



**For Action  
with Confidential Attachment**

## **Audit, Risk, and Compliance – Audit Plan Status Update**

**Date:** March 11, 2026  
**To:** Audit & Risk Management Committee  
**From:** Head of Audit, Risk, and Compliance

### **Reason for Confidential Information**

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

### **Recommendations**

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It is recommended that the Audit & Risk Management Committee:

1. Approve the inclusion of the proposed Overtime Review to the 2026 Audit Plan.
2. Receive the Confidential Attachment and authorize that the information remain confidential as it relates to the security of the property of the municipality or local board.

### **Summary**

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#### **Proposed Addition to the 2026 Audit Plan**

We propose conducting a targeted audit of areas exhibiting significant growth in overtime expenditures, with particular attention to functions showing high variances or unbudgeted overtime. This review aims to reinforce governance and support more effective oversight and optimization of overtime practices.

#### **Audit Plan Status Update**

The Audit, Risk, and Compliance Department (ARC) 2025 Audit Plan was presented to and approved by the Audit & Risk Management Committee (ARMC) on March 24, 2025. The ARC 2026 Audit Plan was also presented and approved on December 1, 2025. As of this update, final reports have been issued for the two remaining 2025 projects. For the 2026 Audit Plan, fieldwork is currently underway for one project, and planning activities are in progress for three others. This report provides an update on ARC's progress against the 2025 and 2026 Audit Plans and includes details on the two final reports issued since ARC's last update.

## **ARC Follow-Up Activities Status Update**

ARC continues to support Management in validating the completion of Management Action Plans addressing recommendations issued by the City of Toronto Auditor General (AG) and third-party consultants involved in the work car hydraulic leak investigation. ARC also independently validates the completion of Action Plans arising from ARC's Internal Audit Findings. In addition, ARC provides advisory support to Management, including the Revenue Protection Team, across several initiatives aimed at improving fare compliance and operational performance throughout 2025 and beyond.

## **Background and Analysis**

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### **Proposed Addition to the 2026 Audit Plan**

The TTC has experienced a consistent increase in overtime expenditure in recent years. While this trend warrants attention, the TTC's overall overtime spend remains lower than comparable transit agencies across key benchmarks, including total dollars, percentage of labour costs, and cost per rider. Based on these findings, a full system-wide audit is not recommended at this time. Instead, a targeted review of areas with notable overtime variances or unbudgeted expenditures is advised to address potential control gaps, strengthen governance, and optimize overtime management practices.

Our analysis identified that the TTC's overtime expenditure grew by approximately 19% from 2019 to 2025, reaching \$92.7 million in 2025 compared to \$77.7 million in 2019. This increase is primarily driven by unionized employees, whose overtime costs rose by 24% during the same period, reaching \$74.1 million in 2025 compared to \$59.6 million in 2019.

Benchmarking against other agencies shows the TTC's overtime expenditure, both in absolute dollars and as a percentage of total labour cost, appears lower than peers, such as Metropolitan Transportation Authority (New York City), Massachusetts Bay Transportation Authority (Greater Boston), and Chicago Transit Authority (Chicago). However, the benchmarking results should be interpreted with caution. Differences in reporting practices, data availability, and organizational structures introduce uncertainties that limit the comparability and reliability of the benchmarking data. As such, while the results provide directional insight, they should not be viewed as definitive indicators of performance.

Despite the favourable benchmarking, the analysis highlights concentrated risk areas where overtime variances and unbudgeted expenditures suggest potential control gaps. These areas include operational and capital departments that have exceeded overtime budgets or experience significant increases in overtime. A targeted audit approach focusing on these high-variance areas is recommended to strengthen governance and optimize overtime practices without incurring the cost and complexity of a broader audit.

## **Audit Plan Status Update**

The ARMC supports the TTC Board in fulfilling its oversight responsibilities across several areas, including the internal audit function. This oversight ensures that Internal Audit operates independently and effectively, aligns with the TTC's strategic objectives, and provides assurance over governance, risk management, and internal control processes. One of ARMC's key responsibilities is the approval of the annual internal audit work plan.

While TTC business areas are responsible for developing policies and ensuring compliance with plans and strategies, ARC supports those accountable for achieving these objectives by providing independent assurance to Management. ARC also serves in an advisory capacity, offering insights and recommendations to strengthen internal controls and risk mitigation efforts.

