For Action
with Confidential Attachment

Audit, Risk and Compliance – 2025 Year-End Enterprise Risk Management Update

Date: December 1, 2025
To: Audit & Risk Management Committee
From: Head of Audit, Risk and Compliance

Reason for Confidential Information

This report contains information related to the security of the property of the municipality or local board.

Recommendations

It is recommended that the Audit & Risk Management Committee:

1. Receive this report for information.

2. Authorize that the information contained in the Confidential Attachment remain confidential as it contains information about the security of the property of the local board.

Summary

The Audit, Risk and Compliance Department (ARC) has been tasked with progressing the maturity of the Enterprise Risk Management (ERM) Program at the TTC and provides this report to the Audit & Risk Management Committee (ARMC) to share information on the status of the ERM Program.

This report provides an overview of the following items:

Key Enterprise Risks Overview: Provides an overview of the 10 Key Enterprise Risks that the TTC has identified as inherent to its operations and business environment. The identification and assessment of these Key Enterprise Risks define the types and level of exposure that the TTC may encounter in the pursuit of its objectives and Corporate Plan. The identification, assessment, monitoring, and reporting of these Key Enterprise Risks is intended to assist in the prioritization of proactive mitigation strategies and to provide information to support decision-making.

Risk Appetite Statements Update: ARC facilitated the development of Risk Appetite Statements for the TTC's 10 Key Enterprise Risks as communicated in the 2025 ERM Roadmap. The development of these Risk Appetite Statements was completed in collaboration with key stakeholders throughout 2025 and articulates the acceptable levels of risks the TTC is willing to accept or take in relation to each Key Enterprise Risk. The use of these Risk Appetite Statements and forthcoming tolerance limits will enable the organization to promote consistency in decision-making related to risks, manage the effects of uncertainty, and build stakeholder confidence.

2025 ERM Roadmap Update: This report provides the details of ARC's annual roadmap of deliverables that were highlighted in March 2025. Evaluating progress against annual goals ensures adequate progress and allows for refinement of actions, if necessary, to adapt to any changing priorities or emerging threats in the business environment. ARC has successfully completed all planned activities as outlined in this roadmap and will now commence the development of the 2026 ERM Roadmap.

Background and Analysis

The TTC is continuing to build its ERM Program with the goal of, *Building Resilience and Capacity to Manage Enterprise Risks and Threats,* and providing the ARMC with enhanced oversight to effectively manage key risks. Throughout 2025, ARC has focused on developing and strengthening the foundational components outlined in its 2025 Roadmap to ensure the long-term success of the TTC's ERM Program. The elements described in this report collectively contribute to maturing the TTC's ERM Program and fostering a risk-aware culture.

Key Enterprise Risk Overview

The TTC has identified and assessed 10 Key Enterprise Risks as the primary source of potential exposures that may impact the achievement of its objectives and goals. These Key Enterprise Risks have been identified and defined in alignment with the TTC's Corporate Plan and are a foundational tool from which specific sub-risks, risks, events, and applicable mitigation strategies are derived.

The associated risk heatmap provides a visual representation of the level of exposure to risks in the absence of controls and mitigation strategies. This inherent risk assessment provides a baseline that assists in the prioritization of appropriate response strategies and resource allocation.

Throughout 2026, ARC will re-evaluate current inherent risk ratings and collaborate with stakeholders to determine the residual risks of Key Enterprise Risks through the following activities:

- Identification and assessment of sub-risk categories and individual risk events, which contribute to Key Enterprise Risks.
- Identification of key controls and assessment of their effectiveness.

- Validation of Key Risk Indicators (KRIs) and other metrics, which will be used to monitor risk exposures and alignment with desired risk appetites.

Risk Appetite Statements Update

The TTC's 10 Key Enterprise Risks and ERM Framework are fundamental elements to ensuring that risks are proactively and systematically managed organization-wide as an interrelated portfolio. To complement these elements, ARC facilitated the development of Risk Appetite Statements with risk owners throughout 2025 for each Key Enterprise Risk to articulate the acceptable level of exposure to each risk that the TTC is willing to accept or take in the pursuit of its objectives and achievement of its long-term goals.

The establishment and communication of Risk Appetite Statements align with industry best practices, is a critical component of effective risk management, and will enable the TTC to:

- Support risk governance by providing the ARMC and Executive Management with appropriate information to make better risk-informed decisions.
- Strengthen the organization's risk culture through clear communication and guidance.
- Drive performance by empowering staff at every level to make timely, risk-aware decisions.
- Reduce the TTC's exposure to risks while providing assurance that key risks are understood and mitigated.

The ERM team and risk owners are currently focused on validating KRIs and tolerances that will be used to monitor the TTC's level of exposure to each Key Enterprise Risk, and alignment with desired risk appetites. An update on the applicable metrics will be provided as part of the ARMC update in 2026.

2025 ERM Roadmap Update

In March 2025, ARC provided its 2025 ERM Roadmap detailing key initiatives it would progress throughout the year to advance the TTC's ERM program maturity. To date, ARC has completed the following:

- Continued to progress the alignment of operational and enterprise risk management practices.
- Collaborated with IT Services and other stakeholders to review system tool requirements to support integration of Audit, Risk, and Compliance information, reporting, and risk register development.
- Consult with the Executive Team to establish Risk Appetite Statements.
- Enhances Risk on a Page Reports for all 10 Key Enterprise Risks based on lessons learned/feedback.
- Commenced the assessment of Key Enterprise Risk sub-categories.
- Developed ERM Program KPIs.

Diversity, Equity, and Inclusion Matters

ERM supports TTC leadership efforts to continuously improve controls and integrate risk management into processes that drive the achievement of corporate goals and objectives, including equity, diversity, inclusion, and accessibility.

Innovation and Sustainability Considerations

ARC's Enterprise Risk Management Program contributes to innovation and sustainability by promoting continuous improvement in governance, risk management, and internal controls. Through its risk and 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 risk stewardship and advisory support all five strategic directions of the TTC's Corporate Plan. The ERM Program facilitates a proactive, systematic, organization-wide approach to identify, assess, and respond to risks, which may impact the achievement of the TTC's objectives as outlined in its Corporate Plan. By advancing the ERM Program, ARC strengthens the TTC's governance and strategic decision-making capabilities, further equipping the organization to manage complex challenges and support transformation and modernization initiatives.

Financial Impact

The development and implementation of the 2025 ERM Program by ARC has no funding implications beyond the costs of ARC that were included in the 2025 Operating Budget approved by the TTC Board on January 10, 2025.

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

Contact

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Attachments

Attachment 1 – Confidential Information
Attachment 2 - ARC 2025 ERM Roadmap

ARC 2025 ERM Roadmap