measured, managed, aggregated, and reported. Below is the risk framework developed by Internal Audit based on our industry knowledge and information gained through the risk assessment process, built to identify the key risks to the City. Based on the internal audit planning process the bolded risks are the highest priority for the City.

**Please see Appendix A: Risk framework for risk definitions of the risks depicted below.**

### Environment risk

Stakeholder wants	<b>Technological innovation</b>	Government Policy
Regulatory	<b>Capital availability</b>	Catastrophic loss

### Process risk

<b>Operations</b>	<b>Empowerment</b>	<b>Financial</b>
<b>Citizen satisfaction</b>	Leadership	Liquidity
Citizen fraud	Authority	
<b>Human resources</b>	Change readiness	
Capacity	Accountability	
Partnering	Culture	
<b>Compliance</b>	<b>Integrity</b>	<b>Information processing/ technology</b>
Business interruption	Illegal acts	Relevance
Health and safety	<b>Reputation</b>	<b>Integrity</b>
Security		<b>Access/Security breach</b>
Legal		Infrastructure
		Cyber

**Information for decision-making risk**

Process/operational	Organizational reporting	Environment/strategic
Contract commitment	<b>Budget and planning</b>	Environmental scan
<b>Performance measurement</b>	Accounting information	Performance measurement
Organizational alignment	Taxation	Planning
	Regulatory reporting	
	Compensation and benefits	

# Audit universe

Internal Audit performs audits and reviews from a process and departmental standpoint. In order to organize and better report on results of internal audits, we have prepared an Internal Audit Universe with an initial mapping of the Universe to the key risks in the risk framework for the City.

This universe is also meant to depict the full scope of areas that could be audited by Internal Audit. Going forward, this universe can be used to demonstrate the coverage provided by the Internal Audit function over time.

**Please see Appendix A: Risk framework for risk definitions.**

Internal Audit Universe Areas		Risks	
Corporate Services	<b>Solicitor</b>	<ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Government Policy</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Illegal Acts</li> <li>• Catastrophic loss</li> </ul>
	<b>Human Resources</b>	<ul style="list-style-type: none"> <li>• Human Resources</li> <li>• Health and Safety</li> <li>• Reputation</li> <li>• Accountability</li> <li>• Security</li> </ul>	<ul style="list-style-type: none"> <li>• Compensation and Benefits</li> <li>• Illegal Acts</li> <li>• Capacity</li> <li>• Leadership</li> <li>• Organizational alignment</li> </ul>
	<b>Finance and Treasury</b>	<ul style="list-style-type: none"> <li>• Liquidity</li> <li>• Taxation</li> <li>• Capital Availability</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Budgeting and Planning</li> <li>• Accounting Information</li> <li>• Regulatory Reporting</li> </ul>
	<b>Information Technology</b>	<ul style="list-style-type: none"> <li>• Relevance</li> <li>• Integrity</li> <li>• Change Readiness</li> <li>• Reputation</li> <li>• Cyber</li> </ul>	<ul style="list-style-type: none"> <li>• Access/Security Breach</li> <li>• Infrastructure</li> <li>• Technological Innovation</li> <li>• Business interruption</li> </ul>
	<b>Corporate Communication</b>	<ul style="list-style-type: none"> <li>• Partnering</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Contract Commitment</li> </ul>
	<b>Economic Innovation</b>	<ul style="list-style-type: none"> <li>• Partnering</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Change Readiness</li> </ul>
	<b>Emergency Planning</b>	<ul style="list-style-type: none"> <li>• Partnering</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Change Readiness</li> <li>• Health and Safety</li> </ul>
Administration	<b>Planning</b>	<ul style="list-style-type: none"> <li>• Planning</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental Scan</li> </ul>
	<b>Development and Compliance Services</b>	<ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Government Policy</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance</li> <li>• Partnering</li> <li>• Contract Commitment</li> </ul>
	<b>Engineering</b>	<ul style="list-style-type: none"> <li>• Planning</li> <li>• Environmental scan</li> </ul>	<ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Reputation</li> </ul>

Internal Audit Universe Areas		Risks	
Services	<b>Housing</b>	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Stakeholder wants</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Government Policy</li> <li>• Infrastructure</li> </ul>
	<b>Environmental</b>	<ul style="list-style-type: none"> <li>• Regulatory</li> <li>• Government Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Government Policy</li> <li>• Reputation</li> </ul>
	<b>Social Services</b>	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Government Policy</li> </ul>
	<b>Dearness Home</b>	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder wants</li> </ul>
	<b>Neighbourhood &amp; Children services</b>	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder wants</li> </ul>
	<b>Fire</b>	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Citizen Satisfaction</li> <li>• Partnering</li> </ul>
	<b>Service London</b>	<ul style="list-style-type: none"> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Citizen Satisfaction</li> </ul>
Parks & Recreation	<b>Parks &amp; Recreation</b>	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Stakeholder wants</li> <li>• Citizen satisfaction</li> </ul>
Agencies, Boards, Commissions and Corporations	<b>Argyle Business Improvement Area Board of Management</b>	<ul style="list-style-type: none"> <li>• Health and Safety</li> <li>• Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Citizen Satisfaction</li> <li>• Organizational alignment</li> </ul>
	<b>Covent Garden Market Corporation</b>		
	<b>Eldon House Corporation</b>		
	<b>Housing Development Corporation</b>		
	<b>London Convention Centre Corporation</b>		
	<b>Downtown London Business Improvement Area</b>		
	<b>London Hydro Inc.</b>		
	<b>London &amp; Middlesex Community Housing</b>		
	<b>London Police Services Board</b>		
	<b>London Public Library Board</b>		
	<b>London Transit Commission</b>		
	<b>Middlesex-London Health Unit</b>		
	<b>Museum London</b>		
	<b>Old East Village Business Improvement Area</b>		
<b>Elgin Area Water Primary Water Supply System</b>			

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Internal Audit Universe Areas	Risks
<b>Lake Huron Primary Water Supply System</b>	

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# Summary 2020-2022 Audit Plan by audit universe area

The following table outlines the audit plan summary by Audit Universe area for each of the three years. A full scoping exercise will be performed and documented at the planning stage for each Internal Audit project that will prioritize risk areas to be audited within the allocated budget. Furthermore; the list of projects identified in FY 2021 and FY 2022 is not final and is meant to be a repository of potential projects that internal audit could undertake. This listing will be revisited with the Senior Leadership Team and Audit Committee in late 2020 to select internal audit projects in accordance with the internal audit budget.

