



## **Audit, Risk and Compliance – Flexible Work Plan Status Update (Q1 2022)**

**Date:** March 31, 2022  
**To:** Audit and Risk Management Committee  
**From:** Head of Audit, Risk and Compliance (Acting)

### **Summary**

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The Audit, Risk and Compliance Department (ARC) purposefully designs its annual work plans to be flexible. This allows ARC to react to emerging issues in an agile manner and focus activities where feasible to either complete planned work or respond to ad hoc management requests. This report provides an update on ARC activities during the first quarter of 2022.

### **Recommendations**

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It is recommended that the Audit and Risk Management Committee:

1. Receive this report for information.

### **Financial Summary**

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The implementation of the actions outlined in this report has no additional funding implications beyond the costs of the Audit, Risk and Compliance Department that were included in the 2022 Operating Budget and approved by the TTC Board on December 20, 2021 and City Council on February 17, 2022.

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

### **Equity/Accessibility Matters**

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The TTC is committed to promoting and supporting accessibility, diversity and inclusion in all corporate policies, procedures, processes, programs and services to reflect and respond to the needs of our customers and employees. 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 achievement of corporate goals and objectives.

## Decision History

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The Audit, Risk and Compliance Department's Flexible Work Plan (2022) was approved by the Audit and Risk Management Committee (ARMC) on December 2, 2021 and forwarded to the TTC Board on December 8, 2021. ARC's commitment to intentionally remain agile and responsive to changes in the TTC's risk landscape was highlighted, including the need to avail ARC staff to the TTC CEO and Executive Team as they increasingly and proactively reach out for ARC's assistance to address known issues.

Understanding the need to remain flexible and responsive, as well as the practice of refining the scope of work activities as ARC's comprehension of exposures unfold, is essential to appreciating the expectations embedded in ARC's Flexible Work Plan (2022).

<https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Audit-and-Risk-Management/2021/December-02/3Audit-RiskandComplianceReportFlexibleWorkPlan-2022Decision.pdf?rev=a7329b94979f4b46a7fe9bd2cda73571&hash=BAF594D93870A69499192ECB6EFA7511>

<https://ttc-cdn.azureedge.net/-/media/Project/TTC/DevProto/Documents/Home/Public-Meetings/Board/2021/December-8/7 Transmittal Audit Risk and Compliance Report Flexible Work Plan 2022.pdf?rev=5a38670df08b41638b23f2079f7ba4a1&hash=94D09CC7684602E9A284AC0A93C425B8>

## Issue Background

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While it is not the ARC Department's responsibility to formulate policies or enforce compliance to plans and strategies, we can support those directly accountable and responsible for ensuring such plans achieve stated objectives by offering varying perspectives. In this respect, ARC provides independent assurance and advisory services aimed to continuously improve controls and risk mitigation.

## Comments

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### ***Completed Work Items***

The following provides an overview of key activities completed during the first quarter of 2022. Specifically:

## 1. CEO Special Requests – Lessons Learned Reviews

In January 2022, the TTC CEO requested ARC to perform three special lessons learned reviews. Two of these requests involved examining the facts and events that contributed to delays in the procurement of cybersecurity protection and hybrid electric buses; and the third was to conduct a post-incident review of the January 17 snowstorm to assess TTC Snow Plans and response efforts.

ARC completed these three requests concurrently, and each assignment involved gathering and reviewing a variety of documentation, conducting extensive interviews and summarizing the chronology of events for presentation to accountable Executives and the CEO. Key observations and lessons learned for these reviews are currently being discussed with TTC Executives.

## 2. Other Completed Work Items

ARC brought closure to a number of initiatives that were deferred due to the October 28, 2021 cybersecurity incident and/or the need to shift ARC resources to prioritize the three CEO requests, including the following:

- a) Audit Follow-Up Work – Divisional Clerk Resource Management: In 2019, ARC performed a review of Divisional Clerk Resource Management. A commitment was made at that time by accountable management to improve overtime monitoring controls and implement a comprehensive Management Action Plan that addresses overall management of clerical resources. ARC completed follow-up work in October 2021 to assess reported progress, and noted significant advancement of action items and ongoing efforts to reduce divisional clerk overtime. This resulted in an overall overtime reduction of 26% in Year-To-Date Period 8 2021 as compared with the same time period in 2020. The reduction is particularly significant given no clerical headcount was added to support the opening of the TTC's eighth bus garage, McNicoll Bus Garage, in March 2021.
- b) Data Analysis Support - Prompted by CEO and Executive Requests, ARC completed and presented the results of a variety of data analytic and diagnostic initiatives to the Chief Infrastructure and Engineering and Chief Vehicles. In this respect, ARC aims to demonstrate leveraging of data to corroborate anecdotal information, drive cost reduction strategies and highlight areas of expenditure where accountable Executives may engage their direct reports to further investigate trends of particular interest. Further to these requests, ARC shared the results of its SAP overtime analysis and safety product expenditures review with their management teams to drive deeper discussions as part of these Executive grassroots efforts to encourage more data-driven decision making. ARC will continue to support the sustainability of using and refining metrics that will aid in Executive oversight by ensuring knowledge transfer from ARC staff to designated individuals within these groups.

## ***In-Progress Work Items***

During the first quarter of 2022, ARC initiated work relating to two key items identified in our Flexible Work Plan (2022). Specifically:

### **1. Executive Compliance Certificate**

Based on our review of all Executive Compliance Certificates signed and submitted for the year ending September 30, 2021, ARC initiated discussions with Executives who had included comments on their certificates. ARC will continue to work with accountable Executives to facilitate greater understanding of roles and responsibilities, and commitment to actions necessary to address noted concerns. A key area of focus for ARC will involve reviewing the policies and procedures that support the TTC's compliance with the Toronto Public Service Bylaw, given the link between effective governance of employee behaviour and fraud risk management.

### **2. Enterprise Risk Management**

ARC is committed to driving a review of the current and future state of Enterprise Risk Management at the TTC to ensure alignment with the "Three Lines" governance model. This framework asserts an internal audit group should serve as an independent third line function, while accountability for risk management lies with frontline management. The model further advocates that centralized and/or embedded risk management support functions can progress the maturity of risk management processes and corporate incident reporting. In contrast, since the dissolution of the TTC Risk Management Office in 2019, a gap in concentrated resources dedicated to supporting operational areas, in particular, to manage risks holistically has persisted. Benchmarking current practices that would drive a pragmatic, operations-centric model will be reviewed by ARC in consultation with Executives. Integration of Enterprise Risk Management with business continuity and emergency preparedness principles will be considered as a means to formulate and give focus to resiliency goals.

## ***On-Going Work Items***

ARC monitors TTC submissions to the Auditor General's TeamMate system and to prompt accountable Executives for appropriate action as target due dates approach. While still subject to validation by the Auditor General, progress reported by management and any changes in target due dates are summarized and presented regularly to the CEO. The intent is to drive continuous awareness and performance management oversight by the CEO regarding the implementation of Auditor General recommendations.

## Contact

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## Signature

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