

**Transit Operations Audit – Audit Report**  
**Private & Confidential**

<b>Appendix 2 – Criteria for Evaluating Audit Findings</b>	
<b>Priority Rating</b>	<b>Description</b>
<b>Priority 1 (P1)</b>	<p><b>One or more of the following conditions exist that require immediate attention of the Senior Leadership Team. Corrective actions by senior management must be implemented.</b></p> <ul style="list-style-type: none"><li>• Financial impact of both actual and potential losses is material</li><li>• Management’s actions, or lack thereof, have resulted in the compromise of a key process or control, which requires immediate significant efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks. Failure by management to remedy such deficiencies on a timely basis will result in the City being exposed to immediate risk and/or financial loss</li><li>• One more of the following conditions is true: i) management failed to identify key risks, ii) management failed to implement process and controls to mitigate key risks</li><li>• Management’s actions, or lack thereof, have resulted in a key initiative to be significantly impacted or delayed, and the financial support for such initiative will likely be compromised</li><li>• Management failed to implement effective control environment or provide adequate oversight, resulting in a negative pervasive impact on the City or potential fraudulent acts by City staff</li><li>• Fraud by management or staff, as defined by the Corporate Fraud Prevention Policy (Policy 2.14)</li></ul>

<p><b>Priority 2 (P2)</b></p>	<p><b>One or more of the following conditions exist that require attention by senior management. Corrective actions by management should be implemented.</b></p> <ul style="list-style-type: none"> <li>• Financial impact of both actual and potential losses is significant</li> <li>• Management's actions, or lack thereof, may result in a key process or control to be compromised, which requires considerable efforts and/or resources (including time, financial commitments etc.) to mitigate associated risks</li> <li>• Management correctly identified key risks and have implemented processes and controls to mitigate such risks, however, one or more of the following is true: i) the processes and controls are not appropriate or adequate in design, ii) the processes and controls are not operating effectively on a consistent basis</li> <li>• Management's actions, or lack thereof, have impacted or delayed a key initiative, and the funding for such initiative may be compromised</li> <li>• Management failed to provide effective control environment or oversight on a consistent basis, resulting in a negative impact on the respective division, or other departments</li> <li>• Management failed to comply with Council-approved policies, by-laws, regulatory requirements, etc., which may result in penalties</li> <li>• Management failed to identify or remedy key control deficiencies that may impact the effectiveness of anti-fraud programs</li> </ul>
<p><b>(Priority 3) P3</b></p>	<p><b>One or more of the following conditions exist that require attention by management. Corrective actions by management should be implemented.</b></p> <ul style="list-style-type: none"> <li>• Financial impact of both actual and potential losses is insignificant</li> <li>• A non-key process or control, if compromised, may require some efforts and/or resources (including time, financial commitments, etc.) to mitigate associated risks</li> <li>• Processes and controls to mitigate risks are in place; however, opportunities exist to further enhance the effectiveness or efficiency of such processes and controls. Management oversight exists to ensure key processes and controls are operating effectively</li> <li>• Minimal risk of non-compliance to Council-approved policies, by-laws, regulatory requirements, etc.</li> <li>• Low impact to the City's strategic or key initiative</li> <li>• Low impact to the City's operations</li> </ul>