

June 1, 2022

To: Members of the Audit Committee

RE: YRRTC Management Response to the 2021 Audit Report

At its May 18, 2022, meeting the York Region Rapid Transit Board considered the YRRTC Management Response to the 2021 Audit Report (Attachment 1) with the additional changes listed below. These changes should be read in conjunction with the original report responses outlined in the attached.

- That the YRRTC management response to Audit Report Recommendation 4.1.1 be amended to read ***“We acknowledge that the mandate of the Corporation was going to be reviewed prior to its expiry in 2024 and should remain current and aligned with updated legislation and best practices. We welcome the opportunity to work with the Shareholder on the current arrangements...”***
- That the YRRTC management response to the Audit Report Recommendation 4.1.5 be amended to read ***“The ongoing reporting relationship between the President and the **Chair of the Board** should remain in place, however further dialogue is welcomed regarding strengthening the administrative relationship with the CAO”***
- That the YRRTC management response to Audit Report Recommendation 4.2.2 be amended to read ***“YRRTC will continue to hold both private and public sessions and is supportive of holding*** items in public session where issues of confidentiality or sensitive negotiations are not present and appreciate the importance of demonstrating ***“openness and transparency”***
- That the YRRTC management response to Audit Report Recommendation 4.3.2 be amended to read ***“YRRTC utilizes standardized and documented processes by way of flow charts*** to ensure appropriate internal controls are in place”

Kind regards,



Mary-Frances Turner, President
York Region Rapid Transit Corporation

YORK#13936779
Attachments (1)

Private Report of Mary-Frances Turner, President

YRRTC Management Response to the 2021 YRRTC Audit Report

Recommendation

It is recommended that:

1. The Board of Directors endorse the YRRTC Management Response included within this Report; and
2. This Report be forwarded to the Audit Committee for consideration at an upcoming meeting.

Summary

Key points:

- Between April 2021 and December 2021, York Region’s Audit Services Branch completed a Corporate Audit of York Region Rapid Transit Corporation (“YRRTC Audit”) (**Attachment 1**)
- The findings of the YRRTC Audit state that the “***decision-making framework in place at YRRTC is working as intended. Opportunities to strengthen governance, improve openness and transparency and improve board reporting have been noted...***” (**Attachment 1**, Page 2)
- The Auditor’s findings and recommendations were brought forward to Audit Committee on January 20, 2022, found in the YRRTC Audit Report (**Attachment 1**)
- YRRTC provided a high-level summary of its management responses to the Audit report at the February 9, 2022, Board Meeting in Private Session (**Attachment 2**)
- The Audit Committee minutes were then received by Regional Council on February 24, 2022, resulting in the following Council direction:
 - “*That the ... January 20, 2022, Audit Committee meeting minutes containing the York Region Rapid Transit Committee (YRRTC) Audit Report be referred to YRRTC and Regional staff with a follow-up report containing YRRTC’s comments to be provided to a future meeting of the Audit Committee*”

Background

As part of the Risk-Based Work Plan for 2021, Council approved an audit of YRRTC by the Region’s Audit Services Branch

- The Audit Services Branch began the YRRTC Audit in April 2021, initiated by a Letter of Engagement on April 9, 2021, and was completed in December 2021
- The Letter of Engagement outlined the objectives and scope of work of the YRRTC Audit. The objectives were to:
 - Establish whether the mandate of the corporation is appropriate in the context of the future direction of rapid transit projects.
 - Evaluate the decision-making framework in place to ensure there is appropriate authorization over key decisions.
 - Ensure that appropriate information is communicated to decision makers and stakeholders to enable timely and effective decisions.
- In consultations with YRRTC senior management and York Region stakeholders, a set of key risks that YRRTC and York Region may face in the delivery of rapid transit projects were developed
- Throughout the Audit period, YRRTC staff provided materials and detailed comments to the Auditor
- The Audit results were shared at the January 20, 2022 Audit Committee meeting
- The Audit Committee recommendations were forwarded to the February 24, 2022 Regional Council meeting, where Council directed *“That the ... January 20, 2022, Audit Committee meeting minutes containing the York Region Rapid Transit Committee (YRRTC) Audit Report be referred to YRRTC and Regional staff with a follow-up report containing YRRTC’s comments to be provided to a future meeting of the Audit Committee”*
- This report provides the Board with detailed YRRTC staff comments, further to the high-level summary shared at the February Board of Directors meeting, as per Council direction, and recommends that should the Board endorse the response that it be forwarded to an upcoming Audit Committee

Analysis

- The following pages summarize the results and findings of the Audit Report (in bold and italic) followed by the YRRTC management response (in boxes) for the Board of Directors consideration

“General: Management Summary”

This section of the Audit Report provides an overview and overall findings of the Audit.

