**STAFF REPORT**
**ACTION REQUIRED**

# TTC Internal Audit Department – 2016 Audit Work Plan

| Date: | February 10, 2016 |
|---|---|
| To: | TTC Audit and Risk Management Committee |
| From: | Head of Audit |

## Summary

To effectively fulfil the internal audit function and deliver risk-based audit services, an audit work plan is submitted 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 where TTC internal audit staff resources are allocated.

The 2016 Audit Work Plan identifies audit projects in progress and new audit projects planned to be conducted in 2016 by the TTC Internal Audit Department. Assurance audits and advisory support services provide independent information and support to the TTC Audit and Risk Management Committee and TTC management to assist in oversight responsibilities and stewardship of public funds; strengthen management controls; and enhance the efficiency and effectiveness of TTC services.

The TTC Internal Audit Department's risk based audit planning process is flexible. This is to allow the Department to respond to changes in assessed risks and new information. 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.

## Recommendation

It is recommended that the TTC Audit and Risk Management Committee approve the attached TTC Internal Audit Department's 2016 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 2016 budget request.

## Comments

The TTC Internal Audit Department's 2016 Audit Work Plan has been developed taking into

account corporate strategic objectives outlined in the TTC's five-year corporate plan, as well as, risks identified and assessed by TTC management in accordance with the Enterprise Risk Management (ERM) process. The 2016 Audit Work Plan is based on available audit resources allocated between audit assurance and advisory support services. Audit work performed or planned in the near future by the Auditor General's Office has also been considered to avoid duplication of audit efforts.

The Audit Work Plan is a dynamic document. Accordingly, it may be revised in response to changes in the risk assessment of auditable projects or new emerging risks. Audit projects may be deferred when risks are determined to be less significant when compared to emerging risk exposures or deemed a high priority by TTC management. Adjustments to the Audit Work Plan and allocation of audit resources would be made and reported the TTC Audit and Risk Management Committee accordingly.

The attached "TTC Internal Audit Department – 2016 Audit Work Plan" identifies the audit projects in progress and planned for 2016 along with noted risk considerations and ranking priority.

## Contact

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## Attachment

Attachment - TTC Internal Audit Department – 2016 Audit Work Plan

# TTC Internal Audit Department – 2016 Audit Work Plan

| | | | | Projects In Progress or Reporting Phase - 2016 | | |
|---|---|---|---|---|---|---|
| **Item #** | **Status** | **Strategic Objective** | **Project Title** | **Project Description** | **Project Type** | **ERM and other Risk Considerations** |
| 1 | Reporting | Safety | Transit Enforcement Unit (TEU) | To review operational procedures of the TEU and follow-up of previous reviews. | Assurance – Operational | • ERM – employee time theft |
| 2 | Reporting | Customer | Fare Media Sales | To review the debit/credit processing controls and reconciliations performed over the "point of sale" units at the Collectors' stations. | Assurance - Financial | • ERM – failure to collect revenues<br>• High customer service impact |
| 3 | Reporting | Customer | Business Intelligence – Key Performance Indicators (KPIs) | To review selected KPIs and assess for accuracy, reliability, timeliness and value. | Management Reviews/Advisory Support Services | • ERM – ineffective corporate governance |
| 4 | In-Progress | Assets | IT Disaster Recovery and Business Continuity Planning | To assess the planning and "state-of-readiness" for IT recovery in the event of a disaster. | Assurance - Operational | • ERM – IT security<br>• ERM - inability to recover from system loss |
| 5 | Reporting | Financial Sustainability | Payment Controls | To respond to Management's request to evaluate the design and effectiveness of payment controls. | Management Reviews/Advisory Support Services | • ERM – fraud |
| 6 | Reporting | Financial Sustainability | Tool Inventory Controls and Usage | To review tool usage trends and Hansler systems contract expenditure patterns, e.g. Hansler. | Assurance - Operational | • ERM – tool/equipment theft<br>• ERM – systems contract oversight |
| 7 | In-Progress | Financial Sustainability | Follow-up Audit - Fuel Card Management | To provide assurance that operational management has addressed all AG audit recommendations. | Assurance – Follow-up | • ERM – fraud<br>• Management Request |

# TTC Internal Audit Department – 2016 Audit Work Plan

| | | | **Projects In Progress or Reporting Phase - 2016** | | | |
|---|---|---|---|---|---|---|
| **Item #** | **Status** | **Strategic Objective** | **Project Title** | **Project Description** | **Project Type** | **ERM and other Risk Considerations** |
| 8 | In-Progress | Financial Sustainability | Follow-up Audit - Paving Contract | To provide assurance that operational management has addressed all external (PwC) audit recommendations. | Assurance – Follow-up | • ERM – fraud<br>• Media attention<br>• Management Request |
| 9 | In-Progress | Financial Sustainability | Management Committees – Self Assessment | To assess initiatives with self-assessment of governance structures created at management levels to support improved decision making. | Management Reviews/Advisory Support Services | • ERM – ineffective corporate governance<br>• Management Request |
| 10 | In-Progress | Growth | Capital – Leslie Barns Project | To review project management processes and construction costs for Leslie Barns streetcar maintenance/storage facility and track connection (update). | Assurance - Capital | • ERM – failure to deliver major projects<br>• High financial impact – cost over-runs<br>• High operational impact - delays |
| 11 | Reporting | Growth | Capital - Leslie Barns Project - Pomerleau per Diem Rate Review | To respond to Management's request to review supporting documentation and calculation methodology of Pomerleau's submitted 2015 per diem rate. | Management Reviews/ Advisory Support Services | • ERM – failure to deliver major projects<br>• Management Request |
| 12 | In-Progress | Growth | Capital – Union Station Second Subway Platform and Concourse Improvement Project | To review TTC project management processes and construction costs for the Union Subway Station Second Platform project, which is part of the City's Waterfront Initiative (update). | Assurance - Capital | • ERM – failure to deliver major projects<br>• High financial impact – cost over-runs<br>• High operational impact - delays |

**TTC Internal Audit Department – 2016 Audit Work Plan**

| | | | | Projects In Progress or Reporting Phase - 2016 | | |
|---|---|---|---|---|---|---|
| **Item #** | **Status** | **Strategic Objective** | **Project Title** | **Project Description** | **Project Type** | **ERM and other Risk Considerations** |
| 13 | Completed Reporting in 2016 | Growth | Capital (TYSSE) - MOT (Move Ontario Trust) Funds Review | To respond to TYSSE MOT funding partner's request to assess 2013 and 2014 expenditures and internal control processes. | Assurance – Capital | • ERM – failure to deliver major projects<br>• ERM – inadequate funding<br>• TYSSE ETF Request (2015 Unplanned) |
| 14 | In-Progress | Growth | Capital (TYSSE) – Carillion - Labour Rate Review | To respond to TYSSE Management's request to review supporting documentation for submitted contractor labour charges during select time periods. | Assurance - Capital | • ERM – failure to deliver major projects<br>• TYSSE Management Request |

# TTC Internal Audit Department – 2016 Audit Work Plan

| | | | **Planned Audit projects – 2016** | | |
|---|---|---|---|---|---|
| **Item #** | **Strategic Objective** | **Project Title** | **Project Description** | **Project Type** | **ERM and other Risk Considerations** |
| 1 | Customer | Surface Route Management | To review route management processes and coordination between critical parties that impacts the delivery of surface services. | Assurance – Operational | • ERM – failure to deliver services<br>• High customer impact – delays, crowding<br>• High financial impact – "late-in" time costs<br>• AG Continuous Monitoring (Overtime) |
| 2 | Customer | PRESTO – CSAE 3416 Reports – Audit Follow-up | To assess the impact of CSAE 3416 reports issued for Metrolinx/ Accenture on TTC and follow-up to assess relevant TTC controls. | Assurance – Audit Follow-up | • ERM – revenue loss or evasion<br>• High financial impact – revenue completeness<br>• High media attention |
| 3 | Assets | Subway Delay Incident Management | To review processes relating to subway delay response and incident management including protocols with other City services. | Assurance – Operational | • ERM – loss/disruption of subway services<br>• High customer impact – delays, station crowding<br>• High financial impact – overtime<br>• High employee impact – trauma, track level safety |
| 4 | Assets | Work Order Processes and Controls | To assess processes and controls over work orders, including the initiation, approval, processing, monitoring, completing and reporting of items. | Assurance – Operational | • ERM – failure to deliver major projects<br>• ERM – failure to deliver services<br>• High operational impact – preventive/corrective maintenance<br>• High financial impact – cost and warranty controls, life-cycle management |
| 5 | Financial Sustainability | Contract Management – selected contracts | To assess processes and controls for managing critical contracts or selected categories of contracts. Considerations: system contracts, consultant services, third party service providers and major parts/equipment. | Assurance – Operational | • ERM – contract mismanagement or fraud<br>• High financial impact – unsupported payments or over billings<br>• High operational impact – poor vendor performance |

# TTC Internal Audit Department – 2016 Audit Work Plan

| | Planned Audit projects – 2016 | | | | |
|---|---|---|---|---|---|
| **Item #** | **Strategic Objective** | **Project Title** | **Project Description** | **Project Type** | **ERM and other Risk Considerations** |
| 6 | Growth | Capital – Wilson Yard Expansion Project | To review project management and construction costs for the modification and expansion of Wilson Yard facilities. | Assurance – Capital | • ERM – failure to deliver major projects<br>• High operational impact – delays<br>• High financial impact – cost over runs |
| 7 | Growth | Capital – Fire Ventilation Program | To review project management processes, costs and applicable regulatory compliance for this safety critical program. | Assurance – Capital | • ERM – subway fires/smoke<br>• High safety impact – employees at track level<br>• High customer impact – disruptions to service<br>• High reputation risk – noncompliance with regulations |
| 8 | Growth | Capital – TYSSE – Independent Auditor 2016 Audit Work Plan | To prepare the TYSSE Independent Auditor 2016 Audit Work Plan for ETF approval and delivery. Key considerations: change in project management from TTC staff to Bechtel consultants effective April 2015 followed by a Project re-set and revised cost budget/claims estimation put forth in January 2016. | Assurance - Capital | • ERM – failure to deliver major projects<br>• ERM – inadequate funding<br>• Key corporate initiative - major government funding stakeholders<br>• High financial impact – cost over runs<br>• High reputation risk – media attention |

# TTC Internal Audit Department – 2016 Audit Work Plan

| | | | Planned Audit Projects (if resources permit) – 2016 | | |
|---|---|---|---|---|---|
| Item # | Strategic Objective | Project Title | Project Description | Project Type | ERM and other Risk Considerations |
| 1 | People | Skilled Trades | To review the management of skilled labour workforces, including recruitment, certification, licensing and skills development. | Assurance - Operational | • ERM – loss of critical human resources<br>• High operational impact – delays<br>• High reputation risk – safety and impact of regulatory noncompliance |
| 2 | Financial Stability | Information Technology Projects | To review project management of IT projects including IT project development, integration, risk assessment and priority setting, capital and operating infrastructure procurement, and use of IT consultants and technical staff. | Assurance – Operational | • ERM – failure to deliver major projects<br>• High operational impact – links to various corporate modernization initiatives<br>• High financial impact – cost over runs and technological complexities<br>• AG audit – may extend to TTC |

# TTC Internal Audit Department – 2016 Audit Work Plan

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| **Ongoing Advisory Services and Systems Development Support - 2016** | | | | | | |
| **Item #** | **Comments** | **Strategic Objective** | **Project Title** | **Project Description** | **Project Type** | **ERM and other Risk Considerations** |
| **1** | Meetings | Safety | Risk & Governance (Management) Committee | To support and participate in risk and governance initiatives. | Management Reviews/Advisory Support Services | • ERM – failure to add value |
| **2** | Meetings | Safety | Enterprise Risk Management (ERM) | To provide advisory services to support Management's ERM program. | Management Reviews/Advisory Support Services | • ERM – failure to add value<br>• Key corporate initiative – to focus decision making<br>• AG - area of interest |
| **3** | Meetings | Customer | PRESTO System | To provide advisory services and support via membership on the PRESTO Audit and Assurance Committee (Metrolinx). | Management Reviews/Advisory Support Services | • ERM – failure to deliver major projects<br>• Key corporate initiative – infrastructure and fare policy<br>• High reputation risks – media attention<br>• High financial impact – uncollected revenues, new fare evasion |
| **4** | Meetings | Assets | CAD/AVL (Computer Aided Dispatch/ Automatic Vehicle Locator) system | To support Management's implementation of the CAD/AVL software system. | Systems Development Support | • ERM – failure to deliver major projects<br>• Key corporate initiative – safety and security<br>• High operational impact – maintenance and service delivery monitoring<br>• High financial impact – cost over-runs and technological complexities |

