

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: November 18, 2009

SUBJECT: INTERNAL AUDIT – 2010 DEPARTMENTAL GOALS AND OBJECTIVES

ACTION ITEM

RECOMMENDATION

It is recommended that the Audit Committee approve the Internal Audit - 2010 Departmental Goals and Objectives.

BACKGROUND

The Internal Audit 2010 Goals and Objectives details the Internal Audit Plan. As part of the Internal Audit's reporting responsibilities, it is considered appropriate that the Audit Committee be advised and approve the Internal Audit Plan. Annual approval is sought to ensure updated consideration of high risk activities.

DISCUSSION

Internal Audit independently examines and objectively appraises the adequacy and effectiveness of management, financial and operational controls, business processes, as well as providing recommendations for continuous improvements. Internal Audit has full and unrestricted access to all corporate records, property, and personnel relevant to the fulfilment of its responsibility. The process of developing the Plan is considered to be the start of the audit cycle. In order to meet Internal Audit's objectives, audits are planned and conducted under the following headings:

Comprehensive Audits

A comprehensive audit entails an examination of the controls, processes, and systems used to manage the organization's resources; money, people, physical assets, and information. This means that the audit may embrace a variety of areas. A comprehensive audit universe is refined into potential projects, which are analyzed and ranked based on risk.

The risk analysis process involves three steps. First, the key risk factors are identified and described (factors comparable to those used by the City Auditor). Second, inputs from a variety of sources are used to assign a risk value to each risk factor for each entity within the universe. Third, a relative weight for each risk factor is applied to the risk values. The results are assembled and a plan of audit projects is produced forming the current year's Plan. The planned Comprehensive Audit's are listed on the attached 2010 Departmental Goals and Objectives.

Capital Audits

Audits on the Commission's capital projects are conducted on an ongoing basis.

Most of the capital project expenditures are for contracted services of external consultants and contractors, as well as utilities. A significant portion of capital audits involves, auditing of the invoices and contract changes to ensure that the terms of contracts are followed and there is adherence to relevant Commission policies, procedures and guidelines. Another purpose of these audits is to identify management control weaknesses.

Selection of capital projects for audit is determined primarily by the size of project expenditures, as well as by the results of past audits and management interest or concern. The planned Capital Audit's are listed on the attached 2010 Departmental Goals and Objectives.

Subway Extension Audits

The Executive Task Force for the Toronto-York Spadina Subway Extension appointed the TTC's Internal Auditor as Independent Auditor for contract and project management audits. Selection of the audit scopes will be based on the assumption that the greater the expenditure, the greater the risk. The Director of Audit Services for the Region of York will be contacted for his input.

Special Requests

The Chief Auditor may receive requests from the CGM, GM's or other TTC Managers to perform special requests or reviews of contracts, legal agreements, suspected wrong-doings or to follow-up previous recommendations.

For 2010, the targeted six Special Requests are based on historical numbers.

Fare Evasion Study

Internal Audit conducts an annual Fare Evasion Study which measures the amount of change in fare evasion. To complete this study, procedures have been developed and carried out in a consistent manner year to year. Types of evasion include illegal entry, transfer abuse, POP, Metropass abuse, foreign and counterfeit media and inadequate cash payment. Internal Audit's Goals and Objectives anticipate the continuation of this study in 2010.

System Development Reviews

On an annual basis, Audit reviews the Commission's Capital Plan to identify and rank significant IT initiatives. Audit's participation in these projects may be extensive or limited to a review of a specific control issue. For large system development projects that deliver new or significantly modified systems, Internal Audit provides assurance that appropriate controls are addressed during the design, development and implementation phases. Security and data integrity controls within existing systems are evaluated during comprehensive audits conducted within various departments.

Based on historical involvement, it is anticipated we will be involved in five System Developments.

