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**December 9, 2016**

**VIA RESS AND COURIER**

Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27th Floor  
Toronto, Ontario M4P 1E4

Dear Ms. Walli:

**RE: EB-2016-0160 Hydro One Networks Inc. (“Hydro One”) Transmission Rates  
Application – Response to Undertaking J9.10**

Hydro One’s response to Undertaking J9.10 is enclosed.

Yours truly,

**McCarthy Tétrault LLP**

Per:



For: Gordon M. Nettleton

GMN

**UNDERTAKING – J9.10**

**Undertaking**

With reference to AMPCO IR 1 and the 2017 audit plan, and the category called "personnel cost savings analysis", to show connection to overtime spend. (Ref: Exhibit I-3-1-4)

**Response**

The audit plan is a forward looking plan which covers a two year period and goes through multiple levels of internal review prior to the final step of review and approval by the Audit Committee of the Board of Directors. To assist that process, the list of potential audits is grouped by line of business, and then each audit is identified by subject in the column titled "Review Area". To the right of the "Review Area" column is a column titled "Scope" where the anticipated scope is briefly described.

In the case of the audit that is the subject of the query, the subject area is "Personnel Costs - Savings Analysis", and the scope that was anticipated at the time the plan was circulated for review and approval is: "Perform analytical review of payroll costs, focus on areas of cost management including recurring overtime, absenteeism and compare to industry benchmarks".

In performing the audit and in conjunction with management of the area under review, the auditor will perform a detailed risk assessment that captures the perceived risks at that point in time and identifies the controls in place to mitigate those risks. The output of that effort then identifies the criticality of the various controls in place and, in turn, informs the construct of a detailed scope of work. Thus, the actual scope at the commencement of the audit can substantially differ from the scope that was anticipated at the time the multi-year plan was developed as the subject area's risks are then identified at a much more detailed level, and with the passage of time the risks change, the control environment evolves and thus the scope will adjust accordingly. Inclusion of this audit in the plan was consistent with the CEO's desire that Internal Audit be vigilant to possible cost saving opportunities in the conduct of its work.