



**Non-Business Meeting
Agenda**

**Tuesday, March 10, 2026, Immediately Following Finance & Administration Standing Committee
McNaughton Room - 3rd Floor, City Hall**

Pages

1. Non-Business Meeting in the McNaughton Room

Non-Business Meeting - Audit Planning

Chair: John Collin, City Manager

2. Discussion Items

2.1 Audit Planning

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Administration to provide an overview of the following documents:

Memorandum from Andrea Morrison, Director of Finance, dated February 27, 2026 relative to Audit Committee: Introduction to Audit Plan, for information.

Confidential 2025 Audit Service Plan Report. (Distributed Separately to Members of Council, City Manager, City Solicitor and Commissioner - Corporate Services & City Treasurer only)

Resolution to Recess and Resolve Into Closed Session

THAT we resolve into Closed Session in order to receive information that is relative to Confidential 2025 Audit Service Plan Report pursuant to the Municipal Act (Section 239 (2)):

(j) a trade secret or scientific, technical, commercial or financial information that belongs to the municipality or local board and has monetary value or potential monetary value.

Memorandum from John Tyson, Manager - Internal Audit, dated March 3, 2026 relative to Internal Audit Charter, for information.

3. Adjournment



Corporate Services Department

Memorandum

TO: Krista Power, Director – Legislative Services & City Clerk **FILE:**

FROM: Andrea Morrison, CPA, CA, Director Finance Corporate Services – Finance

DATE: 02/27/2026

SUBJECT: Audit Committee: Introduction to Audit Plan

MEETING & DATE: Finance and Admin/Audit Committee - 03/10/2026

Background

Following the restructuring of Council committees in September 2025, the Finance and Administration Committee has assumed the responsibilities of the Audit Committee for the Municipality. This role was previously performed by a committee which included both Council and members of the public.

The Audit Committee performs a governance role, which includes providing independent oversight of the Municipality’s external audit function to ensure transparency, accountability, and adherence to professional auditing and financial reporting standards.

The Committee’s oversight role does not involve designing the audit but rather focuses on monitoring the process, understanding key risks, and ensuring management appropriately addresses any findings or recommendations.

The Audit Plan for the Municipality’s 2025 consolidated financial statements will be presented by the external auditor, MNP LLP, at this meeting. The plan outlines the audit approach and areas of focus for the upcoming audit.

The purpose of this memo is to provide context for the Audit Plan and explain how this document supports the Committee’s oversight role.

Audit Plan

The Audit Plan is a document prepared by the external auditor outlining the planned approach to the annual audit of the Municipality's financial statements. It reflects the auditor's assessment of risk, scope of work, and overall audit strategy in accordance with Canadian Auditing Standards.

The Plan serves as the guide for the audit work to be completed and a basis for comparison when the final audit results are presented.

The Audit Plan supports the Committee's governance responsibilities by:

- **Supporting Accountability** - helps ensure that the Municipality's financial statements are accurate, complete, and transparent.
- **Promoting Risk Awareness** - identifies potential financial reporting or operational risks.
- **Strengthening Governance** - confirms that the audit is independent, objective, and executed according to professional standards.

Reviewing the Audit Plan allows the Committee to understand how the external audit will be carried out prior to completion of year-end audit procedures.

Committee Role in Audit Oversight

Under Canadian Auditing Standards (CAS 260), the Committee is recognized as "those charged with governance" for the purposes of the external audit. In this capacity, the Committee's oversight role typically includes:

Audit Plan Review

- Receive and review the Audit Plan, including the auditor's identified areas of risk and key considerations

Discussion with Auditor

- Engage in discussion with the auditor regarding financial reporting, risk, and internal controls

Audit Oversight

- Maintain awareness of the audit process and the auditor's independence

Findings and Follow-Up

- Receive audit findings and management responses

The Audit Committee does not direct the audit or perform audit procedures; their role is intended to provide oversight to the process and to ensure that the audit ultimately delivers appropriate assurance to Council and the public.

Areas That May Inform Discussion

When considering the Audit Plan, areas of discussion may include:

- Significant financial reporting risks or changes from prior years
- Areas involving management judgment or estimates
- Internal controls over key financial processes
- Auditor independence and scope
- Management responses to previous audit findings

These points are provided for context only. Committee members may wish to focus on any aspects they consider relevant in fulfilling their governance role.

Conclusion

The Audit Plan is an important tool that supports the Committee in fulfilling its oversight role. An understanding of the Plan contributes to transparency, accountability, and effective governance over the Municipality's financial reporting process.

TO: Finance and Administration Standing Committee
FROM: John Tyson, Manager– Internal Audit
DATE: March 3, 2026
SUBJECT: Internal Audit Charter

The purpose of this memo is to introduce the Internal Audit Charter to the Finance and Administration Standing Committee. The Charter defines the authority, responsibilities, accountability, and operational framework of the Internal Audit Division. It ensures that Internal Audit operates with independence, objectivity, and alignment to the International Standards for the Professional Practice of Internal Auditing (IIA Standards).

