



TTC Internal Audit Department - 2018 Flexible Audit Work Plan

Date: February 15, 2018
To: Audit and Risk Management Committee
From: Head of Internal Audit (Acting)

Summary

In accordance with the TTC Internal Audit Department's mandate and the TTC Audit and Risk Management Committee's Terms of Reference, the TTC Internal Audit Department is submitting its 2018 Flexible Audit Work Plan to the TTC Audit and Risk Management Committee (ARMC) for approval.

The TTC Internal Audit Department reports functionally to the ARMC and administratively to TTC's Chief Executive Officer. This dual reporting relationship enhances the ability of the Internal Audit Department to provide the ARMC and senior management independent assurance and insight into opportunities for improved efficiency and effectiveness of TTC governance, risk assessment, controls, and compliance systems.

By conducting risk-based operational and performance audits, that include testing and validating controls, Internal Audit supports the ARMC in its oversight responsibilities and steward of public funds. Also, to provide TTC senior management value-added audit services that improve mitigation of risks to achieve corporate goals and objectives, strengthen accountability for meeting strategic and operational performance expectations, and enforce greater fiscal integrity and transparency in governance and decision making.

Consistent with emerging best practices, Internal Audit combined the results of its risk analysis and interviews with TTC Board members and Executive management with a review of the new corporate plan. The corporate enterprise risk register and the activities of other internal and external assurance service providers and compliance functions were also reviewed. Through this analysis, Internal Audit identified audit topics that align with strategic objectives to ensure value and relevance. Further, audits on these topics would provide useful information for senior management and the ARMC as to the adequacy of related risk management, control and governance systems.

The Department's internal listing of audit topics and individual projects is dynamic and not exhaustive. The six key audit topics selected for Internal Audit's 2018 Flexible Audit

Work Plan are deemed to be of the highest priority given Internal Audit's risk assessment. The specific audit projects to be conducted in 2018 will be selected from this Work Plan and are dependent upon actual Internal Audit resources available throughout the year, results of preliminary data analytics performed, and emerging issues.

Regular, open and transparent communication with senior management, business risk owners and the ARMC is critical to the Department's success in being adaptable to changes in TTC's risks. Therefore, the Work Plan reflects the assumption that additional internal audit activities will be provided during the year to accommodate TTC management requests and to support the Special Operations Investigations Group. The Work Plan also allows for other important ongoing internal audit activities including: monitoring management action plans from past internal and external audits; ongoing risk assessment; departmental initiatives and improvements; learning and development; consulting and regulatory compliance services; and liaison with other relevant internal/external providers of assurance.

The progress of Internal Audit's work activities is reported quarterly to the ARMC. Best practice is to share Internal Audit's Work Plan with Board members for information, and for the ARMC Chair to provide commentary to the Board following each ARMC meeting.

Recommendations

It is recommended that the TTC Audit and Risk Management Committee:

1. Approve the attached TTC Internal Audit Department – 2018 Flexible Audit Work Plan.
2. Forward a copy of the approved TTC Internal Audit Department – 2018 Flexible Audit Plan to the TTC Board for information.

Financial Summary

The recommendations in this Report have no additional funding implications beyond the costs of the Internal Audit Department that were included in the 2018 Operating Budget and approved by the TTC Board on November 28, 2017.

Equity/Accessibility Matters

There are no accessibility or equity impacts associated with this report.

Decision History

The Audit and Risk Management Committee is responsible for overseeing the Internal Audit Function and approving the Department's annual audit work plan.

Issue Background

The Internal Audit Department has prepared its proposed 2018 Flexible Audit Work Plan for review and approval by the Audit and Risk Management Committee.

