



STAFF REPORT ACTION REQUIRED

TTC Audit Department – 2015 Audit Work Plan - Updated

Date:	September 11, 2015
To:	TTC Audit and Risk Management Committee
From:	Head of Audit

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 and Risk Management Committee for approval based upon the areas with the greatest risk ranking priority. The audit work plan also provides the TTC Audit and Risk Management Committee with visibility 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 changes to the risk assessment of auditable projects. If required, an updated audit work plan is submitted to the TTC Audit and Risk Management Committee for approval, outlining the changes made and justification or reasons for those changes. The attached Audit Work Plan has been updated to reflect audits being conducted by the Auditor General's office (see pages 4 and 8).

Recommendation

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

Financial Summary

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 was approved on February 19, 2015 by the TTC Audit Committee. 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.

The Audit Work Plan is reviewed semi-annually and updated. Accordingly, audit work performed by the Auditor General's office has been taken into consideration to avoid duplication of audit efforts. The attached updated Audit Work Plan reflects these changes.

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 – Updated" 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 - Updated

TTC AUDIT DEPARTMENT – 2015 AUDIT WORK PLAN – UPDATED

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
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	Medium
Transit Enforcement – Review of Operational Procedures <i>[In Progress]</i>	This audit will 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
Verification of licensing, certification, and attainment of required training hours for skilled trades	This audit will review the degree of compliance to maintaining training skills certifications and work experience hours requirements.	SAFETY / REPUTATION	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
Follow-up Audits and Monitoring of Recommendation Implementation (for reporting in “TTC Audit Recommendation Performance Scorecard Report”) <i>[On-going]</i>	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.	REPUTATION	Medium
PRESTO System – Follow-up Review of TTC Controls	Recommendations relevant to TTC controls reported by Ernst Young in the Metrolinx/ Accenture PRESTO CSAE 3416 Type 2 report will be followed up.	CUSTOMER	High

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Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Strategy and Service Planning	The audit scope will focus primarily on the scheduling of surface and subway services.	CUSTOMER	High
Tools, safety equipment and workwear, purchasing cards controls and usage patterns	The audit scope will be determined in the audit planning and risk assessment phase.	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
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
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.	GROWTH	Medium

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Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Waterfront Initiative – Union Station New Platform Project: 1) Quality assurance process 2) Financial and contractual compliance <i>[In Progress]</i>	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.	GROWTH	Medium
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 project management controls.	GROWTH	Medium to High
Automatic Train Control (ATC) – Contractual Compliance	A follow-up of previous audits for the ATC contract will be performed, and examination of 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 <i>* [Updated September 2015 – Deferred – not required in 2015 per Ministry of Transportation direction]</i>	A compliance audit of the Driver Certification Program will be conducted to meet Ministry of Transportation requirements.	FINANCIAL SUSTAINABILITY	Deferred

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Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Inventory system controls <i>*[Updated September 2015 – Deferred – Auditor General's office will be conducting this audit]</i>	A review of inventory and accounts payable system processing controls will be conducted to ensure adequate financial controls are in place.	<p align="center">FINANCIAL SUSTAINABILITY</p>	<p align="center">Deferred</p>

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The following management control support and review projects are in progress:

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
<p>Enterprise Risk Management (ERM) – Evaluation and Review of ERM Processes</p> <p><i>[On-going]</i></p>	<p>Audit support will be provided to the ERM program in evaluating corporate risks, and to provide assurance that risks are evaluated following the ERM risk process.</p>	<p>SAFETY</p>	<p>Medium</p>
<p>Business Intelligence – Key Performance Indicators (KPIs)</p> <p><i>[In Progress]</i></p>	<p>The audit will review selected KPIs to assess:</p> <ul style="list-style-type: none"> • accuracy and reliability of information reported • timeliness of the information • value of the information for decision-making <p>Any recommendations or audit observations will be summarized in an advisory report to management.</p>	<p>CUSTOMER</p>	<p>Medium</p>
<p>SAP enterprise system implementation</p> <p><i>[On-going]</i></p>	<p>Steering Committee support to IT study for the implementation of the SAP enterprise software system.</p>	<p>FINANCIAL SUSTAINABILITY</p>	<p>High</p>
<p>CAD/AVL (Computer Aided Dispatch/Automatic Vehicle Locator) IT project implementation</p> <p><i>[On-going]</i></p>	<p>Support to the Steering Committee for the implementation of the CAD/AVL software system.</p>	<p>ASSETS</p>	<p>High</p>
<p>Continuous Controls Monitoring of TTC Overtime and Related Employee Expenses – Auditor General's Report</p> <p><i>[On-going]</i></p>	<p>The Auditor General has initiated monitoring of TTC overtime, mileage, standby pay and meal allowance expenses. 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>

TTC AUDIT DEPARTMENT – 2015 AUDIT WORK PLAN – UPDATED

Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
Internal Control Governance Processes <i>[In Progress]</i>	A summary of “best practices” internal control governance processes will be provided to the TTC’s Risk and Governance Committee.	<p align="center">REPUTATION</p>	<p align="center">Medium</p>

TTC AUDIT DEPARTMENT – 2015 AUDIT WORK PLAN – UPDATED

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 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 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

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Audit Project	Project Scope Description	Strategic Objectives*	Risk Ranking
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
Operator Recruitment Process	The processes and controls in place for the selection, hiring and training of Operators will be assessed for effectiveness in meeting recruitment targets. [Defer to 2016 – 2017]	PEOPLE	Low to Medium
Sick Benefit Association <i>*[Updated September 2015 – Deferred – Auditor General’s office will be conducting an audit of long-term disability]</i>	This audit will cover Sick Benefit Association reporting processes and controls, 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. [Defer to 2016 – 2017]	PEOPLE	Deferred
Follow-up review of Video Surveillance – Privacy Practices	A follow-up audit will be undertaken to determine if recommendations have been implemented and efficiencies have been achieved in complying with the recommendations made by the Privacy Commissioner of Ontario. [Defer to 2016 – 2017]	CUSTOMER / PEOPLE	Low

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*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.