The Internal Audit Charter is a foundational governance document required under professional internal auditing standards and best practices for Canadian municipalities. It establishes:

- The mandate and purpose of Internal Audit
- The independence of the function
- The authority to access information, personnel, and records
- The scope of services (assurance, advisory, investigations, follow-up)
- The reporting relationship to the Standing Committee and Council
- Commitment to applying the Institute of Internal Auditors (IIA) Standards
- The requirement for an annual work plan
- The role of the Committee in reviewing, endorsing, and overseeing audit activity

Under the previous governance structure, the Audit Committee would review and approve the Internal Audit Charter (as amended) annually. As oversight of the internal audit program now rests with the Finance and Administration Standing Committee, responsibility for the annual review and approval of the Charter will transition accordingly.

The Internal Audit Charter – January 2026 is attached for information purposes to facilitate a focused discussion of the document and to enhance the Committee’s understanding of its components and its oversight relationship with the Internal Audit Division.

The Internal Audit Charter and the 2026 Internal Audit Work Plan will be presented to the Finance and Administration Standing Committee on April 14, 2026, for approval as part of its audit committee oversight function.

Attachments

Attachment A - Internal Audit Charter – City of Thunder Bay

PURPOSE

The purpose of the Internal Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve the City of Thunder Bay's operations.

Internal Audit supports the City in achieving its objectives by applying a systematic and disciplined approach to evaluate and enhance the effectiveness of risk management, internal control, and governance processes.

AUTHORITY

The Internal Audit Division is authorized by City Council to have full, unrestricted, and timely access to all records, documents, systems, physical assets, and personnel of the Corporation of the City of Thunder Bay that are relevant to the performance of audit work. This authority extends to all City departments, divisions, programs, and operations.

Internal Audit is authorized to:

1. Obtain information from any employee, contractor, consultant, or third party acting on behalf of the City, to the extent permitted by law and contractual agreements.
2. Access all electronic systems, data, and technology resources necessary to conduct audit work, including read-only access to applications, databases, and financial systems.
3. Enter City facilities, worksites, and operational locations to observe processes, verify assets, and gather evidence.
4. Request and receive explanations from management and staff regarding the design and effectiveness of controls, risk management practices, and governance processes.
5. Determine audit scopes, select audit techniques, allocate audit resources, and issue audit reports without interference from management or other parties.
6. When required under the Municipal Act, 2001, Internal Audit may meet in closed session with City Council to discuss sensitive audit matters.

Internal Audit is **not authorized to**:

- Direct the activities of City employees not assigned to Internal Audit,
- Implement internal controls, policies, or procedures,
- Assume management's responsibilities, or
- Engage in any operational decision-making.

Management and employees across the Corporation are required to fully cooperate with Internal Audit and ensure that all information requested is complete, accurate, and provided in a timely manner.

INDEPENDENCE AND OBJECTIVITY

The Internal Audit Division shall remain free from interference in determining the scope of internal audit work, performing audit procedures, and communicating results. To ensure organizational independence, the Internal Audit Division reports:

- Functionally to the Finance and Administration Standing Committee for the approval of the audit plan and oversight of audit activity, and to City Council for the approval of the Internal Audit Charter and receipt of audit reports for information.
- Administratively to the Commissioner of Corporate Services Department for HR processes, budgeting, and allocation of office resources.

Internal Audit will have unrestricted access to the City Manager, Commissioners, and Members of City Council as required to fulfill its responsibilities.

Internal auditors must maintain objectivity in performing their duties. They shall not engage in any activities or decision-making roles that could impair, or reasonably be perceived to impair, their unbiased judgment. Internal auditors are prohibited from:

- Designing, installing, or operating internal controls;
- Developing or implementing policies, procedures, or systems they may later audit;
- Assuming operational responsibilities or participating in management decision-making;
- Auditing functions for which they had operational responsibility within the previous twelve (12) months.

The Manager of Internal Audit shall disclose to the Finance and Administration Standing Committee and City Council any situation that may compromise, or appear to compromise, the independence or objectivity of the Internal Audit Division.

PROFESSIONAL STANDARDS

Internal Audit will be guided by the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA).

SCOPE OF WORK

The scope of work of the Internal Audit Division encompasses the independent examination and evaluation of the adequacy and effectiveness of the City's governance, risk management, and internal control processes across all City operations.

Internal Audit's work is intended to determine whether:

- Risks are appropriately identified, assessed, and managed across the organization.
- Key controls designed to mitigate risks are effective, efficient, and operating as intended.
- Financial, managerial, and operational information is accurate, reliable, complete, and timely.

- Activities comply with applicable federal and provincial legislation, municipal by-laws, City Council directives, and City policies and procedures.
- Resources and assets are acquired economically, used efficiently, safeguarded from loss, and properly accounted for.
- Programs, plans, and objectives are clearly defined, properly communicated, and achieved as intended.
- Significant legislative, regulatory, and emerging issues that may impact the City are identified and addressed appropriately by management.
- Practices support quality, continuous improvement, and good governance across the organization.

