

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: July 26, 2012

SUBJECT: TTC AUDIT DEPARTMENT REPORT – QUARTERLY UPDATE
FOR THE PERIOD APRIL TO JUNE 2012

INFORMATION ITEM

RECOMMENDATION

It is recommended that the TTC Audit Committee receive for information the attached TTC Audit Department Report covering the period from April to June 2012.

BACKGROUND

The TTC Audit Department provides independent evaluations of the efficiency and effectiveness of control systems and operations, and recommendations for improvement.

DISCUSSION

The report discusses recent Audit activities. The actual reports for completed audits, including Management responses, are presented as individual agenda items.

The status of outstanding recommendations is reviewed with the appropriate management representative, and action taken to implement a recommendation is verified by standard audit procedures. An updated report of the status the implementation of recommendations will be prepared and submitted to the TTC Audit Committee at the October 2012 Audit Committee Meeting.

July 26, 2012
01-27
Attachments – Audit Reports

TABLE OF CONTENTS

	Page No.
OPENING COMMENTARY FROM THE HEAD OF AUDIT.....	1
AUDIT PERFORMANCE – STATUS OF CURRENT AUDITS	2 - 7
INTRODUCTION.....	8
CURRENT AUDIT ACTIVITIES.....	9
AUDIT RESOURCES	10



AUDIT PERFORMANCE – STATUS OF CURRENT AUDITS

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete	Trend
ON TIME AND ON TARGET							
<u>OPERATIONS AND SAFETY GROUP</u>							
Communications Bus and Rail, and Communications Engineering	To be presented to Audit Committee July 26, 2012	●●	●●	●●	●●	●●	←
Plant Maintenance – Elevators and Escalators	To be presented to Audit Committee July 26, 2012	●●	●●	●●	●●	●●	
Rail Cars and Shops – Subway Carhouses	To be presented to Audit Committee July 26, 2012	●●	●●	●●	●●	●●	
Streetcar Divisions	Presented to Audit Committee April 30, 2012				●●	●●	
Station Operations / Collectors	Audit is Completed	●●	●●	●●			

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target	Trend
ON TIME AND ON TARGET							
<u>ENGINEERING, CONSTRUCTION AND EXPANSION GROUP</u>							
Engineering Department	To be presented to Audit Committee July 26, 2012	●●●	●●●	●●●	●●●	●●●	
Construction Department	Presented to Audit Committee April 30, 2012			●●●	●●●		
Capital Project – Fire Ventilation	To be presented to Audit Committee July 26, 2012	●●●	●●●	●●●	●●●	●●●	
TYSE – Consultant Contracts		●●●					
TYSE – Construction Contracts		●●●					
Capital Project – Union Station New Platform Project	To be scheduled						

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target	Trend
ON TIME AND ON TARGET							
CORPORATE SERVICES GROUP							
ITS Department – Client Services	Presented to Audit Committee April 30, 2012				●●●		
Materials and Procurement Department – Inventory Management	Audit is in Progress	●●●					
Finance Department – Capital Accounting	Presented to Audit Committee April 30, 2012				●●●		
Capital Project – Y-U-S ATC Resignaling	Audit is Completed	●●●	●●●	●●●		←	

INTRODUCTION

Internal Auditing is defined by the Institute of Internal Auditors (IIA) as *“an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”* In accordance with its Role and Mandate, the TTC’s Audit Department provides the TTC with independent evaluations of risk, and assessments on the effectiveness of control systems, quality of performance, and efficiency of operations.

In order to meet the professional audit standards, audits are planned using a risk-based evaluation to determine where audit resources should be allocated. The risk factors used to calculate the priority level are: (1) safety and security, (2) dollar value of assets at risk, (3) prior audit results, (4) potential liability or adverse publicity, (5) business process changes and complexity of operations, (6) adequacy of policies and procedures, (7) technological change and complexity of technology, (8) dollar amount of department budget, and (9) dollar value of transactions processed. The results of the risk assessment are documented by means of the Audit Work Plan which is approved annually by the TTC Audit Committee.

The TTC Audit Department performs the following types of assignments:

- Operational Audits – to assess control systems and the achievement of “value-for-money” in operational areas following a risk-based evaluation to establish audit priorities
- Capital Audits – to review major construction project expenditures to verify the accuracy of amounts claimed for work completed
- Financial – to assess whether internal control processes over financial reporting and/or safeguarding of assets are suitably designed and implemented to achieve control objectives
- Investigations, Analyses and Special Reviews – to address areas of immediate concern or exposure as identified by Management’s request
- System Development Reviews – to provide audit support to major computer system development and other technology projects
- Follow-up Audits – to determine the progress that Management has made to comply with audit report recommendations and to assess the effectiveness of the action taken to minimize risks

AUDIT RESOURCES

The providing of professional audit services requires a staff possessing a diverse range of skills, experience and the ability to apply those skills throughout the audit process. By the application of these skills and compliance with professional auditing standards, the TTC Audit Department is to provide Management with meaningful audit reports containing practical recommendations to reduce control risks, and/or identify areas for improvement in the effectiveness and efficiency of the controls in place.

The current approved staffing level of ten positions includes the Head of Audit, three Audit Managers, five Auditors, and one Administrative Assistant. The distribution of audit resources for the current reporting period (April – June 2012) is portrayed in the chart below:

