

To: Metrolinx Board of Directors

From: M.E. (Peggy) Gilmour
Director, Internal Audit

Date: September 14, 2017

Re: **Current Status and Preliminary Results of Auditor General Follow-up Activities**

Executive Summary

The Auditor General is currently completing two separate Follow-up Audits based on the 2012 & 2014 Value-for-Money Audits of the Regional Transportation Plan. The first audit is limited to following-up on outstanding action plans after the 2014 audit. These recommendations have now moved to the Auditor General's new continuous follow-up process, and follow-up activity will continue on these action plans until complete. The second follow-up audit relates to the June 2016 report by the Standing Committee on Public Accounts, which requested Metrolinx to appear before the Committee following the Auditor General's release of her 2014 report on Metrolinx. Both follow-up activities have the same subject matter, but the recommendations and action plans have a slightly different focus.

Further to this, Metrolinx Internal Audit has completed its quarterly Follow-up Audit on the Auditor General's 2016 Audit of Metrolinx - Public Transit Construction Contract Awarding and Oversight. The Metrolinx Board of Directors asked that action plans be tracked quarterly through the Audit, Finance and Risk Management Committee and reported to the Board of Directors.

Highlights of each follow-up activity are as follows:

- ***2017 Follow-up on Regional Transportation Planning (2012 & 2014)*** - Metrolinx has finalized the draft follow-up report containing ten (10) recommendations with the Auditor General. 30% of these recommendations are now complete, with 70% still in progress. Outstanding recommendations require Metrolinx to update UP Express ridership studies periodically, work with Infrastructure Ontario on value-for-money assessment methodologies for Alternative Financing and Procurement (AFP) projects, build contract ceiling requirements into our approval policies, and continue to implement and update information systems supporting capital project delivery.

- ***2017 Follow-up on Standing Committee on Public Accounts Report on Regional Transportation Planning*** - Metrolinx is currently vetting the Auditor General's draft follow-up report containing 21 recommendations. The Auditor General has noted that 48% of action plans are in process of being implemented, with 28% of the action plans fully implemented. Metrolinx is currently working with the Auditor General to come to a common understanding of status relating to the remaining 24% of recommendations. In particular, Metrolinx is working with Infrastructure Ontario to clarify processes, roles and responsibilities relating to AFP of major capital projects. Three of the outstanding recommendations relate to AFPs. Further to this, Metrolinx is still in the process of addressing two recommendations related to Union Pearson (UP) Express, which requires Metrolinx to publish a ridership study and communicate full financial results for the service's first year to the Standing Committee.
- ***Public Transit Construction Contract Awarding and Oversight (2016)***- Management continues to make progress toward implementing the detailed action plans to support the recommendations resulting from the Auditor General's 2016 Report and did not report any significant changes from the previous assessment results that were presented to the Metrolinx Board of Directors on June 28 2017. As communicated in the June Board Report on Auditor General Follow-up, Metrolinx Internal Audit will complete follow-up testing on a sample of capital projects to verify action plan completion. This work will occur prior to the December Board meeting, with results communicated to the Audit, Finance, and Risk Management Committee.

Respectfully Submitted,

M.E. (Peggy) Gilmour
Director, Internal Audit