

# City of London - Internal Audit

## Vendor Risk Management (“VRM”) Audit

Final Report – November 1, 2023

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## 1.0 BACKGROUND

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

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

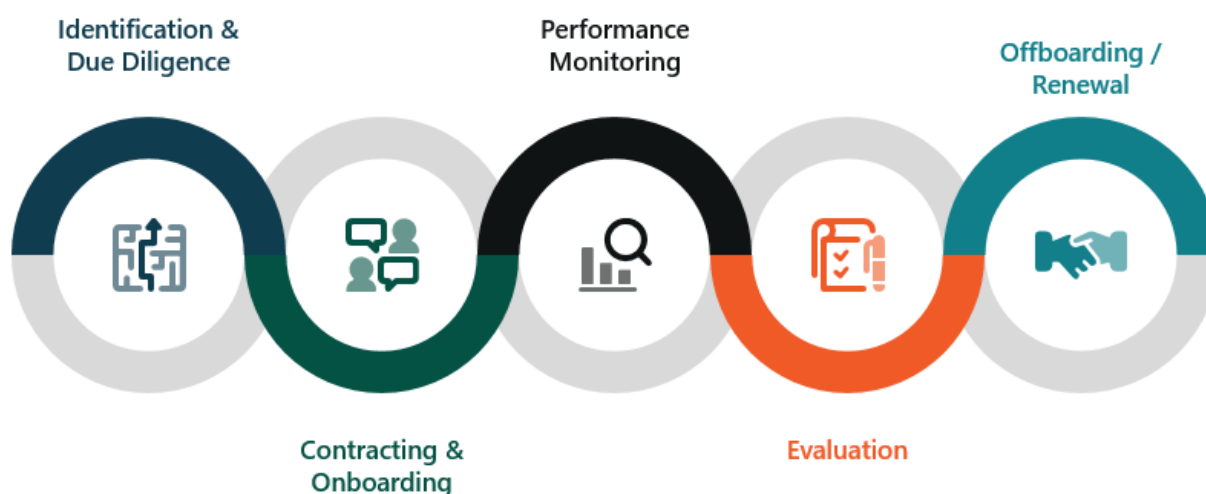
With this awareness and in accordance with the City’s FY2023 internal audit plan, an audit of the City’s Vendor Risk Management “VRM” processes was performed to assess its effectiveness in managing vendor risks throughout a vendor’s lifecycle and to identify opportunities for improvement.

## 2.0 OBJECTIVE

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

## 3.0 SCOPE

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



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

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

## 4.0 RISKS

Given the stated objectives and scope, the following inherent risks<sup>1</sup> were considered and assessed during this audit:

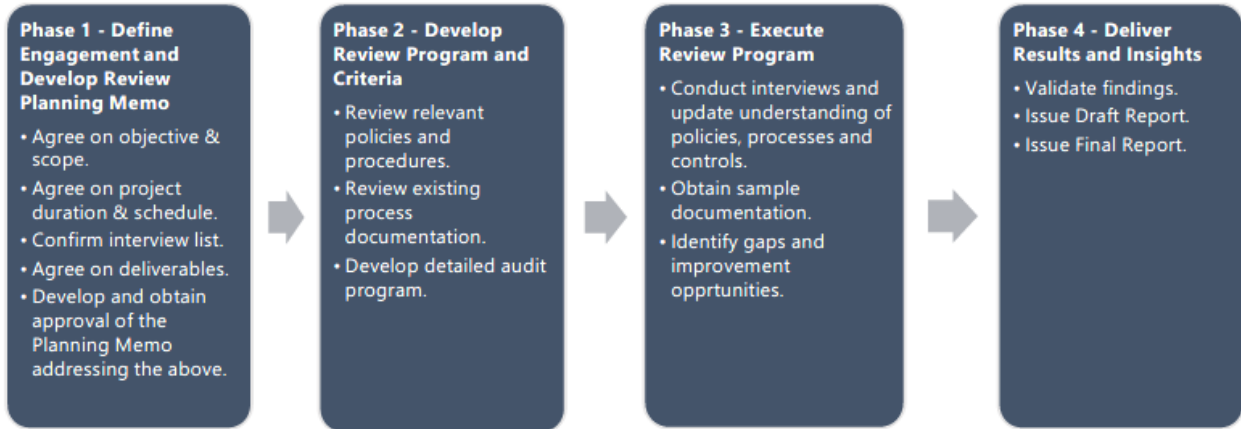
- Ineffective vendor management resulting in violations of laws, regulations, and internal processes, loss, or disclosure of customer information due to negligence or data breach, fiscal performance requirements not being met and operational service interruption;
- Appropriate governance structures and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

