



Audit Committee Meeting Agenda

Wednesday, February 12, 2025, 10:30 a.m.

McNaughton Room - 3rd Floor, City Hall

Pages

1. **Audit Committee Meeting 01-2025**

Chair: John Friday

2. **Members**

Linda Baca

Mayor Ken Boshcoff

Councillor Shelby Ch'ng

John Friday

Andrew Garro

3. **Officials**

John Collin, City Manager

Keri Greaves, Commissioner - Corporate Services & City Treasurer

Andrea Morrison, Director - Finance

John Tyson, Manager - Internal Audit

Shannon Lane, Manager - Corporate Financial Services

Crystal DePeuter, Council & Committee Clerk

4. **Auditors**

Ania Berezowski, BDO Canada LLP

Dave Kubinec, BDO Canada LLP

5. **Disclosures of Interest**

6. **Agenda Approval**

WITH RESPECT to the February 12, 2025 meeting of the Audit Committee, we recommend that the agenda as printed, including any additional information and new business, be confirmed.

7. **Confirmation of Previous Minutes**

The Minutes of Meeting 03-2024 of the Audit Committee, held on October 15, 2024, to be confirmed.

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THAT the Minutes of Meeting 03-2024 Audit Committee, held on October 15, 2024, be confirmed.

8. Terms of Reference

Council and Committee Clerk Crystal DePeuter to provide an update on the Audit Committee Terms of Reference.

9. Election of Chair and Vice Chair

Council and Committee Clerk Crystal DePeuter to administer nominations for the positions of Chair and Vice-Chair of the Audit Committee for 2025.

The newly-appointed Chair will assume the position of Chair for the remainder of the meeting.

10. Internal Audit Charter

Internal Audit Charter, dated January 2025, for review.

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11. Confirmation of Independence - Internal Audit

Memorandum from Manager - Internal Audit & Corporate Projects John Tyson, dated February 12, 2025 confirming organizational independence of internal audit activity, for information.

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12. Audit Planning Report

Ania Berezowski and Dave Kubinec, BDO Canada LLP to provide an overview of the Audit Planning Report for the year ended December 31, 2024.
To be distributed separately.

13. Audit Committee Planning and Education

Chair to lead a discussion on Audit Committee planning and education.

14. New Business

15. Next Meeting

The next meeting date is to be determined.

16. Adjournment



Audit Committee Meeting Minutes

**Tuesday, October 15, 2024, 1:30 p.m.
McNaughton Room - 3rd Floor, City Hall**

1. Audit Committee Meeting 03-2024 1:31 p.m.

Chair: John Friday

2. Members

Linda Baca
Mayor Ken Boshcoff
John Friday

3. Officials

Keri Greaves, City Treasurer
Andrea Morrison, Deputy City Treasurer
Shannon Lane, Manager Corporate Financial Services
John Tyson, Manager - Internal Audit
Crystal DePeuter, Council & Committee Clerk
Flo-Ann Track, Council & Committee Clerk

4. Auditors

Ania Berezowski, BDO Canada LLP
Dave Kubinec, BDO Canada LLP

5. Disclosures of Interest

None.

6. Agenda Approval

MOVED BY: Mayor Ken Boscoff
SECONDED BY: Linda Baca

WITH RESPECT to the October 15, 2024 meeting of the Audit Committee, we recommend that the agenda as printed , including any additional information and new business, be confirmed.

Amendment

MOVED BY: Linda Baca
SECONDED BY: Mayor Ken Boscoff

THAT the order of the agenda be changed to include New Business items, An Evaluation of the Audit by Auditors, and An Evaluation of the Audit by Administration.

CARRIED

Amended - Agenda Approval

MOVED BY: Mayor Ken Boshcoff
SECONDED BY: Linda Baca

WITH RESPECT to the October 15, 2024 meeting of the Audit Committee, we recommend that the agenda as printed, including any additional information and new business, be confirmed, as amended.

CARRIED

7. Confirmation of Previous Minutes

The Minutes of Meeting 02-2024 of the Audit Committee, held on May 17, 2024, to be confirmed.

MOVED BY: Linda Baca
SECONDED BY: Mayor Ken Boshcoff

THAT the Minutes of Meeting 02-2024 Audit Committee, held on May 17, 2024, be confirmed.

