

MINUTES

Toronto Transit Commission

Audit and Risk Management Committee Meeting
Wednesday, May 25, 2016

A meeting of the TTC Audit and Risk Management Committee was held in the 7th Floor Executive Boardroom at 1900 Yonge Street, Toronto, Ontario, on Wednesday, May 25, 2016 commencing at 1:10 p.m. The meeting recessed at 3:50 p.m. on resolution to meet as the Committee of the Whole and reconvened at 4:00 p.m.

J. Campbell (Chair), R. Byers, V. Crisanti and A. Heisey Q.C. (Audit and Risk Management Committee members), A. Byford, (Chief Executive Officer), V. Rodo (Chief Financial & Administration Officer), S. Reed Tanaka (Chief Capital Officer), G. Shortt (Chief Operating Officer), J. O'Grady (Chief Safety Officer), M. Ismail (Principal Risk Advisor), C. Leach (Acting - Head of Audit), M. Roche (Head – Finance and Treasurer), J. Lee (Head Materials & Procurement), I. Jordan (Fleet Manager), P. Smith (Director – Materials Management), K. Lee (Head – Commission Services), D. McDonald (Co-ordinator – Secretariat Services) and M. Balanco (Administrator – Secretariat Services) were present.

B. Romeo-Beehler (Auditor General), J. Ying (Assistant Auditor General), G. Mark (Senior Audit Manager), E. Lu (Audit Manager) and C. Mu (Audit Manager) were present from the City of Toronto, Auditor General's office.

C. Russell (Partner, Assurance), D. Dhar (Partner, Risk Assurance Services) and T. Dewan (Manager, Assurance) were present from PricewaterhouseCoopers LLP.

K. Lillyman (Chair's Office) and D. Magisano (Mayor's Office) were also present.

J. Campbell was in the Chair.

Declaration of Interest - Municipal Conflict of Interest Act

Nil

Minutes of the Previous Meeting

Commissioner Byers moved that the TTC Audit and Risk Management Committee approve the minutes of the meeting held on Wednesday, February 10, 2016.

The motion by Commissioner Byers carried.

Business Arising Out of the Minutes

Nil

Public Presentations

(a) TTC Top Risks Update

Bob Brent

The Committee received the deputation for information.
(See Item No. 10 for minute)

Presentations/Reports/Other Business

1. PricewaterhouseCoopers LLP Audit Results on the Toronto Transit Commission Consolidated Financial Statements for the Year Ended December 31, 2015

1. The Committee received the report; and
2. Approved forwarding a copy of the report to the TTC Board and then to the City Clerk for appropriate handling.

2. Draft Consolidated Financial Statements of Toronto Transit Commission for Year Ended December 31, 2015

1. The Committee received the report; and
2. Approved forwarding a copy of the report to the TTC Board and then to the City Clerk for appropriate handling.

3. Draft Annual Report for the Toronto Transit Commission for 2015

The Committee approved the report.

4. Account Receivable considered Uncollectible

The Committee received this item for information.

5. Auditor General's Report - Toronto Transit Commission - Results of 2016 Follow-up of Previous Audit Recommendations

The Committee received this report for information and approved forwarding it to the TTC Board.

6. Auditor General's Report – Audit of Toronto Transit Commission Materials and Procurement Department, Phase One: Improving Controls to Safeguard Inventory

Beverly Romeo-Beehler, Auditor General, City of Toronto, delivered a PowerPoint presentation on this item.

Pete Smith, Director – Materials Management, delivered a PowerPoint presentation entitled “City of Toronto Auditor General Report – Materials Management Reply”.

The Committee thanked the individuals for their presentations and approved forwarding the report to the TTC Board, noting the following:

The Auditor General recommends that:

1. The Board request the Chief Executive Officer to ensure goods received at Toronto Transit Commission warehouses are timely processed including stocking and updating the inventory system records to minimize loss or misplacement of inventory.
2. The Board request the Chief Executive Officer to undertake an immediate review and reconciliation of returned goods at Duncan warehouse to identify and document missing returned goods.
3. The Board request the Chief Executive Officer to take steps to ensure returned goods to warehouses are properly and timely processed for replacement or credit. Such steps should include but not be limited to:
 - a. Storing returned goods in an organized manner so that they can be easily located;
 - b. Providing staff with clear procedure requirements to ensure inventory analysts receive timely notifications of return requests;
 - c. Ensuring timely processing and follow-up of outstanding returns by inventory analysts;
 - d. Developing relevant performance measures to track and monitor completeness and timeliness of return processes.

4. The Board request the Chief Executive Officer to improve the current core parts retrieval process at Toronto Transit Commission garages to account for and track the return of core parts for rebuild purposes.
 5. The Board request the Chief Executive Officer to take steps to improve access controls to safeguard inventory at all Toronto Transit Commission satellite stores including:
 - a. Assessing the costs and benefits of converting open stores to the 24/7 model
 - b. Increasing staff compliance with the requirement to accurately record all inventory items removed from stores, and
 - c. Exploring other options that can improve access controls to inventory at open stores.
 6. The Board request the Chief Executive Officer to review the current state of physical security at Toronto Transit Commission inventory facilities in particular the satellite stores to ensure a reasonable level of physical security at all sites.
 7. The Board request the Chief Executive Officer to ensure quantity discrepancies from cycle counts at warehouses and stores are adequately reviewed and approved by supervisory staff to safeguard Toronto Transit Commission inventory. Steps to be considered include re-assessing the current dollar threshold requirement for documenting supervisory reviews and ensuring adequate investigation and documentation of significant discrepancies.
 8. The Board request the Chief Executive Officer to review and improve the current physical count practice at Toronto Transit Commission stores, consisting of both cycle and strip counts, to achieve consistent and accurate physical count results. This should include a review of the merits and practicality of requiring staff to conduct daily “strip counts” at Toronto Transit Commission satellite stores.
 9. The Board request the Chief Executive Officer to review and update retention requirements for each category of inventory records to ensure compliance with the City of Toronto By-law No. 867-1998. The updated record retention schedules should be documented and communicated to staff.
 10. The Board request the Chief Executive Officer to establish and implement procedures for obtaining proof of receipt for non-inventory and emergency purchase items delivered to Toronto Transit Commission warehouses and stores.
 11. This report be forwarded to the City's Audit Committee for information.
7. Auditor General's Report – Audit of Toronto Transit Commission – Updated Audit Work Plan for 2016 and 2017

The Committee received this report for information and approved forwarding it to the TTC Board.

8. Internal Audit Activities – Quarterly Update: A New Approach

The Committee received the report for information.

9. Toronto-York Spadina Subway Extension (TYSSE) Audit Reports, Memos and Work Plans – 2008 to 2015

Chair Campbell moved deferral of this item until the September meeting of the Audit and Risk Management Committee.

10. TTC Top Risks Update

The Committee received the report, and the information provided in the confidential attachment, for information.

The Committee agreed that the information pertaining to Risk# TTCRK16020001 in the Confidential Attachment should remain confidential in its entirety as it contains information about the security of the property of the TTC.

The Committee did not concur with the staff recommendation that the information pertaining to the other four top risks, identified in the confidential attachment, should remain confidential. The information did not pertain to the security of the property of the TTC or to any other provision identified in Section 29 of the TTC By-law to Govern Commission Proceedings and should therefore be made available to the public.

11. The TTC's Risk Appetite Statement

The Committee approved the attached risk appetite statement.

12. New Business

Commissioner Byers moved a motion to move the meeting in-camera to allow the Committee Members to meet with PricewaterhouseCoopers and the City of Toronto Auditor General as the Committee of the Whole.

The motion by Commissioner Byers carried.

The meeting adjourned at 4 p.m.