



For Action

Audit, Risk and Compliance – 2022 Flexible Work Plan Status Update

Date: February 13, 2023
To: TTC Audit and Risk Management Committee
From: Head of Audit, Risk and Compliance

Summary

The Audit, Risk and Compliance Department (ARC) purposefully designed its 2022 work plan to be flexible. This allowed 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 outlines activities completed since the last Audit and Risk Management Committee (ARMC) meeting in June 2022.

Recommendations

It is recommended that the Audit and Risk Management Committee:

1. Receive this report for information.

Financial Summary

Costs of work summarized in this report were included in the 2022 Operating Budget 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

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 including accessibility, diversity and inclusion.

Decision History

The ARC Department's Flexible Work Plan (2022) was approved by the 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 in an advisory or reassurance capacity.

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).

[Decision: Audit, Risk and Compliance Report: Flexible Work Plan \(2022\)](#)

[Audit, Risk and Compliance Report – Flexible Work Plan \(2022\)](#)

Issue Background

While it is not the ARC Department's responsibility to formulate policies and implement controls, 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

Overview

Details of ARC activities completed since the last June 9, 2022 ARMC meeting for each identified 2022 Flexible Work Plan topic are outlined in Appendix 1. In general, the relaxing of COVID restrictions and the TTC's return-to-office mandate provided an opportunity for ARC to re-establish a presence amongst business groups by completing a variety of focused reviews, which included on-site visits and field testing, where feasible. On-site visits allowed ARC staff to gain a better understanding of current state processes, many of which still rely on manual controls, and to evaluate the impact, if any, of changes made in response to the hybrid work model.

During this period, ARC also completed an additional two CEO requests. One involved ARC identifying lessons learned and opportunities for improving winter preparedness and co-ordination of extreme weather event emergency responses with the City and other agencies. This culminated in ARC facilitating a comprehensive presentation to the CEO where the Executive commitment for completion of corrective actions was

articulated. The other involved ARC reviewing the chronology of events and identifying lessons learned associated with project procurement activities.

Fraud Risk Focus

ARC initiated a number of activities that collectively aimed to improve fraud risk management, particularly in areas where responsibility for oversight and governance required clarification to align with organizational and post-pandemic process changes. Observational themes noted by ARC include the need for TTC Leadership to:

- Explicitly ensure management is aware of potential fraud schemes that may occur in areas for which they are responsible and have established systems of controls and metrics to monitor compliance. Also, that accountable Executives understand and acknowledge oversight for implementing effective fraud risk mitigation strategies as part of a collective corporate effort to promote a culture of compliance and ethical behaviour.
- Formally acknowledge policy management responsibilities including the need to provide clear interpretation and guidance for policies and programs where managerial discretion and oversight have been decentralized. For example, primary responsibility for monitoring overall compliance and consistent application of the personal automobile use mileage reimbursement and clothing voucher allowance programs.
- Continue ongoing efforts to automate processes to enhance efficiency and reduce inherent risk of errors associated with manual processes. Also, to provide user groups with improved tools and reports with sufficient granularity of detail to aid in timely and effective compliance monitoring and follow-up of any identified anomalies.

Safety Risk Focus

ARC completed work that touched on a number of operational safety-related items. Specifically, ARC reviewed the 10 matters reported by Executives on their signed Executive Compliance Certificates (ECC) for Year 1 and conducted deeper dives on those issues where safety concerns were highlighted. ARC also independently initiated work in targeted areas upon reviewing high-profile reports of safety violations noted by other benchmark transit agencies. Details and outcomes of this work include the following:

- ARC conducted a targeted gap analysis of the TTC's 207S Apprenticeship Program and Plans for Streetcar Overhead work resumption on Toronto Hydro shared utility poles – a matter reported by the Chief Operations and Infrastructure Officer (COIO) on his Year 1 ECC. The work resulted in ARC facilitating a joint session between the Chief Safety Officer and the COIO to discuss recommendations for stronger safety risk mitigation and compliance – namely greater oversight over Personal Protective Equipment (PPE) requirements in high-voltage environments, the need to re-issue a

revised Corporate PPE Matrix and recommendations for Safety and Environment (S&E) staff to conduct consultations with the Overhead Department to support the development of a Corporate Electrical Safety Program so that priority areas can be identified. The session resulted in an agreed upon joint action plan.

- ARC reviewed a matter reported by the Chief Transportation and Vehicles Officer (CTVO) on his Year 1 ECC and identified the opportunity for an improved process to ensure Pre-Start Health and Safety Reviews (PSRs) or PSR exemptions are prepared for new or modified industrial equipment in accordance with Occupational Health and Safety Act (OHSA) requirements. For example, as part of the Asset Management Program, the Vehicles Group will input all new equipment into an asset registry to ensure a review of PSR requirements is completed, and will work with the PCM Department to incorporate a contractual requirement for PSRs to be provided as part of industrial equipment purchases. The S&E Department also completed an initial document inspection of all Transportation and Vehicles Group facilities, and intends to perform a thorough analysis in 2023 in conjunction with developing a corporate program outlining PSR requirements to provide future guidance.
- ARC's review of the May 16, 2022, Washington Metrorail Safety Commission (WMSC) report, *Metrorail's Improper Power Restoration*, and related reports, along with concerns about the effects of COVID-19 limitations on in-person TTC training programs, prompted ARC to review the TTC's compliance with its electrical safety training requirements. Following discussion of relevance and comparison of Metrorail's issues to the TTC with management, ARC reviewed and tested compliance with the required training curriculum for a sample of employees who performed power cuts and isolations during June and July 2022, and re-tested compliance in November 2022. ARC concluded that Signals/Electrical/Communications (SEC) Department SEC significantly improved its training compliance for the samples and courses tested, and while it was noted SEC had updated its training matrix in the TTC's Learning Management System (LMS) and is actively monitoring compliance, continued efforts are needed to reach a 100% compliance rate and reduce the risk that unqualified personnel perform a power cut.

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Attachments

Attachment 1 – ARC 2022 Flexible Work Plan Update – Supplementary Details

ARC 2022 Flexible Work Plan Update – Supplementary Details

ARC Focus	Update – ARC Activities
Enterprise Risk and Resiliency Management	ARC obtained an understanding of the past TTC ERM efforts including achievements and lessons learned. In 2023, ARC will facilitate the re-establishment of an ERM framework appropriate for the TTC. Initial emphasis will be placed on building a consistent understanding of integrated risk management concepts and top risks amongst the Executive Team, as well as reaching consensus as to primary accountability for mitigating those risks.
Executive Compliance Certification	Partnering with Legal, ARC conducted an applicability scoring exercise with Executive Team members to support continued legal compliance education and Year 2 sign-off of the Executive Compliance Certificates (ECCs). Extensive work was also initiated by ARC to address matters reported by Executives on their Year 1 certificates, culminating in the identification of compliance management improvement opportunities.
Fraud/Misconduct, Waste and Ethics Culture	<p>ARC completed independent assurance work to assess compliance with a number of policies and programs susceptible to abuse/error, taking into consideration any changes in fraud risk due to the adoption of a hybrid work model. Work was also completed in response to management requests. Specifically, the following areas were reviewed:</p> <ul style="list-style-type: none"> ▪ Clothing Voucher Program ▪ Safety Footwear Voucher Program ▪ Personal Automobile Use Policy (Mileage Claims) ▪ P-card Policy (Transactional Review) ▪ TTC Cafeteria Cash Handling Controls <p>Opportunities for improving compliance and reducing potential abuse were identified, and overall themes of ARC observations were noted.</p>
Audit Follow-up	<p>ARC continues to provide support as deemed necessary to ensure timely Executive response to Auditor General inquiries and follow-up reporting activities.</p> <p>ARC also completed follow-up work to assess the status of Engineering, Construction and Expansion's implementation of agreed upon management action plans associated with four ARC reviews conducted in 2019 and 2020. Specifically, of the 17 action items identified for follow-up, based on work performed and discussion with the Chief Capital Officer, ARC assessed six as complete, three still in progress and eight as closed at the project level; i.e. due to the nature of the action item, the common themes are being addressed through the TTC's Capital Projects Governance Framework as presented to the Board in December 2021, and the establishment of TTC's Commercial Management function.</p>

ARC Focus	Update – ARC Activities
Digital Transformation and Innovation	ARC continues to support risk indicator/metric development as part of its audit project work assessment and evidence gathering processes. ARC also works to identify current limitations and opportunities to improve data quality and usage, as well as promote grass roots efforts where feasible as part of the TTC’s ongoing digital transformation and innovation.
Cybersecurity	<p>Cybersecurity remains a focus of the City Auditor General’s (AG) TTC work plan. Having already presented the results of their phase 1 work on critical IT assets and user access management, the AG intends to complete phase 2 of their work that involves penetration testing, etc. As such, ARC is not actively engaged in completing any specific cybersecurity review at this time.</p> <p>However, ARC benefited from completing a CEO request in 2022 that focused on the procurement of cybersecurity management tools and services, and as such gained a better understanding of the response and improvements implemented following the October 2021 cyber incident. The potential impact and industry-wide trend of increased cybersecurity risks on cyber insurance requirements that must be satisfied to secure coverage is an area of interest and backdrop that will continue to be explored as part of future TTC cybersecurity risk assessments.</p>
IT Security and Incident Management	Similar to Cybersecurity, the City Auditor General and external auditor continue to perform work that address IT risks; and ARC continues to have ongoing discussions with the embedded audit and compliance specialist within the TTC’s IT Service Department to understand her areas of focus.
Financial Accounting/ Reporting Developments	ARC discusses relevant issues with the Finance Department and the TTC’s external auditors (KPMG) to ensure the ARMC is informed in a manner that supports adherence to the ARMC’s Terms of Reference. In particular, ARC has been staying abreast of strategies and external audit work aimed at ensuring future compliance with the new Public Sector Accounting Board (PSAB) standard relating to Asset Retirement Obligations.