Item 1

For Action

Audit, Risk and Compliance: Work-in-Progress Status Update

Date: December 12, 2019
To: TTC Audit and Risk Management Committee
From: Head of Audit, Risk and Compliance

Summary

The Audit, Risk and Compliance Department (ARC) is currently working on a number of projects and initiatives. Specifically:

1. Risk Management – Identification of Top 10 Corporate Risks
2. 2019 Fare Evasion Study – All Modes
3. Corporate Compliance Program
4. Management Action Plan Tracking and Audit Follow-Up
5. Risk Advisory and Data Analytic Support

Results of our work will be presented to the Audit and Risk Management Committee (ARMC) upon completion.

Recommendations

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

1. Receive this report for information.

Financial Summary

There are no funding implications from the adoption of the report recommendations.

The Chief Financial Officer has reviewed this report and agrees with the financial summary information.

Equity/Accessibility Matters

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

Decision History

The Audit, Risk and Compliance Department identified in its 2019 Flexible Audit Work Plan, approved by the Audit and Risk Management Committee (ARMC) on February 26, 2019, a number of key audit projects and advisory activities. ARC staff has progressed on a number of critical initiatives outlined in our Plan to improve the TTC's governance, risk and control systems. Extensive ARC resources have also been dedicated to performing a 2019 Fare Evasion study following a methodology similar to that used by the City Auditor General in her 2018 report 'Review of Toronto Transit Commission's Revenue Operations: Phase One – Fare Evasion and Fare Inspection'.

https://www.ttc.ca/About_the_TTC/Commission_reports_and_information/Committee_meetings/Audit_Risk_Management/2019/Feb_26/Reports/7_An_Integrated_Strategy_%26_Flexible_Work_Plan_2019.pdf

Issue Background

ARC is providing this report to inform the ARMC of the status of various initiatives, the results of which will be reported upon completion of our work.

Comments

The following provides an overview of the progress being made on a number of key initiatives. Specifically:

1. Risk Management – Identification of Top 10 Corporate Risks

ARC staff is undergoing an extensive review of the existing corporate risk register and engaging Executive management in both group and individual sessions to refine its content. The aim is to reach a mutual understanding of risk management concepts as well as a general consensus on the top 10 corporate risks in Q1 2020. The final list will be shared with the TTC Board. Efforts will then be focused on defining the corporate risk appetite and updating the risk management framework to aid in the comprehensive assessment of the identified risks and development of holistic mitigation strategies.

2. 2019 Fare Evasion Study – All Modes

In its continued efforts to support fare evasion assessment and mitigation, ARC staff are conducting an extensive fare evasion study in November and December 2019 to mirror the time period covered by the City Auditor General (AG) in 2018. The inspection methodologies being followed by ARC for each mode will achieve representative results that reflect all TTC ridership, including by geographic area, peak and off-peak weekday and weekend service hours, and will be reported in Q1 2020. These results and ARC's 2019 Fall Tapping Behaviour Study observations may be leveraged to design strategic deployment schedules for Transit Fare Inspection and Enforcement teams.

3. Corporate Compliance Program

A strong Corporate Compliance Program with clear accountability is critical to the TTC. Expectations for compliance and reporting of compliance activities are increasing across agencies and the broader public sector. There is heightened awareness that a complacent culture can lead to major reputational, financial and safety risks – including criminal prosecution of our leaders and Board members. To assist the TTC in building a strong compliance culture, ARC is developing a Corporate Compliance Program (Program) consistent with *ISO 19600 - Compliance Management Systems*.

ARC envisions that a mature Program will provide:

- A **Corporate Compliance Policy and Framework** to govern our approach to compliance with applicable legislation, directives and policies including an effective state of internal control and independent monitoring.

- A **Corporate Compliance Register** where legislative and regulatory obligations are identified, ownership and accountability is established, and incidents of non-compliance are tracked to resolution.

- An annual **Legal Compliance Certificate**, signed off annually by Chiefs accountable for legislative compliance, to assure the ARMC and the Chief Executive Officer that they have exercised best efforts to comply with applicable laws and regulations, with major non-compliance issues identified and tracked to resolution.

ARC is in the process of soliciting input and socializing TTC Executive management with the Program concept to ensure it effectively supports the TTC in meeting its obligations and reducing risk of noncompliance. Information about the extent of compliance activities, tools and mitigation strategies currently applied and the most significant compliance risks faced by each area is being gathered. The results of these efforts will assist in the development of the Program.

In the meantime, ARC's completion of operating and capital contract reviews continue to inform Executive management of noted contractual risk gaps and financial exposure to excessive costs. In this respect, ARC staff aims to support the TTC's Chief Financial

Officer in her establishment of an efficient and effective commercial management function and framework.

4. Management Action Plan Tracking and Audit Follow-Up

ARC staff completes planned assurance/advisory work in accordance with its risk based Flexible Work Plan. Emerging issues and ad hoc management requests also prompt assignments to be completed. ARC formally reports to applicable management identified control improvement and efficiency opportunities, and management is responsible for implementing action plans and risk mitigation strategies with target completion dates to address noted audit concerns and exposures. While ARC supports management in the development and presentation of management corrective action plans to the ARMC, implementation of risk mitigation activities and monitoring of progress remain the responsibility of applicable management.

Similar to the work facilitated and coordinated by ARC staff to update the TTC Board and City Council on high priority audit reports as identified by the AG, ARC has initiated a major review of the status of all action plans put forth by management in response to internal audit reports presented between 2013 and 2019. The intent is to synthesize past recommendations and give focus to areas where risks still need to be mitigated based on consultation with management.

Following this process, a summary of the key risks and actions still requiring management attention will be prepared. The summary will include reaffirmed or revised target dates of when management expects to fully address the risks and implement the committed management action plans. ARC will validate key management assertions as to actions taken to address identified risks, but the nature and extent of the audit verification procedures may vary. The results of this initiative will inform future ARC Flexible Work Plans and assist in driving managerial accountability for implementation of agreed upon actions.

ARC's efforts to monitor the implementation of AG recommendations also continue. In response to a City Audit Committee motion, the City's Internal Audit Department has initiated a new City-wide quarterly monitoring and reporting process. A standard template was designed and circulated to all City divisions and agencies to be populated and updates will be shared with the AG. ARC coordinated, consolidated and compiled the summary of management responses for TTC's submission to the City but did not validate status assertions and details.

5. Risk Advisory and Data Analytic Support

Since the integration of the Risk Management Office with Internal Audit, ARC staff has provided risk advisory and data analytic support to facilitate a number of initiatives. Work continues to focus on modal collision reduction strategies, and development of holistic safety and service risk improvement strategies. One ARC staff resource has also been embedded within the LRT Operations Team to provide full-time risk management support.

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Signature

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