Internal Audit Universe Areas		FY 2020 Jan 1 2020 to Dec 31 2020	FY 2021 Jan 1 2021 to Dec 31 2021	FY 2022 Jan 1 2022 to Dec 31 2022
Corporate Services	Solicitor	<b>Clerks Office Assessment:</b> Assess the effectiveness and efficiency, and as required value for money, of selected processes. The review will also look at operational and management oversight controls within the Clerks Office.		
	Human Resources		<b>Recruitment Process Assessment:</b> Assess the recruiting and hiring processes for the City with emphasis on controls, adherence to government requirements, the timeliness and effectiveness of the hiring process.	<b>HRIS Project Post-implementation Review:</b> Should the City decide to implement a new HRIS system Internal Audit would evaluate and assess the scope, user requirements and the design of the proposed controls to be established.
	Finance and Treasury		<b>Environment and Asset Retirement Obligations Assessment:</b> Assess the processes and controls in place related to the identification, monitoring and reporting of environmental and financial asset retirement obligations,	

Internal Audit Universe Areas		FY 2020 Jan 1 2020 to Dec 31 2020	FY 2021 Jan 1 2021 to Dec 31 2021	FY 2022 Jan 1 2022 to Dec 31 2022
			including compliance with requirements under Section PS 3280.	
	<b>Information Technology</b>		<b>IT Risk Identification Process Assessment:</b> Evaluate and assess the IT risk identification and assessment process to understand how risks are mitigated and reported.	
	<b>Emergency Planning</b>			<b>Emergency Planning Process Review:</b> Assess the procedures and controls in place related to the City's emergency planning process. Elements of business continuity and disaster recovery will be considered including the evaluation of end-user requirements.
Administration	<b>Planning</b>	<b>Ongoing project: Smart City Strategy Implementation:</b> In accordance with the Smart City Strategy, work with Staff and the IBI Group to develop an approach for creating a strong smart city culture within the Corporation. Help develop a governance model for advancing the strategy in the community.		<b>Industrial Community Improvement Plan Incentives:</b> Review Industrial Community Improvement Plan incentives to review best practices, assess value for money generated by these incentives and reviewing the potential for reducing or eliminating these incentives.
	<b>Development and Compliance Services</b>		<b>Assumption and Securities Assessment:</b> Assess the control framework and processes currently in place for new development and securities.	<b>Permit of Approved Works Program Review:</b> Assess the permit of approved works process and control framework in place for issuing permits. Including booking grants for eligible development projects in the permit reporting system.
	<b>Engineering</b>	<b>Traffic Management Project Review:</b> Evaluate and assess the proposed scope, user requirements and controls established for the Traffic Management system.		<b>Public Works Process Assessment:</b> Assess the effectiveness and efficiency of processes and controls in place for



Internal Audit Universe Areas		FY 2020 Jan 1 2020 to Dec 31 2020	FY 2021 Jan 1 2021 to Dec 31 2021	FY 2022 Jan 1 2022 to Dec 31 2022
		<b>Ongoing Project: Computerised Maintenance Management System (CMMS) Pre-implementation Review:</b> Evaluate and assess the controls framework proposed and being established.		operational and financial processes within public works.
Services	Housing			
	Environmental			
	Social Services			
	Dearness Home			
	Neighbourhood and Children services			
	Fire	<b>Fire Process Assessment:</b> Assess the processes and controls in place for operational and financial processes within fire services. This audit will evaluate the effectiveness of data reporting and monitoring of key performance indicators.		<b>Social Services Process Assessment:</b> Assess the effectiveness of processes and controls in place for operational and financial processes within social services.
	Service London	<b>Service London Process Assessment:</b> Review the effectiveness of processes and controls in place for operational and financial processes within Service London.		
Parks & Recreation		<b>Ongoing Project: Class Replacement Project Pre-implementation Review:</b> Evaluate		

Internal Audit Universe Areas	FY 2020	FY 2021	FY 2022
	Jan 1 2020 to Dec 31 2020	Jan 1 2021 to Dec 31 2021	Jan 1 2022 to Dec 31 2022
	and assess the controls framework established for the Class system.		
Agencies, Boards, Commissions and Corporations*	Argyle Business Improvement Area Board of Management		
	Covent Garden Market Corporation		
	Eldon House Corporation		
	Housing Development Corporation		
	London Convention Centre Corporation		
	Downtown London Business Improvement Association		
	London Hydro Inc.		
	London & Middlesex Community Housing		
	London Police Services Board		
	London Public Library Board		

Internal Audit Universe Areas	FY 2020 Jan 1 2020 to Dec 31 2020	FY 2021 Jan 1 2021 to Dec 31 2021	FY 2022 Jan 1 2022 to Dec 31 2022
<b>London Transit Commission</b>			
<b>Middlesex-London Health Unit</b>			
<b>Museum London</b>			
<b>Old East Village Business Improvement Area</b>			
<b>Tourism London</b>			
<b>Elgin Area Water Primary Water Supply System</b>			
<b>Lake Huron Primary Water Supply System</b>			
<p>* - Agencies Boards, Commissions and Corporations are not within Internal Audit's scope with the Corporation of the City of London. Internal audits of Agencies, Boards, Commissions and Corporations would be recommended separate from this Internal Audit Plan and approved by Audit Committee.</p>			

# Summary January to December 2020

The Audit Plan has been developed with a view of addressing the highest areas of risk for the City based on our understanding of risks from discussions with the Audit Committee members, Senior Leadership and past audit results and our understanding of industry. Internal Audit will review the results of the risk assessment when reviewing the plan on a quarterly basis to determine if changes are required to the plan to address higher priority risks and any changes to the plan will be presented to the Audit Committee for approval. The following table outlines the audit projects for January to December 2020 with associated budgets.

