

TTC AUDIT COMMITTEE REPORT NO. 3(e)

MEETING DATE: February 19, 2013

SUBJECT: TTC AUDIT DEPARTMENT – 2013 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 2013 Audit Work Plan.

FUNDING

The recommendation in this report has no additional funding implications beyond the amount which is already provided for in the 2013 budget request.

BACKGROUND

The TTC's Audit Department operates with an approved organizational structure composed of ten staff members. The current staffing resources include two Audit Managers, six Auditors, one Administrative Assistant, along with the Head of Audit.

DISCUSSION

To effectively fulfil the audit function and provide the TTC with the required audit services, the 2013 audit work plan is submitted for approval based upon the areas with the greatest risk ranking priority. The attached 2013 Audit Work Plan provides the TTC Audit Committee with an accountability of how TTC audit staff resources will be utilized in 2013.

The Audit Work Plan is flexible and can be modified to reflect changing audit requirements or risk. On a semi-annual basis the Audit Work Plan will be reviewed to determine whether there are any significant changes to the risk assessment of auditable projects. If required, an updated Audit Work Plan will be provided to the July 2013 TTC Audit Committee meeting for approval.

JUSTIFICATION

This report is provided for approval of the TTC Audit Department's 2013 Audit Work Plan.

February 19, 2013

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Attachment

- TTC Audit Department – 2013 Audit Work Plan

TTC AUDIT DEPARTMENT – 2013 AUDIT WORK PLAN

The following audit projects are in progress and scheduled for completion in 2013:

| Audit Project | Project Scope Description |
|---|---|
| Attendance Management | The audit will assess the attendance management program for efficiency, effectiveness of processes, and achievement of "value-for-money." |
| Rail Infrastructure (2 audits) – 1) Subway and SRT Track/Maintenance Engineering; and, 2) 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. |
| Toronto-York Spadina Subway Extension (TYSSE) – Construction Contracts | Construction contracts to build six underground stations have been awarded to six separate contractors. The audit will review these contracts to ensure adherence to contract terms and conditions. |
| 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 and assess the adequacy of financial and project management controls. |
| Capital Project – Leslie Barns (formerly known as Ashbridges Bay Streetcar Maintenance and Storage Facility) | A review of construction costs along with project management controls of the Leslie Barns facility will be performed. This is the initial review of expenditures incurred, and further audits will be performed in 2013 as the project continues. |

| 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. |
| 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. |
| 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. |
| Follow-up Audits and Monitoring of Recommendation Implementation (scheduled for April and October 2013 reporting in "TTC Audit Recommendation Performance Scorecard Report") (On-going) | Follow-up audits will be performed on the status of recommendation implementation. |

New Audit Projects to be scheduled

| Audit Project | Project Scope Description |
|---|--|
| <p>Inventory Control Processes (2 audits) –</p> <ol style="list-style-type: none"> 1) Receiving processes and quality assurance function, and 2) Cycle count procedures and distributed stores controls | <p>Both physical and information record-keeping controls will be reviewed to determine that controls are operating as expected, and information maintained is accurate, complete and available when needed.</p> <p>The scope of the audit will include the receiving/shipping, quality assurance, cycle counts, and distributed stores activities.</p> |
| <p>Payroll – Exception Reporting (2 audits)</p> <ol style="list-style-type: none"> 1) Divisional Operator/Clerical overtime reporting processes and controls 2) Sick Time and Vacation reporting processes and controls | <p>The audit will assess controls and effectiveness of information reports over the monitoring and processing of payroll exceptions, i.e., overtime, sick time, vacation. The audit scope will be primarily focused on the Union employees' payroll processing function.</p> |
| <p>Capital Project – Purchase of Subway Cars (deferred from 2012 Audit Work Plan)</p> | <p>A review of the compliance with contractual terms will be conducted.</p> |
| <p>Follow-up review of Video Surveillance – Privacy Practices</p> | <p>The scope of this audit will be to follow-up on previous audits completed for the Video Surveillance function, and to meet the TTC's annual audit requirement as set by the Privacy Commissioner of Ontario.</p> |
| <p>Fare Change Process</p> | <p>Audit observation and selected testing to be performed for January 2013 fare change. This involves observation of procedures for Collectors' exchange of funds, and testing of accuracy for a sample of counts.</p> |
| <p>Fare Media Sales</p> | <p>This audit involves reviewing the debit/credit processing controls and reconciliations performed over the "point of sale" units at the Collectors' stations.</p> |

| Audit Project | Project Scope Description (continued) |
|---|--|
| Waterfront Initiative – Union Station New Platform Project (On-going) | The Union Revitalization Project is funded by Waterfront Toronto and governed by a formal Contribution Agreement. The audit will continue the review of costs incurred and assess the adequacy of financial and project management controls. |
| Capital Project – Leslie Barns (formerly known as Ashbridges Bay Streetcar Maintenance and Storage Facility) (On-going) | A review of construction costs along with project management controls of the Leslie Barns facility will be performed. This is a continuation of the initial review of expenditures incurred, and further audits will be performed as the project continues. |
| Toronto-York Spadina Subway Extension (TYSSE) – Construction Contracts (On-going) | Construction contracts to build six underground stations have been awarded to six separate contractors. The audit will review these contracts to ensure adherence to contract terms and conditions. This is a continuation of the audit for the TYSSE Construction contracts which commenced in 2012. |
| Toronto-York Spadina Subway Extension (TYSSE) – Contract Change Processes | This audit will assess the appropriateness and effectiveness of the current contract change process in place for the construction contracts for the TYSSE project. |
| Toronto-York Spadina Subway Extension (TYSSE) – Special Request Audits and Reviews | The TYSSE Executive Task Force (ETF) may at its discretion request audits of various processes in place for the TYSSE project, e.g., quality assurance, project management, financial and budget forecasting processes. The scope and type of special request audits and reviews has not been determined at this time. |