## 5.0 APPROACH

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

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<sup>1</sup> *The risk derived from the environment without the mitigating effects of internal controls; Institute of Internal Auditors.*



## 6.0 SUMMARY OF OBSERVATIONS

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

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

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

Ref	Summary of Observations	H	M	L
1	<p><b><u>Vendor Management Office (“VMO”)</u></b></p> <p>It was noted that the City does not utilize a centralized VMO to administer and manage the City’s vendor management program across the various City Service Areas. Instead, the City currently utilizes a decentralized approach where each City Service Area has the responsibility of administering and managing its own vendor management activities resulting in inconsistency of processes and standards across the various City Service Areas.</p> <p>Without a centralized VMO, the City may be unable to ensure uniformity in vendor management processes and enforcement of standards across the various City Service Areas resulting in operational inefficiencies and vendor risks. In addition, the City will be unable to perform key vendor management processes, such as monitoring the City’s adherence and compliance to vendor management processes and the creation of periodic vendor management reporting.</p>	H		
2	<p><b><u>Vendor Due Diligence and Formalization of the Vendor Risk Assessment Process</u></b></p> <p>MNP noted that the following key vendor risks/factors are not assessed as part of the vendor due diligence process:</p> <ul style="list-style-type: none"> <li>• Compliance risk associated with the vendor relationship or its services, including compliance history with applicable laws, regulations, regulatory guidance, and ethical standards to identify previous trends of non-compliance;</li> <li>• Reputation risk associated with the vendor relationship or its services;</li> <li>• Strength of the vendor’s risk management programs, processes, and internal controls; and,</li> <li>• Vendor capacity to provide critical services through disruption.</li> </ul> <p>Furthermore, MNP noted that the City does not have a formalized and standardized vendor risk assessment and reassessment process in place to help identify and differentiate between high risk/critical and low risk/non-critical vendors.</p> <p>Without the consideration of all key vendor risks/factors during the conduct of vendor due diligence, the City may be unable to identify and mitigate relevant concerning risks a vendor presents particularly for vendors providing key services.</p> <p>Without a formal vendor risk assessment process, the City will be unable to identify its high-risk vendors and employ the necessary oversight and monitoring activities which commensurate with a vendor’s risk profile.</p> <p>Without the conduct of risk-based periodic reassessment of City vendors, the City may be unable to update a vendor’s risk profile to commensurate with its current risk posed to the organization and implement relevant controls to mitigate these risks.</p>	H		

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



Ref	Summary of Observations	H	M	L
6	<p><b><u>Formalization of Key VRM Processes</u></b></p> <p>There is an opportunity to enhance the Procurement of Goods and Services Policy by including requirements for the following key VRM processes and procedures:</p> <ul style="list-style-type: none"> <li>• Vendor due diligence process including additional vendor due diligence requirements (Refer to Observation #2);</li> <li>• Vendor risk assessment and periodic reassessment process;</li> <li>• Process for periodic evaluation of a vendor;</li> <li>• Periodic vendor management reporting requirements; and,</li> <li>• Vendor Management Office responsibilities (if it is established).</li> </ul> <p>Without the documentation of key VRM processes, there is a risk that protocols will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.</p>		M	
7	<p><b><u>Process to Review Key Third-Party Reports</u></b></p> <p>It was noted that there is no formal process to request (where relevant) and document the review of third-party vendor reports for critical/high risk vendors, including two key supporting reports: Business Continuity Plan (“BCP”) reports and System and Organization Control (“SOC”) reports.</p> <p>Without the review of BCP reports which includes BCP testing results, there is an increased risk that the City will not be adequately prepared to continue operations should a critical vendor not be able to provide services.</p> <p>In the absence of reviewing third-party assurance or compliance reports, the City may not be able ensure that it has fulfilled its responsibilities to identify, assess and manage vendor operations.</p>			L

## 6.1 ACKNOWLEDGEMENT OF COOPERATION AND EFFORTS

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

## 6.2 LIMITATIONS AND RESTRICTIONS

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



## 7.0 DETAILED OBSERVATIONS AND RECOMMENDATIONS

#	Observation	Priority	Recommendation	Management Response
1	<p><b><u>Vendor Management Office (“VMO”)</u></b></p> <p>It was noted that the City does not utilize a centralized VMO to administer and manage the City’s vendor management program across the various City Service Areas. Instead, the City currently utilizes a decentralized approach where each City Service Area has the responsibility of administering and managing its own vendor management activities resulting in inconsistency of processes and standards across the various City Service Areas.</p> <p>The establishment of a VMO will help the City to better perform the following key vendor management processes:</p> <ul style="list-style-type: none"> <li>• Ensure awareness and timely communication to City Service Areas of past vendor issues, past vendor performance and past or pending litigation for vendors that had already been utilized by other City Service Areas;</li> <li>• Ensure standardization, continuous improvement and streamlining of vendor management workflows and processes which can help reduce costs, improve quality, and mitigate operational risks;</li> <li>• Monitor City’s adherence and compliance to vendor management processes such as periodic risk assessments, periodic vendor evaluation, conduct of vendor due diligence etc.;</li> <li>• Support the production of periodic vendor management reporting;</li> </ul>	High	<p>The City should consider establishing a VMO to help administer and manage the City’s vendor management program. The City should give consideration to which member(s) of Senior Management should have oversight over the VMO and whether the VMO will be responsible for managing the complete or a partial part of the City’s vendor portfolio.</p>	<p><b>Action Plan:</b></p> <p>A Business Case will be submitted through the 2024 – 2027 Multi Year Budget process requesting operating funds to increase staffing resources to take on the additional responsibilities of a full Vendor Performance Program/Office.</p> <p><b>Accountability:</b></p> <p>Finance Supports</p> <p><b>Timeline:</b></p> <p>Multi Year Budget Business Case to be submitted December 2023.</p>

#	Observation	Priority	Recommendation	Management Response
	<ul style="list-style-type: none"> <li>Support the secure centralized storage of all key documents pertaining to vendor arrangements and manage vendor data;</li> <li>Enforce and update City’s vendor management processes and standards including providing refresher training and/or training on new vendor management requirements to City staff; and,</li> <li>Answer City Service Area queries regarding vendor management in a timely manner.</li> </ul> <p>Without a centralized VMO, the City may be unable to ensure uniformity in vendor management processes and enforcement of standards across the various City Service Areas resulting in operational inefficiencies and vendor risks. In addition, the City will be unable to perform key vendor management processes, such as monitoring the City’s adherence and compliance to vendor management processes and the creation of periodic vendor management reporting.</p>			
2	<p><b><u>Vendor Due Diligence and Formalization of the Vendor Risk Assessment Process</u></b></p> <p>While the City does consider certain vendor key due diligence factors such as vendor qualifications and experience, past performance, and insurance confirmation as part of the request for proposal (“RFP”) process, MNP noted that the following key vendor risks/factors are not assessed as part of the vendor due diligence process:</p> <ul style="list-style-type: none"> <li>Compliance risk associated with the vendor relationship or its services, including compliance history with applicable laws, regulations,</li> </ul>	High	<p>The City should implement a standardized vendor risk assessment form which should consider the noted vendor due diligence factors and the following:</p> <ul style="list-style-type: none"> <li>Importance of vendor arrangement to the City;</li> <li>Vendor arrangement’s importance to achieving and implementing City objectives;</li> <li>Size of contractual expenditure;</li> <li>Impact on meeting regulatory requirements due to inadequate performance from the service provider;</li> </ul>	<p><b>Action Plan:</b></p> <p>Procurement Services has engaged a consultant to review and advise on adding vendor management tools including: risk assessments, performance evaluations, performance rectification processes and vendor</p>

