



STAFF REPORT ACTION REQUIRED

TTC Internal Audit Department – 2017 Audit Work Plan

Date:	February 9, 2017
To:	TTC Audit and Risk Management Committee
From:	Head of Internal Audit

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 2017 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 independent assurance and advisory services. Internal Audit work activities support the ARMC in its oversight responsibilities and steward of public funds, as well as, TTC management's initiatives to manage its risks to an acceptable level.

The Internal Audit Department completed a comprehensive risk assessment to finalize its selection of 2017 projects. The 2017 Audit Work Plan also reflects the assumption that additional assurance and advisory service projects will be provided during the year in response to specific TTC management requests and in support of special investigations. The progress of Internal Audit work activities is measured and reported quarterly to the ARMC.

Recommendation

It is recommended that:

1. The TTC Audit and Risk Management Committee approve the attached TTC Internal Audit Department – 2017 Audit Work Plan.

Financial Summary

The recommendation in this report has no additional funding implications beyond the costs of Internal Audit Department activities, which have already been provided for in the 2017 operating budget request.

Comments

To effectively fulfil the Internal Audit Department's mandate and deliver risk-based assurance and advisory services, the 2017 Work Plan was developed by taking into consideration the following sources of information:

- Discussions with key stakeholders (e.g. TTC CEO, TTC Chiefs, TTC Board Chair, ARMC Chair and other ARMC members) on current challenges and emerging issues;
- TTC's Corporate Strategic Plan, Customer Charter and Customer Survey results;
- 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;
- 2017 TTC and Wheel-Trans Operating Budgets and 2017 – 2026 TTC Capital Budget;
- Trends and anomalies identified through Internal Audit data analytics; and
- City of Toronto Auditor General's 2017 Work Plan to avoid duplication of efforts.

The resources of TTC's Internal Audit Department are limited. This impacts the number of internal audit projects that can be included in the 2017 Audit Work Plan. In tandem with the information listed above, consideration was given to a variety of risks that could significantly impact the achievement of TTC's strategic objectives. The new assurance and advisory projects selected for completion in 2017 take into account these factors and work plans of other external assurance and advisory service providers. Additional projects have been identified but deferred, subject to available hours.

The Internal Audit 2017 Work Plan is a dynamic document that may be revised in response to emerging and/or changes to assessed risks. Adjustments to the Internal Audit Work Plan and allocation of audit resources are reported to the ARMC accordingly.

Contact

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Attachment

Attachment - TTC Internal Audit Department – 2017 Audit Work Plan

Internal Audit Activities

2017 AUDIT WORK PLAN - ASSURANCE PROJECTS

- Safety Delivery Model (Legislative/ Regulatory Non-Compliance)
- Video Surveillance Program (Legislative/ Regulatory Non-Compliance)
- Surface Preventable Collisions (Customer Injury/Fatality)
- Subway Track & Tunnel Work (Employee Injury/ Fatality)
- *Subway Fire Ventilation and Emergency Response (Customer Injury/Fatality)**
- *Disorderly & Ill Patron Management (Customer Injury/Fatality)**

CUSTOMER

- *Station Cleanliness Maintenance (Customer Dissatisfaction)**

PEOPLE

- Selection and Use of Consultant/ Contract Staff (Lack of Transparency/ Excessive Costs)
- *Operator Recruitment, Training & Performance Management (Accidents/ Claims)**

ASSETS

- Asset Management: Subway Rolling Stock (HVAC, Doors & Brakes) (Unreliable Service)
- Asset Management: Subway Infrastructure (Switches & Track) (Unreliable Service)
- Asset Management: Streetcar Way Infrastructure (Switches & Track) (Unreliable Service)

GROWTH

- Project Assurance: Major Project Universe Risk Stratification & Review of Select Projects (Unfavourable Project Impact e.g. Project Delays/ Excessive Costs)

FINANCIAL SUSTAINABILITY

- Workforce Planning: Unionized Employees (Excessive Labour Costs)
- Revenue Protection Strategy: PRESTO Transition
- Contract Management: Contract Universe Risk Stratification & Review of Select Contracts (Mismanagement - 3rd Party Risk)
- *Surface Service Level Planning & Route Management (Ineffective Service Delivery/ Excessive Costs)**

REPUTATION

- Fraud Deterrence: Metals Management (Employee Theft/ Vendor Fraud)
- Fraud Deterrence: Tools Management (Employee Theft/ Vendor Fraud)

** Subject to available hours*

Internal Audit Activities

2017 AUDIT WORK PLAN - ADVISORY PROJECTS

SAFETY

- **Risk & Governance Committee (RGX)** - Standing member of the TTC RGX Committee; attend monthly meetings; and support improvements to TTC's ERM framework and monitoring activities

CUSTOMER

- **PRESTO – Governance** - Standing member of the PRESTO Audit and Assurance Committee (PAAC), representing TTC in accordance with the governance structure outlined in TTC's Master Agreement with PRESTO; and attend Joint Executive Committee (JEC) meetings as required

ASSETS

- **Asset Management Plan Development Support** - Support the Asset Management Executive Committee with regards to communicating asset management best practices

GROWTH

- **Project Management Maturity Plan** - Support the efforts of TTC's Portfolio Management Office to implement recommendations identified by KPMG in its TTC Capital Program Review report
- **TYSSE – External Service Provider (PwC)** - Facilitate awareness of TYSSE Independent Auditor activities as directed by the TYSSE Executive Task Force (ETF)

FINANCIAL SUSTAINABILITY

- **PRESTO – External Service Provider (PwC)** - Support TTC's Finance Department regarding the external financial statement audit and PRESTO 3416 report (Service Auditors' Report)
- **SAP/Vision – External Service Provider (E&Y)** - Attend Steering Committee meetings; and communicate with E&Y regarding its independent quarterly program reviews
- **Revenue Projection, Budgeting and Funding Envelopes** - Facilitate understanding of stakeholder reporting requirements (eg. Federal PTIF) and impact of PRESTO transition

REPUTATION

- **Fraud Mitigation Strategies** - Advise TTC Management with regards to its efforts to deter fraud and strengthen fraud mitigation strategies by communicating regularly with TTC's Special Investigations Unit, supporting TTC's Theft Awareness Campaign, and performing contract compliance work and data analytics
- **City Auditor General (AG) TTC Related Work** - Support TTC Management as required and deemed appropriate in response to planned and ad hoc AG audit work