



Standing Committee Report

REPORT NUMBER 123-2026-Corporate Services-Internal Audit

DATE

PREPARED

March 13, 2026

FILE

STANDING

COMMITTEE

April 14, 2026

MEETING DATE

SUBJECT

Internal Audit Charter and 2026 Internal Audit Work Plan

PURPOSE The purpose of this report is to present the Internal Audit Charter and the 2026 Internal Audit Work Plan to Standing Committee – Finance and Administration for feedback and support in its role as the City of Thunder Bay’s “Audit Committee”.

WITH RESPECT to Report 123-2026-Corporate Services-Internal Audit we recommend that the Finance and Administration Standing Committee support the updated Internal Audit Charter as presented;

AND THAT the Standing Committee support the 2026 Internal Audit Work Plan as presented;

AND THAT Administration conducts the audits in accordance with the 2026 Internal Audit Work Plan and presents the results to the Finance and Administration Standing Committee upon completion of each audit as appropriate.

EXECUTIVE SUMMARY

Internal Audit provides independent assurance that City programs, finances, and operations are functioning as intended.

The Internal Audit Division has updated the Internal Audit Charter to reflect current public sector internal auditing standards, the City’s organizational structure, and expectations for independence, accountability, and reporting. The Charter defines the mandate, authority, and responsibilities of the Internal Audit function.

The 2026 Internal Audit Work Plan was developed through a formal risk assessment process that evaluated potential audit areas using criteria such as financial materiality, inherent risk, operational complexity, potential for savings or revenue improvement, and time since last review. The plan prioritizes high-risk and strategically significant areas that support effective governance, accountability, and continuous improvement.

Together, the Charter and Work Plan form the foundational governance framework for internal auditing at the City and provide Council and Administration with clear expectations for audit delivery in 2026. These documents collectively ensure the City's internal audit function remains independent, transparent, and aligned with municipal best practices.

This report also supports the Standing Committee's oversight role by ensuring that the Internal Audit Charter and annual Work Plan are formally reviewed with feedback and support provided each year.

KEY CONSIDERATIONS

The Internal Audit Charter and 2026 Work Plan establish the core governance and accountability framework for the Internal Audit Division.

Internal Audit Charter

The Internal Audit Charter (the Charter) confirms Internal Audit's authority, independence, and unrestricted access to information, while aligning with the Institute of Internal Auditors (IIA) Standards. It clarifies Internal Audit's mandate to provide independent assurance, advisory services, investigations, and follow-up work.

Key Changes to the Internal Audit Charter

The Internal Audit Charter was comprehensively updated for 2026 to align with current International Standards for the Professional Practice of Internal Auditing, and the City's revised governance structure. Key changes include:

- Complete reorganization of the Charter into a more comprehensive governance framework.
- Expanded Purpose and Scope of Work sections that clarify Internal Audit's role in supporting governance, risk management, and internal control across the Corporation.
- Expansion of Internal Audit authority, including access rights to systems, data, personnel, and physical locations, and the ability to request explanations from staff and contractors.
- Clear articulation of prohibited activities to ensure independence and avoid management responsibility.
- Strengthened independence framework, including updated functional reporting to Council and administrative reporting to Corporate Services, with unrestricted access to senior leadership.
- Detailed Responsibilities section, including risk-based planning, execution of audits, reporting, follow-up, and escalation of unresolved issues.
- New Advisory and Consulting Services section, defining acceptable non-assurance engagements that do not impair independence.

- New External Auditor Coordination and Collaboration section, outlining expectations for collaboration and information sharing.
- New Investigations section, clearly defining Internal Audit's role in fraud investigations.
- New Organizational Structure section, clarifying roles of the Manager of Internal Audit, Internal Audit Analyst, and the use of contracted professionals.
- Updated Approval and Review requirements, ensuring annual review and Council approval of the Charter.
- Removal of outdated elements from 2025, including references to the Audit Committee governance scorecard and the three-year work-planning model.

2026 Work Plan

The 2026 Work Plan was developed using a structured, risk-based methodology that considered financial materiality, inherent risk, operational complexity, value-added potential, and the time since last audit. The plan includes a balanced mix of mandatory audits, high-risk operational reviews, continuous auditing activities, and follow-up on prior recommendations. Audit priorities focus on areas such as credit card compliance, Payment Card Industry Data Security Standard (PCI DSS) requirements, inventory management, cash handling, fuel controls, vendor payment monitoring, revenue assurance, and vending machine and ATM operations. These projects support effective governance, financial stewardship, and strong internal controls across the organization.

