



## **ACTION REQUIRED**

---

Date: May 25, 2016

To: TTC Audit & Risk Management Committee

From: Auditor General

Subject: Auditor General's Report – Toronto Transit Commission - Updated Audit Work Plan for 2016 and 2017

Attached is the Subject Report.

The report is being forwarded to the TTC Audit and Risk Management Committee for review and consideration, and forwarding to the next TTC Board meeting.

Vincent Rodo  
Chief Financial &  
Administration Officer

Attachments: Auditor General's Report – Toronto Transit Commission - Updated Audit Work Plan for 2016 and 2017



## AUDITOR GENERAL'S REPORT ACTION REQUIRED

### Toronto Transit Commission - Updated Audit Work Plan for 2016 and 2017

<b>Date:</b>	May 11, 2016
<b>To:</b>	TTC Audit and Risk Management Committee
<b>From:</b>	Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### **SUMMARY**

---

In February 2016, City Council adopted the amended 2016 capital and operating budgets. The Auditor General's Office received funding to create two additional positions dedicated for Toronto Transit Commission (TTC) review.

The purpose of this report is to provide the TTC Audit and Risk Management Committee with an update of the TTC audits that will be included in the Auditor General's 2016 and 2017 Work Plan.

In light of the additional funding from the City Council and further consideration of risks and priorities in TTC operation, the Auditor General has added two new TTC audits to her 2016 Work Plan. Details of the updated Work Plan are provided in Table 1.

#### **RECOMMENDATIONS**

---

**The Auditor General recommends that:**

1. This report be forwarded to the City's Audit Committee for information.

#### **Financial Impact**

The recommendation in this report has no financial impact.

## **DECISION HISTORY**

The Auditor General's 2016 Audit Work Plan was adopted by the City Audit Committee at its October 23, 2015 meeting, and subsequently by the City Council at its November 3, 2015 meeting.

In her 2016 Work Plan, the Auditor General indicated that a review of TTC inventory controls had been commenced and would be completed in 2016. In addition, the Work Plan includes the following two TTC audit projects to be commenced in 2016:

- A review of the City and the TTC management of employee dental and health benefits claims
- A review of TTC procurement processes

The Auditor General's 2016 Work Plan is available at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU4.6>

On February 17, 2016, City Council adopted with amendments the 2016 Budget Committee Recommended Tax Supported Operating Budget. Council approved two additional positions for the Auditor General's Office to increase the Auditor General's audit coverage at the TTC. The staff report recommending approval of the 2016 Capital and Operating Budget is available at:

<http://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-90361.pdf>

## **COMMENTS**

In light of the additional funding from the City Council and further consideration of risks and priorities in TTC operations, the Auditor General will be updating her 2016 and 2017 Audit Work Plan to provide more TTC audit coverage.

Table 1 below outlines the audits that are currently in progress, and the planned audits to be commenced in the remainder of 2016 and 2017.

**Table 1 TTC Audit Projects Planned for 2016 and 2017**

	<b>TTC Audit Project</b>	<b>Project Description and Status</b>
<b>Audits in progress</b>	Inventory Controls	<p>Phase One focused on safeguarding of inventory. The Phase One audit has been completed and the report will be presented at the May 2016 TTC Audit and Risk Management Committee meeting.</p> <p>Phase Two, focusing on inventory management and controls, will be starting in June 2016.</p>
	Management of Employee Dental and Health Benefit Claims	<p>The audit will focus on processes and controls on management of employee health benefit claims by the benefits administrator. The audit will include both the City and the TTC.</p> <p>The planning work for this audit has recently been commenced.</p>
<b>Audits planned to commence in 2016</b>	Procurement Processes	<p>This will be a comprehensive audit of TTC’s procurement processes including financial controls, purchasing policies and procedure requirements, and bid evaluation and award process.</p> <p>The audit is planned to begin in June 2016.</p>
	Accounts Payable	<p>The audit will assess adequacy of processes and controls in payment of vendor invoices.</p> <p>We will initiate this review as an audit and will evaluate based on the audit results whether a Continuous Controls Monitoring process is needed in this area.</p> <p>The audit is planned to begin in June 2016.</p>
	Telecommunication Expenses	<p>The audit will assess internal controls over the management of telecommunication service contracts, payment of invoices to vendors, and monitoring of telecommunication expenses by TTC management.</p> <p>We will initiate this review as an audit and will evaluate based on the audit results whether a Continuous Controls Monitoring process is needed in this area.</p> <p>The audit will be commenced in Q3 2016.</p>

<b>Audits planned to commence in 2017</b>	Capital Project	A review of a major TTC capital project (e.g. Leslie Barns, TYSSE, or SAP) will be included in the 2017 Work Plan. The Auditor General will consider the status and information resulting from the City Manager’s review of TTC project management before selecting a capital project for review.
	Review of an Operating Department	The audit will assess operational effectiveness and efficiency to identify potential service improvement and cost saving opportunities. The specific department to be audited in 2017 will be determined later.
	Information Technology	Scope of this audit will be identified in the fall of 2016.

In addition to performing audits, the Auditor General’s Office will continue its Continuous Controls Monitoring Program (CCM) at TTC. The Office uses specialized data extraction software to identify transactions that warrant further review. The Office calls this the CCM Program. The Program started with City payroll information. In 2012 and 2013, the Auditor General expanded the Program to include staff overtime, absenteeism and other payroll related expenses at TTC. Table 2 below outlines the CCM reports currently in progress.

**Table 2 Continuous Controls Monitoring Results to be Reported in 2016**

<b>TTC Continuous Controls Monitoring (CCM) Reports</b>	<b>Project Description and Status</b>
TTC Staff Overtime and Payroll Related Expenses, 2015	We are currently finalizing and validating our analysis results with TTC staff.  Results of the CCM analysis will be presented to the October 2016 TTC Audit and Risk Management Committee meeting.
TTC Staff Absenteeism, 2015	We are currently finalizing and validating our analysis results with TTC staff.  Results of the CCM analysis will be presented to the October 2016 TTC Audit and Risk Management Committee meeting.

## CONTACT

Jane Ying, Assistant Auditor General, Auditor General's Office  
Tel: 416-392-8480, Fax: 416-392-3754, E-mail: [jying@toronto.ca](mailto:jying@toronto.ca)

## SIGNATURE



Beverly Romeo-Beehler, Auditor General