#	Observation	Priority	Recommendation	Management Response
	<p>regulatory guidance, and ethical standards to identify previous trends of non-compliance;</p> <ul style="list-style-type: none"> <li>• Reputation risk associated with the vendor relationship or its services, including prior or pending investigation or complaints against the vendor;</li> <li>• Strength of the vendor’s risk management programs, processes, and internal controls; and,</li> <li>• Vendor capacity to provide critical services through disruption by examining its business continuity and disaster recovery plans.</li> </ul> <p>Furthermore, MNP noted that the City does not have a formalized and standardized vendor risk assessment and reassessment process in place to help identify and differentiate between high risk/critical and low risk/non-critical vendors.</p> <p>A risk assessment process takes into account the risk profile of a vendor and its potential impact on an organization’s operations, reputation, earnings, and other key factors to help determine a vendor’s criticality or materiality. It is important to establish a vendor risk assessment process since it helps an organization identify its high risk or critical vendors in order to ensure the appropriate oversight and monitoring activities are deployed which commensurate with a vendor’s risk profile.</p> <p>Without the consideration of all key vendor risks/factors during the conduct of vendor due diligence, the City will be unable to identify and mitigate relevant concerning risks a vendor presents particularly for vendors providing key services.</p>		<ul style="list-style-type: none"> <li>• Expected impact on the City’s operations, residents, reputation and/or risk profile if the service provider is unable to perform service;</li> <li>• Availability of alternative service providers;</li> <li>• Access to the City’s systems and types of data; and,</li> <li>• Number of vendor arrangements with the same service provider.</li> </ul> <p>Supporting definitions and related thresholds, if applicable, for risks/factors noted within the form should be included within the form.</p> <p>The City should assign a weighting to each vendor risk/factor noted within the risk assessment form depending on the potential impact of the risk/factor to the City. The weighting assigned can differ by City Service Areas, if required, to accommodate differences in operations. The total weighting of all vendor risks/factors should amount to 100%. Moreover, vendor risk thresholds for risk assessment conclusions should be established (i.e., Low Risk Vendor, Medium Risk Vendor and High Risk Vendor). The initial vendor risk assessment form completed for a vendor should conclude on whether the vendor passed or failed vendor due diligence and the related rationale for the conclusion. The City should also ensure that relationship owners document their supporting rationale, within the form, for the risk level ratings that they assign to each vendor. Each risk assessment</p>	<p>debarment. A consulting project is underway with an estimated update of the Procurement of Goods and Services Policy targeted for June 2024. The degree to which additional due diligence is implemented, will be dependant upon the business case submitted requesting operating funds to take on the additional responsibilities of a full Vendor Performance Program/Office.</p> <p><b>Accountability:</b> Senior Manager, Procurement &amp; Supply</p> <p><b>Timeline:</b> Roll out of tools targeted for the 3rd quarter of 2024.</p>