CARRIED

8. BDO's Final Report to the Audit Committee

BDO's Final Report to the Audit Committee, relative to the results of the BDO audit of the consolidated financial statements of The Corporation of the City of Thunder Bay for the year ended December 31, 2023, for information, distributed separately on Tuesday, October, 15, 2024.

Dave Kubinec, Partner - BDO Canada LLP, provided an overview of Final Report to the Audit Committee and responded to questions.

Discussion was held relative to the above noted. Some of the item's discussed as follows:

- Materiality
- Status of the Audit
- Asset Retirement Obligation
- Management Letter

MOVED BY: Mayor Ken Boshcoff

SECONDED BY: Linda Baca

THAT Administration, in consultation with the Chair, develop a work plan for the committee;

AND THAT Enterprise Risk Management be included in the Audit Committee's work;

AND THAT additional meetings be scheduled in 2025 to complete this work.

CARRIED

9. Resolution to Resolve into Closed Session

MOVED BY: Linda Baca

SECONDED BY: Mayor Ken Boshcoff

THAT the Audit Committee resolve into Closed Session in order to receive information that is pursuant to the Municipal Act (Section 239 (2):

(a) the security of the property of the municipality or local board;

(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; or

(k) a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

CARRIED

Keri Greaves, City Treasurer, Deputy City Treasurer Andrea Morrison, Manager Corporate Financial Services Shannon Lane, and Manager - Internal Audit John Tyson left the meeting room.

10. An Evaluation of the Audit by Auditors

Dave Kubinec, BDO Canada LLP provided an overview relative to the above noted and responded to questions.

Ania Berezowski, BDO Canada LLP responded to questions.

The Open Session meeting reconvened.

11. 2023 Audit Committee Annual Report

Keri Greaves, City Treasurer, Deputy City Treasurer Andrea Morrison, Manager Corporate Financial Services Shannon Lane, and Manager - Internal Audit John Tyson entered the meeting room.

Draft Corporate Report 383-2024 (Corporate Services - Office of the City Treasurer) – 2023 Audit Committee Annual Report, for presentation to Committee of the Whole on October 28, 2024, for information, was distributed separately on Friday, October 11, 2024.

Report 383-2024 also includes the draft “Annual Financial Report 2023” that includes the Corporation of the City of Thunder Bay’s audited Consolidated Financial Statements and Trust Fund Financial Statements, for the year ended December 31, 2023, distributed separately on Friday, October 11, 2024.

City Treasurer Keri Greaves, Deputy City Treasurer Andrea Morrison, and Manager Shannon Lane provided an overview of the draft "Annual Financial Report 2023" and responded to questions.

Discussion was held relative to the above noted. Some of the item's discussed as follows:

- Asset Retirement Obligation
- The methods of accounting used and the resulting perception of excess funds. Administration will add a schedule to the report for explanation.
- City relationship with Thunder Bay Community Auditorium.
- Asset Consumption Ratio

MOVED BY: Linda Baca

SECONDED BY: Mayor Ken Boshcoff

THAT Corporate Report 383-2024 (Corporate Services - Office of the City Treasurer) – 2023 Audit Committee Annual Report, as presented at the October 15, 2024 meeting of the Audit Committee, be accepted for presentation to Committee of the Whole;

AND THAT the Audit Committee recommends to City Council, approval of the audited Consolidated Financial Statements and Trust Fund Statements of the Corporation of the City of Thunder Bay, for the year ended December 31, 2023.

CARRIED

12. Resolution to Resolve into Closed Session

MOVED BY: Mayor Ken Boshcoff

SECONDED BY: Linda Baca

THAT the Audit Committee resolve into Closed Session in order to receive information that is pursuant to the Municipal Act (Section 239 (2):

(a) the security of the property of the municipality or local board;

(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; or

(k) a position, plan, procedure, criteria or instruction to be applied to any negotiations carried on or to be carried on by or on behalf of the municipality or local board.

CARRIED

Dave Kubinec and Ania Berezowski, BDO Canada LLP left the meeting room.

13. An Evaluation of the Audit by Administration

General Manager - Corporate Services & City Treasurer Kerri Greaves provided an overview relative to the above noted and responded to questions.

