Technical Standards and Safety Authority

Executive Summary - Annual Internal Audit of Compliance to Non-Regulatory Business Policy

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EXECUTIVE SUMMARY

BACKGROUND

In April 2010, a Memorandum of Understanding ("MOU") was established between the Ministry of Government and Consumer Services ("MGCS") and the Technical Standards and Safety Authority ("TSSA") permitting the TSSA to provide non-regulatory safety services, in addition to its statutory mandated business.

Under the MOU, the TSSA may enter into non-regulatory business arrangements that promote and enhance public safety, consistent with its vision and mission; Schedule A – Summary of Additional Objects of the Corporation of the MOU summarizes the non-regulatory safety services the TSSA may provide; Schedule B – Non-Regulatory Business Policy ("the Policy") of the MOU outlines the requirements and the principles that the TSSA must comply with throughout the lifecycle of non-regulatory safety services.

The MOU also requires the TSSA to engage an independent third party to conduct an annual audit of the TSSA's compliance with the Policy requirements under Schedule B of the MOU.

In Fiscal Year 2013, the TSSA conducted a detailed review of both its mandated and non-regulatory services, and considered whether the non-regulatory services are specifically permitted by the Technical Standards and Safety Act and the associated MOU. This review identified deficiencies, which necessitated the following:

- A re-alignment of financial reporting, as some services were misclassified between mandated services and non-regulatory services; and,
- A revision of the MOU to address non-regulatory services not previously covered, and to correct the misalignment of funds between the mandate and non-regulatory services within the financial statements.

At the present time, non-regulatory safety services are not a core function for the TSSA, nor is the revenue generated from these contracts material. However, with the increase in BPV work required with the refurbishment of the Darlington and Pickering Nuclear Reactors, the non-regulatory safety services is becoming more significant to TSSA's revenue and gross margin. In addition, TSSA provides inspection services to various Federal Government facilities, but is not actively pursuing new opportunities outside of the existing contracts in place, unless required by Government or specifically requested by an external organization.

For Fiscal Year 2016, revenue and net margin attributable to non-regulatory safety services were approximately $4,023,000 and $1,278,000 (31.8%) respectively, compared to Fiscal Year 2015 revenue and net margin of $3,645,000 and $1,419,000 (38.9%).

AUDIT OBJECTIVES

The objective of this internal audit is to assess TSSA's compliance with Schedule B of the MOU, and to identify business process improvement opportunities that will enhance the control framework and provide greater assurance over the achievement of the Policy requirements.
**SCOPE**

The scope of the internal audit is limited to the non-regulatory services provided between May 1, 2015 and April 30, 2016, in accordance with Section 5 – Non-Regulatory Business, Schedule A, and Schedule B of the MOU.

Excluded from the project scope are:

- Procedures to independently verify the accuracy and completeness of the recording, reporting and disclosure of the revenues and expenses related to performing non-regulatory business as reported within the TSSA’s financial statements.
- The appropriateness of the objects listed in Schedule A of the MOU;
- The TSSA’s compliance with any aspect of the MOU other than Section 5, and Schedules A and B; and,
- The information technology general and application controls within the Oracle system.

**CONCLUSION**

In performing the audit, we conclude in all material respects, the TSSA is in compliance with the policy principles in Schedule B of the MOU for period between May 1, 2015 and April 30, 2016.
We look forward to getting to know you and your organization.