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March 28, 2013

Chair and Members  
City of London Audit Committee

**Re: City of London Internal Audit Services**

In follow-up to the February 4, 2013 letter inviting the Commission to engage the city's internal audit services (provided by PricewaterhouseCoopers) to undertake an internal audit of their respective operating processes, please be advised that the Commission, at its meeting of March 27, 2013, adopted the following related resolution:

The Commission:

- i) ADVISE the City of London of its support respecting the opportunity to utilize the city's internal audit services provided by PricewaterhouseCoopers LLP (PwC) to assess areas of revenue enhancement, and/or cost savings/containment and/or system efficiencies, noting same is consistent with London Transit's strategy of continuous improvement; and
- ii) INVITE the City of London Audit Committee, to have PwC select and complete a project for review in 2013, exclusive of those currently being addressed as part of the 2013 work plan, reporting to the Commission on the project selected, the review process to be followed and the resources (expertise) to be applied, prior to undertaking same noting that any demonstrable savings or efficiency gains would be applied to the current service deficit consistent with LTC's long term growth strategy

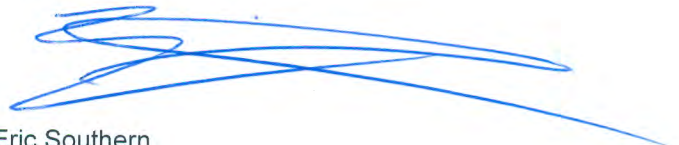
As referenced, the Commission supports the concept of utilizing the internal audit services recognizing the program is consistent with LTC's strategy of continuous improvement. The LTC Administration is available to assist, as may be appropriate, with the planning and completion of the selected area for operational review. Further, as referenced in part ii) of the resolution, the 2013 work plan priorities having as an objective, revenue enhancement, or cost savings/containment or service efficiency include:

- continued development and implementation of the Bus Rapid Transit (BRT) strategy congruent with the approved 2030 Transportation Master Plan. The BRT strategy supports moving more people in a more effective, efficient and sustainable manner. The development of the BRT Strategy includes the review/redefinition of the current route structure.
- transitioning parts procurement and related inventory management. The project has as its objective, reducing the cost of bus parts, benefiting from just-in-time parts delivery, and moving the bulk of LTC's \$2 million in inventory to a consignment basis. Moving to a consignment basis is intended to reduce inventory carrying costs, and administrative time processing quotes, purchase orders, invoices and accounts payable. The savings to-date in parts procurement costs have been reflected in the approved current operating budget. The target for moving to a consignment basis is the end of 2013.

- upgrading the Operator time-keeping system. Work is in progress on the extensive re-writing/upgrading of the current DOS based time tracking system related to the Operator payroll. The current system is dated and requires administrative time to review and reconcile the information. The system upgrade is critical to more timely and cost efficiency in managing Operator time and labour costs by pay element with each element being subject to requirements of the Collective Agreement and/or the Employment Standards Act and being assessed against budget.
- starting in the fall of 2013, moving to larger vehicles associated with the provision of the specialized transit service. The larger vehicles provide both improved capacity and scheduling flexibility providing the opportunity for higher trips per hour and lower cost per trip while addressing growing trip demand associated with continued significant growth in service registrations (and eventual expansion given AODA requirements) and the current high non-accommodated trips. Use of the larger vehicles offsets the extent of new service hours which will have to be added.
- continued development and phased implementation of the smart card program. The approximate \$3.7 million program (fully funded by Provincial Gas Tax program) has a number of objectives including:
  - replacing current pass and ticket programs (in a phased manner);
  - providing more accurate reporting of revenue ridership, primarily related to the current pass programs. Revenue ridership impacts fare pricing as well as amount of funds received under the Provincial Gas Tax program;
  - mitigate Operator - customer conflicts respecting fare payment;
  - reduce or contain fare program administration costs, which for cash, ticket and monthly pass fares represent approximately \$0.09 on the average fare or 7%. Fare administration costs account for approximately 22% of the Commission's general and administrative costs; and
  - provide for faster boarding improving service efficiency i.e. late service complaints
- developing in partnership with third parties, a business intelligence system enhancing performance management in a more timely and cost effective manner. The process would merge data from a variety of information systems reporting on same against predetermined measures or standards. The potential applications pertain to fleet and/or on-road service operations.
- post-rebuilding operational review/assessment of fleet and facility operations as per established performance review guidelines.

Thank you for your continued support of London's public transit services.

Yours truly,



Eric Southern  
Chair