For Action

Audit, Risk, and Compliance – 2023 Audit Plan Status Update

Date: November 14, 2023
To: Audit & Risk Management Committee
From: Head of Audit, Risk, and Compliance

Summary

The Audit, Risk, and Compliance Department (ARC) 2023 Audit Plan was presented and approved by the Audit Risk Management Committee on February 13, 2023. The list of audit assurance projects identified for completion in 2023 are performed in addition to advisory or special requests subsequently put forward for ARC's consideration. Also, in 2023, ARC is facilitating the re-establishment of the TTC's Corporate Enterprise Risk Management program and continuing to partner with TTC Legal to enhance the Executive Compliance Certificate and related activities.

This report provides updated information with respect to ARC's progress on the 2023 Audit Plan items and additional activities.

Recommendations

It is recommended that the Audit and Risk Management Committee:

1. Receive this report for information.

Financial Summary

The implementation of the 2023 Audit Plan has no funding implications beyond the costs of the Audit, Risk, and Compliance Department that were included in the 2023 Operating Budget and approved by the TTC Board on January 9, 2023, and by the City Council on February 15, 2023.

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

Equity/Accessibility Matters

The independent assurance and advisory work of the ARC Department supports TTC leadership efforts to continuously improve controls and integrate risk management into processes that drive the achievement of corporate goals and objectives, including accessibility, diversity and inclusion.

Decision History

The 2023 Audit Plan was presented and approved by the Audit Risk Management Committee on February 13, 2023. The package of signed TTC Executive Compliance Certificates covering the period ending December 31, 2022, was also submitted to the ARMC on February 13, 2023.

[Audit, Risk and Compliance (ARC) – 2023 Audit Plan](#)

In accordance with the ARC Audit Charter, subsequent changes to the 2023 Audit Plan are presented to the ARMC for approval. On June 1, 2023, the addition of a 2023 Fare Evasion Study to ARC's Audit Plan was approved.

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Issue Background

The ARMC assists the TTC Board in fulfilling its oversight responsibilities in several areas, including: audits, a system of internal control, compliance with laws and regulations, enterprise risk management, and internal special investigation activities.

While it is the responsibility of TTC business areas to formulate policies and enforce compliance with plans and strategies, ARC can support those directly accountable for ensuring such plans achieve their stated objectives by providing management with independent assurance or function in an advisory capacity.

Comments

Status Update - 2023 Planned Audit Assurance Projects

#	Project Name	Status
1	Subway Car Maintenance Program	Complete
2	Operator Hiring, Onboarding, and Retention	Reporting
3	Fare Evasion Study	Reporting
4	Transit Control	Fieldwork
5	Transit Security	Fieldwork
6	Emergency Management & Business Continuity	Fieldwork
7	Capital Expenditures – Projects (Portfolio)	Deferred to 2024

Planned assurance projects are completed in three phases – Planning, Fieldwork and Reporting.

As of the date of this report, ARC staff has issued a final report summarizing key observations, recommendations, and agreed-upon management action plans for its review of the TTC's Subway Car Maintenance Program. Background details and a summary of high- and medium-rated observations for this assurance review have been provided in Attachment 1. ARC staff has also completed the draft report for the Operator Hiring, Onboarding, and Retention review and are working with responsible parties to obtain management action plans prior to final sign-off and issuance.

Planning and field work for two other 2023 assurance projects has also been substantially completed with the issuance of the final report, including agreed upon management action plans by responsible parties, targeted for year-end. Specifically, ARC's review of Transit Control and Transit Security (Special Constable Service Department). Fieldwork for a third 2023 project, Emergency Preparedness and Business Continuity, is scheduled to be completed by the end of December. Pertinent details for these reviews will be provided in a future audit plan update.

As approved by the ARMC, ARC added the completion of a full Fare Evasion Study to its 2023 Audit Plan. This prompted a concentrated effort and extensive use of ARC resources to co-ordinate and perform fieldwork for purposes of calculating new fare evasion rates for all modes. The results of this work are being validated and communicated with senior leadership and accountable management. The redirection of ARC resources to complete this project resulted in the deferral of the planned review of Capital Expenditure Projects (Portfolio) to 2024.

Finally, ARC continues to support and respond to special requests from TTC Executives and Senior Management, while balancing ARC staff capacity and value to the organization. Results are shared with applicable management, and ARC facilitates necessary discussions amongst all key stakeholders to support appropriate actions in response to critical observations and insights.

Other Internal Audit Activities

ARC senior staff completed its 2024 Audit Planning process whereby assurance projects identified for 2024 were selected based on several inputs, including discussions with Executive Leadership, ARMC Chair, and the City Auditor General (AG) regarding her tentative 2024 Audit Plan. To further refine potential audit project selection, ARC staff conducted an internal audit plan risk assessment by systematically mapping key TTC activities on a tiered basis and identifying variables against which a quantitative risk score was assigned. Calculated results, in combination with other qualitative factors and discussions, as noted above, helped to finalize the selection of audit assurance projects for ARC's 2024 Audit Plan.

In anticipation of initiating a future departmental quality assurance assessment, to be performed by an independent third party in accordance with International Internal Audit (IIA) standards, ARC senior staff are in the process of conducting a comprehensive self-assessment of departmental procedures to identify and prioritize where immediate improvements can be made. Preliminary results from this exercise support the department's implementation in 2023 of standardized and streamlined processes and templates that guide the planning, execution, and reporting of results for individual

assurance projects. Performance metrics and a summary dashboard are also being developed, and the dashboard will be presented at a future ARMC meeting.

Finally, ARC continues to play a critical role in supporting the AG to ensure deadlines for updated management response submissions are met, and to support accountable TTC Executives and their staff to provide complete responses. The AG has begun completing follow-up and validation work, and ARC will facilitate the process and discussions between the AG and TTC Executives as deemed appropriate and necessary. The AG will then present the results of their work to the ARMC and TTC Board as part of their regular process leading up to the submission of their report to the City of Toronto Audit Committee.

Enterprise Risk Management (ERM)

In early 2023, the need to re-establish a TTC ERM program that supported Executive Leadership and the ARMC to properly carry out its mandate for risk oversight was identified. At that time, the ARC Department commenced work to develop and execute a three-phased 2023 ERM Roadmap (see Attachment 2) designed to facilitate the ARMC and management's adoption of an integrated and sustainable ERM Framework.

ARC milestones are on track for full completion by year-end. Highlights of activities performed to date include:

- *Preliminary List of Top Risks* – ARC conducted interviews with each member of the TTC Executive Team, ARMC, and other stakeholders to identify events and threats that leadership felt could have the most critical impacts on the TTC. This preliminary list was provided to the third-party consultant procured by ARC in collaboration with the TTC's Procurement and Category Management Department to inform their process for validating and building consensus among Executives and Senior Management as to the top organizational risks.

- *ERM Framework* – Based on initial industry benchmarking, ARC has drafted a document that sets out a structured approach for the evaluation and regular reporting of risks by management to the ARMC. The scope for ARC's third-party consultant includes reviewing the ERM Framework and providing prioritized recommendations on such matters as governance and resource modeling, which is to be outlined in an ERM Program Roadmap.

- *ARC ERM Support* – Four senior advisors with specialized skill sets, including knowledge of risk methodologies and responses, were on-boarded in August. These resources will be dedicated to facilitating TTC Leadership in carrying out their roles and responsibilities for risk management.

- *Executive Risk Training and Assessment Workshop* – An Executive Risk Training and Assessment Workshop was delivered on October 26, 2023, by ARC's third-party consultant. During the Workshop, Executive and Senior Management attendees were provided an overview of basic risk principles and leading industry practices and then proceeded through a detailed voting process whereby each of the top risks identified prior was scored according to likelihood, impact, velocity

and leadership preparedness. The resulting prioritized list of risks mapped to Executive risk owners will be reviewed and prepared for presentation at a future ARMC meeting.

ARC's facilitation of the ERM program rebuild will support TTC Leadership in conducting careful and detailed analysis of significant risk exposures going forward so that strong risk mitigation strategies can be developed and implemented.

Contact

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Signature

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Attachments

Attachment 1 – ARC – Completed Assurance Review Results

Attachment 2 – ARC – 2023 ERM Roadmap

Assurance Review Results

<div style="background:#cc0000;color:#fff;text-align:center;font-weight:bold">Subway Car Maintenance Program</div>

Overall Owner: Chief Transportation and Vehicles Officer

Background:
The Rail Cars and Shops (RCS) Department is responsible for the TTC's subway car maintenance program. RCS works to ensure safe, clean and reliable rail vehicle service. RCS's rail vehicle maintenance services include preventive, corrective and predictive maintenance, and repair and overhaul of components and vehicles. RCS services also include asset management and vehicle engineering.

Scope:
The objectives of this review were to gain an understanding of the key processes and to assess whether effective and efficient preventive and detective controls exist to mitigate maintenance risks to subway car availability and service demand support to an acceptable level.

Summary of Results: Some Improvement (B): High and Medium rated observations are summarized as:
- RCS has not completed a Subway Car Asset Management (AM) Plan in compliance with O. Reg. 588/17 requirements, as the department is awaiting the corporate AM Policy.
- RCS has not defined technical maintenance performance metrics as part of its continuous improvement approach to its maintenance program.
- RCS's Standard Operating Procedures (SOP) process for the revision of three work instructions needs improvement to ensure the completeness and quality of the work instructions developed.
- Approximately 3,000-plus Toronto Rocket (TR) Corrective Maintenance Work Orders have not been analyzed for true completion status and closure.
- RCS's existing Quality Assurance SOP ROP-SP-50 has not been reviewed and revised, and lacks details as to the statistically determined frequency and number of Quality Assurance checks.

Number of observations and ratings:

High	Medium	Low
1	4	2

ARC 2023 ERM Roadmap

2023 ERM Roadmap