

To: Metrolinx Board of Directors
From: M.E. (Peggy) Gilmour
Director, Internal Audit
Date: March 08, 2018
Re: **Current Activities of the Office of the Auditor General of Ontario at Metrolinx**

Executive Summary

The activities of the Office of the Auditor General of Ontario within Metrolinx include the ongoing Value-for-Money Audit on Light Rail Transit planning and construction under the Regional Transportation Plan and GO Stations selection. Additionally, the Auditor General has published reports on Public Transit Construction Contract Awarding and Oversight (2016), Regional Transportation Planning (2012, 2014, 2017).

Highlights of each activity are as follows:

i. **Ongoing Value-for-Money audit on Light Rail Transit planning and construction under the Regional Transportation Plan and GO Stations Selection**

On November 8th 2017, Metrolinx CEO Phil Verster received a letter from the Auditor General informing Metrolinx that it had been selected for a Value-for-Money Audit in the Auditor General's annual audit plan. On December 8th 2017, the Auditor General held an entrance meeting with Metrolinx representatives from Internal Audit, Planning & Development and Capital Projects Group to start the review. The initial engagement planning scope covers Metrolinx's Light Rail Transit planning and construction under the Regional Transportation Plan and GO Stations selection.

As of the date of this memorandum, the Auditor General has not formally provided the final scope and objective for the audit. We anticipate the final audit scope and objectives to be defined by late March 2018.

The Auditor General's audit team has met with management in Planning & Development, Capital Project Group and Financial Services to obtain an overview of processes and current activities related to the Regional Transportation Plan, Light Rail Transit, GO Station Selection, and Treasury Board requests and submissions. A series of documents and information has been provided to support their audit planning work. Audit fieldwork is expected to continue through the summer. As per the Auditor General

standard, the final report will be included in the 2018 Auditor General's Annual Report released in early December 2018.

ii. **Auditor General's December 2016 Report, *Metrolinx - Public Transit Construction Contract Awarding and Oversight* and 2018 Standing Committee on Public Accounts appearance.**

Metrolinx Internal Audit has been tracking implementation of action plans in accordance with agreed upon timelines as indicated in the Auditor General's December 2016 report, *Metrolinx - Public Transit Construction Contract Awarding and Oversight*. Results are presented to the Audit, Finance, and Risk Management Committee of the Board.

Since the release of the Auditor General's report, Management continues to support implementation of recommendations resulting from the Auditor General's 2016 report through enhanced vendor performance management activities, enhanced oversight activities, and development of procedures aimed at enhancing consistent contract management practices. In addition, management have been engaged in developing a clear business plan with Key Performance Indicators (KPIs) and metrics, with a focus on key pillars such as safety, powerful customer experience, empowering our people and delivering on our Plan and Build initiatives.

On February 21st 2018, Metrolinx CEO Phil Verster and Deputy Minister Stephen Rhodes appeared before the Standing Committee on Public Accounts to discuss the Auditor General's December 2016 Report on Metrolinx. Metrolinx Internal Audit supported the CEO's Office and Management with regard to progress made during Q4 2017/18 on the detailed action plans arising from the report. A status update was provided to the Standing Committee in advance of the appearance date.

iii. **Follow-up Audits based on the 2012 & 2014 Value-for-Money Audits of the Regional Transportation Plan**

The Auditor General's 2017 Annual Report, which was released on December 6, 2017, included Follow-Up Reports based on the 2012 and 2014 Value-for-Money Audits of the Regional Transportation Plan and on the June 2016 report issued by the Standing Committee on Public Accounts. These follow-up activities have the same subject matter, but the recommendations and action plans have a slightly different focus.

The Auditor General reported the results of the 2012 and 2014 Value-for-Money Audit Follow-up as "Implementation Rate (%)" per organization. As of March 31, 2017, Metrolinx's implementation rate was reported as 53% and was categorized with other organizations with 11-30 recommended actions.

Results from the Follow-up Audit based on the June 2016 report issued by the Standing Committee on Public Accounts were reported in a separate chapter in the Annual Report. As of July 21, 2017, 29% (6 of 21 of the recommended actions) were implemented, and 57% (12 of 21 recommended actions) were still in process to be implemented. After further discussions with the Auditor General, 14% (3 of 21 recommended actions) will not be implemented.

Metrolinx Internal Audit has allocated resources in the 2018/19 Internal Audit Annual Plan to periodically track implementation progress on action plans and agreed timelines as per the 2017 Auditor General's follow-up reports.

Respectfully submitted,

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