

# TTC AUDIT COMMITTEE REPORT NO.

**MEETING DATE:** October 26, 2012

**SUBJECT:** AUDIT RISK ASSESSMENT PROCESS

## **INFORMATION ITEM**

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### **RECOMMENDATION**

It is recommended that the TTC Audit Committee receive the information as set out below describing the risk assessment process followed for the planning of audit assignments.

### **FUNDING**

There are no funding implications.

### **BACKGROUND**

The TTC Audit Committee was advised at the April 30, 2012 meeting that the TTC Audit Department was undertaking a review of the Department's audit procedures and processes to provide both effective and value-added services to the TTC. Part of that review resulted in an updating of the risk factors applied to establish audit priorities and allocation of audit resources.

The TTC Audit Department had operated with the following nine risk factors for the past twenty years:

- 1) Safety and security
- 2) Dollar value of assets at risk
- 3) Prior audit results
- 4) Potential liability or reputational publicity
- 5) Business process changes and complexity of operations
- 6) Adequacy of policies and procedures
- 7) Technological change and complexity of technology
- 8) Dollar amount of department budget
- 9) Dollar value of transactions processed

Consequently, it was time to evaluate the appropriateness of these risk factors in reflecting current risks and ensure that risk-based audits are planned and prioritized.

**DISCUSSION**

The following risk factors will now be used for the planning and prioritization of audit assignments:

- 1) Impact on safety and security
- 2) Impact on customer service and accessibility
- 3) Potential liability or reputational publicity
- 4) Assets at risk, including liquidity of assets and protection of information assets
- 5) Organizational stability and maturity level of operating procedures
- 6) Legislation and regulatory requirements
- 7) Dollar value of transactions
- 8) Complexity of operations and technology
- 9) Management’s assessment of corporate risk
- 10) “Wildcard risk”

A significant improvement to the audit risk assessment process is including risks that can have an impact on customer service and accessibility (Risk Factor #2), and TTC Management’s assessment of corporate risk (Risk Factor #9).

A tenth risk factor has also been added to reflect new and emerging risks that can potentially impact the TTC’s operations. This “wildcard” risk factor will be used, along with the other nine risk factors, to assess current risks and can be changed over time to meet the TTC’s audit requirements. The “wildcard” risk factor will be continuously updated to ensure that current risks are considered in the development of the audit work plan.

**JUSTIFICATION**

This report is provided for information.

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