



STAFF REPORT INFORMATION ONLY

TTC Audit Department Report – Semi-Annual Update for the Period July – December 2014

Date:	February 19, 2015
To:	TTC Audit Committee
From:	Head of Audit, Joseph L. Kennelly

Summary

The TTC Audit Department provides independent evaluations of the efficiency and effectiveness of control systems and operations, and recommendations for improvement. The report discusses recent audit activities. The actual reports for completed audits, including management responses are presented as individual agenda items.

Financial Impact

This report has no financial impact beyond what has been approved in the current year's budget.

Comments

Since the last TTC Audit Committee meeting in July 2014, we are presenting several reports to today's meeting which were completed during the last half of 2014 and are included as attachments to this semi-annual update. The audit reports cover both operational and capital projects relating to information technology contract management, attendance management, engineering construction projects, and acquisition of subway car assets. Where recommendations have been made, management fully agrees with the audit findings and responses indicate that action has been taken to strengthen controls, where needed.

Contact

Joseph L. Kennelly, CPA/CA, CISA
Head of Audit
Phone: (416) 393-2030
E-mail: joseph.kennelly@ttc.ca

Attachment

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TORONTO TRANSIT COMMISSION

TTC AUDIT DEPARTMENT REPORT -

SEMI-ANNUAL UPDATE

FOR THE PERIOD JULY - DECEMBER 2014

TTC AUDIT DEPARTMENT

Joseph L. Kennelly, Head of Audit

Phone: (416) 393-2030; E-mail: joseph.kennelly@ttc.ca

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OPENING COMMENTARY FROM THE HEAD OF AUDIT

As this is the first meeting of 2015 for the TTC Audit Committee, a welcome to our Audit Committee members is in order, some of which are returning members along with new members. A special welcome is made to the new Audit Chair, Alan Heisey, Q.C. I look forward to working with Chair Heisey in the upcoming year, and indeed with all the members of the Committee. As the TTC continues with the implementation of the five-year corporate plan to improve and modernize the TTC, 2015 will definitely be noted as a year of significant positive change and optimism for the future with a vision of “A transit system that makes Toronto proud.”

Since the last TTC Audit Committee meeting in July 2014, we are presenting several reports to today’s meeting which were completed during the last half of 2014 and are included as attachments to this semi-annual update. The audit reports cover both operational and capital projects relating to information technology contract management, attendance management, engineering construction projects, and acquisition of subway car assets. Where recommendations have been made, management fully agrees with the audit findings and responses indicate that action has been taken to strengthen controls, where needed.

In addition, the 2015 audit work plan is submitted for approval. Every six months the work plan is reviewed to reflect any changes to risk assessment or the emergence of new risks. The 2015 audit work plan has been determined through meetings with TTC’s Executive Management and taking into consideration recommendations made by both the external financial auditors and the Auditor General’s Office for the city of Toronto.

A motion made at the February 2014 TTC Audit Committee meeting asked that we reflect on the resource needs of the TTC Audit Department, our priority settings and skills requirements. An audit strategic plan has been developed and an updated audit management system is being implemented this year to address some of the resourcing and skills issues. The audit management system will assist in monitoring audit project budgets and standardization of audit work flows for documentation of audit working papers, audit scope planning and audit program approval. The 2015 capital budget also includes provision for external contracted services to support our audit resources dedicated to TTC’s large dollar capital projects.

The audit strategic plan sets out the priorities for the TTC Audit Department over the next three years to establish the professional standards and quality that I expect the Department to comply with. We have also filled a vacant Manager – Audit position which arose due to a retirement in 2014 and are now back to a full strength of staff resources.

Finally, I wish to thank the TTC Audit Committee members for their support to the TTC Audit Department during the past year and look forward to their continued support in our efforts in the attainment of the 2015 audit work plan objectives.

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 Complete	Trend
ON TIME AND ON TARGET							
<u>STRATEGY AND CUSTOMER EXPERIENCE GROUP</u>							
PRESTO – Review of TTC Controls	Presented to Audit Committee on July 29, 2014						

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete	Trend
ON TIME AND ON TARGET							
<u>ENGINEERING, CONSTRUCTION AND EXPANSION GROUP</u>							
TYSSE – Contract Change Process	Presented to TYSSSE on May 26, 2014			N/A	To be followed up as part of TYSSSE Audit		
TYSSE – Special Request Audits and Reviews: Project Management - Cost Controls	Presented to TYSSSE on February 6, 2015			N/A	N/A		
TYSSE- Special Request Audits and Reviews: Follow up on Audit Recommendations	Presented to TYSSSE on July 28, 2014			N/A	N/A		
Leslie Barns – LRT Program, and Maintenance and Storage Facility (2015 Follow-up)	Continuing audit – To be scheduled						
Dufferin/Pape Station Modernization	To be presented to Audit Committee on February 19, 2015		N/A		N/A		

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete	Trend
ON TIME AND ON TARGET							
<u>ENGINEERING, CONSTRUCTION AND EXPANSION GROUP</u>							
Union Station New Platform Project (2014 Follow-up)	In Progress						
<u>CORPORATE SERVICES GROUP</u>							
Tools Purchases	In Progress						

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete	Trend
ON TIME AND ON TARGET							
<u>CORPORATE SERVICES GROUP</u>							
Capital Project – Purchase of Subway Cars	To be presented to Audit Committee on February 19, 2015				N/A	N/A	
<u>INVESTIGATIONS, ANALYSES AND SPECIAL REVIEWS</u>							
Contract Management (Part 1)	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 Complete	Trend
ON TIME AND ON TARGET INVESTIGATIONS, ANALYSES AND SPECIAL REVIEWS							
Disposal of Surplus Computers, Servers and Digital Photocopiers and Removal of Data from the Hard Drive	To be presented to Audit Committee on February 19, 2015						
Contract Management – Review of ITS – External Consulting Contracts	To be presented to Audit Committee on February 19, 2015						
Timekeeping/Payroll – Exception Reporting	Presented to Audit Committee on July 29, 2014						
Attendance Management	To be presented to Audit Committee on February 19, 2015						
Follow-up Audits/ Monitoring of Recommendation Implementation	On-going						

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 as defined by the Institute of Internal Auditors (IIA) ***“is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the organization. It assists the organization in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization’s 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 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 July - December 2014. In this period, the following audits were completed and are included as TTC Audit Committee agenda items:

- TTC Audit Report - Attendance Management – “At Work Program” - ***For Information***
- TTC Audit Report – Contract Management Review of Information Technology Technical Services Assistance Contracts – ***For Information***
- TTC Audit Report – Disposal of Surplus Computers, Servers and Digital Photocopiers and Removal of Data from the Hard Drives - ***For Information***
- TTC Audit Report – Contract Administration for the Purchase of Subway Cars - ***For Information***
- TTC Audit Report – Station Modernization Program - Dufferin Station and Pape Station - ***For Information***

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 – December 2014) is portrayed in the chart below:

