

# TTC AUDIT COMMITTEE REPORT NO.

**MEETING DATE:** October 25, 2013

**SUBJECT:** TTC AUDIT DEPARTMENT CHARTER

**ACTION ITEM**

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**RECOMMENDATION**

It is recommended that the TTC Audit Committee:

- 1) Receive for information the attachment “TTC Audit Department Charter”; and
- 2) Approve the “TTC Audit Department Charter.”

**FUNDING**

This report has no effect on the TTC’s capital or operating budgets.

**BACKGROUND**

The Institute of Internal Auditors professional standard “1000 – Purpose, Authority, and Responsibility” requires that the purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the definition of internal auditing, the Code of Ethics and the “Standards”.

**DISCUSSION**

An internal audit charter is a formal document that defines the internal audit activity’s purpose, authority, and responsibility. The charter also establishes the internal audit activity’s position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of audit engagements, and defines the scope of internal audit activities.

**JUSTIFICATION**

The approval of the TTC Audit Department Charter is a requirement for the TTC Audit Department’s compliance with the Institute of Internal Auditors’ professional standards.

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## TTC AUDIT DEPARTMENT CHARTER

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### ROLE AND AUTHORITY

The TTC Audit Department is established by the TTC Audit Committee and the Department's responsibilities are defined by the TTC Audit Committee as part of their oversight role.

The TTC Audit Department, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of TTC's records, physical properties, and personnel pertinent to carrying out any audit engagement.

All employees are requested to assist the Department in fulfilling its role and responsibilities. The TTC Audit Department will also have free and unrestricted access to the TTC Audit Committee.

### PROFESSIONALISM AND ETHICS

The TTC Audit Department will adhere to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the TTC Audit Department's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will be adhered to, as applicable, to guide the audit activities. The TTC Audit Department will also comply with TTC's policies and procedures, and the Department's standard operating audit procedures manual.

### ORGANIZATIONAL REPORTING STRUCTURE

The Head of Audit will report functionally to the TTC Audit Committee and administratively (i.e. day to day operations) to the TTC's Chief Executive Officer.

The Head of Audit will communicate and interact directly with the TTC Audit Committee and between Committee meetings, as appropriate.

## **RESPONSIBILITY**

The scope of the TTC Audit Department's auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the TTC's governance, risk management and internal control processes, as well as the quality of performance in carrying out assigned responsibilities to achieve the TTC's stated goals and objectives. This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the TTC.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the TTC's risk management processes.
- Performing advisory services related to governance, risk management and control as appropriate for the TTC.
- Reporting periodically on the TTC Audit Department's purpose, authority, responsibility, and performance relative to the audit work plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the TTC Audit Committee.
- Evaluating specific operations at the request of the TTC Audit Committee or TTC Management, as appropriate.

## **AUDIT WORK PLAN**

At least annually, the Head of Audit will submit to TTC Management and the TTC Audit Committee an audit work plan for review and approval. The audit work plan will consist of a work schedule as well as budget and resource requirements for the next calendar year. The Head of Audit will communicate to TTC Management and the TTC Audit Committee the impact of any resource limitations or significant changes to the audit work plan.

The audit work plan will be developed based on a prioritization of the audit universe entities using a risk-based methodology, including input from TTC Management and the TTC Audit Committee. Any significant deviation from the approved audit work plan will be communicated to TTC Management and the TTC Audit Committee through periodic activity reports.



## **REPORTING AND MONITORING**

A written report will be prepared and issued by the Head of Audit following the conclusion of each audit engagement and will be distributed as appropriate. Audit report results will also be communicated to the TTC Audit Committee.

The audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The TTC Audit Department will be responsible for follow-up on audit report findings and recommendations. All significant findings will remain in an open issues file until cleared.

## **PERIODIC ASSESSMENT AND PEER REVIEW**

The Head of Audit will communicate to TTC Management and the TTC Audit Committee on the Department's quality assurance and improvement program, including results of ongoing internal assessments and external peer review assessments conducted at least every five years.

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