#	Observation	Priority	Recommendation	Management Response
	<p>Without a formal vendor risk assessment process, the City will be unable to identify its high-risk vendors and employ the necessary oversight and monitoring activities which commensurate with a vendor's risk profile.</p> <p>Without the conduct of risk-based periodic reassessment of City vendors, the City may be unable to update a vendor's risk profile to commensurate with its current risk posed to the organization and implement relevant controls to mitigate these risks.</p>		<p>form should be signed off by a member of Management within the respective City Service Area.</p> <p>In addition, the City should establish a vendor risk reassessment frequency based on the risk rating of a vendor (i.e., Vendors that are determined to be high risk should be reassessed more frequently than vendors that are determined to be low risk.).</p> <p>The risk assessment form should be periodically reviewed and refreshed to ensure that it captures emerging risk areas that could foreseeably have a direct or indirect impact on vendor arrangements, and accordingly have a direct or indirect impact on City operations.</p>	
3	<p><b><u>Periodic Performance Evaluation of Vendors</u></b></p> <p>While the City does require City Service Areas to evaluate vendor performance, MNP noted that the Procurement of Goods and Services Policy does not provide explicit guidance to City Service Areas regarding the frequency of vendor performance evaluation based on a vendor's risk profile (i.e., Vendors that are determined to be high risk should be evaluated more frequently than vendors that are determined to be low risk).</p> <p>Without the periodic performance evaluation of vendors, the City will be unable to effectively evaluate and manage a vendor's performance throughout a contract's lifecycle. This can limit the effectiveness of detecting poor performance early into service delivery and identify issues</p>	Medium	<p>The City should evaluate the performance of its vendors on a periodic basis. The frequency at which a vendor is evaluated should be based on a vendor's risk as determined by the vendor risk assessment process (i.e., Vendors that are determined to be high risk should be evaluated more frequently than vendors that are determined to be low risk.).</p> <p>A standardized vendor performance evaluation form should be established, where applicable, to help document the review of a vendor's performance and the rationale provided by the relationship owner for the rating or grade assigned. At a minimum, the form should look to incorporate the following details:</p> <ul style="list-style-type: none"> <li>• Vendor and service overview;</li> </ul>	<p><b>Action Plan:</b></p> <p>Procurement Services has engaged a consultant to review and advise on adding vendor management tools including: risk assessments, performance evaluations, performance rectification processes and vendor debarment.</p> <p><b>Accountability:</b></p>

#	Observation	Priority	Recommendation	Management Response
	<p>which can prevent the vendor from fulfilling the terms of the contract and drive continuous improvement throughout the contract life cycle.</p>		<ul style="list-style-type: none"> <li>Relationship owner details;</li> <li>Results of periodic monitoring performed throughout the year such as formal meetings and performance reports;</li> <li>Outcome of third-party reports, if applicable (Refer to Observation #7 for more details regarding review of third-party reports);</li> <li>Issues encountered if any; and,</li> <li>Rating or grade assigned.</li> </ul>	<p>Senior Manager, Procurement &amp; Supply</p> <p><b>Timeline:</b> Q4 2024</p>
4	<p><b><u>Vendor Contract</u></b></p> <p>MNP selected five (“5”) vendor contract samples for review and noted that for one sample, the signed version of the vendor contract was not available/held on record. It is acknowledged that the City is currently in the process of updating the contractual agreement with the vendor utilizing a non-signed version of the contract.</p> <p>Without an accessible signed vendor contract, the City may not be able to refer to the signed version of the contract to confirm vendor and City responsibilities, contractual clauses, and vendor performance requirements. Moreover, the City may not be able to hold a vendor accountable for its performance in providing agreed upon services.</p>	Medium	<p>A centralized document repository system should be utilized to support the secure storage of all key documents pertaining to vendor arrangements. This will help minimize the risk of misplacing documentation and support the City’s document retention requirements. One possible method for implementing this system is by the establishment of a centralized VMO (Refer to Observation #1 for more details regarding the establishment of a centralized VMO).</p>	<p><b>Action Plan:</b></p> <p>Procurement Services has engaged a consultant to draft a standard City of London Master Contract document. Starting in 2024, for centralized procurements entered into, Procurement will require copies of signed agreements to be provided when complete. Procurement Services will establish the centralized repository to store these contracts along with procurement records.</p>

