

The Corporation of the City of Windsor

Internal Audit Summary Report

November 1, 2020 to April 30 2021

Prepared as of May 7, 2021

Limitations and responsibilities

This report was developed in accordance with our engagement letter addendum dated January 24, 2020 and is subject to the terms and conditions included therein.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available at the time we prepared the report. Accordingly, changes in circumstances after the date of this Report could affect the findings outlined herein. We are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. This information has been prepared solely for the use and benefit of and pursuant to a client relationship exclusively with the Corporation of the City of Windsor. PwC disclaims any responsibility to others based on its use and accordingly this information may not be relied upon by anyone other than the Corporation of the City of Windsor.





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1. Performance and status summary

Planned projects	Percent complete	Report issued
Risk Assessment and Annual Plan Development 2021-22	<div style="width: 100%;"></div>	100% ✔
IA Attendance at City Meetings	<div style="width: 100%;"></div>	100% ✔ ✔
a) Periodic Status & Reporting		
b) Periodic Status & Reporting		
Management Action Plan Validation (Annual)	<div style="width: 100%;"></div>	100% ✔
Hotline Administration	<div style="width: 100%;"></div>	100% NA
Auditor General Complaint Handling	<div style="width: 100%;"></div>	100% NA
Covid-19 Health & Safety - Reopening of Workplace and Facilities	<div style="width: 100%;"></div>	100% ✔
Fraud risk mitigation review	<div style="width: 100%;"></div>	100% ✔
Liquidity management	<div style="width: 100%;"></div>	100% ✔
Annual Performance Review	<div style="width: 100%;"></div>	100% ✔
Unallocated	<div style="width: 100%;"></div>	100% NA

Legend	✔	✔	○
	Issued in current period	Issued in prior period	In progress/ Not yet issued

IA plan completion

Category	Percentage
Progress in period	60.0%
Reported previously	40.0%

Observation count

Category	In Period	YTD
Findings	2	7
Advisory	3	3

Deliverables progress

Category	Count
Issued in period	8
Previously issued	4
Issued above plan	3

SME information

- Fraud Investigation
- Health & Safety
- Public Finance

Items under investigation

Source	In progress	Reported in period
CCEP	1	3
AG Route	0	0

2. Reports issued in period

2.1 Liquidity Management Review

Point of view - Sprint 1

Project POV: Liquidity stress events may not be appropriately mitigated if key liquidity metrics are not measured, monitored and mitigated through strong liquidity management practices.

00

Sprint 0 POV
Liquidity management policies are conservative in nature as a result of the pay-as you-go strategy. Liquidity management practices demonstrate alignment across all planning functions, and are implemented in a reasonable manner as demonstrated by June 2020 S&P credit scores and AA rating.

01

Sprint 1 POV
Management has the capabilities to measure key liquidity metrics over both a medium term (3-12 month) and long term (18-48 month) horizon but these metrics are not frequently measured or reported to allow stakeholders to make decisions based on internal trends and peer comparisons¹.

02

Sprint 2 POV
Cash flow models and budgeting systems are designed to accommodate flexible scenarios while capturing assumptions and decisions. Opportunities exist to utilize existing models to implement liquidity risk tolerances and targets, improving measurement and monitoring of early warning signals to inform liquidity contingency planning.

Strategic impact

Strong liquidity management practices enhance fiscal sustainability by creating a sound, stable financial position to make decisions.

Status of considerations for management

Consideration for management	Impact	Management status
None noted	NA	NA
None noted	NA	NA
Establish baseline measurements for selected liquidity metrics, as well as a tolerance and target for each of Council and Administration which will facilitate establishing appropriate monitoring practices and identification of potential early warning indicators. Definition of a liquidity risk tolerance will help the City to prudently manage its liquidity and support the ability to withstand a prolonged period of stress.	Fiscal flexibility and sustainability	Target completion date: Q2 2023
Management should continue to work towards developing a formal liquidity contingency plan that may include the following components: plausible stress events, early warning indicators and monitoring system, stress levels/tolerances, alternative funding sources, funding strategies, crisis management team, action plan, cash flow planning and scenario process.		

