

Investments Audit

Appendix 2

Corporate Services Department
Finance Division
Treasury Section

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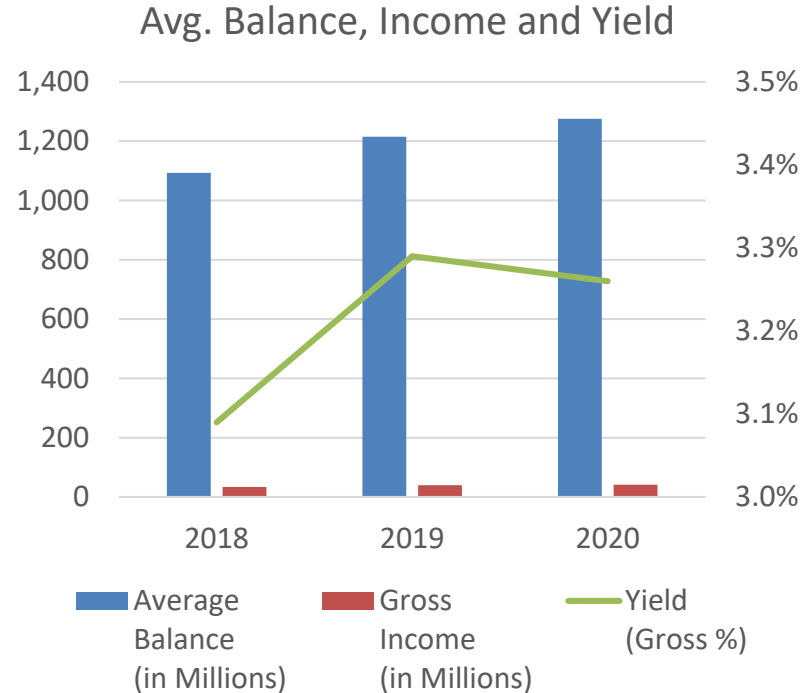
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Background

- Treasury is responsible for cash management, investment purchases, debt management and safekeeping of financial instruments. The audit focused only on the investment function.
- Governed by the Ontario Regulation 438/97 and the Investments Corporate Policy and Procedure.
- The last audit (2019) was compliance-oriented and no significant findings were noted.



Audit Scope & Objectives

- Adequacy of controls to support the business objectives:
 1. To ensure investments conform to legislative requirements;
 2. To preserve the principal investment and to avoid the loss of monies;
 3. To ensure investments are easily liquidated when funds are required; and
 4. To maximize the return on investments while conforming to the other objectives.
- Reviewed a sample of investment transactions conducted in 2020.
- Audit expanded to include other areas of risks not reviewed in prior years.
- Areas not in scope include investment in Enersource and corporate-wide controls.

Summary of Observations

- In general, the control design and function are adequate to support the business objectives established
- The sampled securities comply with the applicable legislation and Corporate Policy and Procedures
- Well-documented Standard Operating Procedures
- Management implemented additional controls during the pandemic to manage and monitor cash flow requirements
- We noted some opportunities to implement preventative controls that will strengthen the overall control environment

Deactivate User Access for Terminated/Transferred Employees Immediately

- Cryptokeys are used to access or conduct transactions within the City's bank accounts or investments
- They can be hard copies (physical device) or soft copies (sent via phone/device)
- The current deactivation process takes up to 5 business days to take effect upon receipt
- Recommend deactivation using the administrative-level function provided by CIBC and to document this as the process going forward



Develop Contingency/Succession Plans for the Treasury Manager

- Treasury Section is a small team consisting of a Manager and two Analysts
- If the Treasury Manager is unavailable, the administrative aspect of the treasury function could be fulfilled as a result of a well-documented SOP
- However, the Treasury Manager's role and responsibility involves a niche skillset regarding capital markets, municipal investments and strategies
- Extended leave or departure from the City can impact the financial returns received from the investment portfolio



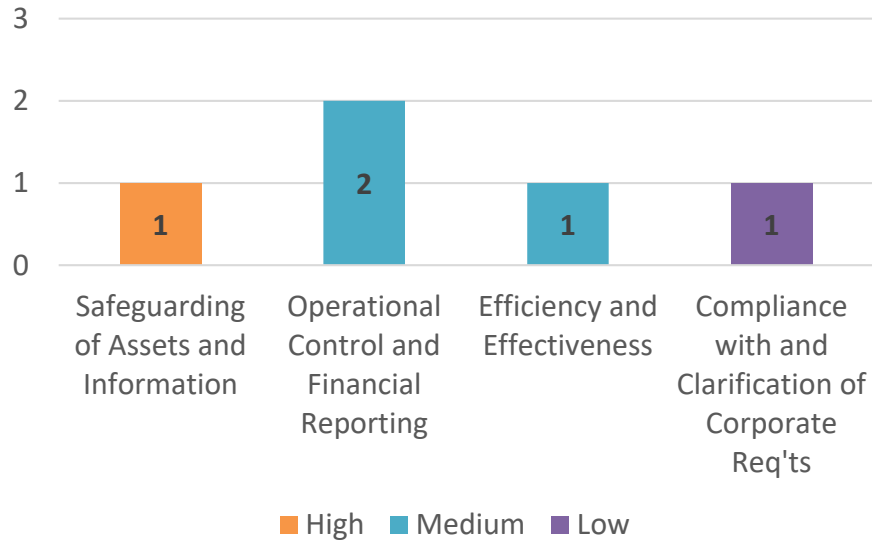
Implement a Communication Tool for Cash Flow Stakeholders

- Cash flow forecasting is the foundation for the development of the investment strategy
- Process for collection and compiling information is manual
- Risk of incomplete or erroneous information being captured
- Management looking into a Green Belt Lean project in 2022 to develop this communication tool

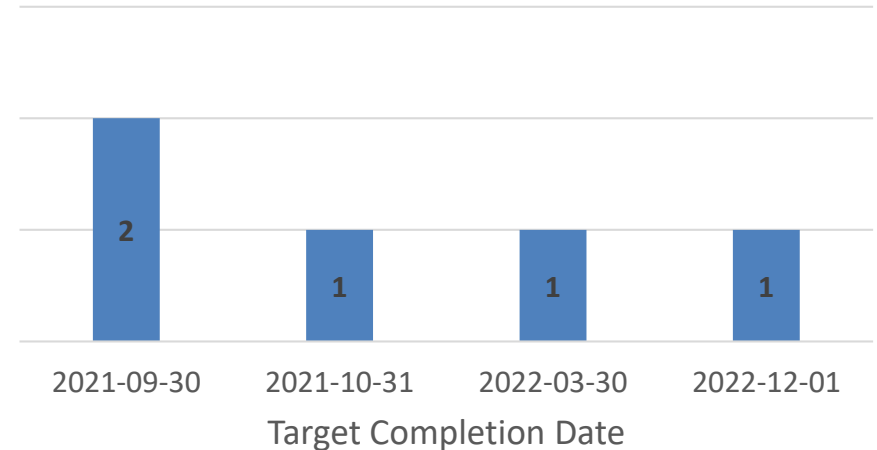


Summary of Recommendations

Recommendation by Classification and Priority



Recommendations by Target Completion Date



Questions