Deputy City Treasurer Andrea Morrison responded to questions.

Manager Corporate Financial Services Shannon Lane responded to questions.

The Open Session meeting reconvened.

14. Next Meeting

The next meeting date is to be determined.

15. Adjournment

The meeting adjourned at 4:00 p.m.

INTRODUCTION

The Internal Audit charter serves as a guide to the Internal Audit Division in the performance of its duties. The Charter provides a basis for management and the Audit Committee to use in evaluating the operations of the Internal Audit function.

As defined by the Institute of Internal Auditors (IIA), "Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".

SCOPE

The scope of the Internal Audit role encompasses the following:

- Utilize a risk assessment framework to develop work plan.
- Review and test the adequacy of the internal control systems.
- Review and test the level of compliance with legislation, policies, procedures and internal controls.
- Review program performance regarding the efficiency, effectiveness and economy in the use of resources.
- Reviewing the adequacy of the management responses to external audit concerns, having regard to the risks and the costs involved.
- Provide recommendations to improve internal control systems; efficiency and effectiveness; policies, procedures and processes.

AUTHORITY

The Manager - Internal Audit (and/or designate) is authorized to:

- Have unrestricted access to all functions, records, property, and personnel (in order to conduct the audit work plan).
- Have full and free access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in the organization where they perform audits, as well as other specialized services from within or outside the organization.

INDEPENDENCE STANDARD

Independence is an essential component to building public trust and preserving objectivity and integrity associated with the audit function. All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of an independent and objective attitude necessary in rendering reports.

Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems, policies, procedures, prepare records or engage in any other activity which would normally be audited.

With respect to independence and objectivity, The Institute of Internal Auditors (IIA) standards states:

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

*The ideal reporting situation is for the CAE (Chief Audit Executive) to report **administratively** to the Chief Executive Officer of the organization and **functionally** to the audit committee, board of directors, or some other appropriate governing authority. The accounting department, chief accountant, or finance director would not normally be an appropriate level to report to.*

RESPONSIBILITIES

The Manager-Internal Audit has the responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval as well as periodic updates.
- Implement the annual audit plan, as approved, including any special audit projects requested by the Audit Committee.
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Issue periodic reports to the audit committee and management summarizing results of audit activities.
- Provide a list of significant measurement goals and results to the audit committee.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify management and the Audit Committee of the results.

AUDIT PLANNING

Each year, the Manager-Internal Audit shall prepare/update a 3-year work plan, setting out the proposed schedule of audits and other undertakings proposed. The 3-year work plan is presented to the Audit Committee for approval. To generate this plan, the following sources are considered:

- Risk-based assessment.
- Requests from the Audit Committee and the Executive Management Team.
- Any audits planned for the past year but delayed or not completed.
- Follow up of past audit engagements.

- Any conditions or concerns discovered or communicated throughout the past year.

REPORTING

A written audit report is prepared and issued by the Manager-Internal Audit following the conclusion of each audit. The report will include management’s responses and the corrective action plans for specific findings and recommendations. Management’s response will include a statement of general agreement or disagreement with the stated findings and recommendations as well as a timeframe for anticipated completion of action to be taken and an explanation for any recommendation not addressed. Internal Audit is responsible for appropriate follow up on audit findings and recommendations. All audit reports / follow up reports are presented to the Audit Committee.

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).

AUDIT COMMITTEE AND INTERNAL AUDIT GOVERNANCE SCORECARD

Title	Standard	Structure	Rating
Governance	Establish Audit Committee with oversight of the Internal Audit functions.	City of Thunder Bay Audit Committee established with City Council and citizens representatives.	Good
Terms of Reference – Audit Committee	Establish Terms of Reference for the Audit Committee establishing roles, authority and responsibilities.	Terms of Reference for the Audit Committee established and reviewed annually by the Audit Committee and provided to City Council.	Good
Internal Audit Charter	Establish the internal audit charter outlining the roles, responsibility, and independence of the Internal Audit function consistent with the standards of the Institute of Internal Auditors.	Internal Audit Charter established and reviewed annually by the Audit Committee and provided to City Council.	Good
Internal Audit Reporting relationship	The internal audit activity must be independent, and internal auditors must be	The Manager-Internal Audit currently reports functionally to the Audit	Fair/ Needs Improvement

Title	Standard	Structure	Rating
	objective in performing their work. The ideal reporting situation is for the CAE (Chief Audit Executive) to report administratively to the Chief Executive Officer of the organization and functionally to the audit committee, board of directors, or some other appropriate governing authority.	Committee (through City Manager for Audit functions) and administratively to the Commissioner of Corporate Services	
Risk Based Work Plan	The chief audit executive, in consultation with senior management and the audit committee, establishes the scope of activities of the internal audit function. The process considers the cost justification of each element of audit activity.	As outlined in the Internal Audit Charter (and the Institute of Internal Auditors), a risk assessment framework is used to develop the internal audit work plan, which is presented to the Audit Committee annually.	Good
Independence Letter	The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.	The Manager-Internal Audit provides a written Independence memo to the Audit Committee annually confirming his/her ability to function independently.	Good
Internal Audit Reports to Audit Committee	A written audit report is prepared and issued by the Chief Audit Executive following the conclusion of each audit. The report will include management's responses and the corrective action plans for specific findings and recommendations.	Internal Audit provides and presents internal audit reports to the Audit Committee.	Good
Annual Report to City Council from the Audit Committee	Audit Committee shall provide an annual report to City Council on its activities, including a review of its terms of reference, and	Audit Committee provides an annual report to City Council on its activities, including a review of its terms of reference, and a	Good

Title	Standard	Structure	Rating
	a summary of how the Committee has fulfilled its role and mandate.	summary of how the Committee has fulfilled its role and mandate.	

Canadian Institute of Chartered Professional Accountants – Reporting Relationship

Reporting options, each of which has advantages and disadvantages, include:

Reporting to	Advantages	Disadvantages
CEO	Establishes audit status.	CEO may have too many direct reports.
CFO	Reinforces financial control. CFO often understands the role of internal audit and can provide advice.	Potential conflict of interest: <ul style="list-style-type: none"> • if audit findings reflect badly on CFO • if resources are diverted to lower priorities.
Other senior executive	Good for audit independence if the executive has no or few direct operational responsibilities subject to significant internal audit scrutiny.	Executive may lack knowledge of operations and internal controls, may not have a motivation for internal audit to be effective, or may lack the ability to influence.
Chair of audit committee	Good for audit independence.	Internal audit is no longer seen as supporting and partnering with management. Chief audit executive may lose status and acceptance as a member of the management team.

TO: Audit Committee, City of Thunder Bay
FROM: John Tyson, Manager – Internal Audit
DATE: February 12, 2025
SUBJECT: Confirmation of Independence – Internal Audit

In accordance with the Internal Audit Charter, Terms of Reference – Audit Committee and the standards of the Institute of Internal Auditors, I am required to confirm at least annually, the organizational independence of the internal audit activity.

INDEPENDENCE STANDARD

Independence is an essential component to building public trust and preserving objectivity and integrity associated with the audit function. All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of an independent and objective attitude necessary in rendering reports. Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, they shall not develop nor install systems, policies, procedures, prepare records or engage in any other activity which would normally be audited.

With respect to independence and objectivity, The Institute of Internal Auditors (IIA) standards states:

The internal audit activity must be independent, and internal auditors must be objective in performing their work.

The chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities. The chief audit executive must confirm to the board, at least annually, the organizational independence of the internal audit activity.

*The ideal reporting situation is for the CAE (Chief Audit Executive) to report **administratively** to the Chief Executive Officer of the organization and **functionally** to the audit committee, board of directors, or some other appropriate governing authority. The accounting department, chief accountant, or finance director would not normally be an appropriate level to report to.*

INDEPENDENCE – CITY OF THUNDER BAY

The Manager - Internal Audit currently reports functionally to the Audit Committee (through City Manager for Audit functions) and administratively to the Commissioner – Corporate Services. Although this reporting relationship does not follow best practice, I do confirm the organizational independence of the internal audit activity. I recommend that the organizational reporting relationship be reviewed annually. If at any time that my independence is jeopardized, I will inform members of the Audit Committee of this conflict.