

# TTC AUDIT COMMITTEE REPORT NO.

**MEETING DATE:** October 25, 2013

**SUBJECT:** TTC AUDIT DEPARTMENT REPORT – QUARTERLY UPDATE  
FOR THE PERIOD JULY – SEPTEMBER 2013

**INFORMATION ITEM:**

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## **RECOMMENDATION**

It is recommended that the TTC Audit Committee receive for information the attached TTC Audit Department report covering the period from July - September 2013.

## **FUNDING**

N/A

## **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.

## **JUSTIFICATION**

This report is provided for information.

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# TORONTO TRANSIT COMMISSION

TTC AUDIT DEPARTMENT REPORT

QUARTERLY UPDATE

FOR THE PERIOD JULY - SEPTEMBER 2013

TTC AUDIT DEPARTMENT  
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OCTOBER 2013

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## OPENING COMMENTARY FROM THE HEAD OF AUDIT

As we are now nearing the end of 2013, this is an opportune time to review the TTC Audit Department's progress towards completion of the 2013 Audit Work Plan and assess the audit priorities for the remainder of the year.

The TTC Audit Department follows a risk-based audit plan against which performance is measured by monthly reporting to the CEO. To ensure that audits are correctly prioritized and scheduled, the Audit Work Plan is reviewed every six months and updated, as necessary when priorities change. At today's TTC Audit Committee, an updated Audit Work Plan is presented for approval; and, progress continues on the audits as outlined on pages 2 to 8 in this Quarterly Update Report.

With the issuance on May 29, 2013 of the TTC's five-year corporate plan for 2013 to 2017, the planning and prioritizing of audits will now revolve around the new corporate plan which is designed to achieve the TTC's vision of "a transit system that makes Toronto proud."

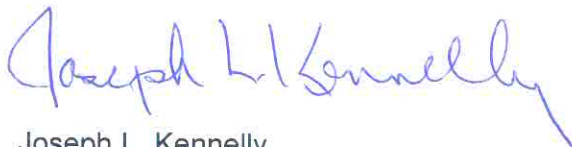
Consequently, the Audit Work Plan for 2014 will align our audit work activities and audit universe to the seven strategic objectives which are the core foundation of the five-year corporate plan. The strategic objectives focus on the following key aspects which support the TTC's customer service and business operations:

- Safety
- Customer
- People
- Assets
- Growth
- Financial Sustainability
- Reputation

The TTC Audit Department's commitment to assisting and supporting the attainment of the TTC's five-year corporate plan remains our highest priority and will establish the course of direction for all of us at the TTC in the upcoming years.

Other departmental activities underway include the modernizing of internal work flow procedures followed in the conducting of the audits, developing a standards-based approach to the updating of the Audit Department Manual, performing an assessment of audit job requirements and skills sets needed to fulfill our audit obligations, and standardizing the audit reporting formats to ensure clear and concise communications of audit findings.

Finally, I would like to welcome our new TTC Audit Committee members, Maureen Adamson and Alan Heisey; and, in addition, we welcome Commissioner John Parker who remains our TTC Audit Chair.



Joseph L. Kennelly  
Head of Audit



# AUDIT PERFORMANCE – STATUS OF CURRENT AUDITS

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target	Trend
<b>ON TIME AND ON TARGET</b>							
<b><u>OPERATIONS GROUP</u></b>							
Communications Bus and Rail, and Communications Engineering	Presented to Audit Committee July 26, 2012					50%	
Rail Infrastructure – (1) Maintenance Engineering/ Subway and SRT Track, and (2) Streetcar Way	To be presented to Audit Committee on October 25, 2013						
Revenue Operations – Vault Management	Presented to Audit Committee on April 25, 2013				Completed	100%	






Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target	Trend
<b>ON TIME AND ON TARGET</b>							
<u>SERVICE DELIVERY GROUP</u>							
Station Operations / Collectors	Presented to Audit Committee February 19, 2013				Completed	100%	
Fare Change Process	Presented to the Audit Committee on April 25, 2013				Completed	100%	
Fare Media Sales	To be scheduled in late 2013						

