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Date: February 15, 2018  
To: TTC Board  
From: TTC Audit and Risk Management Committee  
Subject: TTC Internal Audit Department – 2017 Year-End Summary

The subject report, reviewed at the TTC Audit and Risk Management Committee on February 15, 2018, is forwarded to the TTC Board for information.

**Original signed by Chrisanne Finnerty for**

Head of Commission Services

Attachment: TTC Internal Audit Department – 2017 Year-End Summary



# TTC Internal Audit Department - 2017 Year-End Summary

**Date:** February 15, 2018  
**To:** Audit and Risk Management Committee  
**From:** Head of Internal Audit (Acting)

## Summary

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Internal Audit completed a variety of independent audit activities in 2017. This work culminated in eight formal Internal Audit reports and three Education Sessions being presented to the Audit and Risk Management Committee (ARMC) throughout the year.

Internal Audit completed other audit work in response to specific management requests, in support of the Special Operations Investigations Group, and to review the status of management's actions plans for select past audits. Internal memos were issued and/or discussions with management were held as required.

Three additional planned assurance projects started in 2017 will be completed in 2018. However, two other assurance projects have been deferred as internal audit resources were unavailable to initiate work in 2017. Contributing factors to the shortage of internal audit resources during the latter part of 2017 were unforeseen, and actions to minimize the impact going forward into 2018 are being pursued.

Finally, Internal Audit's planned project to stratify the universe of TTC's major projects for the purpose of audit selection and review was cancelled. Instead, Internal Audit will leverage the work led by TTC's Portfolio Management Office (PfMO) to develop a Project Management Framework in consultation with a roster of external consultants.

Details of Internal Audit's activities have been summarized in Attachment 1 - Internal Audit Department 2017 Year-End Summary.

## Recommendations

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It is recommended that the TTC Audit and Risk Management Committee:

1. Approve the attached TTC Internal Audit Department – 2017 Year-End Summary.

2. Forward a copy of the approved TTC Internal Audit Department – 2017 Year-End Summary to the TTC Board for information.

## **Financial Summary**

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The recommendations in this Report have no financial impact as the purpose is to summarize TTC Internal Audit Department activities for 2017 and deviations from the approved Internal Audit 2017 Work Plan,

## **Equity/Accessibility Matters**

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There are no accessibility or equity impacts associated with this report.

## **Decision History**

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On February 9, 2017, the ARMC approved the Internal Audit Department's 2017 Audit Work Plan.

[https://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2017/February 9/Reports/4 2017 Audit Work Plan.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2017/February%209/Reports/4%202017%20Audit%20Work%20Plan.pdf)

Quarterly updates as to the progress of planned internal audit activities have been provided to the ARMC throughout the year.

[https://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2017/May 29/Reports/7 Internal Audit Activities Quarterly Update Q1 2017.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2017/May%2029/Reports/7%20Internal%20Audit%20Activities%20Quarterly%20Update%20Q1%202017.pdf)

[https://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2017/September 27/Reports/2 Internal Audit Activities Q2 2017.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2017/September%2027/Reports/2%20Internal%20Audit%20Activities%20Q2%202017.pdf)

[https://www.ttc.ca/About the TTC/Commission reports and information/Committee meetings/Audit Risk Management/2017/December 13/Reports/5 %20Internal Audit Activities Quaterly Update Q3 2017.pdf](https://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Committee%20meetings/Audit%20Risk%20Management/2017/December%2013/Reports/5%20Internal%20Audit%20Activities%20Quarterly%20Update%20Q3%202017.pdf)

## **Issue Background**

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The Audit and Risk Management Committee is responsible for overseeing the Internal Audit function and reviewing the Internal Audit Department's activities, staffing and organizational structure. A final year-end summary has been prepared to facilitate discussion and review of internal audit activities during 2017. However, results of the audits conducted have been presented to the ARMC separately throughout the year.