¹As detailed in the Appendix, four municipalities were selected from across Canada to conduct a peer analysis using publicly available information at a point in time. Readers should not place undue reliance on the information presented in this report, as actual results over a period of time may differ materially.

Overall management comments

Management will continue to assess if additional metrics within the annual financial statements report would be useful and are considered warranted and will continue to enhance existing budget development processes to look for opportunities to include additional leading indicators to what is currently in practice. There are a number of different strategies and practices currently in place to manage our liquidity shortfalls, as evidenced through the managing of the COVID-19 pandemic over the past year. Management will consider these strategies to develop a more formalized liquidity contingency plan.

Point of view - Sprint 2

Additional items for management's consideration

The following items were noted and discussed with management as considerations for improvement. They are not required actions; however, they are good practices. Implementing these practices would be innovative in a municipal setting. Such practices are, however, more aligned with basic practices in the broader business markets.

Through a benchmarking exercise¹ conducted to compare the performance of the City to a selected peer group, it was noted that the City demonstrates **strong liquidity metrics**, a higher age of infrastructure, lower tax levy increases, and a higher dependency on transfers from other levels of government. In the pursuit of **long term fiscal sustainability**, the City should continue to set aside funds for asset replacement, evaluate opportunities to adjust tax levies to peer municipalities, and explore other sources of revenue to reduce vulnerability to potential funding cuts. There are also opportunities for the City to enhance **public reporting over fiscal sustainability** to demonstrate the outcomes of liquidity management practices employed to create a sound, stable financial position to make decisions.

Consider selecting a minimum of 4-5 **key liquidity metrics** for more frequent measurement and reporting.

To enhance current **budget assumptions based on key indicators**, consider implementing leading indicators which are measurable and meaningful, and have a material impact on scenario development for budgets and forecasts.

¹As detailed in the Appendix, four municipalities were selected from across Canada to conduct a peer analysis using publicly available information at a point in time. Readers should not place undue reliance on the information presented in this report, as actual results over a period of time may differ materially.

Internal audit project canvas - Sprints 0, 1 & 2

<p>Common areas of risk for a liquidity stress event</p> <ol style="list-style-type: none"> 1. Decline in net asset/cash position. 2. Decline in operating revenue. 3. Unidentified impacts on planned operating surplus. 4. Significant impacts from central bank monetary policy. 5. Validity of historical assumptions used in approved budgets and subsequent forecasts. 6. Insufficient scenario analysis and/or consideration of key economic indicators in forecasts and projections¹. 7. Significant capital plan impacts. 8. Insufficient early warning indicator practices. 9. Incomplete liquidity contingency plan or playbook. 10. Significant impact on future tax levy. 11. Impact of any projected deficits from Government Business Enterprises (GBEs). <p>¹ A forecast is based upon assumptions reflecting the conditions a government or entity expects to exist and the course of action reasonably expected to be followed. A projection is prepared to present one or more hypothetical courses of action that the government or entity might follow.</p>	<p>Project drivers to inform conclusions on risk management practices</p> <ul style="list-style-type: none"> • Liquidity horizons over which budgets, forecasts and projections are prepared. • Forecasted fiscal 2020 surplus and supplementary variance analysis. • Cash flow, surplus and capital plan forecasts beyond fiscal 2020. • Statements of recommended practice and common practice for liquidity horizons, forecast methodologies, and metrics. • S&P Global credit rating, and underlying methodology, for City of Windsor, June 3, 2020. • 20-Year Strategic Vision, City of Windsor. • Formal and informal liquidity management practices. • Government and central bank announcements. 	<p>Value proposition of the Sprint approach</p> <ul style="list-style-type: none"> • An agile internal audit is intended to provide insights into key risk areas through focused analysis that is based primarily on assessing evidence obtained through interviews and key documents. • By prioritizing areas of key risk through summary reporting, insights and management responses are intended to be more relevant and timely. <p>Key stakeholders</p> <ul style="list-style-type: none"> • CFO, Treasurer and Deputy Treasurer • Deputy Treasurer, Taxation and Financial Projects • Deputy Treasurer, Financial Planning • Senior Manager of Asset Planning <p>Sprint 1 outcomes</p> <ul style="list-style-type: none"> • Prioritized key liquidity metrics for further analysis. • Selected four municipalities with similar economic indicators to Windsor and compared key liquidity metrics to assess how well Windsor is managing liquidity in comparison to peers. <p>Sprint 2 outcomes</p> <ul style="list-style-type: none"> • Identified key systems and processes used to generate future oriented financial information. • Identified early warning signals and practices and compared to common good practice of regulated entities.
<p>Key areas of analysis to understand comprehensiveness of liquidity risk management practices</p> <ul style="list-style-type: none"> • Measurement of baseline liquidity metrics using historical financial information. • Analysis of management practices to calculate key liquidity metrics for future oriented financial information over a medium (3-12 month) and long term (18-36 month) horizon. • Benchmark of baseline liquidity metrics and liquidity management practices to relevant common practice. • Identification of potential early warning signals and common good practice for liquidity contingency planning. 		

2.2 Covid-19 Health & Safety - Reopening of Workplace and Facilities (Sprint 2)

Point of View



Project POV: Health and Safety have implemented a robust, agile and responsive process to review COVID-19 specific risks and actions/measures needed to ensure the safe reopening of work sites and facilities for the return of employees to work and the resumption of services to the public.

Sprint 2 POV

The health and safety actions and responses implemented at facilities and departments by City Health and Safety in response to COVID-19 risks were adequately designed to maintain the safety of employees while at work, as well as when they return to work to resume services to the public.

Strategic Impact

Health & Safety related to City management's response to COVID-19 risks has an impact on the overall reputation of the City of Windsor. If improperly conducted negative reputational impacts are likely.

Status of considerations

While anomalies were noted in the a small number of survey responses the review of survey comments, consideration of existing practices and discussion with management did not identify specific findings requiring management action as it relates to the Sprint 2 point of view.

Overall Management Comments

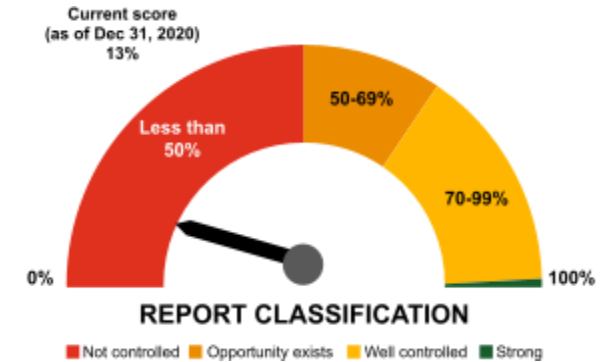
Management will continue to provide ongoing Corporate wide communication messages, articles in the City Circuit newsletter, availability to training, completion of Risk Assessment and updating our COVID-19 dashboard site for employees all in an effort to address any anomalies that came forward in these Surveys. Additionally anomalies as they pertain to cleaning and PPE have been discussed with the appropriate departments.

Internal Audit Project Canvas

<p>Risks / Concerns The work performed by Internal Audit (IA) was to understand the effectiveness of health and safety actions and practices implemented by the City Health and Safety team to address COVID-19 specific risks such as ineffective health & safety training, PPE quality and availability, breach of health and safety protocols.</p>	<p>Project Drivers As part of the City of Windsor COVID-19 internal audit plan, Internal Audit was asked to perform a review of management’s current, or planned, response to adaptation of key policy/procedures in a wide variety of areas impacted by COVID-19.</p> <p>Through a detailed risk assessment process followed by Internal Audit, a view of a critical COVID-19 risks, impacts and considerations were obtained, the project objectives were defined and the review was conducted accordingly. The review included a survey which was sent to employees to understand their perspectives about the health and safety measures implemented by the City.</p>	<p>Value Proposition Delivery of an advisory internal audit via conducting an employee survey would provide timely insights to management to learn about employees’ perspectives and also further enhance health and safety controls and measures implemented.</p>
<p>Project Objectives The objective of sprint 2 included measurement of health and safety actions and practices implemented by the City Health and Safety team using a survey approach. The survey covered key COVID-19 topics including Site Closures & Return to Work Schedules, COVID-19 Health and Safety Training, Daily Screening Protocols, Travel Restrictions, and PPE Availability and Awareness.</p>	<p>Scope period/Exclusion/Limitation The scope included Health and Safety processes which were introduced specifically to respond to COVID-19 risks which arose since the start of the pandemic.</p>	<p>Key Stakeholders</p> <ul style="list-style-type: none"> • Manager of Occupational Health, Safety and Wellness • Executive Director HR • City Clerk • City Solicitor <p>Project Outcomes The overall results of the survey were satisfactory. The response rate for the survey sent to supervisors and employees were 35% and 51% respectively. While some minor and isolated anomalies were noted from the survey responses, these were discussed with health and safety team who provided adequate documentation to provide comfort in these areas.</p>

2.3 Management Action Plan Validation Report

Key measures:	All findings	Significant findings
Average age of open findings :	1.9 years	3 years
Average age of past due findings:	2.2 years	3 years
Age of oldest past due finding:	5.6 years	5.6 years
Number of Past Due Findings:	28	6



In the above, ratings consideration is also given to the number of retargeted observations with a rating reduction for every 2% of action plan dates retargeted for the first time in this period.

Rating	Opening balance (as of December 31, 2019)	Additions in the year	Expected to be closed by Dec 31, 2020	Validated as closed by IA	Accepted risk (No validation)	Open at end of period (A+B-D-E)	Open – on track	Open & delayed
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
Significant	9	0	7	3	0	6		6
High	1	0	1	0	0	1		1
Moderate	14	3	9	2	0	15	3	12
Low	6	5	7	4	0	7		7
Not Rated*	0	11	7	5	0	6	4	2
Total	30	19	31	14	0	35	7	28

Scope Period: January 1, 2020 through December 31, 2020

Approach: For validating management action plan, the activities undertaken by internal audit included:

- Requesting status updates and contact information from management;
- Testing/validating evidence of management's resolution/disposition of the original finding for items expected to be closed and/or indicated as closed by management;
- Preparing a report on the outcomes of the management action plan internal audit activity.

Conclusion: In the period, in total, 45% of findings that were expected to close in the period were closed.

- **Closed as planned:** There were 31 management action plans due to be implemented by December 31, 2020, or from prior periods, of which 14 were closed with a closure score of 45%
- **Closed in advance:** There were no management action plans closed ahead of schedule.
- **Additions:** 19 management action plans were added during the period.
- **Retargeted Items:** As of Dec 31, 2020, 28 action plans are open and delayed of which 16 were retargeted for the first time in this period.

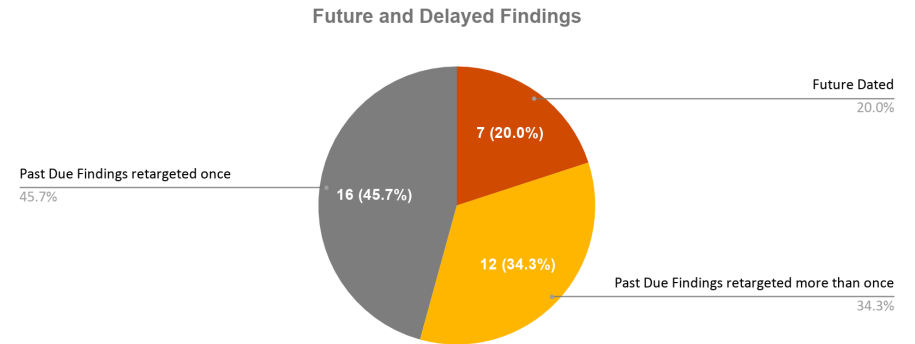
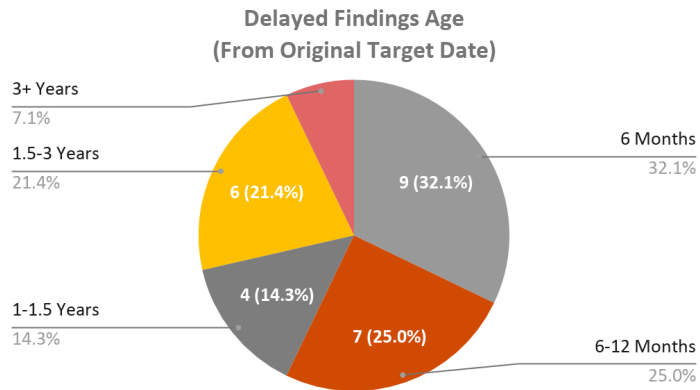
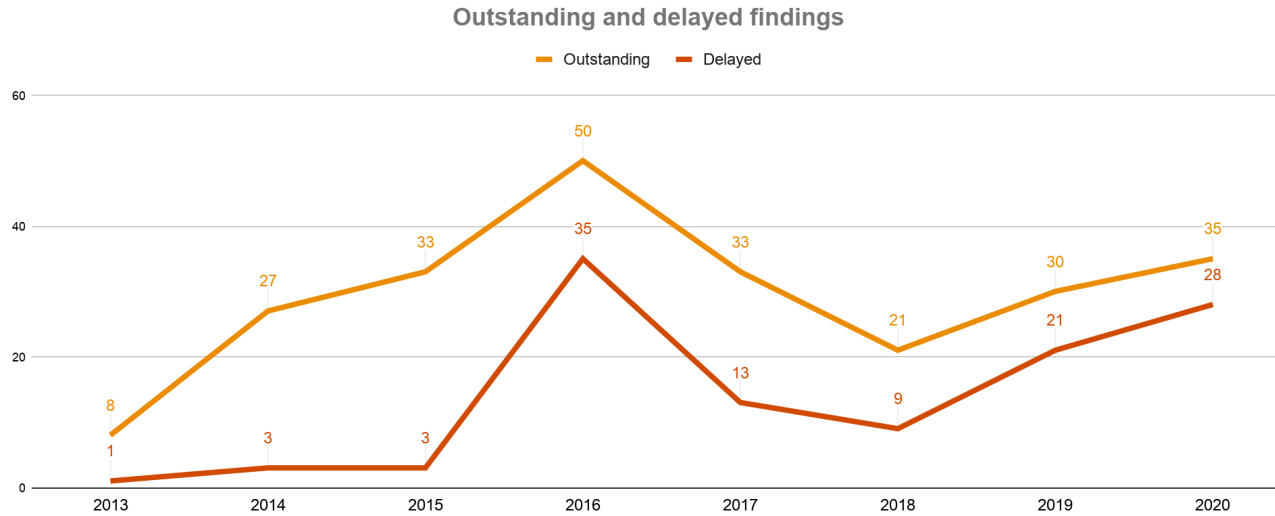
The overall trend for the year ending December 2020 has been classified as "Not Controlled" with an overall score of 13%. The major cause of these delays, nine findings out of 28 retargeted (32%), is a result of management having to deal with the pandemic at the same time as many of these findings were due.

The past year has been a unique and challenging year for society, business and government. In the face of this pandemic, management was able to progress and close 14 of the intended 31 action plans originally expected in the period. However, it is important to also note that the majority (28 out of 35 or 80%) of the prior internal control findings are past due (Open & Delayed). Of these 21 Open & Delayed findings relate directly to City departments (60% of open City department findings) and all 7 open Agencies, Boards and Commissions findings.

While it is important to consider the fact that management made progress in resolving half of these issues that were previously open it is also important that management and City Council understand that risk exposures remain until known gaps are mitigated. For the Open & Delayed findings 46% (13 of 28) have been a known exposure for at least 2 years. Many (61%) of the Open & Delayed findings are not anticipated to be resolved for an additional 12 months - increasing their overall aging.

Given the state of the world, the pandemic situation, and local initiatives City Council and Management should ensure that the timely resolution of open actions is considered, prioritized and the risk understood amidst the City's other initiatives and operational requirements.

Open and delayed trends as at December 31, 2020



2.4 Hotline Investigation Report - Citizen Property Concern

Executive summary

Allegation information

A complaint was received by the Auditor General which lead to an investigation of the following allegations by Internal Audit under the direction of the Auditor General:

Allegation 1 - Two properties (Property 1 and Property 2) belonged to an estate and were to be sold in a tax sale. One of these two properties (property 1) was sold as a result of tax sale however the property related correspondence for the estate owner of both properties were still being sent to the property 1 which now has a different owner.

Allegation 2 - Not able to receive information on the land owner/registration for Property 2 from the City and the management advised to visit the Land Registry office to seek this information which had a fee, however this information should be available at City free of cost as advised by the land registry. Also, the tax sale information regarding the Property 2 was not available/accessible.

Investigation approach

Allegation 1:

1. Understand the process for updating the mailing address for a given property related correspondence
2. Documentation maintained for the mailing address update for the property in question
3. Inspect the manual documented to provide specific instructions regarding processing an address change

Allegation 2:

1. Understand the process to obtain information / details about a given property by an external party
2. Understand the process regarding providing property tax sales information to citizens

Summary of procedures and findings

Allegation 1:

For a period of 12 months since March 2020 the City routed mail to Property 2 incorrectly to the Property 1 address.

Although a process exists at City to discuss mailing address changes with the Manager before initiating the change, this process was not followed in this instance. We have provided a recommendation to management regarding compliance with existing procedures. Management has corrected the error and have updated the current mailing address for Property 2 as Property 2 address; however, the mail is being returned again.

It is important to note that the main responsibility for ensuring the mailing address is correct resides with the property owner. The City's administrative process is in the absence of the property owner fulfilling their responsibility

Allegation 2:

Based on the above procedures, we understand that three options are, and have been, available to individuals seeking property information, two of which are available through the City. In addition, the tax sale information is also posted at the City website and published in local newspaper.

**Management
Comments**

A change to the procedures has been made which requires any change in ownership or mailing address to be submitted along with supporting documentation for approval by the Manager of Revenue and Collections.

2.5 Hotline Investigation Report - Sandwich South Secondary Expansion and Aboriginal Consult

Allegation information

A complaint was received via Concerned Citizen and Employee Hotline which lead to an investigation of the following allegation by Internal Audit under the oversight of the City's Auditor General:

The complainant mentioned that:

1. the underlying growth assumptions used in support for the approval of the Sandwich South Secondary plan were based on outdated data, and the Council's August 13, 2018 approval of this plan is not based on accurate/reliable information.
2. the City did not reach out to any group which directly represents First Nations people living in Windsor regarding consultation for Windsor's Official Plan. The complainant also mentioned that the City did reach out to other First Nation groups for consultation however no actual two-way communication occurred and the only notice was sent less than two hours before the end of the day of the deadline.

Investigation approach

For the allegations noted above we developed investigative procedures and carried out a documentation review provided by the complainant which included reports from different consulting companies that City had hired for conducting studies to support the sandwich south secondary plan.

Summary of procedures

We carried out our internal procedures which included documentation review and corresponding directly with the complainant via email and call. We had also developed our further procedures to carry out the investigation on the alleged complaints. However, during our process of discussing the above mentioned complaints with the management, we found that the above allegations were already presented in the court of law. The summarized details are as follow:

Details in regards to the underlying growth assumptions used:

We reviewed documentation indicating that the Local Planning Appeal Tribunal (LPAT) identified that the growth assumptions represent a reasonable approach consistent with the PPS when planning for a growing city and further, that the needs analysis required by the Provincial Policy statement, 2014 (PPS) is met by the thorough study, robust peer critique and the conservative results. This initial decision was later upheld by the Ontario Superior Court of Justice (Divisional Court).

Details in regards to the Consultation with First Nations:

We reviewed documentation indicating that the Local Planning Appeal Tribunal (LPAT) found that the statutory requirements for notice were satisfied and that the efforts made by the City for consultation are sufficient. This initial decision was later upheld by the Ontario Superior Court of Justice (Divisional Court).

