

TTC AUDIT COMMITTEE REPORT NO.

MEETING DATE: October 26, 2012

SUBJECT: EXTERNAL PEER REVIEW OF THE TTC AUDIT DEPARTMENT

INFORMATION ITEM

RECOMMENDATION

It is recommended that the TTC Audit Committee receive the information as set out below describing the requirement and timing for an external peer review assessment of the TTC Audit Department.

FUNDING

There are no funding implications.

BACKGROUND

The professional auditing standards of the Institute of Internal Auditors (IIA) require that an external peer review assessment of an organization's audit function is conducted at least once every five years. The last peer review of the TTC Audit Department was conducted in 2006 by the American Public Transportation Association's (APTA) Peer Review Panel.

An external peer review assessment of an internal audit function has many benefits in assessing performance and where opportunities for improvement exist. The IIA has outlined the following elements that are covered by an external assessment:

- *Conformance with the Definition of Internal Auditing; the Code of Ethics; and the IIA's Standards; and the internal audit activity's charter, plans, policies, procedures, practices, and applicable legislative and regulatory requirements.*
- *Expectations of the internal audit activity expressed by the Board, Senior Management, and Operational Managers.*
- *Integration of the internal audit activity into the organization's governance process, including the relationships between and among the key groups involved in the process.*

- *Tools and techniques employed by the internal audit activity.*
- *Mix of knowledge, experience, and disciplines within the staff, including staff focus on process improvement.*
- *Determination as to whether or not the internal audit activity adds value and improves the organization's operations.*

At the end of January 31, 2012 due to the TTC's planned 2011 budget reductions, the TTC Audit Department's audit staff was reduced by fifty per cent. Due to the reduction in staff resources and the need to establish new Departmental audit processes, the benefits of conducting an external peer review in 2011 or 2012 could not be assured and justification to incur the additional time and costs to conduct a review could not be supported.

DISCUSSION

The TTC Audit Department is updating the Department's auditing procedures, practices and processes to ensure that the IIA professional auditing standards are met and complied with.

The TTC Audit Department plans to submit a request for a Peer Review Panel to assess the Department's audit processes no later than 2017 to meet the five-year compliance standard as established by the IIA.

JUSTIFICATION

This report is provided for information.