**Internal Audit Plan  
January 2020 to December 2020**

Projects	Budget
Clerks Office Assessment	\$45,000
Traffic Management Project Review	40,000
Fire Process Assessment	45,000
Service London Process Assessment	45,000
Ongoing Class Replacement	25,000
Project Management, management meetings and Audit Committee reporting and attendance	35,000
Follow-up of outstanding observations *	15,000
Annual Internal Audit Plan	Nil
<b>Total 2020 Internal Audit Budget</b>	<b>\$250,000</b>
Actual incurred expenses will be billed in accordance with the engagement letter terms	

\* Internal Audit Follow-ups for 2017 to present will be performed in advance of each Audit Committee meeting for outstanding observations that are due and will include verbal updates, validation of status and summary reporting on results of the follow-up.

# Appendix A – Risk framework

The following details the risk definitions by risk type that have been mapped in the Audit Universe.

## Environmental

Environment risk arises when there are external forces that could affect the viability of the City, including the fundamentals that drive the overall objectives and strategies.

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*Stakeholder wants risk.* Pervasive stakeholder needs and wants change and the City is not aware (e.g., citizens, employees, government, regulatory bodies, etc.).

---

*Technological innovation risk.* The City is not leveraging advancements in technology in organizational activities to achieve advantages

---

*Capital availability risk.* Insufficient access to government capital threatens the City's capacity to grow and execute on strategic priorities.

---

*Regulatory risk.* Changing regulations threaten the City's position and its capacity to efficiently offer programs and services.

---

*Catastrophic loss risk.* A major disaster threatens the City's ability to sustain operations.

---

*Government policy risk.* Changes in government policy threaten the City's position and its capacity to efficiently offer programs and services.

---

## Process Risks

Process risk is the risk that the City processes are not effectively providing programs and services; are not clearly defined; are poorly aligned with the City strategies and are not performing effectively and efficiently in satisfying citizen needs.

## Operations risk

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*Citizen satisfaction risk.* A lack of focus on citizens threatens the City's capacity to meet expectations.

---

*Citizen fraud risk.* Fraudulent activities perpetrated by citizens expose the City to financial loss.

---

*Human resources risk.* The risk that we do not have the right people or that our people do not have the necessary skills, knowledge and expertise to allow the City to successfully achieve objectives.

---

*Capacity risk.* Insufficient capacity threatens the City's ability to meet demands, or excess capacity threatens the City's ability to offer programs and services.

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*Partnering risk.* Inefficient or ineffective alliance, outsourcing, affiliate and other external relationships affect the City's capability to deliver; these uncertainties arise due to choosing the wrong partner, poor execution and failing to capitalize on partnering opportunities.

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*Compliance risk.* Non-compliance with prescribed policies and procedures or laws and regulations may result in lost reputation, penalties, fines, etc.

---

*Business interruption risk.* Business interruptions stemming from the unavailability of labour, information technologies or other resources threaten the City's capacity to continue operations.

---

*Health and safety risk.* The risk that the City's infrastructure is not safe for citizens, employees and other stakeholders thereby interrupting the operation of the City or threatening the delivery of programs and services.

---

*Security.* The City's security measures fail to prevent damage, injury or loss.

---

*Legal risk.* Actions of City employees increase exposure to lawsuits or other legal action.

---

### **Empowerment risk**

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*Leadership risk.* The risk that the City's staff are not being effectively led, which may result in a lack of direction, focus, motivation to perform, executive credibility and trust throughout the organization.

---

*Authority/limit risk.* Failure to establish or enforce limits on personnel actions may cause employees to commit unauthorized or unethical acts, or to assume unauthorized or unacceptable risks.

---

*Change readiness risk.* Staff are unable or unwilling to implement process and program or service improvements to keep pace with changes.

---

*Accountability risk.* Management and front-line staff are not held directly accountable for their actions and/or the results of their performance.

---

*Culture risk.* Created when there is misalignment between the City's values and leader actions, employee behaviours, or organizational systems.

---

### **Integrity risk**

---

*Illegal acts risk.* Illegal acts committed by management and front-line staff expose the City to fines, and sanctions.

---

*Reputation risk.* Damage to the City's reputation exposes it to citizen dissatisfaction and unnecessary media attention.

---

### **Financial risk**

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*Liquidity risk.* Liquidity risk is the exposure to loss as a result of the inability to meet cash flow obligations in a timely and cost-effective manner.

---

### **Information processing/technology risk**

---

*Relevance risk.* Irrelevant information created or summarized by an application system may adversely affect users' decisions.

---

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*Integrity risk.* All of the risks associated with the authorization, completeness and accuracy of transactions as they are entered into, processed by, summarized by and reported by the various application systems deployed by the City.

---

*Access risk/ breach of security.* Failure to adequately restrict access to information (data or programs) may result in unauthorized knowledge and use of confidential information, or overly restrictive access to information may preclude personnel from performing their assigned responsibilities effectively and efficiently.

---

*Infrastructure risk.* The risk that the City does not have the information technology infrastructure (e.g., hardware, networks, software, people and processes) it needs to effectively support the current and future information requirements of the City in an efficient, cost-effective and well-controlled fashion.

---

*Cyber risk.* The risk of financial loss, disruption or damage to the reputation of an organization from some sort of failure of its information technology systems.

---

### Information for decision-making risk

Information for decision-making risk is the risk that information used to support the execution of the operating model, the internal and external reporting on performance and the continuous evaluation of the effectiveness of the City is not relevant or reliable.

### Process/operational information for decision-making risk

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*Contract commitment risk.* The risk that contract commitments are not captured and documented exposing the City to multiple or duplicate contracts or commitments.

---

*Performance measurement risk.* Performance is not measured or performance measures are not aligned with City strategies and business objectives.

---

*Organizational alignment risk.* Failure to align process objectives and performance measures with objectives and strategies may result in conflicting, uncoordinated activities throughout the City.

---

### Reporting information for decision making risk

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*Budget and planning risk.* Non-existent, unrealistic, irrelevant or unreliable budget and planning information may cause inappropriate financial conclusions and decisions.

---

*Accounting information risk.* Overemphasis on financial accounting information to manage the City may result in the manipulation of outcomes to achieve financial targets at the expense of not meeting satisfaction, quality and efficiency objectives.

---

*Taxation risk.* Failure to accumulate and consider relevant tax information may result in non-compliance with tax regulations or adverse tax consequences that could have been avoided had transactions been structured differently.

---

*Regulatory reporting risk.* Incomplete, inaccurate and/or untimely reporting of required financial and operating information to regulatory agencies may expose Davis + Henderson to fines, penalties and sanctions.

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*Compensation and benefits risk.* Incomplete and/or inaccurate information pertaining to compensation and benefits (i.e., pension plans, deferred compensation plans, benefit plans, etc.) may preclude the City from meeting its defined obligations to employees on a timely basis and result in a loss of morale and reputation, work stoppages, litigation and additional funding requirements.

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### **Environment/strategic information for decision-making risk**

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*Environmental scan risk.* Failure to monitor the external environment or formulation of unrealistic or erroneous assumptions about environment risks may cause the City to retain strategies long after they have become obsolete.

---

*Performance measurement risk.* Non-existent, irrelevant or unreliable performance measures that are inconsistent with established business objectives threaten the City's ability to execute its business objectives.

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*Planning risk.* An unimaginative and cumbersome strategic planning process may result in irrelevant information that threatens the City's capacity to formulate viable strategies.

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# Appendix B – 2020 Audit plan rationale

The following table outlines the specific audit projects and rationale for inclusion in the 2020 Internal Audit plan scheduled for execution from January to December 2020.

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Solicitor</b>						
<b>Clerks Office Assessment:</b>	Assess the effectiveness and efficiency, and as required value for money, of selected processes. The review will also look at operational and management oversight controls within the Clerks Office.	X		X		X

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Engineering</b>						
<b>Traffic Management Project Review:</b>	Evaluate and assess the proposed scope, user requirements and controls established for the Traffic Management system.	X	X	X	X	X

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Fire</b>						
<b>Fire Process Assessment:</b>	Assess the processes and controls in place for operational and financial processes within fire services. This audit will evaluate the effectiveness of data reporting and monitoring of key performance indicators.	X	X	X	X	X

Projects	Project description	Rationale for inclusion in plan				
		Key inherent business risk	Suggested by Audit Committee	Suggested by Management	Aligned with key Initiatives	Not audited recently
<b>Service London</b>						
<b>Service London Process Assessment:</b>	Review the effectiveness of processes and controls in place for operational and financial processes within Service London.	X		X	X	X

# Appendix C – Multi-Year Budget Coverage

The following table outlines the coverage by 2016-2019 Multi-Year Budget Service Area since 2017, the start of Deloitte Outsourced IA Function, including the planned coverage from 2020-2022.

	Deloitte Outsourced IA Function					
Service	FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020	FY 2021 January 2021 to December 2021	FY 2022 January 2022 to December 2022
Culture						
Economic Prosperity						
Environmental Services						Public Works Process Assessment
Parks, Recreation & Neighbourhood Services	Cash Handling Process Review	Class Replacement Project Post-implementation Review				
Planning & Development Services	Building Permit Process Assessment				Assumption and Securities Assessment	Industrial Community Improvement Plan Incentives  Permit of Approved Works Program Review
Protective Services				Fire Process Assessment		Emergency Planning Process Review
Social & Health Services	Homelessness Prevention Management Process Assessment	Housing Process Assessment	Dearness Home Process Assessment			Social Services Process Assessment
Transportation Services		Parking Revenue Generation Assessment Construction Procurement Process Assessment	Parking Enforcement Assessment	Traffic Management Project Review		
Corporate, Operational & Council Services	Freedom of Information process Assessment  Management Compensation Process Assessment  IT Cyber Risk Workshop  IT Project Portfolio and Project Management Assessment	Health and Safety Assessment Procurement Process Assessment	Electronic Fund Transfer Compliance Assessment  IT Cyber Risk Workshop  IT Security Assessment	Clerks Office Assessment	Recruitment Process Assessment  Environment and Asset Retirement Obligations Assessment  IT Risk Identification Process Assessment	HRIS Project Post-implementation Review

	Deloitte Outsourced IA Function					
Service	FY 2017 June 2017 to December 2017	FY 2018 January 2018 to December 2018	FY 2019 January 2019 to December 2019	FY 2020 January 2020 to December 2020	FY 2021 January 2021 to December 2021	FY 2022 January 2022 to December 2022
Financial Management						
Strategic Area of Focus			Computerised Maintenance Management System (CMMS) Pre-implementation Review	Service London Process Assessment		