## Comments

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### Internal Audit 2017 Audit Work Plan - Assurance Projects

Internal Audit identified fourteen assurance projects in its approved 2017 Work Plan. Comprehensive audit reports were presented to the ARMC for seven of these projects throughout the year. An eighth audit report was issued for an unplanned item initiated to support fraud deterrence and the efforts of the Special Operations Investigations Group. The results of each assurance project prompted management to prepare Management Action Plans to address underlying risks and control gaps, or to acknowledge and accept residual risks. The completion of action items is tracked using TTC's Enterprise Risk Management software, First Priority.

Internal audit work completed in 2017 also resulted in three education sessions for the ARMC. The first session concentrated on facilitating the ARMC's understanding of its oversight role and responsibilities outlined in its Terms of Reference. The second session focused on the complexities and impact of existing Collective Bargaining Agreement (CBA) provisions on bus operator workforce planning and key cost drivers. This material was also presented to the Human Resources and Labour sub-committee of the TTC Board prior to upcoming 2018 union negotiations. The final session provided ARMC members with the opportunity to question the risks and mitigation strategies adopted by management with respect to PRESTO implementation.

Preliminary scoping work was completed in the last quarter of 2017 for two more 2017 Work Plan items (Surface Collisions & On-Board Incidents and Subway Track & Tunnel Work). These two projects will be completed in 2018. Limited scope for a third planned project (i.e., Safety Delivery Model) is being completed in conjunction with the work planned for these two projects, as the roles and responsibilities for managing safety risks are split between corporate safety, safety consultants embedded within operations groups and departmental level management. Therefore, relevant safety initiatives and the working relationship between these groups are being reviewed within the context of surface bus transportation and subway infrastructure maintenance operations.

Internal Audit identified in its 2017 Work Plan the need to develop a risk stratification framework to classify major projects for potential audit selection and review. However, results of the KPMG Capital Review prompted TTC's Portfolio Management Office (PfMO) to engage a number of external consultants to develop a Project Management Framework in 2017. The PfMO's intent is to integrate project risk management with enterprise risk management, and to establish the mechanism by which TTC identifies, manages, and reports risks to achieving all project objectives. Consequently, Internal Audit cancelled its planned project to develop a separate risk stratification framework to avoid duplication of effort.

Further, the status and emerging issues impacting key TTC projects are regularly brought forward to senior management's attention via the Project Review Board and other relevant Steering Committees, and to the Board via the CEO's report. The establishment of a new Capital Procurement and Project Management Working Group in late 2017 also gives greater visibility to select projects. Internal Audit will support

these project governance systems and leverage the PfMO's work going forward as deemed appropriate.

Finally, due to internal audit resource capacity issues experienced during 2017, Internal Audit was unable to initiate work on two planned asset management projects within Subway and Streetcar Infrastructure groups.

See Attachment 1 - 2017 Year-End Summary for details.

### **Internal Audit Ongoing Activities - 2017 Results**

Internal Audit completed a number of smaller assignments at the request of management, in support of the Special Operations Investigations Group, and to review the status of implementation of management actions plans for select past audits. Internal Audit's efforts to support TTC's internal governance committee structure also continued, as did our serving as TTC's representative on the PRESTO Audit Assurance Committee.

Key departmental initiatives included the completion of an initial Assurance Mapping exercise to identify other sources of assurance being provided by internal compliance functions, external service providers and regulatory bodies. This information served as input into Internal Audit's ongoing risk assessment and 2018 audit planning process.

See Attachment 1 - 2017 Year-End Summary for details.

### **Internal Audit Resource Issues**

Since 2012, the approved head-count for the Internal Audit Department has been ten, including the Head of the Department and an Administrative staff. The Head of Internal Audit has been serving as the Acting Chief Financial Officer since August 2017; an Audit Manager is temporarily serving in the role of Manager of Financial Statements within the Finance Department for approximately five months to assist in the completion of 2017 year-end financial statements, as the regular incumbent has been assigned to the SAP project; and two audit staff positions are vacant.