- **According to the Audit Management Summary, and “Based on review of the three projects in the sample, Audit Services concludes that the decision-making framework in place at YRRTC is working as intended. Opportunities to strengthen**

governance, improve openness and transparency and improve board reporting have been noted and are discussed in detail under Section 4.0 Detailed Observations” (page 2)

YRRTC Response:

YRRTC supports the key finding that “the decision-making framework in place at YRRTC is working as intended”. We also agree that there are opportunities to strengthen governance, improve openness and transparency and improve board reporting.

“Section 4.1: Opportunities to Strengthen Governance”

“Mandate”

This section of the Audit Report focuses on the governance and mandate of the Corporation through the Articles of Incorporation and Rapid Transit Agreement in the decision making around rapid transit delivery.

- ***Recommendation 4.1.1: Revisit the mandate to help ensure that the direction of the corporation is aligned with the internal and external needs of the Board, Regional Council (as the shareholder), and stakeholders. Once the mandate is reviewed and decided, the Articles of Incorporation should be updated accordingly***

YRRTC Response:

We support the need, and importance of, reviewing the mandate of the Corporation, considering the current actors and activities taking place in the rapid transit/transit-oriented communities (TOC) landscape. The Articles should also be updated to reflect legislative changes affecting municipal share capital corporations as well as an examination of best practices for similar corporations globally.

Consideration should be given to obtaining written commentary from the YRRTC Board of Directors and staff on the project delivery experience and lessons learned within the context of the existing mandate, changing landscape and legislation as part of the Shareholder’s review of the Corporation’s mandate.

- ***Recommendation 4.1.2: Review the Rapid Transit Agreement to ensure that the objectives of the agreement are aligned with the updated mandate***

YRRTC Response:

Agreed.

- ***Recommendation 4.1.3: Consider developing a timeline to renew the Rapid Transit Agreement in line with recommendations 4.1.1 and 4.1.2 above***

YRRTC Response:

Agreed.

“Roles and Responsibilities”

This section of the Audit Report provides views on the way in which YRRTC conducts its working relationships with staff at York Region based on interviews with various staff

- ***Recommendation 4.1.4: There are opportunities to revisit all the governance documents in concert with the review of the mandate to help ensure alignment and role clarity.***

YRRTC Response:

Roles and responsibilities are currently defined through various charters and agreements between the Corporation and Regional departments, outlining who is responsible for the services and deliverables.

Clarity in roles and responsibilities is important. These charters and agreements should be updated in conjunction with the update of the Articles of Incorporation and the Rapid Transit Agreement.

“Organizational Structure”

This section of the Audit Report provides opportunities and risks with the organizational structure, found in Table 2 of the report (**Attachment 1**)

- ***Recommendation 4.1.5: That consideration be given to formalizing an administrative reporting relationship between YRRTC and an executive lead at York Region to help ensure that decisions and actions taken by both entities are aligned and support the strategic direction of York Region and YRRTC. This consideration may be done in concert with the review of the mandate as noted in the mandate observation above.***

YRRTC Response:

The ongoing reporting relationship between the President and the Chairman should remain in place, however we welcome further dialogue regarding strengthening the administrative relationship with the CAO.

“Section 4.2: Opportunities to Increase Openness and Transparency”

“Presentations”

This section of the Audit Report provides an overview of the way in which presentations are leveraged and provided to the YRRTC Board of Directors, where they are stored

- ***Recommendation 4.2.1: That information to the Board of Directors and decisions required from the Board of Directors go forward as a report to allow for sufficient review and feedback through the administrative agenda review process.***

YRRTC Response:

YRRTC agrees that this is the practice whenever possible. Many decisions go forward to the Board in a report; however, given the nature of the work some decisions may need to be managed by way of resolution/motion of the Board, and documented in the Clerks minutes. All YRRTC Board presentations are saved in the Region's electronic filing system (eDocs).

“Private Session”

This section of the Audit Report provides observations on the public versus private nature of Board meetings and the frequency with which Board meetings are held publicly

- ***Recommendation 4.2.2: That where possible, YRRTC Board of Director meetings be held in open session and further, that items meeting the criteria for private session continue in private.***

YRRTC Response:

As a Share Capital Corporation, YRRTC is not subject to Council parameters for open and closed session.

YRRTC is supportive of holding items in public session where issues of confidentiality or sensitive negotiations are not present and appreciate the importance of demonstrating “openness and transparency”.

Private information is often provided by senior levels of government (Metrolinx, Ministry of Transportation (MTO) and Infrastructure Ontario (IO)) for projects such as the Yonge North Subway Extension and needs to be conveyed to the Board in private.

YRRTC is currently working with Legal Services to develop best practise for when meetings should be held in private versus public.

“Section 4.3: Opportunities to Improve Board Reporting”

“Project Testing”

This section of the Audit Report provides an overview of the findings from observing project updates regarding project risk, financing and contract changes to the Board of a sample of projects, including Davis Drive, TTC and Cornell Bus Terminal

- ***Recommendation 4.3.1: That a consistent approach for project reporting to the YRRTC Board of Directors be implemented.***

YRRTC Response:

Different funders and partners require specific levels of detail in certain formats to satisfy their requirements. For example, Metrolinx requires detailed monthly progress reports on the BRT Program. YRRTC provides quarterly reports to the Board on project progress and budget risk/status.

YRRTC will continue to use its discretion to determine what level of detail is required for various audiences and where consistency among reporting can further be provided.

“Purchase Orders and Change Orders”

This section of the Audit Report provides an overview of how construction and non-construction related change orders (COs) and Purchase Orders (POs) are managed

- ***Recommendation 4.3.2: That consideration be given to standardizing purchase order and change order processes to align purchase orders with change orders where possible including non-construction related changes.***

YRRTC Response:

On a large contract, there can be several hundred Change Orders (CO's). The process would be inefficient to change the Purchase Order (PO) each time there is a CO.

All PO's and Change Orders (CO's) are fully explained and documented by our contract management consultants before management approvals are made. All COs are accompanied by a detailed memo detailing the reasons for the change, which contract it's for, and has the full list of signature approvals required to support the change. All action request forms for PO changes have similar documentation.

YRRTC processes have been standardized and documented by way of flow charts to ensure appropriate internal controls are in place. Approval limit authority is outlined for the President to approve CO's and PO's, not requiring approval by the Board.

The Corporation currently reports to the Board on procurements and PO status through detailed quarterly reporting.

“Portfolio and Project Reporting Observation”

This section covers the level of project detail reported to the Board

- ***Recommendation 4.3.3: That enhancements to project reporting to the Board be made as noted in the list above. (i.e., Dashboard report; Percentage (%) complete; Budget to actuals comparison; Variance analysis; Significant change orders; Significant scope changes; Time overruns)***

YRRTC Response:

Progress on all capital projects have been disclosed to the Board using the quarterly reports and the budget process, as well as regular monthly updates to the Board either through presentation or reports on project milestones.

Similar to the recommendation from the Auditor, YRRTC will continue to use detailed risk-based reporting to the Board, as appropriate.

The Corporation currently provides this level of detail monthly to Metrolinx for the BRT program.

YRRTC will examine any additional tools and best practises that could be used to increase the Board's oversight and accountability, while striking the right balance between the Board and staff responsibilities.

Financial Considerations

There are no immediate financial implications associated with the findings of the Audit Report

- The Audit was internal, completed by staff at the Region, and did not require any additional funds
- A review of the Mandate and Articles of Incorporation may result in external consulting services costs

Local Impact

York Region Rapid Transit Corporation oversees and acts in the best interests of the Region in the delivery of rapid transit infrastructure for York Region

- YRRTC is responsible for the planning, design and construction of the York Region rapid transit network and related infrastructure. The expertise of YRRTC lies in project management, design and engineering, procurement and financial management, and community relations.

Conclusion

- The YRRTC Audit Report was presented to the Audit Committee and Regional Council on January 20, 2022, and February 24, 2022, respectively
- The Auditor found that the decision-making framework in place at YRRTC is working as intended
- The Board may wish to consider obtaining written feedback from YRRTC staff on the project delivery experience and lessons learned within the context of the existing mandate, changing landscape and legislation as part of the Shareholder' review of the Corporation's mandate.
- This report will be forwarded to an upcoming Audit Committee meeting.

For more information on this report, please contact Chad McCleave, Vice President and Treasurer at 1-877-464-9675 ext. 71015. Accessible formats or communication supports are available upon request.

Recommended by:

Mary-Frances Turner
President, YRRTC

April 5, 2022
Attachments (2)
eDOCS #13714856