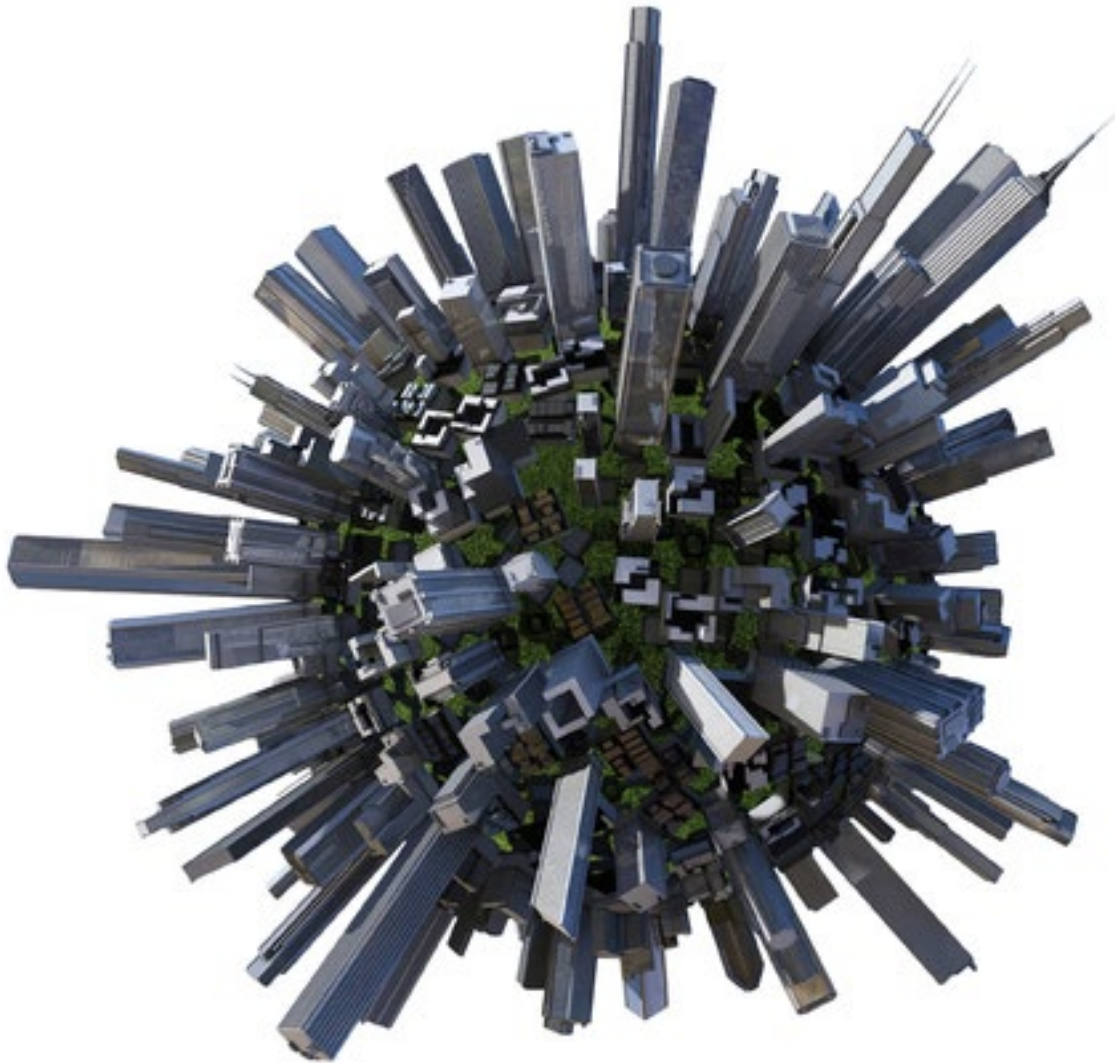
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## **The Corporation of the City of London** Parking Enforcement Assessment

Audit Performed: July 2019 – September 2019  
Report Issued: October 2019

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# Executive summary

## Background

The Corporation of the City of London (the “City”) has outsourced parking enforcement services to a third party vendor under a sole-sourced contract for more than 25 years. In 2016, Parking Services renewed the contract with its current parking enforcement provider, which ends in December 2020.

## Objectives and scope

As part of the 2019 Internal Audit Plan, a review of the City’s contracting for parking enforcement services was conducted. The purpose and objective of this review was to assess the control framework and assessment criteria required for this type of service, and identify key requirements for the City to consider when developing future contracts.

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

## Strengths

In completion of this assessment, we identified the following areas of strengths.



## Areas for continued enhancement

Based on our review of the City’s control framework for contracting parking enforcement services, we identified 9 leading practice recommendations, and 1 low priority observation that management should consider going forward. Please refer to *Appendix 2: Internal Audit rating scale* for definitions of the four-point scale.



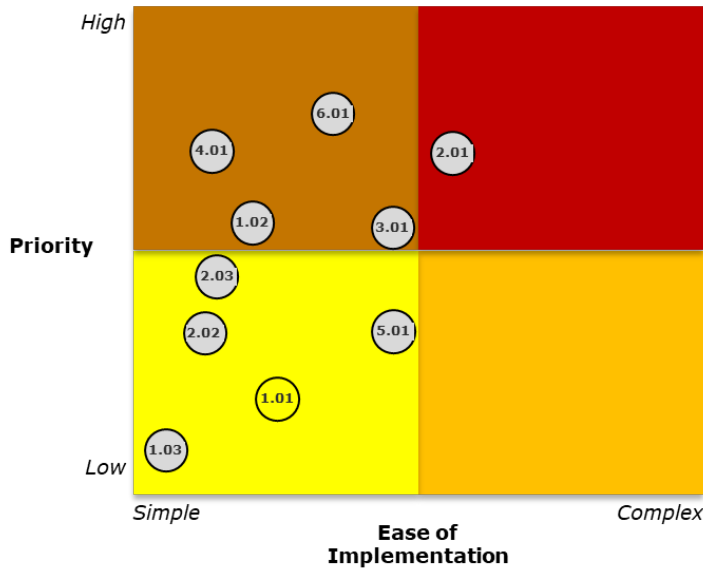
Priority	Observation item	Observation description
Low	PEA 1.01	<b>Parking enforcement service provider requirements:</b> Parking Services management should link relevant parking business plans and priorities with performance requirements for the third party parking enforcement vendor.



