



STAFF REPORT INFORMATION ONLY

TTC Internal Audit Department Report – Quarterly Update for the Period October – December 2015.

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

Summary

The TTC Internal 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 attached and 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 or 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 attached and presented as individual agenda items.

Contact

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Attachment

TTC Internal Audit Department Report – Quarterly Update for the Period October -
December 2015.



TORONTO TRANSIT COMMISSION

TTC INTERNAL AUDIT DEPARTMENT REPORT -

QUARTERLY UPDATE

FOR THE PERIOD OCTOBER - DECEMBER 2015

TTC INTERNAL AUDIT DEPARTMENT

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FEBRUARY 2015

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OPENING COMMENTARY FROM THE HEAD OF AUDIT

For our first Committee meeting in 2016, I would like to outline our plan of what we want to achieve this year in providing internal audit services and support to the TTC.

In our audit work plan, the listing of audit projects has been developed based upon the TTC's enterprise risk management (ERM) database. In developing the work plan, we also need to take into consideration the amount of available audit staff resources, ongoing audit commitments (such as, Toronto-York Spadina Subway Expansion, follow-up of previous audits, ERM and governance advisory support), and any regulatory compliance audit requirements where we provide audit support.

A change to the 2016 audit work plan is that the plan is updated quarterly rather than semi-annually, reflecting any new risks where audit resources should be allocated. This will allow us to quickly address areas where risks have arisen and allocate audit resources to those areas to assist management in risk mitigation.

Our commitment to audits of capital construction projects remains high on our list of audit services. The TTC strives to improve the management over these large scale projects, and our audits are designed to support that goal by examining the controls and management processes in place for these construction activities. Closely linked to this objective is the ongoing review of TTC's supplier contracts to ensure that the administration over contracts results in the effective monitoring for compliance and "value-for-money."

The TTC Internal Audit Department also provides support and advisory service to the TTC's "Risk and Governance Committee." Proper governance structure and processes are essential requirements for any organization that strives to be successful in today's business world. TTC management places high importance on ensuring that the TTC operates adhering to good governance and corporate responsibility to our customers, taxpayers and funding partners.

Finally, we must also be vigilant in keeping a healthy skepticism over whether fraud or collusion may be a risk to consider in planning of an audit. While there have been unfortunate instances of improper acts in the past, as we go forward the possibility of fraud or collusive activity must be a part of any risk assessment process. Our audit focus will take into account potential areas where improper behaviour could occur, and we will continue to target this type of potential abuse in the upcoming year.

We look forward to a very successful year ahead in achieving our objectives to continually improve and enhance the TTC's services and commitments to our customers.

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 Internal 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.

To meet these professional audit standards, audits are planned using an enterprise risk-based evaluation to determine where audit resources should be allocated. The results of the risk assessment are documented in the Audit Work Plan and must be approved by the TTC Audit and Risk Management Committee.




The TTC Internal Audit Department performs the following types of audit and advisory services:

- Capital Audits – major construction project expenditures are verified for accuracy of amounts claimed for work completed and effectiveness of management control processes
- Operational and Assurance Audits – management control processes and the achievement of “value-for-money” in operational areas are reviewed and assessed following a risk-based evaluation to establish audit priorities
- Management Reviews and Advisory Support Services – areas of immediate concern or risk exposure as identified by management’s request
- Follow-up Audits – progress that management has made to implement audit report recommendations and the effectiveness of action taken to minimize risks is evaluated
- System Development Reviews – audit support to major computer system development and other technology projects is provided through the Steering Committee process
- Financial – internal control processes over financial reporting and safeguarding is evaluated in accordance with “best practices” control objectives

AUDIT PERFORMANCE – STATUS OF CURRENT AUDITS



Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit & Risk Committee	Recommendation Implementation	Target Complete
ON TIME AND ON TARGET						
<u>STRATEGY AND CUSTOMER EXPERIENCE GROUP</u>						
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 & Risk Committee	Recommendation Implementation	Target Complete
ON TIME AND ON TARGET						
<u>ENGINEERING, CONSTRUCTION AND EXPANSION GROUP</u>						
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.					

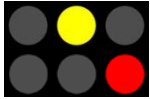
Key	Comments	Audit Work Plan Progress	Management Response	Audit & Risk Committee	Recommendation Implementation	Target Complete
ON TIME AND ON TARGET						
<u>OPERATIONS GROUP</u>						
Tools Inventory Controls and Usage	Awaiting Management Responses.					
<u>SERVICE DELIVERY GROUP</u>						
Fare Media Sales	To be presented to the February 10 th , 2016, ARMC Meeting.					
Transit Enforcement Unit	To be presented to the February 10 th , 2016, ARMC Meeting.					

Key Performance Indicator	Comments	Audit Work Plan Progress	Management Response	Audit & Risk Committee	Recommendation Implementation	Target Complete
ON TIME AND ON TARGET						
<u>MANAGEMENT REVIEWS AND ADVISORY SUPPORT SERVICES</u>						
Payroll Exception Reporting	Presented to Audit Committee on July 29, 2014.					90%
Disposal of	Presented to Audit Committee on February 19, 2015.					100%
Attendance Management	Presented to Audit Committee on February 19, 2015.					100%
Payments Control Audit	Report summary completed.					
Business Intelligence – Key Performance Indicator (KPI's)	Report summary completed.		N/A	N/A		

Key to Symbols



On target



Target at risk at current trend

Off target

CURRENT AUDIT ACTIVITIES

This report covers the main audit activities from October – December 2015. In this period, the following audits were completed and are included as TTC Audit and Risk Management Committee agenda items:

Service Delivery Group

- Transit Enforcement Unit
- Fare Media Sales/Point of Sales (POS)

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 Internal Audit Department's objective is to provide management with meaningful audit reports and practical business recommendations for improving the effectiveness and efficiency of the business operations.

The TTC Internal Audit Department operates with an approved staffing of ten positions – Head of Audit, two managers, six auditors, and an administrative assistant. The planned distribution of audit resources is shown in the chart below:

