
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.