Follow-up Audits

As part of the Internal Audit reporting process, audit recommendations are tracked to completion. To satisfy that recommendations are completed, follow-up audit work is required. It is anticipated in the 2010 Departmental Goals and Objectives that 28 audits will need to be revisited to verify recommendations have been appropriately resolved.

Richard G. Beecroft
Chief Auditor

November 18, 2009
01-23

Attachment – Internal Audit – 2010 Goals and Objectives

2010 DEPARTMENTAL GOALS & OBJECTIVES

GOALS	INTERNAL AUDIT DEPARTMENT	JOINT RESPONSIBILITY WITH	TARGET
Goal #1: Objectives:	Continually Improve Occupational Safety Performance 1. To eliminate/reduce repeat incidents. Complete an investigation for each lost-time injury consistent with the requirements of System Safety Plan Section 3.3 – Incident Management. 2. To identify and eliminate risk of injury. Complete BST’s BAPP Observation and Feedback according to established departmental targets.	Safety	100% 100%
Goal #2: Objective:	Implement Green Procurement Reduce paper consumption.	Materials & Procurement	December
Goal #3:	Maintain Absenteeism at or below 2%	N/A	2%
Goal #4:	Complete Probationary & Annual Employee Performance Appraisals as required	Human Resources	100%
Goal #5: Objectives:	Complete Comprehensive Audits <u>2009 Carry-Overs</u> 1. Rail Cars & Shops: Harvey Shop 2. Rail Transportation: Station Operations/Collectors 3. Bus Maintenance: Duncan Shop/Fleet Management 4. Materials and Procurement: Graphic Services 5. Revenue Operations <u>2010 Planned</u> 6. Greenwood Shop/Equipment Control Desk/Maintenance Engineering 7. Finance: Capital Projects 8. General Secretary’s Office 9. ITS: Client Services 10. M&P: Controlled Stores 11. E&C: Construction 12. Safety: Fire Safety & Emergency Planning/Occupational Hygiene & Environment 13. Rail Transportation: Station Operations/Collectors (<i>Carry-Forward to 2011</i>) 14. S/E/C – Communications/Communications Engineering (<i>Carry-Forward to 2011</i>) 15. ITS: Technical Services (<i>Carry-Forward to 2011</i>) 16. E&C: Engineering (<i>Carry-Forward to 2011</i>)		12

2010 DEPARTMENTAL GOALS & OBJECTIVES

GOALS	INTERNAL AUDIT DEPARTMENT	JOINT RESPONSIBILITY WITH	TARGET
Goal #6:	Complete Capital Audits		10
Objectives:	<p><u>2009 Carry-Over</u></p> <ol style="list-style-type: none"> 1. Roofing Rehabilitation 2. Kipling Station Improvements 3. Wilson Complex Modifications 4. Masonry Structure Restoration 5. Sheppard East LRT (Transit City) <p><u>2010 Planned</u></p> <ol style="list-style-type: none"> 6. Eglinton LRT (Transit City) 7. Finch West LRT (Transit City) 8. Purchase of 198 Wheel-Trans Buses 9. Underground Storage Tank Replacements 10. Union Station New Platform 11. YUS ATC Resignalling (<i>Carry-Forward to 2011</i>) 12. Birchmount Repair Bay Modifications (<i>Carry-Forward to 2011</i>) 13. LRT Replacement Maintenance & Storage Facility (<i>Carry-Forward to 2011</i>) 		
Goal #7:	<u>Complete Subway Extension Audits</u>		2
Objectives:	<ol style="list-style-type: none"> 1. Toronto-York Spadina Subway Extension – Design and Engineering 2. Toronto-York Spadina Subway Extension – Construction & Supply Contracts 	Region of York Region of York	
Goal #8:	Complete Special Requests	N/A	6
Goal #9:	Complete Fare Evasion Study	N/A	1
Goal #10:	Complete System Development Reviews	N/A	5
Goal #11:	Complete Follow-up Audits	N/A	28
Goal #12:	Maintain and Enhance Skills	N/A	9