

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: October 25, 2013

SUBJECT: TTC AUDIT DEPARTMENT – 2013 AUDIT WORK PLAN SEMI-ANNUAL UPDATE

ACTION ITEM

RECOMMENDATION

It is recommended that the TTC Audit Committee:

- 1) Receive the information as set out below; and
- 2) Approve the attached TTC Audit Department's 2013 Audit Work Plan as updated at June 2013.

FUNDING

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

BACKGROUND

To effectively fulfil the audit function and provide the TTC with the required audit services, an audit work plan is submitted annually to the TTC Audit Committee for approval based upon the areas with the greatest risk ranking priority. The audit work plan also provides the TTC Audit Committee with an accountability of where TTC audit staff resources are utilized throughout the year.

On a semi-annual basis the audit work plan is reviewed to determine whether there are any significant changes to the risk assessment of auditable projects. If required, an updated audit work plan is submitted to the TTC Audit Committee for approval, outlining the changes made and justification or reasons for those changes.

DISCUSSION

At the February 19, 2013 TTC Audit Committee, the 2013 Audit Work Plan was presented and approved by the TTC Audit Committee. In accordance with the TTC Audit Department's risk-based approach to prioritizing audit projects, a semi-annual review of the audit work plan has been conducted to determine whether audit priorities and resource allocation should be changed to reflect any new or emerging risks.

As a result of the review of audit risk exposure, audit projects may be deferred as risks are determined to be less significant when compared to new or emerging risk exposures. Audit entities indicating a potential greater risk exposure will be prioritized and audit resources allocated according to the risk-ranking.

A summary of the changes made to 2013 audit work plan is outlined below:

New Audit Projects Added

- a) Dufferin Subway Station – Station Modernization Program
- b) PRESTO System – User Entity Controls
- c) Continuous Controls Monitoring of TTC Overtime and Related Employee Expenses – Auditor General’s Report

Audit Project Deferred

- a) Follow-up review of Video Surveillance – Privacy Practices

The attached “TTC Audit Department – 2013 Audit Work Plan Semi-Annual Update” provides the complete list of the audit projects identified for 2013.

JUSTIFICATION

This report is provided for approval of the semi-update to the TTC Audit Department’s 2013 Audit Work Plan.

1.27

Attachment: TTC Audit Department – 2013 Audit Work Plan Semi-Annual Update

TTC AUDIT DEPARTMENT – 2013 AUDIT WORK PLAN SEMI-ANNUAL UPDATE

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

Audit Project	Project Scope Description
<p>Attendance Management</p> <p><i>[In Progress]</i></p>	<p>The audit will assess the attendance management program for efficiency, effectiveness of processes, and achievement of “value-for-money.”</p>
<p>Rail Infrastructure (2 audits) –</p> <p>1) Subway and SRT Track/Maintenance Engineering; and,</p> <p>2) Streetcar Way</p> <p><i>[Completed]</i></p>	<p>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.</p>
<p>Toronto-York Spadina Subway Extension (TYSSE) – Construction Contracts</p> <p><i>[Completed]</i></p>	<p>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.</p>
<p>Waterfront Initiative – Union Station New Platform Project</p> <p><i>[Completed]</i></p>	<p>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.</p>
<p>Capital Project – Leslie Barns</p> <p><i>[Completed]</i></p>	<p>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 future audits will be performed as the project continues.</p>
<p>Contract Management Review</p> <p><i>[In Progress]</i></p>	<p>Review of contract management controls, i.e., financial, segregation of duties, over large dollar and/or potentially high-risk contracts.</p>

Audit Project	Project Scope Description (continued)
Revenue Operations – Vault Management <i>[Completed]</i>	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 <i>[Completed]</i>	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.
Inventory Control Processes (2 audits) – 1) Receiving processes and quality assurance function, and 2) Cycle count procedures and distributed stores controls <i>[In progress]</i>	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. The scope of the audit will include the receiving/shipping, quality assurance, cycle counts, and distributed stores activities.
Payroll – Exception Reporting (2 audits) 1) Divisional Operator/Clerical overtime reporting processes and controls 2) Sick Time and Vacation reporting processes and controls <i>[In progress]</i>	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.
Capital Project – Purchase of Subway Cars <i>[In progress]</i>	A review of the compliance with contractual terms will be conducted.
Fare Change Process <i>[Completed]</i>	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.

Audit Project	Project Scope Description (continued)
Toronto-York Spadina Subway Extension (TYSSE) – Contract Change Processes <i>[In progress]</i>	This audit will assess the appropriateness and effectiveness of the current contract change process in place for the construction contracts for the YYSSE project.
Toronto-York Spadina Subway Extension (TYSSE) – Special Request Audits and Reviews <i>[In progress]</i>	The YYSSE Executive Task Force (ETF) may at its discretion request audits of various processes in place for the YYSSE project, e.g., quality assurance, project management and controls, financial and budget forecasting processes. The initial review will cover the project management and controls, and quality assurance processes.
Follow-up Audits and Monitoring of Recommendation Implementation (scheduled for April and October 2013 reporting in “TTC Audit Recommendation Performance Scorecard Report”) <i>[On-going]</i>	Follow-up audits will be performed on the status of recommendation implementation.

2013 Audit Projects to be Scheduled

Audit Project	Project Scope Description
Waterfront Initiative – Union Station New Platform Project	<p>The Union Revitalization Project is funded by Waterfront Toronto and governed by a formal Contribution Agreement.</p> <p>The audit will continue the review of costs incurred and assess the adequacy of financial and project management controls.</p>
Capital Project – Leslie Barns	<p>A review of construction costs along with project management controls of the Leslie Barns facility will be performed.</p> <p>This is a continuation of the initial review of expenditures incurred, and further audits will be performed as the project continues.</p>
Toronto-York Spadina Subway Extension (TYSSE) – Construction Contracts	<p>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.</p> <p>This is a continuation of the audit for the YYSSE Construction contracts which commenced in 2012.</p>
Fare Media Sales	<p>This audit involves reviewing the debit/credit processing controls and reconciliations performed over the “point of sale” units at the Collectors’ stations.</p>

New Audit Projects Added

Audit Project	Project Scope Description
Dufferin Subway Station – Station Modernization Program	Construction expenses are incurred at the Dufferin Subway Station to upgrade station finishes, lighting, signage, and public accessibility by the addition of elevators and a second exit. The audit scope will include an examination of expenses incurred, and compliance with contract terms and project management controls.
PRESTO System – User Entity Controls	A follow-up review of TTC PRESTO controls as identified in the PricewaterhouseCoopers (PwC) LLP CSAE 3416 Type 2 Report for the year ended December 31, 2012. The PwC report identified complementary user entity controls that should be in operation at the transit service provider location. This review will assess the existence and effectiveness of the controls that are expected to be in place for the TTC PRESTO operations.
Continuous Controls Monitoring of TTC Overtime and Related Employee Expenses – Auditor General’s Report	The Auditor General has initiated the continuous controls monitoring of TTC overtime, mileage, standby pay and meal allowance expenses. Reviews are done on a quarterly basis, and the TTC Audit Department coordinates the TTC’s responses which explain the reasons and requirements for the expenses.

Audit Project Deferred

Audit Project	Project Scope Description
<p>Follow-up review of Video Surveillance – Privacy Practices</p> <p><i>[Deferred as risk is deemed to be low and to allow time to implement recommendations contained in the 2013 audit review]</i></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.