

To: Metrolinx Board of Directors
From: Greg Murphy, *Director (A), Internal Audit*
Date: December 6th, 2018
Re: Office of the Auditor General of Ontario (OAGO)
Report on 2018 Audits & Follow-up Audits

Executive Summary

We anticipate that the OAGO will release its 2018 Annual Report in the first two weeks of December 2018. The Annual Report will include multiple reports and references to Metrolinx. OAGO audit activities within Metrolinx include a value-for-money (VFM) audit on Light Rail Transit planning and delivery and a special review of GO stations selection. The OAGO will release follow-up reports on public transit construction contract awarding and oversight (2016) and regional transportation planning (2012, with prior follow-ups in 2014 and 2017). Further, Metrolinx may be referenced in a government-wide review of professional services and consulting expenditures.

Further information on these audit activities is as follows:

- **Light Rail Transit planning and delivery (2018)** - this VFM audit will assess “whether Metrolinx has effective systems and processes in place to plan and deliver the Eglinton Crosstown and its other Light Rail Transit projects in a cost-effective and timely manner; and to evaluate, monitor and report activities and progress toward achieving project deliverables and milestones.” Engagement results will be released publicly by the OAGO in December 2018.
- **GO stations selection (2018)** - the special review of Metrolinx’s processes relating to the selection of future GO stations will assess “whether the selection of the proposed Metrolinx GO stations at Kirby and Lawrence East was based on thorough analysis of reliable and relevant information to support the regional transit network.” Engagement results will be released publicly by the OAGO in December 2018.
- **Follow-up on public transit construction contract awarding and oversight (2016)** - Management’s self-assessed status of each action item for the 2016 report is: 8 of 38 (21%) actions recommended are “fully implemented;” 26 of 38 (68%) are “in process of being implemented;” and 4 of 38 (11%) actions recommended “will not be implemented.” Items are generally identified as ‘will not be implemented’ where the identified risk has been mitigated with no further action required. Results from this follow-up audit will be presented as a stand-alone report in the OAGO’s 2018 Annual Report.

- **Regional transportation planning (2012)** - Follow-up audits on open recommendations were completed in 2014 and 2017. The Standing Committee on Public Accounts (SCOPA) also issued a report on this topic in 2016. The OAGO's work examined the remaining open recommendations. Management has self-assessed the status of each open item as follows:
 - **2012 OAGO report recommendations:** 2 of 7 (29%) open actions recommended are "fully implemented;" and 5 of 7 (71%) are "in process of being implemented."
 - **SCOPA report recommendations:** An initial follow-up audit was completed in 2017. This year's follow-up audit examined the remaining open SCOPA recommendations as: 3 of 12 (25%) actions recommended are "fully implemented;" and 9 of 12 (75%) are "in process of being implemented,"

Results from the 2012 follow-up audits will be presented as part of a larger set of government follow-up audits with only the percentage of full implementation provided to the reader.

Since the Auditor General's 2018 Annual Report is expected to be released in the first two weeks of December, Internal Audit will highlight any differences between the report and management's self-assessed results during the Board session. Internal Audit will follow-up and report-back to the Board of Directors on the status of the implementation strategies in Q4 2018-19.

Metrolinx's Response and Next Steps

Metrolinx accepts the recommendations provided by the OAGO on LRT planning and delivery and GO stations selection audits. Metrolinx will develop detailed action plans to address each recommendation.

Since the release of the Auditor General's 2012 and 2016 reports, senior management continues to implement the recommendations through enhanced vendor performance management activities, improved oversight activities, and development of procedures aimed at ensuring consistent contract management practices.

Internal Audit will track action plans for each OAGO audit and continue to report back to the Metrolinx Board each quarter on the status of action plan implementation. The OAGO will continue to follow up on all issues until closure.

Respectfully submitted,

Greg Murphy
Director (A), Internal Audit