



STAFF REPORT ACTION REQUIRED

TTC Audit Department – 2015 Audit Work Plan

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

Summary

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 how 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.

Recommendation

It is recommended that the TTC Audit Committee approve the attached TTC Audit Department's 2015 audit work plan.

Financial Impact

The recommendation in this report has no additional funding implications beyond the amount which has already been provided for in the 2015 budget request.

Comments

In accordance with the TTC Audit Department's risk-based approach to prioritizing audit projects, a 2015 audit work plan has been developed for presentation to the TTC Audit Committee meeting for approval. The audit work plan takes into consideration the strategic objectives contained in the TTC's five-year corporate plan, available audit resources, annual available budget audit hours, and input from TTC management outlining significant risk exposure areas and emerging risks facing the TTC.

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.

The attached “TTC Audit Department – 2015 Audit Work Plan” identifies the audit projects planned for 2015 along with a risk assessment ranking.

Contact

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Attachment

Appendix 1 - TTC Audit Department – 2015 Audit Work Plan

TTC AUDIT DEPARTMENT – 2015 AUDIT WORK

The following audit projects are in progress and scheduled for completion in 2015:

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Enterprise Risk Management (ERM) – Evaluation and Review of ERM Processes <i>[On-going]</i>	Audit support will be provided to the ERM program in evaluating corporate risks, and assurance that risks are evaluated following the ERM risk process.	SAFETY	Medium
Fare Media Sales <i>[In Progress]</i>	This audit involves reviewing the debit/credit processing controls and reconciliations performed over the “point of sale” units at the Collectors’ stations.	CUSTOMER	Unknown
Transit Enforcement – Review of Operational Procedures <i>[In Progress]</i>	The review the operational procedures of the Transit Enforcement Unit to provide assurance that customer security is enhanced and compliance with fare enforcement policies are maintained.	CUSTOMER	Medium to High
Tool Inventory Controls and Usage <i>[In Progress]</i>	Tool usage trends and patterns will be reviewed by analyzing monthly tool purchases reports.	ASSETS	High
Capital Project – Leslie Barns <i>[In Progress]</i>	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.	GROWTH	Medium

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
<p>Waterfront Initiative – Union Station New Platform Project:</p> <p>1) Quality assurance process 2) Financial and contractual compliance</p> <p>[In Progress]</p>	<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>	<p>GROWTH</p>	<p>Medium</p>
<p>Continuous Controls Monitoring of TTC Overtime and Related Employee Expenses – Auditor General’s Report</p> <p>[On-going]</p>	<p>The Auditor General has initiated monitoring of TTC overtime, mileage, standby pay and meal allowance expenses. Reviews are done on a quarterly basis, and the TTC Audit Department coordinates management’s responses that explain the reasons and need for the expenses.</p>	<p>FINANCIAL SUSTAINABILITY</p>	<p>Low</p>
<p>Internal Control Governance Processes</p> <p>[In Progress]</p>	<p>A summary of “best practices” internal control governance processes will be provided to the TTC’s Risk and Governance Committee.</p>	<p>REPUTATION</p>	<p>Not applicable</p>
<p>Follow-up Audits and Monitoring of Recommendation Implementation (for reporting in “TTC Audit Recommendation Performance Scorecard Report”)</p> <p>[On-going]</p>	<p>Follow-up audits will be performed on the status of recommendation implementation. Ensuring that recommendations are implemented enhances the reputation of the TTC through continuous improvement of its business processes.</p>	<p>REPUTATION</p>	<p>Medium</p>

Planned 2015 Audit Projects

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Verification of licensing, certification, and attainment of required training hours certifications for skilled trades	This audit will review the degree of compliance to maintaining training skills certifications and work experience hours requirements.	SAFETY / REPUTATION	High
Business Intelligence – Key Performance Indicators (KPIs)	The audit will review selected KPIs to assess: <ul style="list-style-type: none"> • accuracy and reliability of information reported • timeliness of the information • value of the information for decision-making 	CUSTOMER	Unknown
PRESTO System – Follow-up Review of TTC Controls	Control weaknesses relevant to TTC PRESTO controls, if any, as identified by Ernst Young in their 2014 (CSAE 3416 Type 2) report will be followed up to verify that recommendations have been implemented.	CUSTOMER	High
Strategy and Service Planning	The audit scope will be focus primarily on the scheduling of surface and subway service levels.	CUSTOMER	High
Tools, safety equipment and workwear, purchasing card controls and usage patterns	The audit scope will be determined in the audit planning and risk assessment phase.	ASSETS	High
CAD/AVL (Computer Aided Dispatch/Automatic Vehicle Locator) IT project implementation	Support to the Steering Committee for the implementation of the CAD/AVL software system.	ASSETS	High
Rail Infrastructure – Review of planning and control processes for the scheduling and performance of track maintenance work for: a) surface, and b) subway operations	The audit scope includes a review of departmental policies and control procedures. A review of previous audit recommendations will be undertaken to assess the timeliness of implementation and adherence to due diligence “best practices.”	ASSETS	Medium

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Contract Management – Special Review (Part 2)	The on-going effort to improve controls over the management of operational contracts continues in 2015. This involves a review of contract management controls for contracts which are not under the administration of the TTC's Materials and Procurement Department. The audit scope and contract selections will be determined during the planning phase. Audit steps will review the degree of compliance with financial terms and segregation of duties controls.	ASSETS / FINANCIAL SUSTAINABILITY	High
Wilson Yard Expansion Project	Modification and expansion to the Wilson Yard facilities are required to ensure proper storage and maintenance of the Toronto Rocket (TR) subway trains which are a fixed six car train configuration. The audit scope will cover a review of the compliance with the construction contracts and adequacy of the project management controls.	GROWTH	Medium to High
SAP enterprise system implementation	Steering Committee support to IT study for the implementation of the SAP enterprise software system.	FINANCIAL SUSTAINABILITY	High
Automatic Train Control (ATC) – Contractual Compliance	A follow-up of previous audits for the ATC contract will be performed, and examination of the administration controls will be conducted to ensure that the contract is effectively administered and “best practices” are being followed.	FINANCIAL SUSTAINABILITY	High
Purchase of Light Rail Vehicles (LRVs)	The LRV contract will be reviewed for compliance with contractual terms and “value-for-money.”	FINANCIAL SUSTAINABILITY	Medium
Driver Certification Program – Compliance Audit	A compliance audit of the Driver Certification Program will be conducted to meet Ministry of Transportation requirements.	FINANCIAL SUSTAINABILITY	High

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Inventory system controls	A review of inventory and accounts payable system processing controls will be conducted to ensure adequate financial controls are in place.	FINANCIAL SUSTAINABILITY	Medium

Other Potential Audits

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Vehicle Maintenance Safety Critical Processes: 1) Subway/SRT 2) Streetcar	The audit scope will include a review of significant safety maintenance processes for compliance with TTC policies and departmental guidelines.	SAFETY / ASSETS	High
Fare Evasion Study	A follow-up of the fare evasion rate for selected modes of transit, such as streetcars, may be undertaken in 2015.	CUSTOMER	Not applicable
Fire Ventilation Program	The audit scope will be determined in the audit planning and risk assessment phase.	GROWTH	Unknown
Accessibility Program – Easier Access	The Easier Access Program will make all subway and SRT stations accessible to everyone regarding of their level of mobility. Approximately half of the TTC's 69 stations are accessible to people with disabilities, and the TTC is working towards making all stations accessible by 2025. Audit's review will assess the program management control processes, and contractual compliance with terms and conditions.	GROWTH	Medium
Toronto-York Spadina Subway Extension (TYSSE)	As the YYSSE project nears completion, an assessment of the model used to manage the project governance will be conducted to determine "best practices" for consideration in future large-scale projects.	GROWTH	Unknown
IT disaster recovery and business continuity planning	This is a follow-up to previous audits to assess the planning and "state-of-readiness" for IT recovery in the event of a disaster.	FINANCIAL SUSTAINABILITY	Low to Medium

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Employee Recruitment Process	The processes and controls in place for the selection, hiring and training of TTC employees will be assessed for effectiveness in meeting optimum recruitment targets.	PEOPLE	Low to Medium
Sick Benefit Association	This audit will cover Sick Benefit Association reporting processes and controls, and including the Transitional Work Program (TWP). The effectiveness of controls for monitoring, processing and reporting sick time will be assessed. Other absences that will be examined include time-off and vacation payroll reporting processes.	PEOPLE	Low to Medium
Follow-up review of Video Surveillance – Privacy Practices	Previous audits completed will be followed up to determine that recommendations have been implemented and improved efficiencies have been achieved in complying with the recommendations made by the Privacy Commissioner of Ontario.	CUSTOMER / PEOPLE	Low

***Strategic Objectives**

SAFETY	A transit system that manages its risks, that protects its customers, contractors and employees, and that minimizes its impact on the environment.
CUSTOMER	A transit system that values customers and provides services that meet or exceed customer expectations.
PEOPLE	An empowered, customer-focused workforce that values teamwork, pride in a job well done, and an organization that actively develops its employees.
ASSETS	Effective, efficient management of assets that delivers reliable services in a state of good repair.
GROWTH	An affordable expansion program that matches capacity to demand.
FINANCIAL SUSTAINABILITY	A well-run, transparent business that delivers value for money in a financially viable way.
REPUTATION	An organization is transparent and accountable, well-regarded by stakeholders and peers, in which employees are proud to play a part.