# TTC Internal Audit Department – 2016 Audit Work Plan

| | Ongoing Advisory Services and Systems Development Support - 2016 | | | | | |
|---|---|---|---|---|---|---|
| **Item #** | **Comments** | **Strategic Objective** | **Project Title** | **Project Description** | **Project Type** | **ERM and other Risk Considerations** |
| 5 | Meetings | Financial Sustainability | SAP Enterprise System Implementation | To support Management's implementation of the SAP enterprise software system. | Systems Development Support | • ERM – failure to deliver major projects<br>• Key corporate initiative – coordination with City systems (shared services)<br>• AG – past recommendation<br>• High operational risks – transition from TTC legacy systems |
| 6 | Meetings | Financial Sustainability | External Attestation Audit (TTC Financial Statements) | To support Management's financial statement external audit process by attending external attestation service provider meetings. | Assurance - Financial | • ERM – failure to add value |
| 7 | Coordination and AG Communication | Financial Sustainability | AG Continuous Controls Monitoring Reports – Management Response Coordination and AG Communication | To support Management by coordinating responses to AG Continuous Monitoring Reports, including overtime and related employee expenses and employee absenteeism. | Management Reviews/Advisory Support Services | • ERM – failure to add value<br>• High reputation risks – ongoing AG attention |
| 8 | Recommendation Performance Updates | Reputation | Follow-up Audits and Monitoring of Recommendation Implementation | To regularly report on the status of Management's implementation of reported recommendations. | Assurance – Follow-up Audits | • ERM – failure to effectively address recommendations |

| | | | | Deferred Audit Projects | | |
|---|---|---|---|---|---|---|
| Item # | Comment | Strategic Objective | Project Title | Project Description | Project Type | ERM and other Risk Considerations |
| 1 | 2015 Video Surveillance Follow-up | Safety | Revised: Customer Safety and Security | To review customer safety and security processes, including consideration of privacy matters. | Assurance – Operational | • ERM – employee/customer assaults<br>• High customer impact – safety and personal privacy violations<br>• High reputation risk – media attention, emerging issues |
| 2 | 2015 Driver Certification and 2015 Operator Recruitment | People | Revised: Operators | To review the management of operators, including recruitment, training and certification. | Assurance – Operational | • ERM – inability to meet service requirements<br>• High financial impact – workforce planning, overtime<br>• High customer impact – safety<br>• High reputation risk – noncompliance with requirements |
| 3 | 2015 Sick Benefits Association | People | Revised: Short-Term Absenteeism | To review management of short-term absenteeism including processes for monitoring, reporting and minimizing the impact of planned and unplanned incidents. | Assurance – Operational | • ERM – employee time fraud<br>• ERM – inability to deliver service<br>• AG – continuous monitoring audits (overtime/absenteeism)<br>• High reputation risk – employee morale and media attention |

# TTC Internal Audit Department – 2016 Audit Work Plan

| | | | **Deferred Audit Projects** | | | |
|---|---|---|---|---|---|---|
| **Item #** | **Comment** | **Strategic Objective** | **Project Title** | **Project Description** | **Project Type** | **ERM and other Risk Considerations** |
| 4 | 2015 Automatic Train Control – Contractual Compliance | Financial Sustainability | Automatic Train Control (ATC) – Contractual Compliance | To review administration and adherence to key terms and conditions of selected project related contracts. | Assurance - Operational | • ERM – failure to deliver major projects<br>• Key corporate initiative – regularly reported upon by Management<br>• Key financial impact – cost over runs and vendor performance |
| 5 | 2015 Purchase of Light Rail Vehicles – Contractual Compliance | Financial Sustainability | Purchase of Light Rail Vehicles (LRVs) – Contractual Compliance | To review administration and adherence to key terms and conditions of selected project related controls. | Assurance – Capital | • ERM – failure to deliver major projects<br>• Key corporate initiative – fleet management<br>• High financial impact – cost over runs<br>• High customer impact – service delays<br>• High reputation risk – vendor performance |
| 6 | 2015 Inventory Control Systems | Financial Sustainability | Inventory System Controls | To review inventory and accounts payable system processing controls. | Assurance – Financial | • ERM – fraud or mismanagement<br>• AG audit (Inventory Controls – 2015/16) |

| | | | | Deferred Audit Projects | | |
|---|---|---|---|---|---|---|
| Item # | Comment | Strategic Objective | Project Title | Project Description | Project Type | ERM and other Risk Considerations |
| 7 | 2015 Accessibility Program – Easier Access | Growth | Accessibility Program – Easier Access | To review project management processes, costs and applicable regulatory compliance for this critical program. | Assurance – Capital | • ERM – failure to deliver major projects<br>• Key corporative initiative – regulatory compliance<br>• High customer impact – accessibility<br>• High financial impact – cost over runs (allocations to other projects)<br>• High reputation risk – media attention |