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

#	Observation	Priority	Recommendation	Management Response
6	<p><b><u>Formalization of Key VRM Processes</u></b></p> <p>As noted, the City utilizes the Procurement of Goods and Services Policy to support the administration of established VRM processes. However, there is an opportunity to enhance the Policy by including requirements for the following key VRM processes and procedures:</p> <ul style="list-style-type: none"> <li>• Vendor due diligence process including additional vendor due diligence requirements (Refer to Observation #2);</li> <li>• Vendor risk assessment and periodic reassessment process;</li> <li>• Process for periodic evaluation of a vendor;</li> <li>• Periodic vendor management reporting requirements; and,</li> <li>• Vendor Management Office responsibilities (if it is established).</li> </ul> <p>Without the documentation of key VRM processes, there is a risk that protocols will not be executed in an expected and consistent manner. In addition, there could be a loss of institutional knowledge should key team members leave the organization or be unavailable for a period of time.</p>	Medium	<p>The Procurement of Goods and Services Policy should be updated to include the noted key processes and should outline the detailed steps of each process and the responsibilities of the staff who are accountable for the execution of these processes. This information should be communicated and accessible to relevant staff.</p>	<p><b>Action Plan:</b></p> <p>Procurement Services has engaged a consultant to review the City's Procurement of Goods and Services Policy, which will take into consideration vendor management.</p> <p>Approval of the VPM Business Case will affect the degree in which this is undertaken.</p> <p><b>Accountability:</b></p> <p>Senior Manager, Procurement &amp; Supply</p> <p><b>Timeline:</b></p> <p>Q3 2024</p>
7	<p><b><u>Process to Review Key Third-Party Reports</u></b></p> <p>It was noted that there is no formal process to request (where relevant) and document the review of third-party vendor reports for critical/high risk vendors, including two key supporting reports: Business Continuity Plan ("BCP")</p>	Low	<p>The City should establish a process to request (where relevant) and review BCP and third-party assurance or compliance reports for high risk/critical vendors on a periodic basis and should consider documenting the evidence of review within the vendor performance evaluation form for each vendor.</p>	<p><b>Action Plan:</b></p> <p>The City will look to further explore what third-party reports would be applicable to incorporate into procurement</p>



#	Observation	Priority	Recommendation	Management Response
	<p>reports and System and Organization Control (“SOC”) reports.</p> <p>It is acknowledged that the City primarily utilizes in-house resources to perform City operations rather than utilizing outsourcers. However, there is still an opportunity to implement this process where outsourcers are being utilized, if any.</p> <p>Without the review of BCP reports which includes BCP testing results, there is an increased risk that the City will not be adequately prepared to continue operations should a critical vendor not be able to provide services.</p> <p>In the absence of reviewing third-party assurance or compliance reports, the City may not be able ensure that it has fulfilled its responsibilities to identify, assess and manage vendor operations.</p>		<p>Some baseline third-party report areas to review include:</p> <ul style="list-style-type: none"> <li>• BCP report which include BCP testing results:               <ul style="list-style-type: none"> <li>○ Contents of the BCP Plan – Determine the reasonableness of the plan. This would include ensuring that the vendor is testing appropriate scenarios and systems that might seriously affect City operations.</li> <li>○ Conclusion of BCP testing – Determine if the test was performed successfully. If performed unsuccessfully, the City should follow up with the vendor to ensure an appropriate action plan is in place to remediate any weakness or failure points found within the plan in a timely manner.</li> </ul> </li> <li>• SOC report:               <ul style="list-style-type: none"> <li>○ Audit opinion – Was a qualified opinion provided, and if yes, what were the reasons for a qualification or denial of opinion;</li> <li>○ Complimentary User Entity Considerations (“CUEC”) – These are controls that the City should implement. The report will help the City determine if those controls are applicable and whether the City needs to adopt and implement them to satisfy the CUECs.</li> </ul> </li> </ul>	<p>requirements and evaluations. An example would be, but not limited to Ontario’s Certificate of Recognition (COR) standard, where applicable. The degree and amount of attention would be subject to the adoption of recommendation # 1.</p> <p><b>Accountability:</b> Senior Manager, Procurement &amp; Supply</p> <p><b>Timeline:</b> Q2 2025.</p>

#	Observation	Priority	Recommendation	Management Response
			<ul style="list-style-type: none"> <li>○ Deviations and responses – Look at any shortcomings and deviations, as well as the possible impact of those deviations. If deviations threaten to negatively affect City’s operations, City management should mitigate or compensate for them.</li> <li>○ Exceptions or points of non-compliance – Pinpoint any references to exceptions that took place during testing. This portion of the report is crucial since it helps identify any non-compliance issues and how they may impact data and systems upon which the City may be reliant.</li> </ul>	

## APPENDIX A – RATING SCALE

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

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



## APPENDIX B – REPORT DISTRIBUTION LIST

This report was distributed to the following parties:

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