Conclusion:

Upon identifying and reading the legal rulings by the external legislative bodies of LPAT and Divisional Court the CCEP complaint investigations were ceased.

2.6 Internal Audit Plan and coverage with a five year overview

Audit Type	2019/20	2020/21	2021/22 (proposed)	2022/23 (planned)	2023/24 (planned)
Financial	-	<ul style="list-style-type: none"> Liquidity Management 	-	-	-
Operational, Compliance, Performance/VFM	<ul style="list-style-type: none"> Purchased Services for Winter Control - VFM Audit HR Recruiting Process and Retention Strategy Cyber Response Strategy Security Programs & Safety Incident Management Planning & Development Risk Assessment & Planning 	<ul style="list-style-type: none"> Covid based policy and practice amendments Fraud risk mitigation enhancement Risk Assessment & Planning 	<ul style="list-style-type: none"> Performance Audit: Road Infrastructure Maintenance processes SmartCity Cyber Risk Mitigation Ransomware Strategy & Practices Risk Assessment & Planning 	<ul style="list-style-type: none"> Performance Aud - Transit Windsor - Service Delivery Review Diversity, Equity and Inclusion Digitization and Archiving Strategy: Windsor Public Library Risk Assessment & Planning 	<ul style="list-style-type: none"> Performance Audit: Workforce Management System - Post Implementation Review Huron Lodge - Compliance Management and Quality Inspection Program Employee Wellness - Mental Health Risk Assessment & Planning
Fraud & Waste Hotline	<ul style="list-style-type: none"> Concerned Citizen & Employee Hotline Lancaster Stabilizers Chimczuk Funds Sewer Insurance Letter 	<ul style="list-style-type: none"> Concerned Citizen & Employee Hotline Auditor General Complaint Handling Sandwich expansion and Aborginal Consult Citizen concern on AG mandate Citizen property concern 	<ul style="list-style-type: none"> Concerned Citizen & Employee Hotline Auditor General Complaint Handling 	<ul style="list-style-type: none"> Concerned Citizen & Employee Hotline Auditor General Complaint Handling 	<ul style="list-style-type: none"> Concerned Citizen & Employee Hotline Auditor General Complaint Handling
Follow Up	<ul style="list-style-type: none"> Annual Management Action Plan Validation 	<ul style="list-style-type: none"> Annual Management Action Plan Validation 	<ul style="list-style-type: none"> Annual Management Action Plan Validation 	<ul style="list-style-type: none"> Annual Management Action Plan Validation 	<ul style="list-style-type: none"> Annual Management Action Plan Validation
Management & Oversight	<ul style="list-style-type: none"> Management & Oversight Adhoc 	<ul style="list-style-type: none"> Auditor General Management & Oversight Adhoc 	<ul style="list-style-type: none"> Auditor General Management & Oversight Adhoc 	<ul style="list-style-type: none"> Auditor General Management & Oversight Adhoc 	<ul style="list-style-type: none"> Auditor General Management & Oversight Adhoc

Note: The complete Risk Assessment & Internal Audit Plan 2021-22 has been presented as a separate document.

Appendices

Appendix A - Summary of use of unallocated effort

Unallocated Effort			
Activity	Requested by	2020-21 effort hours	Result
Initial analysis of Community Housing Corp Personnel based complaint and authority	Management	11	In process
Initial analysis, meeting, documentation review and reporting for the citizen property concern compliant	Management	35.5	completed
Total		46.5	

Appendix B - Complaints & Investigations

Complaints & Investigations							
Activity in the period	Checked within required time frame	# of Contacts Received	# of hang ups	# of handoffs to management	# of items under analysis	# of items under investigation	# of items investigated
Concerned Citizen and Employee Hotline Channel	Yes	75	4	66	2	-	3
Auditor General Channel	-	1	-	-	-	-	1

Item under analysis/investigation		
Description of item	Activities to date	Results
Community Housing Corp Personnel June 2020	Awaiting response from complaintant	Pending
Concerns about gas line work near a property April 2021	Awaiting response from complaintant	Pending



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