Leading practice item		Leading practice recommendation
Leading	PEA 1.02	<b>Parking enforcement contract language, roles, and key definitions:</b> Parking Services management should consider using more consistent language with clearer definitions for key words and/or terms for future contracts.
Leading	PEA 1.03	<b>Parking enforcement contract rate cards and schedules:</b> For future contracts, Parking Services management should ensure the schedule of shifts aligns with the shifts defined in the rate cards.
Leading	PEA 2.01	<b>Vendor reporting and performance monitoring:</b> Parking Services management should consider contracting commercial terms and service level agreements inclusive of defined metrics and key performance indicators to ensure desired performance is met in future contracts.
Leading	PEA 2.02	<b>Vendor performance reviews:</b> Parking Services management should consider engaging the City’s Purchasing and Supply Division to formalize a parking enforcement vendor performance review approach in future contracts.
Leading	PEA 2.03	<b>Performance issue escalation:</b> For future contracts, Parking Services management should develop an escalation protocol to deal with unresolved critical and repeated performance issues more consistently.
Leading	PEA 3.01	<b>Contract risk management:</b> For future contracts, Parking Services management should develop a contract risk profile as part of an overall contract management plan.
Leading	PEA 4.01	<b>Contract financial management:</b> For future contracts, Parking Services management should pre-approve all relevant rates and charges or applicable conditions as part of the contract.
Leading	PEA 5.01	<b>Contract validity management:</b> Parking Services management should consider establishing criteria to assist with contract decision making such as contract renewal or scope change (i.e. change orders) for future contracts
Leading	PEA 6.01	<b>Contract governance:</b> Parking Services management should consider reviewing its approach to governance to ensure adequate oversight across newly adopted contract management practices for future contracts.

**Priority heat map**

Based on our assessment of the City’s control framework for contracting parking enforcement services, the following image maps areas of continued enhancement based on priority and anticipated ease of implementation of our leading practice recommendations.



**Conclusion**

Based on our assessment of the City’s control framework for contracting parking enforcement services, we have identified one low priority observation that should be addressed to improve internal controls and process efficiency and nine leading practice recommendations. The identified considerations and observation noted in this report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Management is in agreement with all findings noted in the ‘Detailed observations and recommendations’ section.

# Strengths

In the completion of this assessment, internal audit noted the following areas of strength:

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**Monitoring contract compliance:** Parking Services has committed to improving processes and controls to more effectively and efficiently monitor third party vendor compliance with commercial terms. Specifically, a technology solution was recently implemented enabling Parking Services to more effectively monitor vendor compliance with commercial terms by way of GPS tracking. These measures have enabled Parking Services to efficiently identify and address performance improvement opportunities.

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**Internal and external communication:** Parking Services engages in frequent communication, both internally and with vendor contacts, to discuss items relevant to parking enforcement operations including continuous improvement opportunities. This has proven to be beneficial in keeping relevant stakeholders privy to the status of operations and aide in driving continuous improvement parking enforcement services.

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**Cost management:** The City's financial metrics with respect to parking enforcement costs remain below other comparable Canadian municipalities. For three consecutive years, the City has maintained a lower gross enforcement cost per ticket than the average of comparable municipalities. This metric suggests that the City is effectively using parking enforcement related funds.

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**Key contract terms and conditions:** While Internal Audit has observed leading practice opportunities to improve the control framework for contracting parking enforcement services, other existing commercial terms align with standard and leading practice. For example, the City has reserved the right as part of its current contract to conduct payroll audits of the parking enforcement service provider. This term grants the City with the ability to exercise a payroll audit to independently validate relevant billings and further reduce the risk of erroneous vendor billing, a principle contract risk.

---

# Areas for continued enhancement

In completing the procedures noted in *Appendix 4: Audit procedures performed*, internal audit identified the following areas for continued enhancement:

<b>PEA 1.0 – Vendor selection and contract development</b>	
<b>Low Priority</b>	<b>PEA 1.01 – Parking enforcement service provider requirements</b>
<b>Observation</b>	The City is currently developing the 2020-2023 business plans and strategic priority documents (e.g., London Downtown Parking Strategy). Parking Services should refresh the parking business plans and priorities, leveraging the City’s priorities, and further integrate these into the performance requirements for the third party parking enforcement vendor.
<b>Implication</b>	Not integrating parking business plans into enforcement performance requirements may lead to vendor behaviours that do not align with the City’s objectives and strategic priorities.
<b>Recommendation</b>	<p>To provide a clear linkage between parking business plans and vendor performance requirements, Parking Services management should perform the following activities:</p> <ol style="list-style-type: none"> <li>1. Review parking business plans in accordance with City priorities, and engage stakeholders to understand parking current state and future vision across people, technology and process.</li> <li>2. Refresh parking enforcement business and technical requirements across front and back offices.</li> <li>3. Finalize a list of prioritized vendor performance requirements inclusive of qualitative factors such as core values and workplace culture and develop a mapping to link to parking business requirements.</li> <li>4. Communicate parking business priorities along with vendor performance requirements to the parking enforcement service provider.</li> </ol> <p>In relation to observation PEA 2.01 (Vendor reporting and performance monitoring), key performance metrics and indicators should be defined in alignment with the determined priorities.</p>

<p><b>Management comments and action plan</b></p>	<p>Parking Services management have engaged with the Senior Leadership of the third party vendor and are actively working with them to develop key performance indicators which will be utilized to gauge performance.</p> <p>These indicators include response times to complaints, ticket numbers, ticket cancellation rates for errors, maintenance of minimum staffing levels and tracking of number of on duty patrol hours. Management of Parking Services has also engaged with respect to diversity of enforcement staff providing services to the City of London and notable change has already been observed in this area.</p> <p>Parking Services management and the third party vendor have worked together to develop expectations of enforcement staff, including the re-development of patrol areas ensuring more coverage outside of the downtown area and re-development of shift scheduling which will allow for 24 hour enforcement coverage. The vendor has been responsive, providing a platform known as CGL 360. This platform was developed and paid for by the vendor and allows Parking Services management to monitor compliance with minimum expectations including compliance with patrol routes (Via GPS), hours of patrol, maintenance of minimum staffing levels and response times to complaints. Parking Services management will continue to utilize the Parking Services Management Software "Command Center" to monitor ticketing trends such as total number of tickets issued by officer, and cancellation rates resulting from errors.</p> <p>This platform also allows Parking Services management to cross reference hours of service with bills to ensure accuracy of billing information. Going forward these expectations and ability to report/monitor performance will form part of the contract.</p>
<p><b>Responsible party and timing</b></p>	<p><i>Stephen Miller, Manager of Municipal Law Enforcement – Parking Services</i> <span style="float: right;"><i>April 2020</i></span></p>
<p><b>Leading Practice</b></p>	<p><b>PEA 1.02 – Parking enforcement contract language, roles, and key definitions</b></p>
<p><b>Observation</b></p>	<p>The current parking enforcement service contract does not maintain consistent language with clear definitions for key words or terms, such as the City’s right to identify and address non-compliance, as well, the information regarding vehicles and equipment requires clearer articulation. Additionally, professional qualifications for staff to be assigned a vendor role is not defined for the purposes of invoice validation and performance expectations.</p>
<p><b>Implication</b></p>	<p>A lack of clear roles and terms increases the risk that the City receives services that do not meet their needs and expectations.</p>

<b>Recommendation</b>	For future contracts, Parking Services management should define vendor and City roles and key terms to enable consistent contract interpretation and improved billing transparency. Moreover, per PEA 1.03 (Parking enforcement service provider requirements) below, roles and key terms should align to the parking business and enforcement plans and requirements. Defined terms should also be supported by clearly articulated procedures and protocols as well as forms or templates, where applicable.
<b>Leading Practice</b>	<b>PEA 1.03 – Parking enforcement contract rate cards and schedules</b>
<b>Observation</b>	The current parking enforcement service contract notes shifts on the contract rate card in section 4.0 (Payment for Services), but these do not align with the schedule of shifts in section 3.7 (Scope of Services).
<b>Implication</b>	Misaligned contract rate card shifts and schedule of shifts could result in misinterpretation of billing rates or scheduling of shifts leading to dissatisfaction with third party performance and/or overbillings.
<b>Recommendation</b>	For future contracts, Parking Services management should ensure the determined schedule of shifts aligns with the shifts defined in the rate cards.

<b>PEA 2.0 – Vendor performance management</b>	
<b>Leading Practice</b>	<b>PEA 2.01 – Vendor reporting and performance monitoring</b>
<b>Observation</b>	<p>Parking Services manages the parking enforcement vendor relationship and monitors ongoing performance; however, these practices are not supported by a fulsome set of contractual performance metrics (i.e., key performance indicators) or a service level agreement (SLA) which has resulted in difficulties consistently measuring and trending performance.</p> <p>Additionally, the existing contract does not require performance reports to be generated and submitted by the vendor to support consistent evaluation of vendor performance against commercial terms.</p>
<b>Implication</b>	A lack of clearly defined performance expectations and reporting protocols increases the risk that the City receives services that do not meet commercial terms and expectations.

<b>Recommendation</b>	For future contracts, Parking Services management should define commercial terms and service level agreements to encourage desired performance behaviours. Commercial terms and service level agreements should be used inclusive of defined metrics and key performance indicators to appropriately measure performance. Management may consider inclusion of incentives or penalties, such as payment holds or discounts, within future vendor contracts to ensure desired performance and contract terms are met. Procedures, protocols and forms/templates should be established to ensure consistent vendor reporting and efficient performance monitoring.
<b>Leading Practice</b>	<b>PEA 2.02 – Vendor performance reviews</b>
<b>Observation</b>	Parking Services performs activities to evaluate the vendor’s parking enforcement performance; however, these activities are not conducted as part of a formal vendor performance review. Additionally, an action log is not maintained of agreed upon tasks nor managed to monitor vendor improvement planning and solution implementation.
<b>Implication</b>	Informal vendor performance evaluations could result in unidentified and unaddressed performance concerns in relation to performance expectations and commercial terms.
<b>Recommendation</b>	Parking Services management, when electing to review vendor performance, should engage with the City’s Purchasing and Supply Division to develop a vendor review method and approach that formally evaluates relevant performance expectations and commercial terms.

<b>PEA 2.0 – Vendor performance management</b>	
<b>Leading Practice</b>	<b>PEA 2.03 – Performance issue escalation</b>
<b>Observation</b>	Parking Services has not formalized with the third party vendor an escalation plan and protocol to deal with critical and repeat vendor performance issues.
<b>Implication</b>	The lack of a formal mechanism to escalate performance concerns could lead to ineffective or inefficient resolution and business disruption.
<b>Recommendation</b>	For future contracts, Parking Services management should develop an escalation protocol to consistently deal with unresolved critical and repeated performance issues.

<b>PEA 3.0 – Contract risk management</b>	
<b>Leading Practice</b>	<b>PEA 3.01 – Contract risk management</b>
<b>Observation</b>	Parking Services has not developed a contract risk profile as part of the contract management plan. Subsequently, contract risks are not formally logged to actively manage and assess risk as part of vendor performance.
<b>Implication</b>	The lack of a contract risk profile could result in unanticipated, undermanaged, and unmitigated contract risks.
<b>Recommendation</b>	For future contracts Parking Services management should develop a contract risk profile with potential risks identified together with probability, potential impact and contingency plans as part of an overall contract management plan.



<b>PEA 4.0 – Contract financial management</b>	
<b>Leading Practice</b>	<b>PEA 4.01 – Contract financial management</b>
<b>Observation</b>	The existing parking enforcement contract lacks clarity of terms to assist with defining and interpreting relevant chargeable or non-chargeable items. Currently, Parking Services attempts to mitigate the risk of being charged non pre-approved rates through the informal, manual reconciliation of billing data, but this process is difficult and time consuming.
<b>Implication</b>	There is risk that the City may be billed rates or charges that were not pre-approved.
<b>Recommendation</b>	<p>For future contracts, Parking Services management should pre-approve all relevant rates and charges or applicable conditions as part of the contract. Parking Services management should perform procedures to identify all relevant rates and charges such as labour by position, vehicle or equipment, training, administrative overhead, and travel. Where necessary, critical words and terms such as minimum qualifications for vendor staff positions should also be defined to enable consistent interpretation and invoicing.</p> <p>Further, Parking Services management should consider including in future vendor contract definitions on:</p> <ul style="list-style-type: none"> <li>• Data and formatting requirements for invoices and supporting information;</li> <li>• Dispute resolution protocols; and,</li> <li>• Vendor response times to City inquiries and requests.</li> </ul>

<b>PEA 5.0 – Contract administration</b>	
<b>Leading Practice</b>	<b>PEA 5.01 – Contract validity management</b>
<b>Observation</b>	In support of the parking enforcement service contract, Parking Services has not established criteria to assist with contract decision making such as contract renewal or scope change (i.e., change orders).
<b>Implication</b>	Unestablished criteria could lead to decisions that are not aligned with high priority decision factors.
<b>Recommendation</b>	For future parking enforcement contracts, Parking Services management should develop criteria to assist with decision-making, including contract renewal and scope change. Where necessary, Parking Services management should develop and implement forms or template to support and enable consistent performance of related procedures and capture related decisions for effective contract management.

<b>PEA 6.0 – Contract governance</b>	
<b>Leading Practice</b>	<b>PEA 6.01 – Contract governance</b>
<b>Observation</b>	Parking Services maintains contract governance controls for the existing parking enforcement vendor contract. Recognizing the leading practice opportunities from PEA 2.01 – 5.01, Parking Services will need to review its approach to governance and ensure adequate oversight across newly adopted contract management practices.
<b>Implication</b>	Unrevised contract governance practices could result in untimely identification of contract management concerns and lead to potential business disruption.
<b>Recommendation</b>	Concurrent to adopting and implementing recommended leading contract management practices, Parking Services management should perform a governance review to determine an appropriate level of oversight and revise existing governance procedures to ensure contract management procedures and controls are operating effectively.

# Appendix 1: Internal Audit detailed scope

Specifically, the internal audit addressed the following areas:

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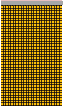


**Reviewed and assessed the control framework for contracting with parking enforcement third party service providers:**

- ✓ Reviewed and assessed the objective of the services the City requires from a parking enforcement third party service provider;
  - ✓ Evaluated the City's performance control plans and service provider expectations, including parking enforcement staffing coverage, measurement criteria and frequency, as well as communication frequency;
  - ✓ Analyzed available MBN Canada parking data to compare the City's enforcement cost to comparative municipalities;
  - ✓ Reviewed the parking enforcement service provider contract template and assess that the clauses and conditions meet service provider expectations;
  - ✓ Reviewed the RFP selection criteria and assess against the expectations for the service provider, such as adequate staffing coverage, reserve staffing for special or unique parking issues, and contractor reporting standards; and,
  - ✓ Compared results of assessment and evaluation to leading practice, and worked with the City to determine "fit-for-purpose" and recommend areas for improvement.
-

# Appendix 2: Internal Audit rating scale

## Individual observation prioritization

Internal Audit has prioritized each observation and recommendation within this report using a four point rating scale. The four point rating scale is as follows:

Description	Definition
 <b>High</b>	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.
 <b>Medium</b>	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term.
 <b>Low</b>	Observation does not present a significant or medium control risk but should be addressed to either improve internal controls or process efficiency.
 <b>Leading Practice</b>	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 this assessment, the following management and staff were interviewed to gain an understanding of the City's parking enforcement processes and practices.

<b>Stakeholder</b>	<b>Position</b>	<b>Division</b>
Orest Katolyk	Chief Municipal Law Enforcement Officer	Licensing and Municipal Law Enforcement - By-Law Enforcement
Annette Drost	Manager, Municipal Law Enforcement Services – Parking and Licensing	Licensing and Municipal Law Enforcement - Parking
Stephen Miller	Parking Co-ordinator	Licensing and Municipal Law Enforcement - Parking
Murzeena Shemsedeen	Parking Co-ordinator	Licensing and Municipal Law Enforcement - Parking

# Appendix 4: Audit procedures performed

As part of the Parking Enforcement Assessment, the following procedures were performed:

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- ✓ Conducted a planning meeting with the Managing Director of Development and Compliance Services and Chief Building Official, the Chief Municipal Law Enforcement Officer, and the Manager of Municipal Law Enforcement Services – Parking and Licensing;
  - ✓ Updated and issued a finalized Project Charter and request for information;
  - ✓ Conducted meetings and interviews with City management and staff to obtain an understanding of the control framework for contracting with parking enforcement third party service providers;
  - ✓ Obtained documentation regarding relevant procedures and controls to perform an inspection of:
    - 2016 – 2019 Parking Business Plan,
    - Current parking enforcement contract, related materials and addenda,
    - Third party management materials and communications,
    - Parking enforcement standard operating procedures (SOP's) and guidelines,
    - Training and patrol hours and records,
    - Procurement materials including performance review procedures, and
    - Municipal Benchmarking Network (MBN) Canada 2018 report and other relevant parking enforcement data (e.g., tickets, etc.);
  - ✓ Benchmarked City parking enforcement metrics against eleven comparable Canadian municipalities;
  - ✓ 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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