



To: Metrolinx Board Report
From: Robert Siddall
Chief Financial Officer
Date: December 7, 2016
Re: **Auditor General's Report on Construction Contract Awarding and Oversight**

Executive Summary

The Auditor General released her Annual Report on November 30, 2016. The report includes a value-for-money audit of Metrolinx's processes relating to *Public Transit Construction Contract Awarding and Oversight*. The audit report is available at: http://www.auditor.on.ca/en/content/annualreports/arreports/en16/v1_309en16.pdf

The Auditor concludes that Metrolinx should improve the controls and processes we employ to manage contractors and consultants to get better performance and value from them. The report also recommends Metrolinx improve its oversight of contractors on the job site to ensure worker safety as well as public safety and that Metrolinx needs to increase value-for-money from the construction activities that CN and CP undertake on its corridors, on Metrolinx's behalf.

In total, the report contains 17 recommendations with 38 action items. The report focuses on a small sample out of the many hundreds of projects Metrolinx is currently building. The majority of Metrolinx projects come in on time and on budget. In fact, Metrolinx-completed projects over the past five years have an average overage of 3.8%. The focus of the report is on the small percentage of projects that had cost overruns. Many of the concerns raised by the Auditor General were also identified by Metrolinx over the course of the projects and these learnings have been informing the steps Metrolinx is taking to correct these areas for future projects.

Metrolinx has been working on a number of strategies that will mitigate the risks identified by the Auditor General going forward. These actions are identified in the report's management response sections, and include the formation of the Capital Projects Group, the development of harmonized policies and procedures, and the recent implementation of a vendor performance management system. As Metrolinx builds a database of performance data on its contractors, the organization will be in a better position to consistently identify poor performers and ensure that our best performers are awarded contracts with due regard for fairness of the process.

Next Steps

In addition to management responses provided throughout the report, Metrolinx senior management will develop detailed action plans with milestones and timelines to address each of the report's recommendations. Internal Audit will follow-up quarterly with the Senior Management Team on the status of action plans, and with the Audit, Finance, and Risk Management Committee until all action plans are closed. The draft Action Plan Template is provided in Appendix A for your reference.

Appendix A – Draft Management Action Plan Template for the Report on Metrolinx - Public Transit Construction Contract Awarding and Oversight

#	Finding	Recommendation	Owner	Management Response / Timeline	Detailed Management Action Plan