

**Transit Operations Audit – Audit Report**  
**Private & Confidential**  
**Appendix 3: Criteria for Audit Report Rating**

Rating	Description
<p><b>Effective</b></p>	<ul style="list-style-type: none"> <li>• Key controls are adequately and appropriately designed, and are operating effectively to support objectives and manage risks</li> <li>• Audit recommendations resulted in only minor enhancements to the effectiveness or efficiency of controls and processes</li> <li>• One or more Priority 3 Findings</li> <li>• Insignificant cumulative financial impact when all audit findings have been considered</li> <li>• Audit findings would not be subject to a follow-up by Internal Audit</li> </ul>
<p><b>Improvement Required</b></p>	<ul style="list-style-type: none"> <li>• A few control weaknesses were noted that require enhancements to better support objectives and manage risks</li> <li>• One Priority 2 and Priority 3 findings</li> <li>• Priority 3 findings only where the cumulative financial impact is significant</li> <li>• Corrective action and oversight by management is needed</li> <li>• Audit findings could be subject to a follow-up by Internal Audit</li> </ul>
<p><b>Significant Improvement Required</b></p>	<ul style="list-style-type: none"> <li>• Numerous key control weaknesses were noted that require significant improvement to support objectives and manage risks</li> <li>• One Priority 1 finding or more than one Priority 2 findings and Priority 3 findings</li> <li>• Priority 2 and 3 findings only where the cumulative financial impact is significant</li> <li>• Corrective action and oversight by senior management is required</li> <li>• Audit findings will be subject to a follow-up by Internal Audit</li> </ul>
<p><b>Immediate Action Required</b></p>	<ul style="list-style-type: none"> <li>• Key controls are either not adequately or appropriately designed and are not operating effectively, or there is an absence of appropriate key controls to support objectives and manage risks</li> <li>• More than one Priority 1 finding, combined with Priority 2 or 3 findings</li> <li>• Regardless of the type of findings, the cumulative financial impact is material to the City's financial statements.</li> <li>• Confirmed fraud by management or staff</li> <li>• Corrective action and oversight by Senior Leadership Team is required immediately</li> <li>• Follow-up of such audit findings by Internal Audit would be of high priority</li> </ul>

