

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: April 19, 2011

SUBJECT: INTERNAL AUDIT – ROLE AND MANDATE

ACTION ITEM

RECOMMENDATION

It is recommended that the TTC Audit Committee receive and approve the attached Internal Audit - Role and Mandate.

BACKGROUND

At its meeting on February 2, 2011, the Commission appointed Denzil Minnan-Wong, Norm Kelly and Frank Di Giorgio as members of the TTC Audit Committee.

DISCUSSION

The Audit Committee last reviewed the Internal Audit Department's Role and Mandate at its January 22, 2004 meeting. The document provides a brief summary of the role and responsibilities of the Internal Audit Department.

Richard G. Beecroft
Chief Auditor

Internal Audit

Role and Mandate

Mandate

The Toronto Transit Commission (TTC) supports Internal Audit as a service to the TTC in the discharge of its responsibility. Internal Audit shall provide independent evaluations of the related risk and effectiveness of the TTC's control systems, the quality of performance, and efficiency of operations.

Role

Internal Audit will independently examine and objectively appraise the adequacy and effectiveness of management, financial and operational controls, business processes, as well as provide recommendations for continuous improvements. Internal Audit is to have full and unrestricted access to all corporate records, property, and personnel relevant to the fulfilment of its responsibility.

To accomplish its role, Internal Audit will:

- Develop and carry out an audit plan based on a risk assessment of the TTC's operations.
- Ascertain the extent of compliance with the TTC's and Governments' policies, processes, and regulations.
- Review the reliability and integrity of financial information and the means used to identify, measure, classify, and report such information.
- Ascertain the extent to which the TTC's assets are accounted for and are safeguarded from losses of all kinds, and as appropriate, verify the existence of such assets.
- Appraise the economy and efficiency with which resources are employed, and identify opportunities to improve operating performance and achieve value-for-money.
- Review operations, projects, and programs to ascertain whether results are consistent with established objectives and goals, and whether they are being carried out as approved and planned.
- Evaluate information technology systems, including software and hardware, to ensure that such systems incorporate controls for data integrity, security, and auditability.

- Provide quality assurance that information technology systems incorporate appropriate controls by participation in the design, development, and implementation stages of the new systems and significant modification of existing systems.
- Quantify risk exposure and identify opportunities to minimize loss.
- Upon the completion of each audit, report to Management the results of the audit findings, including both acceptable items as well as noted deficiencies.
- Forward all audit reports along with Management's responses to the Chief General Manager for discussion, and follow up all audit recommendations.
- Report quarterly to the Audit Committee the status of the audits in progress, and any changes or variances to the annual audit plan.

Internal Audit will carry out special assignments as required, such as:

- Conduct scrutiny and verification of claims, costs, charges, and other relevant submissions to the TTC by its contractors, consultants, and other suppliers to ensure compliance with contracts and directions of the TTC, and the economical and efficient delivery of goods and services.
- Conduct/assist in special investigations into alleged or suspected irregularities involving employees and assets of the TTC, contractors, suppliers, etc., and to provide timely and accurate information resulting from these investigations; and liaise, where necessary, with other TTC Departments and law enforcement agencies with regard to relevant investigations.

Co-ordinate and assist the external auditors in connection with the annual audit of the TTC's financial statements.