

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: July 26, 2012

SUBJECT: TTC AUDIT DEPARTMENT'S 2012 AUDIT WORK PLAN

ACTION ITEM

RECOMMENDATION

It is recommended that the TTC Audit Committee receive the information as set out below and approve the TTC Audit Department's 2012 Audit Work Plan.

FUNDING

The recommendation in this report has no additional funding implications beyond the amount which is already provided for in the 2012 budget request.

BACKGROUND

Up to January 31, 2012 the TTC's Audit Department had operated with an approved organizational structure composed of eighteen staff members. As a result of TTC's efforts to reduce costs through the reduction of staffing positions, eight audit positions were eliminated resulting in an approved staffing level of ten effective February 1, 2012.

Consequently, a review of the Departmental audit processes was initiated to provide effective and value-added audit services to the TTC, however now with fewer staffing resources.

DISCUSSION

To effectively fulfil the audit function and continue providing the required audit services, a revised 2012 audit work plan is submitted for approval based upon the areas with the greatest risk ranking priority. The Audit Work Plan attached to this report provides the TTC Audit Committee with an accountability of how TTC audit staff resources will be utilized in 2012.

An update for any significant changes to the risk assessment of auditable projects will be provided at the next TTC Audit Committee meeting scheduled for October 2012. In

addition, on a semi-annual basis an updated Audit Work Plan will be provided to the TTC Audit Committee. The next updated Audit Work Plan will be presented for approval by the TTC Audit Committee at the beginning of 2013 (tentatively scheduled to be in January).

JUSTIFICATION

This report is provided for approval of the TTC Audit Department's 2012 Audit Work Plan.

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- Attachments (2)
- TTC Audit Department's 2012 Audit Work Plan
 - TTC Audit Department Organization Chart

TTC AUDIT DEPARTMENT'S 2012 AUDIT WORK PLAN

The following audit projects are in progress and scheduled for completion in 2012:

Audit Project	Project Scope Description
Plant Maintenance – Communications Bus and Rail, and Communications Engineering	The Communications Bus and Rail Section is responsible for operation and maintenance of communications equipment and cable infrastructure. Communications Engineering provides engineering services and support. The audit will primarily focus on the review of compliance with work procedures and computer security over TTC's industrial computing systems.
Plant Maintenance – Elevators and Escalators	A review of the Elevators and Escalators section will be conducted to assess the compliance with standards and efficiency of operations.
Rail Cars and Shops – Subway Carhouses	Subway Carhouses are responsible for the regular maintenance of subway/SRT vehicles. The audit will assess compliance with carhouse procedures, such as vehicle cleaning and the completeness of maintenance work documentation.
Rail Transportation – Station and Revenue Operations (Collectors)	Station Operations (Collectors) is responsible for the sale of fare media within the subway/SRT system and staffing of Collectors' booths. The audit will follow-up on previous audit issues, along with an examination of the adequacy of controls over Collectors' fund balances.
Rail Infrastructure – Subway and SRT Track/Maintenance Engineering/Streetcar Way	Rail Infrastructure is responsible for the operation and maintenance of subway/SRT track and structures, and streetcar way. The audit will assess compliance with track maintenance procedures, completeness and accuracy of documentation of work done, and appropriateness of the support services provided by the Maintenance Engineering section.

Audit Project	Project Scope Description (continued)
Waterfront Initiative – Union Station New Platform Project	The Union Revitalization Project is funded by Waterfront Toronto and governed by a formal Contribution Agreement. The audit will review costs incurred by TTC at the end of March 2012 (\$45.4 million) and assess the adequacy of financial and project management controls.
Capital Project – Y-U-S ATC Resignaling	Signaling systems on the Y-U-S line are being upgraded with an automatic train control system. The audit will review project costs incurred to the end of 2011 (\$57.3 million) and assess the level of adherence to contract terms and conditions.
Capital Project – Fire Ventilation	A review of the compliance with contractual terms will be conducted.
Toronto-York Spadina Subway Extension (TYSSE) – Consultant Contracts	Contracts have been awarded to various consultants for design and engineering related services. The audit will review the status of previously identified audit issues and assess the adequacy of contract management controls for a sample of contracts with life-to-date expenditures of \$167.5 million at the end of 2011.
Toronto-York Spadina Subway Extension (TYSSE) – Construction Contracts	Construction contracts to build six underground stations have been awarded to six separate contractors. Life-to-date expenditures at the end of December 2011 are \$123.8 million. The audit will review these contracts to ensure adherence to contract terms and conditions.
Materials and Procurement – Inventory Management	Inventory Management is responsible for the management of all items maintained in TTC warehouses and the sale of surplus assets. The audit will assess inventory planning controls. In addition, a sample of computer generated reports will be examined assessing completeness and accuracy of the reports issued.

Audit Project	Project Scope Description (continued)
Contract Management	Review of contract management controls, i.e., financial, segregation of duties, over large dollar and/or potentially high-risk contracts.
Follow-up Audits and Monitoring of Recommendation Implementation	Follow-up audits will be performed on the status of recommendation implementation.

New Audit Projects to be scheduled

Audit Project	Project Scope Description
Capital Project – Streetcar Network Upgrade for LRV	A review of construction costs along with project management controls will be performed.
Capital Project – LRT Program, and Maintenance and Storage Facility	A review of construction costs along with project management controls of the Ashbridges facility will be performed.
Capital Project – Purchase of Subway Cars	A review of the compliance with contractual terms will be conducted.
Video Surveillance – Privacy Practices	Audits of the privacy practices over video surveillance images are to ensure TTC has appropriate safeguards in place to protect against misuse of information collected by the TTC’s Video Surveillance Systems. The audit will follow-up on the maturity level of controls previously assessed.
Revenue Operations – Vault Management	The adequacy of the vault management controls will be reviewed to assess the security, physical protection and vault accounting controls over fare media held for distribution.
Timekeeping/Payroll – Exception Reporting	The audit will assess controls over the monitoring and processing of payroll exceptions, i.e., overtime, travel and mileage.
Attendance Management	The audit will assess the attendance management program for efficiency, effectiveness of processes, and achievement of “value-for-money.” The scope of this audit is yet to be determined.