Internal Audit may also conduct special reviews, investigations, advisory engagements, and follow-up activities in response to requests from City Council, the Finance and Administration Standing Committee or senior leadership, provided such work does not impair Internal Audit's independence or objectivity and remains consistent with the approved Internal Audit Work Plan.

RESPONSIBILITIES

Internal Audit is responsible for providing independent and objective assurance and consulting services to support City Council, senior management, and staff in achieving the City's objectives. Internal Audit is responsible for:

Audit Planning

- Developing a risk-based annual Internal Audit Work Plan for approval by the Finance and Administration Standing Committee, and presentation to City Council for information.
- Updating the Internal Audit Work Plan as required based on emerging risks, new priorities, or requests from City Council, the Finance and Administration Standing Committee, or senior management, while maintaining Internal Audit independence.

Execution of Audit Work

- Conducting performance, operational, compliance, financial, and other audits as appropriate.
- Implementing the approved Internal Audit Work Plan and undertaking special reviews or advisory engagements when appropriate and consistent with Internal Audit's mandate.
- Determining the adequacy and effectiveness of internal accounting, financial, operational, and administrative controls.
- Reviewing systems and activities for compliance with applicable legislation, regulations, municipal by-laws, City Council directives, and City policies and procedures.
- Reviewing the means of safeguarding assets and, where appropriate, verifying the existence of such assets.

Reporting and Follow-Up

- Reporting audit findings, recommendations, and agreed-upon action plans to senior management and the Finance and Administration Standing Committee, and to City Council for information.
- Evaluating management's corrective actions and performing follow-up reviews to assess whether agreed-upon actions have been implemented.
- Escalating significant unresolved issues or unsatisfactory corrective actions to senior leadership, the Finance and Administration Standing Committee, and City Council when appropriate.

Advisory and Consulting Services

Internal Audit may provide consulting or advisory services that do not impair independence or objectivity, including:

- Providing independent and objective advice relating to internal control, risk management, operational efficiency, and fraud prevention.
- Providing independent advice on management's evaluations of new or changing programs, services, processes, systems, or organizational structures.
- Conducting special projects, reviews, investigations, or research at the request of the Finance and Administration Standing Committee, City Council, or senior management and subject to resource availability and the approval of the Standing Committee.
- Providing education or training on audit-related topics such as risk assessment and internal controls.

Coordination and Collaboration

- Coordinating with the City's external auditors to minimize duplication and support effective audit coverage.
- Sharing internal audit results and participating in external audit planning and risk assessment, where appropriate.
- Consulting regularly with senior management regarding audit findings to ensure awareness of significant issues.

Investigations

- Supporting or assisting in the investigation of suspected fraudulent activities within the City.
- Reporting investigation results to senior management, the Finance and Administration Standing Committee, and City Council as appropriate.

Management Responsibilities

Management is responsible for designing, implementing, maintaining, and monitoring effective internal controls, risk management practices, and governance processes. Internal Audit does not assume any management responsibilities in the course of its work.

REPORTING AND COMMUNICATION

Internal Audit communicates the results of its work in a clear, transparent, and timely manner.

Internal Audit will:

- Present the annual audit plan to the Finance and Administration Standing Committee for approval and subsequently provide the plan to City Council for information.
- Provide final audit reports and follow-up results for senior management and the Finance and Administration Standing Committee, with copies provided to City Council for information.
- Outline findings, recommendations, and management responses in all formal reports to ensure a complete, transparent, and balanced perspective.

ORGANIZATIONAL STRUCTURE

The Internal Audit Division consists of:

Manager of Internal Audit

The Manager of Internal Audit is responsible for the overall leadership, administration, and delivery of the City's internal audit program. This includes developing and executing the annual audit plan, overseeing audit engagements, ensuring adherence to professional standards, and reporting audit results to the Finance and Administration Standing Committee, while reporting administratively to the Commissioner of Corporate Services.

The Manager provides strategic direction, safeguards the independence and integrity of the Internal Audit function, and serves as the primary liaison with senior management, external auditors, and oversight bodies.

Internal Audit Analyst

The Internal Audit Analyst supports the planning, execution, and reporting of audit engagements. This role conducts audit fieldwork, performs analysis, evaluates internal controls, and assists in preparing audit findings and recommendations.

The Analyst works under the direction of the Manager of Internal Audit and contributes to performance, compliance, operational, financial, and special audits. When specialized skills are

required or workload demands increase, qualified contracted professionals may be engaged to supplement the Internal Audit Division to ensure effective coverage.

APPROVAL AND REVIEW OF THE CHARTER

The Internal Audit Charter is a foundational governance document establishing the mandate and authority of the division. This Charter shall be:

- Reviewed annually by the Manager of Internal Audit.
- Endorsed for recommendation by the Finance and Administration Standing Committee.
- Formally approved by City Council