2
OVERSIGHT AND AUDITS PERFORMED AT YORK REGION RAPID TRANSIT CORPORATION

The Audit Committee recommends the adoption of the recommendation contained in the following report dated September 5, 2012, from the Director of Audit Services.

1. RECOMMENDATION

It is recommended that this report be received for information.

2. PURPOSE

At its meeting on June 14, 2012 the Audit Committee requested information relating to oversight activities and audits performed at York Region Rapid Transit Corporation (Rapidco).

3. BACKGROUND

Rapidco is a non-profit organization incorporated on July 2, 2003, under the Ontario Business Corporations Act. It is 100% owned by the Regional Municipality of York. Funding of Rapidco transit projects is obtained through numerous providers. As per their December 31, 2011 audited financial statements, Rapidco has $0 in assets. Ownership of all transit projects is transferred to Metrolinx upon completion.

Being a totally separate entity from York Region, Rapidco has its own Board of Directors. The Directors manage the business through committees, or supervise the management directly. Rapidco does not presently have an appointed Audit Committee.

Rapidco's primary business activity is the design and delivery of York Region's VIVA rapid transit systems. It is accountable for delivery of transit related capital programs and projects worth approximately $3.191 billion. York Region provides funding of approximately $498.2 million dollars. Funding is also provided through Federal and Provincial sources:

Funding source	*Funding provider*	*Funding Amount (in millions)*
Metrolinx Master Agreement	Fully funded by Province	$1,755.0
Toronto-York Subway System Expansion (TYSSE) Contribution Agreement	Equal contributions from Federal, Province and Region	1,050.0
York Initiatives	Fully funded by Region	148.2
Canada Strategic Infrastructure Funding Agreement	Funded 50/50 between Federal and Region	170.0
Quick Wins Agreement	Fully funded by Province	67.6
Total		$3,190.8

At its meeting on June 14, 2012 the Audit Committee requested information relating to oversight activities and audits performed at York Region Rapid Transit Corporation (Rapidco).

4. ANALYSIS AND OPTIONS

Audits at Rapidco are performed regularly by various funding and non-funding parties

Metrolinx Master Agreement

Funding is provided based on a cash flow forecast. Typically a 3-6 month cash advance is provided from the $1.755 billion fund. Progress expense claims are audited quarterly by Metrolinx. Claims up to Q1 2012 have been successfully completed. Q2 2012 is currently under review.

In January 2012 Metrolinx audited five awarded contracts up to the end of 2011. As per the February 15, 2012 audit report from Metrolinx, Rapidco was fully compliant with the Metrolinx Procurement Policy and Province of Ontario Procurement Directive.

TYSSE Contribution Agreement

Expense claims for work performed by the Region on behalf of TYSSE are submitted to the Toronto Transit Commission (TTC) and audited internally by their Project Management Office.

Also, there is a tripartite agreement between York Region (YR) Audit Services, Toronto Auditor General's (AG) Office and the TTC Audit Office. The TTC is the lead audit office in creating an audit plan that includes TYSSE projects. This plan is submitted to the Toronto AG Office and YR Audit Services for review. Audit reports from any

TYSSE audits are submitted to YR Audit Services and the Toronto AG Office before it is sent to the TYSSE Executive Task Force.

York Initiatives

The ‘York Initiatives’ $148.2 million budget consists of approximately six projects with differing objectives and delivery dates. To date there has been very little spent, with major budget spending expected in late 2013 to 2015. Audit activity has not been assigned or agreed upon though any parties.

A brief explanation of the projects and associated budget follows:

Project / timeline	*Funding provider(s)*	*Funding Amount (in millions)*
Vaughan Metropolitian Centre (VMC) Terminal - 2015	$16 million from TTC, 12.5 million from York Region	$12.5
Access to TYSSE fee – 2013 & 2015	York Region - $10 million / year	30.0
Seven park & rides lots – 2013 to 2018	York Region	9.9
Transition from VIVA concourse level at VMC to subway level	York Region	14.0
Rapidway studies 2013-2014	York Region	3.2
Yonge St subway	York Region – funding conditional upon finding a partner to provide 50%, or $39.3 million, of the $78.6 million required	78.6
Total		$148.2

Canada Strategic Infrastructure Funding Agreement

The Region incurs the expenses and then claims those expenses from the Federal government annually. Expenses claimed are subject to a special independent annual audit co-ordinated through York Region Finance, before being sent for reimbursement from the Federal government.

Quick Wins Agreement

Annual reports are provided to the Province detailing activities on the agreed upon projects and funds drawn. No concerns have been raised by the Province for the 2010 and 2011 reports provided. The agreement ends in 2013.

York Region Rapid Transit Corporation Annual Financial Statements

Independent annual external audit performed by KPMG and co-ordinated through York Region Finance.

The YR Audit Services Audit Plan, approved by Regional Council on October 20, 2011, does not include audits to be performed at Rapidco, as Rapidco does not have any assets. However, Audit Committee can direct the Audit Services Branch to perform audits anywhere within the Region's operations.

5. FINANCIAL IMPLICATIONS

None.

6. LOCAL MUNICIPAL IMPACT

None.

7. CONCLUSION

To provide information to Audit Committee relating to oversight activities and audits performed at York Region Rapid Transit Corporation (Rapidco).

For more information on this report, please contact Paul Duggan at Ext.1205.

The Senior Management Group has reviewed this report.