

City of Thunder Bay – Internal Audit Risk Assessment Overview

2025 Work Plan

OVERVIEW

As required by our Internal Audit Charter (and the Institute of Internal Auditors), a risk assessment framework is used to develop the internal audit work plan. Risk assessment is a process by which an auditor identifies and evaluates the organization’s risks and the quality of its controls over those risks. The risk assessment is primarily based on financial systems and processes.

CRITERIA

The potential audits and financial processes have been ranked based on the following 5 criteria (criteria based on IIA Risk Assessment document):

- Financial Materiality
- Inherent Risk
- Savings Potential
- Complexity of Activity
- Time since Last Audit

INTERNAL AUDITS 2025

The following internal audit projects are submitted to the Audit Committee for approval:

1. Credit Card Compliance Audit

As outlined in the City of Thunder Bay – Credit Card Policy, the Internal Audit Division is responsible for conducting **annual audits**. The audit report is presented to the City of Thunder Bay’s Audit Committee. The Internal Audit conducts the audit to gauge the organization’s compliance with the Corporate Credit Card Policy. The audit also reviews internal controls, efficiency, and governance.

2. Eye on the Street Program Audit

As outlined in the “City of Thunder Bay – Code of Practice, for the Operation of a Closed-Circuit Television System for Downtown Surveillance in Thunder Bay”, the City’s Internal Auditor is responsible for conducting quarterly audits of the program to be submitted to the Manager and the Steering Committee. The audit reports are also presented to the Audit Committee on an annual basis.

As outlined in the Code of Practice: The auditing of the program is the responsibility of the Internal Audit of the City of Thunder Bay. A minimum of two (2) representatives will perform each audit at the Security Office. Persons who perform the audit must not sit on the Steering Committee. Members of the audit team are required to individually sign an oath of

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confidentiality. An audit of the Program is performed quarterly, and the results submitted to the Manager, for presentation to the Steering Committee.

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

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 & Continuous Improvement Division is required to audit the Point of Sales device checklists used throughout the corporation on a quarterly basis to ensure they are completed as per the requirements.

Payment Terminal Protection. It is the responsibility of the merchant to inspect the POS device daily before using to ensure that the device has not been tampered with. The inspection checklist (log) is to be completed weekly and sign off on the checklist sheets on a weekly basis. Any merchant accepting face-to-face payments via a physical point of sale device or terminal is required.

4. Stores Inventory Field Audit

Inventory is coordinated by Supply Management Division, Corporate Services Department. Its purpose is to ensure that the on-hand quantity for each inventory item is accurately recorded in the SAP financial system so that operations are supported by having parts and supplies available when needed and to value inventory accurately for financial reporting purposes. The City of Thunder Bay has various inventories on hand related to operations at the following 5 locations valued at over \$ 7,000,000. Internal Audit will conduct quarterly audits and provide assurance on the process.

5. Property Lease Revenue Audit

Lease revenue billing is a responsibility of the Infrastructure Development & Operations Realty Services Division. Annual lease billings are more than \$4,000,000. This audit was selected by Internal Audit Division based on its Risk Assessment analysis. Furthermore, concerns have been raised on whether internal controls are sufficient in the lease revenue billing process. This type

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of audit has demonstrated the potential for the detection of additional revenue and minimizing financial risks to the municipality.

6. Internal Audit - Follow up on Past Recommendations

Since 2012, 247 recommendations have been made by the Internal Audit Division through 49 internal audit reports and 85% of past recommendations have either been implemented or are in progress. The status of each recommendation is categorized as implemented, in progress, or outstanding. Once a recommendation has been implemented, Internal Audit conducts a verification process.

Past audits include:

- Segregation of Duties SAP, Contract Audit
- O/S reports – Duplicate Vendor Payment
- Cash Handling securing facilities, improving processes.
- Procurement-recommendations to improve processes and efficiencies.
- Credit Card-compliance results and how to improve.
- Inventory –improving inventory counts, spot checks, security of inventory.
- Fleet Audit
- Accounts Receivable-improve processes to improve collections.

To follow up on outstanding past recommendations from the various reports and determine if the recommendation have been implemented.

7. Beverage Management Audit

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

Key Areas of Focus:

- **Inventory Management:** Assessing whether alcohol stock is accurately tracked, securely stored, and reconciled with sales records to prevent loss or theft.
- **Sales & Revenue Control:** Ensuring proper cash handling, point-of-sale system accuracy, and reconciliation of alcohol sales with financial records.
- **Theft & Loss Prevention:** Reviewing security measures, staff access controls, and accountability procedures to mitigate risks of theft or unauthorized use.
- **Staff Training & Certification:** Confirming that employees handling alcohol sales have the required training (e.g., Smart Serve or equivalent) and understand responsible service policies.
- **Operational Efficiency:** Evaluating the effectiveness of alcohol service procedures, including pricing strategies, and customer service.

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- **Risk Management & Liability:** Identifying potential legal or public safety risks related to over-service, intoxicated patrons, or violations of municipal alcohol policies.

This audit provides recommendations to enhance compliance, strengthen internal controls, and improve the efficiency and accountability of alcohol sales at municipal golf courses.

8. Continuous Auditing - Duplicate Vendor Payments

In its Procure to Pay audit report, Internal Audit observed that within the current processes, duplicate payments and overpayments to vendors have occurred; currently, potential overpayments may go undetected. At that time, it was estimated that annual duplicate vendor payments are more than \$35,000. This audit was selected by Internal Audit based on its Risk Assessment analysis and is the ideal candidate for a continuous auditing process to detect/recover potential vendor overpayments. Although initial audit work has been completed, additional analysis is required to complete this audit.

PERFORMANCE MEASUREMENT

In addition to internal audit function, the Internal Audit Division is the lead for the following performance measurement initiative:

1. BMA Municipal Study

The City of Thunder Bay participates in a municipal comparative study conducted by BMA Management Consulting Inc. In 2024, 126 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.

CORPORATE INITIATIVES

In addition, the Internal Audit Division has also led the following corporate initiative over the last 16 years.

1. Payment Card Industry Data Security Standards (PCI DSS) compliance initiative

Collaboratively with the full PCI team (Finance & CIT), advance the plan for The City of Thunder Bay PCI DSS (Payment Card Industry Data Security Standards) compliance. Internal Audit Division should move from lead role to auditing of the PCI DSS compliance initiative.