

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: October 25, 2013

SUBJECT: PRESENTATION – TTC AUDIT – “MODERNIZING THE AUDIT
DEPARTMENT”

INFORMATION ITEM:

RECOMMENDATION

It is recommended that the TTC Audit Committee receive for information the attached TTC Audit presentation “Modernizing the Audit Department”.

01-27

Attachment: Presentation

TTC Audit

MODERNIZING THE
AUDIT DEPARTMENT



AGENDA

- TTC Modernization
- Modernizing Audit at the TTC
- Key Enablers of Audit Modernization
- Planned Audit Department Activities



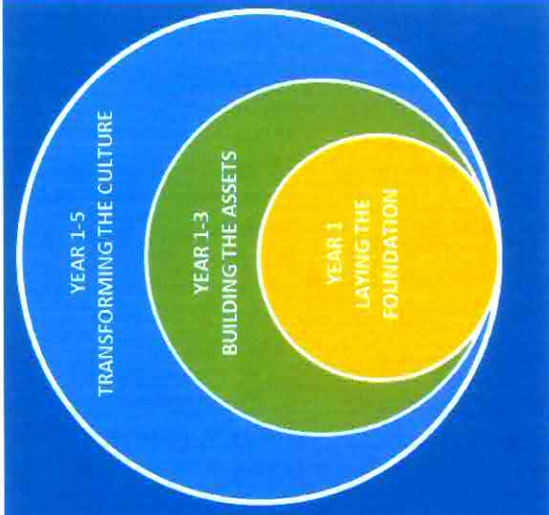
TTC MODERNIZATION

TTC IS MODERNIZING... WHILE DELIVERING SERVICE

Our Vision: A transit system that makes Toronto proud

Our Mission: To provide a reliable, efficient and integrated bus, streetcar and subway network that draws its high standards of customer care from our rich traditions of safety, service and courtesy.

Our Core Value: We value both the quality and quantity of time customers spend on the TTC.



Toronto Transit Commission • Five-Year Corporate Plan 2013-2017

TTC CORPORATE PLAN - CORE STRATEGIES



AUDIT'S ROLE IN THE CORPORATE PLAN

- Audit supports the TTC's achievement of the corporate plan by aligning risk factors to corporate strategic objectives.
- As a result, Audits are performed on key initiatives and the areas with the most corporate priority.

TTC AUDIT DEPARTMENT CHARTER

- Role and Authority
- Professionalism and Ethics
- Organizational Reporting Structure
- Responsibility
- Audit Work Plan
- Reporting and Monitoring
- Periodic Assessment and Peer Review



TYPES OF AUDITS PERFORMED

- Operational
- Capital
- Financial
- Investigations, Analyses and Special Reviews
- System Development Reviews
- Follow-up Audits





*MODERNIZING AUDIT AT
THE TTC*

TTC AUDIT DEPARTMENT IS MODERNIZING

- TTC Audit Department must modernize to effectively support the TTC modernization.
- The TTC Audit Modernization is built on three core principles:
 1. Risk Driven
 2. Adaptable to Business Change
 3. Standards Based



AUDIT MODERNIZATION PRINCIPLE – RISK DRIVEN

- Modernized approach centers on audit plans focused on the greatest risk to achieving TTC objectives
 - Previous approach was to rotate between department audits
- This shift is exemplified by the number of Audit resources allocated to Subway expansion.
- CEO, Executive and Senior Management provide input into risk analysis.
- Audit now reviews processes and controls on capital projects.

- Audit Planning and Prioritization Risk Factors:
 - Impact on Safety and Security
 - Impact on Customer Service and Accessibility
 - Potential Liability or Reputational Publicity
 - Assets at Risk, Including Liquidity of Assets and Protection of Information
 - Organizational Stability and Maturity of Operating Procedures
 - Legislation and Regulatory Requirements
 - Dollar value of Transactions
 - Complexity of Operations and Technology
 - Management’s Assessment of Corporate Risk
 - “Wildcard risk”

ALIGNMENT OF RISK FACTORS TO CORPORATE STRATEGY



TTC Core Strategy

Audit Planning and Prioritization Risk Factors	
S1	SAFETY (S1) - Transform our business through the systematic identification and control of risk
S2	CUSTOMER (S2) - Transform Customer Satisfaction
S3	PEOPLE (S3) - Transform Employee Engagement, Performance and Culture
S4	ASSETS (S4) - Excel at Asset Management and Operational Performance
S5	GROWTH (S5) - An affordable expansion program to match capacity to demand.
S6	FINANCIAL SUSTAINABILITY (S6) - Deliver Optimal Value for Money
S7	REPUTATION (S7) - Transform the TTC's reputation among stakeholders, media and peers
	Impact on Safety and Security
	Management's Assessment of Corporate Risk
	Impact on Customer Service and Accessibility
	Organizational Stability and Maturity of Operating Procedures
	Assets at Risk, Including Liquidity of Assets and Protection of Information
	Organizational Stability and Maturity of Operating Procedures
	Legislation and Regulatory Requirements
	Complexity of Operations and Technology
	Dollar Value of Transactions
	Wildcard Risk
	Dollar Value of Transactions
	Complexity of Operations and Technology
	Potential Liability or Reputational Publicity

- Modernized Audit approach adapts to changing business audit needs with introduction of “wildcard risk”
 - Previous approach was to rigidly follow a fixed plan for the year
- Wildcard risk factor reflects new and emerging risks that can potentially impact the TTC’s operations or achievement of the strategic mandate.
- Wildcard risk factor is continually updated based on updates to the corporate (enterprise) risk model.

- Modernized approach places increased emphasis on professional standards:
 - Institute of Internal Auditors (IIA)
 - Modernizing internal Audit work flow procedures
 - Standards based approach to updating Audit Department manual
 - Performing assessment of Audit job requirements
 - Skill sets required to fulfill Audit obligations
 - Standardizing of Audit reporting formats
 - Periodic assessment and peer review (effectiveness in application of Audit standards)
 - Report writing skills and effective communication

*KEY ENABLERS OF AUDIT
MODERNIZATION*

AUDIT MODERNIZATION KEY ENABLERS

- To be successful - Modernization of the Audit Department depends on the following key enablers:
 - Partnerships and Collaboration
 - Technology
 - Training
 - Organizational Structure and Staffing
 - “Best Practices” from Audit Industry



AUDIT MODERNIZATION ENABLER - PARTNERSHIPS

- Enabler – Partnerships & Collaboration:
 - TTC Audit Committee
 - TTC CEO, TTC Leadership
 - Relationship with Auditor General’s Office
 - “Shared Services” communications with City of Toronto, Toronto Police Service, Toronto Community Housing Corporation
 - Peer reviews with other N. American Audit organizations

- **Enabler – Technology:**
- **Audit Management Software - Software automating the Audit Department and adherence to professional standards:**
 - **Automate major audit processes**
 - Audit planning, control and departmental management
 - Audit standards and process automation
 - Increased audit efficiency, reporting and approvals
 - Audit working paper development, automation and retention, publishing
 - **Currently in the process of reviewing a proven, commercial cloud based vendor technology product**
 - Cloud based (Software as a Service) = Data centre is offsite from TTC properties
 - Cloud offers implementation, cost and operational advantages
 - Current customers include Canada Post, CPP (Canadian Pension Plan), NY Stock Exchange (Lloyd's Register), US Marshals Service

AUDIT MODERNIZATION ENABLER - TRAINING

- Enabler – Training:
- Investment in People
- Continuing Professional Development and Certification
- Professional Audit Memberships
- Increased Emphasis on Report Writing Skills

AUDIT MODERNIZATION ENABLER - STAFFING

- Enabler – Staffing:
- Updating Job Descriptions and Establishing Core Skills Requirements
- Professional Certifications
 - CPA/CA – Chartered Accountant / Chartered Professional Accountant
 - CIA – Certified Internal Auditor
 - CISA – Certified Information Systems Auditor
 - CFE – Certified Fraud Examiner
- Succession Planning



- **Enabler – Best Practices:**
- **Independence and Objectivity of the TTC Audit Department**
 - Functionally reports to TTC Audit Committee
 - Administratively reports to TTC CEO
- **Special Assignments - Sourcing External Experts**
 - For complex audit issues, not within scope of internal resource skills
e.g. Forensic accounting
- **Professional Auditing Standards**
 - IIA - International Professional Practices Framework
 - APTA – American Public Transportation Association
 - ISACA (COBIT) – Information Systems Audit and Control Association
 - COSO (Common Internal Control) – Committee of Sponsoring Organizations
- **Networking with Peers**

*PLANNED AUDIT
DEPARTMENT ACTIVITIES*

2013 AUDIT - WORK PLAN

Corporate Objective	Audit Project
People	Attendance Management
Assets	Rail Infrastructure (2 audits) – 1) Subway and SRT Track/Maintenance Engineering; and, 2) Streetcar Way
Growth	Toronto-York Spadina Subway Extension (TYSSE) – Construction Contracts
Growth	Waterfront Initiative – Union Station New Platform Project
Growth	Capital Project – Leslie Barns
Financial Sustainability	Contract Management Review

2013 AUDIT - WORK PLAN

Corporate Objective	Audit Project
Assets	Revenue Operations – Vault Management
Safety	Video Surveillance – Privacy Practices
Financial Sustainability	Inventory Control Processes (2 audits) – 1) Receiving processes and quality assurance function, and 2) Cycle count procedures and distributed stores controls
Financial Sustainability	Payroll – Exception Reporting (2 audits) 1) Divisional Operator/Clerical overtime reporting processes and controls 2) Sick Time and Vacation reporting processes and controls
Assets	Capital Project – Purchase of Subway Cars
Customer	Fare Change Process

2013 AUDITS - TO BE SCHEDULED

Corporate Objective	Audit Project
Growth	Waterfront Initiative – Union Station New Platform Project
Growth	Capital Project – Leslie Barns
Growth	Toronto-York Spadina Subway Extension (TYSSE) – Construction Contracts
Customer	Fare Media Sales
Customer	PRESTO – User Entity Controls
Growth	Dufferin Subway Station – Station Modernization Program

2013 PLAN - AUDIT 'ENABLERS'

Activity	Enabler
Partnerships & Collaboration	Independence - Reporting to CEO office
Partnerships & Collaboration	Relationships – TTC Leadership, Audit Committee, Auditor General
Partnerships & Collaboration	Shared Services and Peer Reviews
Technology	Audit Software Product Acquisition
Training	Continuing Professional Education
Staffing	Professional Certifications and Skills Development

