



Audit, Risk and Compliance – 2026 Audit Plan and Departmental Evaluation

Date: December 1, 2025

To: Audit & Risk Management Committee

From: Head of Audit, Risk and Compliance

Recommendations

It is recommended that the Audit & Risk Management Committee:

1. Approve the ARC Audit Plan (2026) – attached as Attachment 2 to this report.

Summary

ARC Audit Plan

The Audit, Risk, and Compliance (ARC) Audit Plan outlines the reviews and nature of internal audit work that ARC intends to conduct in 2026. By focusing ARC internal audit resources on key areas, we aim to maximize benefits for the TTC, such as enhancing operational efficiency, ensuring regulatory compliance, and providing valuable insights for informed decision-making.

ARC takes into consideration a variety of inputs to identify planned audit work for the year. These inputs include:

- Interaction and discussion with Executive Management and select Senior Management;
- Interaction and discussion with the External Auditor;
- Interaction and discussion with the Audit & Risk Management Committee (ARMC);
- An audit universe risk assessment;
- Enterprise risks; and
- External literature and news events from professional bodies and organizations.

The Proposed Audit Plan for 2026 consists of four comprehensive assurance projects and four follow-up validation projects, the results of which will be reported to the ARMC as part of regular ARC Audit Plan Status Updates. This Proposed Plan (see Attachment 2) is being submitted for review and approval by the Committee.

An additional project on overtime management is being considered for inclusion in the audit plan. Analysis is being performed prior to making a final recommendation. This project or an alternative will be suggested at the next ARMC for approval.

This work will be completed in addition to any ad hoc advisory work and special requests submitted to ARC throughout the year.

ARC Audit Charter

An audit charter serves as a foundational document that defines the purpose, authority, and responsibility of the internal audit function and establishes its role within the organization.

It provides the TTC a blueprint for how internal audit will operate and explains the value of internal audit's independence in providing assurance and advisory services to the TTC.

There is no update to the approved Audit Charter.

Independence and Objectivity

Per the new Institute of Internal Audit (IIA) standards, the internal audit function must be positioned within the organization to ensure independence and objectivity. The function must report functionally to the Board and administratively to Senior Management. There is a requirement to report any impairment(s) to the independence of the internal audit function. ARC notes that there have not been any impairments to independence to date for 2025.

Quality Assurance and Improvement Program (QAIP)

It is mandated in the Audit Charter that ARC will maintain a QAIP. The program covers all aspects of the ARC Internal Audit function and requires conformance with the Institute of Internal Audit (IIA)'s Standards.

The program consists of continuous oversight and review of each engagement, an annual internal assessment of conformance with the Standards, and the engagement of a qualified external party to perform an assessment of the internal audit function every five years.

An internal assessment is currently underway to identify opportunities for improvement. The findings will be reported at the next ARMC meeting.

Background and Analysis

ARC remains committed to working collaboratively with TTC leadership to deliver independent assurance reviews, advisory services, and special requests that support organizational improvement and risk management.

Our integrated team of professionals brings diverse skills and experience to these activities. To ensure flexibility and access to specialized expertise, ARC can also utilize a co-sourcing resource model. This approach enables us to engage subject matter experts, as required.

Assurance reviews are risk-based and may cover various organizational areas, functions, or initiatives. Each review is tailored in scope, objectives, and testing approach, and is subject to annual planning aligned with the TTC's strategic priorities.

Advisory services and special requests are typically initiated by management and involve ARC providing specific guidance on specific business areas. These engagements are assessed based on factors, such as alignment with future assurance plans, the capabilities of ARC staff, and their relevance to corporate objectives.

In addition to delivering these core services, ARC has placed increased emphasis on monitoring and following up on the implementation of management action plans. This follow-up activity reinforces accountability, supports risk mitigation, and ensures that audit recommendations translate into meaningful improvements.

ARC continues to evolve its practices to deliver high-value insights and maintain strong partnerships across the organization.

ARC Planning Considerations

ARC's planning approach is designed to ensure that audit activities are strategically aligned with the TTC's priorities and responsive to emerging risks. To develop the annual Audit Plan and broader ARC activities, the Head of ARC solicits input from Executive Management, select Senior Management, external auditors, and the Audit & Risk Management Committee (ARMC). This collaborative process helps ensure that areas of high importance are appropriately addressed.

In addition to stakeholder input, ARC draws on the team's collective experience gained through prior assurance and advisory engagements. We also conduct literature reviews and monitor developments from professional bodies and industry sources to stay informed of current and emerging risk areas.

An element of our planning process is the completion of a risk assessment of the TTC risk universe, conducted with input from the Enterprise Risk Management (ERM) team. This assessment helps identify potential review projects and informs prioritization decisions.

To further strengthen the planning process, ARC corroborates its risk assessment and project identification with information collected from management and stakeholders regarding other audits, reviews, and self-assessments conducted within their areas. This helps ensure that ARC's activities are complementary, non-duplicative, and reflective of the broader assurance landscape across the organization.

The resulting list of potential assurance reviews is evaluated alongside other planned activities and resource capacity constraints to determine the final scope and number of reviews to be conducted. ARC remains flexible to integrate emerging priorities or adjust timelines as required by business developments. All changes are reported to the ARMC for approval.

In 2025, ARC continues to focus on tracking and following up on management action plans, particularly those that are due or overdue. This ensures that agreed-upon actions

are implemented in a timely manner and that audit recommendations lead to tangible improvements. Follow-up activities are now a key consideration in our planning and resource allocation processes.

Diversity, Equity, and Inclusion Matters

The TTC is committed to promoting and supporting equity, diversity, inclusion, and accessibility (EDIA) 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 ARC supports TTC leadership efforts to continuously improve controls and integrate risk management into processes that drive the achievement of corporate goals and objectives, including EDIA.

Innovation and Sustainability Considerations

ARC's audit and advisory activities contribute to innovation and sustainability by promoting continuous improvement in governance, risk management, and internal controls. Through its assurance work, ARC helps identify opportunities for operational efficiencies, digital transformation, and process enhancements that support long-term organizational resilience.

Corporate Plan Alignment

ARC's independent assurance and advisory work support all five strategic directions of the TTC's Corporate Plan. By strengthening governance, risk management, and internal controls, ARC contributes to building a future-ready workforce equipped to manage complex challenges. Audits of service reliability and associated performance metrics help improve transit experiences, supporting efforts to attract new riders and retain customer loyalty. The department facilitates the maturation of the Enterprise Risk Management (ERM) Program, directly advancing the TTC's transformation and modernization initiatives.

Financial Impact

The implementation of the 2026 ARC Audit Plan noted here does not require any additional funding and is substantially consistent with the approved 2025 Operating Budget. However, the inability to hire for open roles may impact the delivery of this plan.

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

Contact

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Attachments

Attachment 1 – Decision History
Attachment 2 – Proposed 2026 Audit Plan

Decision History

The TTC Board reaffirmed the mandate of the TTC Audit & Risk Management Committee (ARMC) on November 16, 2020. The ARMC assists the TTC Board in fulfilling its oversight responsibilities across various areas, including the internal audit function. This involves ensuring that Audit, Risk, and Compliance operates independently and effectively, aligns with the TTC's strategic objectives, and provides assurance over governance, risk management, and internal control processes. A requirement of the ARMC is to approve the annual internal audit work plan.

Proposed 2026 Audit Plan

#	Project Name	Description	Rationale
Assurance Reviews			
1	Fare Evasion – Line 6	Evaluate fare evasion for the new LRT Line 6. Line 5 may be included if operationalized at the time of review.	Key operational, reputational, and financial impact. Top Risk (Financial Sustainability).
2	Wheel-Trans	A review of process and controls over Wheel-Trans capturing modal split, scheduling/service planning, and accessibility.	Accessibility risk and customer impact.
3	Privileged Access	A review of process and controls over privileged access across the IT and OT environments.	High risk due to elevated access.
4	Contract Review	A review of process, compliance, and controls for a select contract including identifying potential recoveries.	Contract/Vendor monitoring. Opportunity for recoveries. Top Risk (Third Party).
Follow-Up Validation and Other Support Work			
5	Follow-Up – AG Audit Recommendations	Ongoing support provided to Chiefs and Senior Management accountable for the implementation of AG Recommendations. Work includes conducting validation assessments of all items put forth by the TTC as fully implemented to improve the acceptance rate of the TTC's submissions by the AG. Also, to supplement the AG's annual Follow-Up report with ARC-prepared dashboards and deeper insight into actual TTC Management progress.	TTC ARMC Request.
6	Follow-Up – ARC Audit Recommendations	Ongoing verification of implemented internal audit recommendations and status of outstanding action items.	ARC Compliance with IIA Standards. Enhance control environment.
7	Follow-Up – Fare Compliance Action Plan Initiatives	Ongoing support provided to Chiefs and Senior Management accountable for the implementation of Fare Compliance Action Plan Initiatives. Work may be advisory in nature and/or include conducting validation assessments of items reported by TTC Management as fully implemented.	Corporate Plan (Strategic Direction 5). TTC Management Request.

Attachment 2

8	Follow-Up – Hatch Consultant/APTA Hydraulic Leak Investigation Recommendations	Ongoing support provided to Chiefs and Senior Management accountable for the implementation of various third-party Hydraulic Leak Investigation Recommendations. Work may require consultation with original source(s) of recommendations and conducting validation assessments of items reported by TTC management as fully implemented.	TTC Board Request. Corporate Plan (Core Value – Safety/Security). Top Risks (Disruptions, Customer/Employee Safety)
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