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target	Trend
<b>ON TIME AND ON TARGET</b>							
<b>ENGINEERING, CONSTRUCTION AND EXPANSION GROUP</b>							
TYSSE – Construction Contracts (2012 Audit Work Plan)	Presented to TYSSE Executive Task Force May 22, 2013			N/A		Follow-up audit to be scheduled	
TYSSE – Construction Contracts (2013 Audit Work Plan)	Continuing audit – To be scheduled						
TYSSE – Contract Change Process	Audit is in progress						
TYSSE – Special Request Audits and Reviews	Audits are in progress						
(1) Quality Assurance							
(2) Project Management and Controls Processing							
Union Station New Platform Project	To be presented to Audit Committee on October 25, 2013		N/A				

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target	Trend
Union Station New Platform Project (2013 Follow-up)	Continuing audit – To be scheduled						
Streetcar Network Upgrade for LRV	Presented to Audit Committee February 19, 2013				Completed	100%	
Leslie Barns – LRT Program, and Maintenance and Storage Facility	To be presented to Audit Committee on October 25, 2013						
Leslie Barns – LRT Program, and Maintenance and Storage Facility (2013 Follow-up)	Continuing audit – To be scheduled						



Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target	Trend
<b>ON TIME AND ON TARGET</b>							
<b>CORPORATE SERVICES GROUP</b>							
Inventory Control Processes:	Audits are in progress						
1) Receiving processes/quality assurance function							
2) Cycle count procedures and distributed stores controls							
Capital Project – Purchase of Subway Cars	Audit is in progress						

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target	Trend
<b>ON TIME AND ON TARGET</b>							
<b>INVESTIGATIONS, ANALYSES AND SPECIAL REVIEWS</b>							
Contract Management (Part 1)	Status update to be presented to Audit Committee on October 25, 2013		N/A		Recommendation Implementation	Complete	Trend
Video Surveillance – Privacy Practices	To be presented to Audit Committee on October 25, 2013				Recommendation Implementation	Complete	Trend
Follow-up of Video Surveillance – Privacy Practices	Follow-up review to be scheduled				Recommendation Implementation	Complete	Trend
Timekeeping/Payroll – Exception Reporting	Review is in progress				Recommendation Implementation	Complete	Trend
Attendance Management	Review is in progress				Recommendation Implementation	Complete	Trend
Follow-up Audits/ Monitoring of Recommendation Implementation	On-going				Recommendation Implementation	Complete	Trend



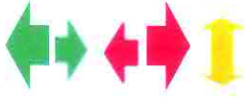
**Key to Symbols**



**On target**

**Target at risk at current trend**

**Off target**



**Positive up from last**  
**Positive down from last**  
**Negative up from last**  
**Negative down from last**  
**No change from last**

## 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.”*** 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 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 include: (1) impact on safety and security, (2) impact on customer service and accessibility, (3) potential liability or reputational publicity, (4) assets at risk, including liquidity of assets and informational assets, (5) organizational stability and maturity level of operating procedures, (6) legislation and regulation requirements, (7) dollar value of transactions, (8) complexity of operations and technology, (9) Management’s assessment of corporate risk, and (10) a “Wildcard risk” to reflect new and emerging risks. The results of the risk assessment are documented by means of the Audit Work Plan which is approved 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



## **CURRENT AUDIT ACTIVITIES**

This report covers the main audit activities from April to June 2013. In this period, the following audits were completed and are included as TTC Audit Committee agenda items:

### **Operational Audits:**

- **Materials and Procurement Department – Administration of Rail Infrastructure – Streetcar Way Contracts**
- **Review of Video Surveillance – Privacy Practices (2013)**
- **Rail Infrastructure Department – Subway/SRT Track and Maintenance Engineering**
- **Rail Infrastructure Department – Streetcar Way**
- **Status Update of Contract Management – Special Review**

### **Capital Audits:**

- **Leslie Barns Maintenance and Storage Project – Preliminary Audit Results**
- **Union Station Second Subway Platform and Concourse Improvements Project – Preliminary Audit Results**



## AUDIT RESOURCES

The provision of professional audit services requires an audit team with 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 provides 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, two Audit Managers, six Auditors, and one Administrative Assistant. The distribution of audit resources for the current reporting period (July - September 2013) is portrayed in the chart below:

