



## STAFF REPORT INFORMATION ONLY

### TTC Audit Department Report – Quarterly Update for the Period July – September 2015

<b>Date:</b>	November 12, 2015
<b>To:</b>	TTC Audit and Risk Management Committee
<b>From:</b>	Head of Audit

#### **Summary**

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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 Summary**

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

#### **Accessibility/Equity Matters**

There are no accessibility/equity matters resulting from the adoption of this report.

#### **Comments**

The report discusses recent audit activities. The actual reports for completed audits, including management responses are presented as individual agenda items.

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#### **Attachment**

TTC Audit Department Report – Quarterly Update for the Period July – September 2015.



# TORONTO TRANSIT COMMISSION

**TTC AUDIT DEPARTMENT REPORT -**

**QUARTERLY UPDATE**

**FOR THE PERIOD JULY – SEPTEMBER 2015**

**TTC AUDIT DEPARTMENT**

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**NOVEMBER 2015**

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## **OPENING COMMENTARY FROM THE HEAD OF AUDIT**

As we are near the end of the year, I would like to take the opportunity to reflect back on 2015 and look ahead to 2016. While this year has not been without its challenges, there are a number of positives which can only strengthen the Audit Department and the TTC.

A major initiative that the TTC is actively pursuing is the implementation of an enterprise risk management (ERM) process. Going forward into 2016, our departmental audit plan will become more aligned with the significant risks identified through the ERM process. This will make our audit planning more dynamic rather than under the traditional “annual” work plan. The audit risk assessment will undergo an update as we incorporate ERM into the audit planning process.

The ERM process identifies management’s risk appetite for the various areas of the TTC, quantifies the risk exposure, and provides a ranking. Using the top ranked key risks, audit resources will be allocated to assessing management’s proposed corrective action to reduce these risks, and the reasonableness of the related time frame for implementation. In the past, the audit plan was developed through discussions with the executive management and key department heads to learn where we may assist them in managing those risks.

Another benefit of the ERM model will be the ability to populate the database with all of the internal audit recommendations for a continuous monitoring of the effectiveness of TTC’s internal controls. Not only can our internal audit recommendations be included, but any recommendations from any source, whether internal or external, can be monitored through this process.

Another major area for us to concentrate our audit resources on is the ongoing review of the controls for administering the many operational contracts that the TTC has in place for various services and equipment supplies. We are committed to ensuring that the basic controls of segregation of duties, and proper review and approval for receipt of goods and services is established for all of our contracts.

Audits of capital construction projects are an ongoing exercise as capital programs are so much a part of TTC’s business to build the infrastructures that support the services that our customers need. While cost control and schedule adherence are sometimes elusive targets, the TTC strives to improve the management over these large scale projects. To support that goal, the TTC Audit Department performs audits of the management processes in place for these construction activities.

Also in 2015 we have incurred instances of fraudulent health claims. Our audit focus will also take into account potential areas where this type of theft could occur, and plans are underway to target this of potential abuse.

Joseph L. Kennelly  
Head of Audit

## INTRODUCTION

Internal auditing as defined by the Institute of Internal Auditors (IIA) ***“is 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 will be planned using an enterprise risk-based evaluation to determine where audit resources should be allocated. The results of the risk assessment are documented by means of the Audit Work Plan which is approved by the TTC Audit and Risk Management 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 and the effectiveness of management control processes
- 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 Management 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 action taken to minimize risks

# AUDIT PERFORMANCE – STATUS OF CURRENT AUDITS





Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete
<b>ON TIME AND ON TARGET</b>						
<b><u>STRATEGY AND CUSTOMER EXPERIENCE GROUP</u></b>						
Presto Card User Entity Controls	Presented to Audit Committee on July 29, 2014.					50%

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete
<b>ON TIME AND ON TARGET</b>						
<b><u>ENGINEERING, CONSTRUCTION AND EXPANSION GROUP</u></b>						
Leslie Barns Maintenance and Storage Facility (Follow-up)	In-Progress.					
Leslie Barns – Special Request: Pomerleau Per Diem Rate Review	In-Progress.					
Union Station New Platform Project (Follow-up)	In Progress.					

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete
<b>ON TIME AND ON TARGET</b>						
<b><u>CORPORATE SERVICES GROUP</u></b>						
<b>Tools Inventory Controls and Usage</b>	Draft Report completed. Awaiting Management Responses.					
<b>Payments Control Audit</b>	In-Progress. Review of draft recommendations with management is scheduled.					
<b>Transit Enforcement Unit</b>	Report completed. A Final Meeting to be scheduled with CEO.					



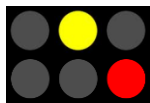
Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete
<b>ON TIME AND ON TARGET</b>						
<b><u>INVESTIGATIONS, ANALYSES AND MANAGEMENT REVIEWS</u></b>						
<b>Disposal of Surplus Computers, Servers and Digital Photocopiers and Removal of Data from the Hard Drive</b>	Presented to Audit Committee on February 19, 2015.		N/A			
<b>Payroll Exception Reporting</b>	Presented to Audit Committee on July 29, 2014.					
<b>Attendance Management</b>	Presented to Audit Committee on February 19, 2015.					
<b>Follow-up Audits/Monitoring of Recommendations Implementation</b>	Ongoing.					

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit Committee	Recommendation Implementation	Target Complete
<b>ON TIME AND ON TARGET</b>						
<b><u>SERVICE DELIVERY GROUP</u></b>						
Fare Media Sales	In-Progress.					
Business Intelligence – Key Performance Indicator (KPIs)	Draft Report completed.					

**Key to Symbols**



On target



Target at risk at current trend



Off target

# AUDIT RESOURCES AND STAFF DEVELOPMENT

The providing of professional audit services requires a staff possessing 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’s objective is to provide management with meaningful audit reports and practical recommendations for improving the effectiveness and efficiency of the business operations.

The TTC Audit Department operates with an approved staffing of ten positions – Head of Audit, two managers, six auditors, and an administrative assistant. At the present time, there is one auditor vacancy in which recruitment for a replacement is underway. The position is anticipated to be filled before the year end. The distribution of audit resources for the current reporting period (July - September 2015) is shown in the chart below:

