

## City of Thunder Bay – Internal Audit 2026 Work Plan

---

### OVERVIEW

The Internal Audit Division has developed the 2026 Work Plan using a structured risk-based methodology consistent with the Internal Audit Charter and the Institute of Internal Auditors (IIA) Standards. The plan reflects a balanced combination of:

- **Mandatory audits** required under corporate policy or program governance structures
- **Risk-based audits** targeting areas of financial, operational, and compliance risk
- **Continuous auditing activities** to deliver timely assurance and oversight
- **Follow-up reviews** to verify implementation of past audit recommendations
- **Corporate initiatives**, where Internal Audit provides subject-matter expertise while maintaining independence

The 2026 plan focuses on high-risk areas including credit card compliance, PCI DSS requirements, cash handling, inventory management, vendor payments, and revenue assurance. Mandatory responsibilities relating to the Eye on the Street Program and Credit Card Policy continue to be included.

### CRITERIA

A formal risk assessment process was applied to determine the 2026 audit priorities. This framework evaluates potential audits using the following criteria:

1. **Financial Materiality** – magnitude of financial activity or asset value
2. **Inherent Risk** – susceptibility to error, fraud, or control breakdowns
3. **Savings or Value-Added Potential** – opportunities to reduce cost, increase revenue, or improve efficiency
4. **Complexity of Activity** – degree of process sophistication, volume, and system dependency
5. **Time Since Last Audit** – length of time that has elapsed since last examination. This methodology ensures that audit resources are focused on areas presenting the highest risk to the corporation.

### INTERNAL AUDITS 2026 – MANDATORY/LEGISLATED AUDITS

The following internal audit projects are submitted to the Standing Committee for endorsement:

#### 1. Credit Card Compliance Audit

**Estimated Schedule:** Q1-Q3

## City of Thunder Bay – Internal Audit 2026 Work Plan

---

Under the Corporate Credit Card Policy, Internal Audit conducts annual audits to assess:

- Compliance with policy and procedures
- Adequacy of internal controls
- Appropriate use, authorization, and monitoring
- Opportunities to strengthen governance and efficiency

An annual report will be presented to the Standing Committee.

### 2. Eye on the Street Program Audit

**Schedule:** Q1, Q2, Q3, Q4

As required by the *Code of Practice for the Operation of a Closed-Circuit Television System for Downtown Surveillance*, Internal Audit performs an independent quarterly audit to ensure:

- Compliance with program policies and the Code of Practice
- Proper recording, storage, access, and deletion of footage
- Adequate security over surveillance systems

The audit constitutes a record under MFIPPA and is retained by the City for the period prescribed in the Records Retention By-law.

#### **Additional Audit Requirements (per Code of Practice)**

- Quarterly audits are performed by Internal Audit, with results provided to the Manager for inclusion in the annual report.
- All audit reports constitute records under MFIPPA and must be retained in accordance with the City's Records Retention By-law.
- Audit procedures are outlined in **Appendix E** of the Code of Practice.
- No individual may be present in the Command Centre while camera images are displayed unless accompanied by a Service Provider representative.
- The Audit Team reviews a random sample of recorded footage to confirm compliance with the Code of Practice, the Human Rights Code, and MFIPPA.
- The Audit Team provides the Service Provider with selected times and locations within the applicable 14-day recording period for review.
- The Service Provider arranges access for the Audit Team to view the requested footage within the Command Centre.
- If needed, the Service Provider may copy footage for the Audit Team, with all access logged in the Camera Monitoring Logs.
- Recorded information cannot leave the Command Centre except through a formal TBPS law enforcement request or a valid MFIPPA access request.

An annual report will be provided to the Standing Committee.

### 3. Payment Card Industry Data Security Standards (PCI DSS) Point of Sale Device Audit

**Estimated Schedule:** Q1, Q2, Q3, Q4

The Payment Card Industry Data Security Standard is an information security standard for organizations that handle branded credit cards from the major card schemes. The PCI Standard is mandated by the card brands but administered by the Payment Card Industry Security Standards Council. An organization accepting credit card payments must ensure that any credit card data stored, processed, or transmitted with a City Merchant ID must be protected and security controls must conform to the Payment Card Industry Data Security Standard (PCI DSS). The purpose of PCI DSS is to protect Payment Card Information and prevent loss or disclosure of such information.

Under PCI DSS Requirement 9.9, Internal Audit performs quarterly audits of merchant Point-of-Sale (POS) device inspection logs to confirm:

- Daily merchant inspections are occurring
- Weekly checklists are completed, reviewed, and retained
- Devices are safeguarded against tampering or substitution
- Internal controls align with PCI DSS v4.0.1 requirements

Non-compliance will be escalated through the PCI governance structure.

### INTERNAL AUDITS 2026 – RISK-BASED AUDITS

Risk-based audits are selected using the corporate risk assessment methodology and focus on areas with high financial, operational, or compliance risk. These audits provide assurance on significant controls and processes that safeguard City resources.

### 4. Vending Machine and ATM Operations Audit

**Estimated Schedule:** Q2, Q3

The City has a decentralized inventory of vending machines and ATM units located across arenas, recreation centres, administrative buildings, transit terminals, and public facing facilities. Many machines have varying ownership models, commission structures, contract terms, and unclear operational oversight. This presents financial, operational, and compliance risks.

**Audit Objective:**

To determine whether vending and ATM operations are properly governed, financially accounted for, and managed in accordance with City policies, contractual requirements, and best practice.

**Risk Statement:** Financial loss, revenue leakage, utility cost absorption, contract management gaps, non compliance with procurement and asset management policies, and reputational risk.

A report will be presented to the Standing Committee.

## **5. Fuel Audit**

**Estimated Schedule:** Q1- Q2

Fuel management is coordinated by the Fleet Services Division, Community Services Department. Its purpose is to ensure that fuel is properly safeguarded, accurately tracked, and used in accordance with City policies, supporting operational efficiency and financial accountability. The City of Thunder Bay operates multiple fuel sites and manages fuel cards for fleet vehicles, representing a high-cost operational resource.

**Risk Statement:**

There is a risk that fuel may be misused, inaccurately tracked, or inadequately controlled, leading to financial loss, operational inefficiencies, or non-compliance with City policies.

**Audit Objective:**

The City's fuel management program will be evaluated to:

- Assess the adequacy and effectiveness of fuel card controls and site access
- Review transaction logs and reconciliation processes for completeness and accuracy
- Identify potential inefficiencies, unauthorized use, or control gaps
- Provide recommendations to strengthen oversight and safeguard a high-cost operational resource

A report will be presented to the Standing Committee.

## **6. Beverage Management Audit**

**Estimated Schedule:** Q1-Q2

Internal Audit will examine the management, control, and compliance of alcohol sales at municipally operated golf courses and Fort William Gardens concessions stands. The audit will ensure that alcohol is properly tracked, sold responsibly, and managed in accordance with municipal, and provincial regulations.

The audit will focus on:

- Inventory reconciliation and security
- Sales accuracy and cash control processes
- Prevention of theft, loss, or unauthorized use

## City of Thunder Bay – Internal Audit 2026 Work Plan

---

- Staff training, including Smart Serve certification
- Compliance with provincial regulations and municipal alcohol policies
- Evaluating the effectiveness of alcohol service procedures, including pricing strategies, and customer service
- Risk mitigation related to intoxication or service issues

**Risk Statement:** Reputational, Legal/Regulatory Risk

A report will be presented to the Standing Committee.

### 7. Continuous Auditing - Duplicate Vendor Payments

**Estimated Schedule:** Q1-Q4

This continuous audit will focus on detecting duplicate or erroneous vendor payments.

Objectives include:

- Identifying duplicate invoices or payment errors
- Supporting recovery of funds where applicable
- Assessing root causes and control weaknesses
- Recommending enhancements to automated and manual controls

A report will be presented to the Standing Committee.

### 8. Property Lease Revenue Audit

**Estimated Schedule:** Q3-Q4

With annual lease billings exceeding \$4 million, this audit will evaluate:

- Accuracy and completeness of lease billing
- Controls over tracking, indexing, and updating lease agreements
- Timeliness of invoicing and collections
- Alignment of contract terms with billed rates
- Potential additional revenue opportunities

**Risk Statement:** Missed indexation, late billing, outdated lease terms

A report will be presented to the Standing Committee.

### 9. Cash Handling Audit – Phase 1

**Estimated Schedule:** Q4

**Risk Statement:**

Fraud and Financial Control risk.

## City of Thunder Bay – Internal Audit 2026 Work Plan

---

Cash handling represents significant financial and reputational risk. Phase 1 audit will prioritize high-volume or high-risk locations. This audit will evaluate:

- Segregation of duties
- Receiving, processing, and deposit procedures
- Safeguarding of cash and equivalents
- Oversight and supervisory controls
- Compliance with cash handling policies

A report will be presented to the Standing Committee.

### 10. Continuous Auditing - Follow up on Past Recommendations

**Estimated Schedule:** Q4

Since 2012, Internal Audit has issued 247 recommendations across 49 reports, with an implementation rate of 85%. This review will:

- Assess the status of all outstanding recommendations
- Verify implementation for those reported as completed
- Identify repeat issues or systemic control concerns

A report will be presented to the Standing Committee

### CORPORATE INITIATIVES

In addition to internal audit function, the Internal Audit Division is the lead for the following corporate initiatives:

#### 1. BMA Municipal Study

**Schedule:** Q3-Q4

The City of Thunder Bay participates in a municipal comparative study conducted by BMA Management Consulting Inc. In 2025, 128 cities including Thunder Bay took part in a study done by BMA Management Consulting Inc. that compared financial information, user fees, tax policies and rates, sewer and water services, and taxes as a percentage of income.

Internal Audit coordinates the City's participation in the annual BMA Municipal Comparative Study. Responsibilities include:

- Ensuring timely and accurate data submissions

## City of Thunder Bay – Internal Audit 2026 Work Plan

---

- Supporting departmental data validation
- Facilitating management review of comparative indicators

### **2. Payment Card Industry Data Security Standards (PCI DSS) compliance initiative (All Year)**

**Schedule:** Ongoing All Year

Internal Audit will support the City's PCI DSS compliance program with Finance and Corporate Information & Technology (CIT) by monitoring remediation progress, advising departments on control requirements, and validating that applicable PCI DSS standards are followed. In 2026, Internal Audit will continue its transition from an operational role to an independent audit-only role to preserve objectivity for future PCI compliance audits.

### **CONTINGENCY & EMERGING RISKS**

A portion of Internal Audit hours will be reserved to address:

- Unexpected investigations
- Emerging risks (cyber, procurement changes, etc.)
- Management or Council requests
- Special investigations or advisory engagements
- Unanticipated operational or financial issues

Audit timelines may be adjusted during the year in response to operational needs or emerging risks, with any changes reported to the Standing Committee.

This flexibility ensures Internal Audit can respond effectively to new or changing risks during the year.

### **SUMMARY & CONCLUSION**

The 2026 Internal Audit Work Plan provides a balanced mix of mandatory, risk-based, and continuous auditing activities aligned with the City's highest-risk areas. The plan focuses on financial stewardship, operational efficiency, safeguarding of municipal assets, compliance with legislative and policy requirements, and strengthening internal controls across departments. It supports transparent reporting to Council, reinforces accountability, and helps ensure that City services are delivered efficiently, responsibly, and in accordance with best practices in municipal governance and the Institute of Internal Auditors (IIA) Standards. The planned audits are achievable within the current Internal Audit staffing and resource levels.

**City of Thunder Bay – Internal Audit 2026 Work Plan**

---

**2026 Audit Schedule Overview**

<b>Audit Project</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Credit Card Compliance Audit	●	●	●	–
Eye on the Street Program Audit	●	●	●	●
PCI DSS POS Device Audit	●	●	●	●
Vending Machine Audit	–	●	●	–
Fuel Audit	●	●	–	–
Beverage Management Audit	●	●	–	–
Duplicate Vendor Payments (Continuous Auditing)	●	●	●	●
Property Lease Revenue Audit	–	–	●	●
Cash Handling Audit – Phase 1	–	–	–	●
Follow-Up on Past Recommendations	–	–	–	●
BMA Municipal Study	–	●	–	●
PCI DSS Compliance Initiative (Corporate)	●	●	●	●

**Legend:**

● = Planned audit activity