Planned assurance projects (audits) are executed in accordance with ARC's annual Work Plan, as approved by the ARMC. Each audit follows a three-phase approach: Planning, Fieldwork, and Reporting. Once Management finalizes its responses and corrective action plans addressing ARC's recommendations, the full report is formally issued to the TTC Chief Executive Officer, and all relevant internal stakeholders. At that point, the audit is considered complete.

### **Status Update – Remaining 2025 Planned Audit Projects**

<b>#</b>	<b>Project Name</b>	<b>Status</b>
1	Service Reliability Metrics and Communication	Complete
2	Tunnel Maintenance/Rehabilitation	Complete

### **Status Update – 2026 Planned Audit Projects**

<b>#</b>	<b>Project Name</b>	<b>Status</b>
1	Wheel-Trans	Fieldwork
2	Privileged Access	Planning
3	Contract Review	Planning
4	Fare Evasion – Line 5 and Line 6	Planning
5	Overtime Review	Awaiting Approval

ARC continues to support and respond to special requests from TTC Executives and Senior Management, while balancing staff capacity and ensuring value to the organization. Results from these engagements are shared with the applicable management teams, and ARC facilitates discussions among key stakeholders to support timely and appropriate actions in response to critical observations and insights.

### **Completed Assurance Reviews – ARC Summary Commentary**

Background details and extracts from the audit reports issued by ARC since our last update are provided in Attachment 2 and Confidential Attachment 1, as applicable.

## ARC Review (issued February 2026) – Customer Key Performance Metrics, Trip Planning, and Real-Time Information

### *Rationale for Audit:*

This audit was initiated to assess potential misalignment between the information the TTC provides to customers and the actual service experience reported by riders. To examine this concern, Internal Audit evaluated two distinct areas: (1) the performance metrics published in the CEO's Report, which support Board oversight, but may not fully reflect day-to-day customer experience, and (2) real-time trip-planning information, including alerts, arrival predictions, and accessibility notices, shared through the TTC-owned channels and third-party applications. Using customer survey insights and a review of supporting processes and data systems, the audit sought to determine whether both reporting streams provide accurate, consistent, and meaningful information that aligns with rider expectations and supports informed travel decisions.

### *Overall Key ARC Observations/Recommendations:*

#### 1. Customer Trip Planning and Real-Time Information

ARC identified that although the TTC has the core infrastructure for real-time service information, data shared across the TTC channels and third-party apps is still inconsistent, incomplete, or delayed. These gaps reduce customers' ability to make informed travel decisions during disruptions. ARC recommends improving alert accuracy and consistency, enhancing prediction models, resolving system integration issues, and ensuring trip-planning information is aligned across platforms.

#### 2. Customer-Facing KPI Reporting

ARC noted progress in updating the CEO's KPI Report and developing a Customer Experience Dashboard. However, current KPIs remain operational and do not fully reflect rider experience. ARC recommends expanding customer-centric measures, aligning KPIs with Service Standards, and incorporating major route-level and peak-period performance to enhance transparency and relevance for customers.

### *Management Action Plans:*

Management acknowledges the findings across both work streams and is committed to improving the accuracy, consistency, and customer relevance of the TTC's performance reporting and real-time information. For trip-planning and real-time data, Management will continue enhancing open data quality, modernizing prediction capabilities, strengthening alert logic, and improving digital touchpoints to support timely and reliable customer communications. For KPI reporting, Management will advance the Customer Experience Dashboard and refine public-facing metrics to better reflect rider experience and align with Service Standards and peer-agency practices.

## ARC Review (issued December 2025) – Subway Tunnel Maintenance and Rehabilitation

### *Rationale for Audit:*

The Subway Tunnel Maintenance and Rehabilitation program audit was initiated to ensure that processes and controls governing the upkeep of subway tunnels effectively support the organization's core values of safety, and the delivery of reliable service. Maintaining tunnels in a State of Good Repair (SOGR) is vital to prevent service disruptions and ensure the safety of both customers and employees. These projects are funded through the TTC's Capital Budget and form part of its broader SOGR framework. Given that tunnel degradation poses significant operational, safety, and reputational risks, this review assessed whether current maintenance and rehabilitation practices are adequate, efficient, and aligned with corporate objectives and risk management priorities.

*Overall Key ARC Observations/Recommendations/Management Action Plans:*  
See Confidential Attachment 1 for details.

### **ARC Follow-Up Activities Status Update**

Timely follow-up on Management Action Plans is essential to ensuring that ARC's internal audit findings and recommendations from the Auditor General or third-party consultants lead to meaningful and sustained improvement. Action plans represent the organization's commitment to addressing identified risks, strengthening internal controls, and enhancing operational effectiveness. Without consistent monitoring and follow-through, deficiencies may persist, exposing the organization to avoidable safety, financial, operational, and reputational risks. Regular tracking, validation of progress, and documentation of completed actions help ensure accountability, support informed decision-making, and demonstrate responsible stewardship to stakeholders. Attachments 3, 4 and 5 provide additional details.

### TTC's ARC Internal Audit Findings

As of February 23, 2026, Management reported that corrective actions have been implemented for 35 of ARC's Internal Audit findings. ARC has completed its review of 33 of these items and determined that 24 of these findings were resolved and closed, seven require additional action and their status was returned to In Progress, and two require further testing following a period of sustained operation (typically three months or more) to confirm that control enhancements are functioning as intended. The remaining two findings are currently under ARC's review.

As of the same date, following ARC's validation work, there are 60 items classified as In Progress, including the seven items that were returned to In Progress. The associated due dates reflect Management's current estimates for achieving full resolution.

## City of Toronto Auditor General (AG) Recommendations

As of February 23, 2026, Management has reported 40 Action Plans as Fully Implemented in the AG's TeamMate system. Based on ARC's review and understanding of the AG's expectations for these items, we are of the opinion that these submissions are reasonably supported by the evidence provided by Management.

As of the same date, TeamMate data identifies 71 recommendations as In Progress. The associated due dates reflect Management's current estimates for achieving full implementation in alignment with the AG's expectations.

## Hatch and APTA Hydraulic Leak Investigation Recommendations

The TTC engaged a rail industry expert, Hatch – Consulting, to conduct a forensic technical root cause analysis of multiple work car hydraulic leak incidents that occurred between January and May 2024. Additionally, the American Public Transportation Association (APTA) was retained to perform an independent peer review of the TTC's incident recovery response.

These reviews resulted in two reports containing a combined total of 27 recommendations. Management committed to addressing all recommendations through 35 distinct Management Action Plans (MAPs).

ARC's review focused on verifying completion of the MAPs through document examination, observations, and management inquiries. Representative samples of work orders related to selected MAPs were assessed to confirm that processes and controls have been established to address the recommendations.

As of February 23, 2026, based on ARC's review of the 35 distinct MAPs, ARC assessed 21 as Closed and 14 as In Progress. Management agrees with this assessment and has committed to the due dates for the remaining In Progress items.

## TTC Fare Compliance Action Plan Initiatives

Throughout 2025, ARC provided advisory support to the Revenue Protection Team across several initiatives aimed at improving fare compliance and operational performance. This included reviewing the methodology and data sources behind the Provincial Offences Officers performance dashboard, advising on the internal fare evasion audit approach to ensure consistency with ARC's methodology, and assessing fare evasion rate calculations prior to public reporting.

ARC also reviewed the capabilities of the Hand-Held Point of Sale device data to enhance inspection analytics and performance tracking. In addition, ARC provided feedback on pilot projects addressing key fare evasion risks, including the crash-gate closure initiative and the bus bay inspection pilot. Collectively, these efforts supported

greater alignment, accuracy, and transparency across fare evasion reporting and mitigation strategies.

### **Diversity, Equity, and Inclusion Matters**

The TTC is committed to promoting and supporting diversity, equity, inclusion, and accessibility 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 equity, diversity, inclusion, and accessibility (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 supports 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**

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The implementation of the 2026 ARC Audit Plan does not require any additional funding beyond the proposed 2026 Operating Budget for the ARC Department, which remains substantially consistent with the approved 2025 Operating Budget. ARC will advise this committee if any budgetary adjustments impact the delivery of the 2026 Audit Plan.

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

### **Contact**

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Viraj Chandrakanthan, Head – Audit, Risk, and Compliance  
viraj.chandrakanthan@ttc.ca  
416-881-5806

## **Attachments**

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Attachment 1 – Customer Key Performance Metrics, Trip Planning, and Real-Time Information Internal Audit Report

Attachment 2 – ARC Internal Audit Findings: Progress and Closure Overview

Attachment 3 – Status Summary of AG Audit Recommendations

Attachment 4 – Hatch and APTA Recommendations: Status of Management Action Plans

Attachment 5 – Presentation – Workcar Hydraulic Leaks Management Action Plan Update

Confidential Attachment 1 - The Subway Tunnel Maintenance and Rehabilitation Audit