The ability to attract experienced, designated professional staff to maintain the Department's full staff complement has proven to be exceptionally difficult in recent years given competitive market conditions. Consequently, the Acting Head of Internal Audit has been working with Human Resources staff during the latter part of 2017 to review all departmental job descriptions and organizational structure to address recruitment challenges and enhance the Internal Audit Team's ability to serve the requirements of the ARMC and senior management efficiently and effectively.

Recruitment for the two vacant full-time audit staff positions is expected to begin during the first quarter of 2018, pending proper approvals. The feasibility of procuring professional internal audit staff from specialized agencies in the interim for temporary assignments is also being explored.

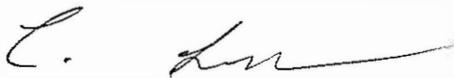
## Contact

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## Signature

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Christine M. Leach, CPA, CA, MAcc, CISA  
Head of Internal Audit (Acting)

## Attachments

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Attachment 1 - TTC Internal Audit Department - 2017 Year-End Summary

## TTC Internal Audit Department – 2017 Year-End Summary

TITLE		Deliverable
<b><i>Completed Activities</i></b>		
1	PRESTO Device Monitoring (2017 Work Plan)	ARMC Audit Report
2	Asset Management – Subway Rolling Stock (T1 Hot Cars) (2017 Work Plan)	ARMC Audit Report
3	Use of Consultant Staff (ECE & ITS) (2017 Work Plan)	ARMC Audit Report
4	Use of Video Surveillance (2017 Work Plan)	ARMC Audit Report
5	Review of Select Contract – Repair of Linear Induction Motors (2017 Work Plan)	ARMC Audit Report
6	Fraud Deterrence: Lost Articles Office (Unplanned)	ARMC Audit Report
7	Fraud Deterrence: Metals Management (2017 Work Plan)	ARMC Audit Report
8	Fraud Deterrence: Tools Management (Follow-Up) (2017 Work Plan)	ARMC Audit Report
9	ARMC Terms of Reference Review	Education Session
10	PRESTO Presentation	Education Session
11	Workforce Planning: Bus Operators (2017 Work Plan)	Education Session
12	2017 Intria (CIBC) Site Visit (Collector Cash Deposit Bank Errors)	Internal Memo
<b><i>In-Progress Activities</i></b>		
13	Surface Collisions and On-Board Incidents (2017 Work Plan) <i>(C/F to 2018)</i>	ARMC Audit Report
14	Subway Track and Tunnel Work (2017 Work Plan) <i>(C/F to 2018)</i>	ARMC Audit Report
15	Safety Delivery Model (2017 Work Plan) (Combined with #13 & #14)	ARMC Audit Report <sup>1</sup>
<b><i>Ongoing Activities</i></b>		
16	Past Audit Follow-Up of various Management Action Plans	Assurance/Advisory
17	Support to Special Operations Investigations Group	Assurance/Advisory
18	TTC Management Requests	Assurance/Advisory
19	TTC Internal Governance Committees and Working Groups	Advisory/Support
20	Presto Audit Assurance Committee	Advisory/Support
21	Departmental Activity – Assurance Mapping (Continuous Risk Assessment)	Assurance/Advisory
<b><i>Deferred/Cancelled Activities</i></b>		
22	Asset Management: Subway Infrastructure (2017 Work Plan)	Deferred to 2018
23	Asset Management: Streetcar Infrastructure (2017 Work Plan)	Deferred to Future Date
24	Project Risk Stratification and Review of Select Project (2017 Work Plan)	Cancelled

<sup>1</sup> Roles and responsibilities for managing safety risks are split between Corporate Safety, Safety Consultants embedded within operations groups and departmental level management. Relevant safety initiatives and the working relationship between these groups is being reviewed as part of the broader scope for the audits of 'Surface Collisions and On-Board Incidents' and 'Subway Track and Tunnel Work'.