Mandatory / Legislated Audits:

Credit Card Compliance Audit

This annual audit reviews adherence to the Corporate Credit Card Policy, ensuring cards are used appropriately, transactions are supported, and controls prevent misuse. It also identifies opportunities to strengthen corporate oversight and efficiency.

Eye on the Street Program Audit

Conducted as required under the Code of Practice for CCTV operation. The audit verifies that footage is properly managed, stored, accessed, and deleted, and that the program complies with MFIPPA and human rights requirements.

PCI DSS – Point-of-Sale Device Audit

Required under PCI DSS Requirement 9.9. Internal Audit confirms that merchant locations inspect payment terminals daily/weekly, maintain tamper-prevention controls, and safeguard cardholder data in accordance with PCI DSS 4.0.1.

Risk-Based Audits:

Vending Machine & ATM Operations Audit

Assesses whether vending machines and ATM operations are appropriately governed and financially accounted for. The audit addresses revenue leakage, contract oversight, and operational risks across multiple decentralized locations.

Fuel Management Audit

Evaluates controls over fuel sites and fuel cards to ensure fuel is safeguarded, accurately tracked, and used in compliance with City policies. The audit focuses on preventing misuse, improving reconciliation processes, and strengthening oversight.

Beverage Management Audit – Golf Courses & Fort William Gardens

Reviews alcohol inventory, sales controls, Smart Serve compliance, and adherence to provincial regulations. The audit aims to reduce theft risk, ensure accurate reporting, and support responsible alcohol service.

Property Lease Revenue Audit

Examines the accuracy of lease billing, indexing, and contract tracking. This audit ensures revenues are complete, timely, and aligned with contractual terms, while identifying potential missed or outdated charges.

Cash Handling Audit – Phase 1

Targets high-volume or high-risk cash locations. The audit evaluates segregation of duties, cash counting/deposit practices, safeguarding measures, and compliance with corporate cash handling policies.

Continuous Auditing:

Duplicate Vendor Payments Review

A year-round automated review to detect duplicate or erroneous vendor payments, recover funds, and identify control weaknesses contributing to preventable errors.

Follow-Up on Past Recommendations

Evaluates the implementation status of outstanding recommendations from previous audits, confirms completed actions, and identifies repeat or systemic issues requiring management attention.

Contingency & Emerging Risks:

A portion of the annual work plan is reserved to address unplanned investigations, management or Council requests, emergent risks, or issues requiring immediate assurance.

Together, the Internal Audit Charter and 2026 Work Plan create a balanced mix of mandatory, risk-based, and continuous auditing activities, while reserving capacity to respond to emerging risks and investigations. This approach ensures Internal Audit remains responsive and focused on the area's most critical to safeguarding municipal assets, supporting financial stewardship, and enhancing operational effectiveness.

FINANCIAL IMPLICATION

There are no direct financial impacts arising from approval of the Internal Audit Charter or the 2026 Work Plan. Indirect financial impacts may arise through audit recommendations that identify operational efficiencies, cost avoidance, revenue improvements, or strengthened internal controls.

BACKGROUND

Under the previous governance structure, the Audit Committee was responsible for reviewing and approving both the Internal Audit Charter and the annual Internal Audit Work Plan. With the transition of oversight responsibilities to the Standing Committee, the review, endorsement, and monitoring of the Charter and Work Plan now formally rest with the Finance and Administration Standing Committee. This transition aligns the City's governance model with municipal best practices and strengthens Council's oversight of the Internal Audit function, ensuring continued independence, accountability, and compliance with professional standards.

REFERENCE MATERIAL ATTACHED

Attachment A - Internal Audit Charter

Attachment B - 2026 Internal Audit Work Plan

REPORT PREPARED BY

John Tyson, Manager - Internal Audit Division – Corporate Services Department

REPORT SIGNED AND VERIFIED BY

Keri Greaves, CPA, Commissioner – Corporate Services & City Treasurer

04/01/2026 (MM/DD/YEAR)