




CITY OF HAMILTON
OFFICE OF THE CITY AUDITOR

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	August 11, 2022
SUBJECT/REPORT NO:	IT Asset Management Review (Report #52693) (AUD22006) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Brigitte Minard CPA, CA, CIA, CGAP (905) 546-2424 Ext. 3107 Domenic Pellegrini CPA, CMA, CIA (905) 546-2424 Ext. 2492 Valencia IIP Advisors Limited
SUBMITTED BY: SIGNATURE:	Charles Brown CPA, CA City Auditor Office of the City Auditor 

RECOMMENDATION

Discussion of Confidential Appendices “A” and “B” to this report are subject to the following requirement(s) of the City of Hamilton’s Procedural By-law and the *Ontario Municipal Act, 2001*:

- The security of the property of the City or a local board

RATIONALE FOR CONFIDENTIALITY

Appendices “A” and “B” are being considered in Closed Session as they contain information that pertains to the information technology security posture of City IT assets, related technology applications and the underlying data.

RATIONALE FOR MAINTAINING CONFIDENTIALITY

The City Auditor recommends that Appendices “A” and “B” to Report AUD22006 remain confidential, because in addition to the rationale noted above, the City Auditor in their capacity as an Auditor General for investigations (as approved by Council per Report AUD19005) has a duty of confidentiality as per the *Municipal Act, 2001 Section 223.22*.

RECOMMENDATION (CLOSED SESSION)

None.

RECOMMENDATION (OPEN SESSION)

- (a) That Report AUD22006 and Confidential Appendix “A” to Report AUD22006, respecting the IT Asset Management Review (Report #52693) be received;
- (b) That the Management Responses, as detailed in Confidential Appendix “B” be approved;
- (b) That the General Manager of Finance and Corporate Services be directed to implement the Management Responses (attached as Confidential Appendix “B” to Report AUD22006) and report back to the Audit, Finance and Administration Committee by August 2023 on the nature and status of actions taken in response to the audit report; and
- (d) That the Appendices “A” and “B” to Report AUD22006, respecting IT Asset Management Review (Report #52693) Report, and IT Asset Management Review-Recommendations and Management Responses, remain confidential and restricted from public disclosure.

EXECUTIVE SUMMARY

Over the past few years, cyber security attacks and data breaches to municipalities in Canada and the United States have become a regular and unwelcome occurrence. An incident came to the OCA's attention in January 2022 as part of the OCA's ongoing Fraud and Waste work, and it was reported to the Audit, Finance and Administration Committee in February 2022. Valencia IIP Advisors Ltd (Valencia) were engaged to conduct a review of this matter.

The two objectives of this review were to: 1-review internal controls related to IT asset management for mobile devices (i.e. smart phones, tablets); and 2-assess the data and information privacy and security risks associated with the serious matter that was previously reported via Confidential Report AUD22001.

The findings of this review are reported in Confidential Appendix “A” to Report AUD22006. Recommendations and Management Responses are reported in Confidential Appendix “B” to Report AUD22006. A total of eight recommendations were made.

A high-level summary of this matter will be included in the next Fraud and Waste Annual Report, which will be presented in early 2023.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND

On June 24, 2020, Council directed the City Auditor to implement a policy on Reporting of Serious Matters to Council. The policy outlines specific situations that require the City Auditor to make a report to Audit, Finance and Administration Committee in order to proactively inform Council about serious matters uncovered through investigations launched under the Fraud, Waste and Whistleblower process or in the course of audits or other engagements.

At the February 3, 2022 Audit, Finance and Administration Committee, the Office of the City Auditor (OCA) reported a “Serious Matter” via Report AUD22001 to the Committee. The matter related to IT Asset Management, and the OCA engaged Valencia IIP Advisors Limited to conduct a review into this matter. This report, specifically Confidential Appendix “A” to Report AUD22006 shares the findings and recommendations resulting from that review.

Audits for Cyber Security (AUD21004) and Hardware Asset Management (AUD15024) were previously completed and received by the Audit, Finance and Administration Committee.

Some of the findings from AUD22006 are similar to the findings in AUD21004 (including one repeat recommendation) and AUD15024.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

City of Hamilton Information Technology Security Policy
City of Hamilton Security Incident Response Policy
City of Hamilton Information Asset Management Policy
City of Hamilton Physical Security Policy

RELEVANT CONSULTATION

Confidential Appendix “B” to Report AUD22006 includes management responses which were provided by the Information Technology (IT) Division in the Corporate Services Department.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

Specialty technical expertise in IT auditing was obtained from an external firm, Valencia IIP Advisors Ltd. (Valencia) who conducted a targeted scope review of IT Asset Management controls.

The two objectives of this review were to:

1. Review internal controls related to IT asset management for mobile devices (i.e., smart phones, tablets); and
2. Assess the data and information privacy and security risks associated with the serious matter that was previously reported via Confidential Report AUD22001.

The report prepared by Valencia (Confidential Appendix “A” to Report AUD22006) contains findings and recommendations related to both above-noted objectives. Eight recommendations were made. Management agreed with seven recommendations and

partially agreed with one recommendation. Management provided management responses for implementation with completion anticipated by Q4 2024 for some items, whilst other items are dependent on the approval of capital budget funding requests.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Our People and Performance

Hamiltonians have a high level of trust and confidence in their City government.

APPENDICES AND SCHEDULES ATTACHED

Confidential Appendix “A” to Report AUD22006 - IT Asset Management Review Report (Report #52693)

Confidential Appendix “B” to Report AUD22006 - IT Asset Management Review (Report #52693) Recommendations and Management Responses