Comments

Internal Audit Risk Assessment - Sources of Information

To effectively fulfil the Internal Audit Department's mandate and deliver risk-based assurance and advisory services, the 2018 Flexible Audit Work Plan was developed by taking into consideration the following sources of information:

- TTC business acumen and knowledge of the TTC's risk assessment, internal control, and governance environment gained from past audit assurance and advisory work;
- Discussions with key stakeholders (e.g. TTC CEO, TTC Chiefs, TTC ARMC/Board members) on current challenges and emerging issues;
- Review of the TTC's 2018-2022 Corporate Plan;
- Risk Register Profiles developed through TTC's Enterprise Risk Management process;
- Key initiatives planned or implemented within each TTC Group;
- Issues and key performance trends discussed at TTC Board meetings, Board committees and Executive Committee meetings;
- Discussion and review of plans prepared by external assurance/advisory service providers engaged by TTC management for select projects and other purposes;
- 2018 TTC and Wheel-Trans Operating Budgets and 2018 – 2027 TTC Capital Budget;
- Potential issues identified through Internal Audit data analytics and prior work activities; and
- City of Toronto Auditor General's 2018 Work Plan.

Contact

Christine M. Leach,
Head of Internal Audit (Acting)
416-393-4277
Christine.Leach@ttc.ca

Signature



Christine M. Leach, CPA, CA, MAcc, CISA
Head of Internal Audit (Acting)

Attachments

Attachment 1 - TTC Internal Audit Department - 2018 Flexible Audit Work Plan

TTC Internal Audit Department - 2018 Flexible Audit Work Plan

Strategic Focus: Safety & Security

Audit Topic		Audit Projects	Description
1	Surface Collisions & On-Board Incidents	Safety Initiatives (Carry-Over from 2017)	Review the delivery and outcome of safety initiatives implemented to reduce surface collisions and on-board incidents.
		Incident Investigation & Root Cause Analysis	
2	Subway Track & Tunnel Work	Track Access Management (Scheduling) (Carry-Over from 2017)	Review track access management controls and safety measures in place to protect track level workers.
		Track Access Management (Planning)	
		Safety Initiatives	
		Subway Ventilation System – Inspection/Maintenance	
3	Emergency Management	Stations Emergency Desk (SED)	Review station management controls and communication protocols with other critical TTC groups and agencies when responding to unplanned emergencies to ensure service continuity thresholds are met safely.
		Subway Station Platform Crowding	
		Shuttle Bus Management	

Strategic Focus: Ridership & Reliability

Audit Topic		Audit Projects	Description
4	Surface Bus Service Evaluation	Ridership Monitoring (Vehicle Crowding)	Review processes for monitoring adherence to bus service standards and to make adjustments to address bus vehicle overcrowding issues.
		Service Adjustments	
5	Subway Infrastructure Asset Management	Subway Infrastructure Asset Identification and Maintenance Strategies	Review asset management strategies and related emergency preparedness for identified critical subway infrastructure.
		Asset Life-Cycle Management for Select Critical Assets	
		Infrastructure Resiliency and Emergency Preparedness	

Strategic Focus: Financial Sustainability & Revenue Protection

Audit Topic		Audit Projects	Description
6	Fare Evasion/Revenue Loss	Fare Inspection & Enforcement Model	Review TTC fare enforcement activities and analyze the impact/correlation between fare collection device availability/reliability and potential fare evasion/revenue loss.
		Fare Collection System Availability/Reliability Analysis – by mode	

Ongoing Internal Audit Projects

Project ¹ /Contract Review(s)	Project/Contract selection based on various criteria including third party risks on TTC service reliability.
Fraud Deterrence	Ongoing support to TTC's Special Operations Investigations Group.
Past Audit Follow-Up	Review status of various Management Action Plans (MAPs) and support for completed items.
Internal Governance Committees	Observe and support various internal governance committees and working groups as part of ongoing efforts to improve TTC's governance, control and risk framework.

¹ A number of TTC Capital and ITS projects have been identified for possible review in the City Auditor General's 2018 Work Plan. Internal Audit will not select these projects for review to avoid duplication of effort.