PURPOSE

The purpose of the Internal Audit Division is to provide independent, objective assurance and consulting services designed to add value and improve the City of Thunder Bay's operations.

Internal Audit supports the City in achieving its objectives by applying a systematic and disciplined approach to evaluate and enhance the effectiveness of risk management, internal control, and governance processes.

AUTHORITY

The Internal Audit Division is authorized by City Council to have full, unrestricted, and timely access to all records, documents, systems, physical assets, and personnel of the Corporation of the City of Thunder Bay that are relevant to the performance of audit work. This authority extends to all City departments, divisions, programs, and operations.

Internal Audit is authorized to:

1. Obtain information from any employee, contractor, consultant, or third party acting on behalf of the City, to the extent permitted by law and contractual agreements.
2. Access all electronic systems, data, and technology resources necessary to conduct audit work, including read-only access to applications, databases, and financial systems.
3. Enter City facilities, worksites, and operational locations to observe processes, verify assets, and gather evidence.
4. Request and receive explanations from management and staff regarding the design and effectiveness of controls, risk management practices, and governance processes.
5. Determine audit scopes, select audit techniques, allocate audit resources, and issue audit reports without interference from management or other parties.
6. When required under the Municipal Act, 2001, Internal Audit may meet in closed session with City Council to discuss sensitive audit matters.

Internal Audit is **not authorized to**:

- Direct the activities of City employees not assigned to Internal Audit,
- Implement internal controls, policies, or procedures,
- Assume management's responsibilities, or
- Engage in any operational decision-making.

Management and employees across the Corporation are required to fully cooperate with Internal Audit and ensure that all information requested is complete, accurate, and provided in a timely manner.

INDEPENDENCE AND OBJECTIVITY

The Internal Audit Division shall remain free from interference in determining the scope of internal audit work, performing audit procedures, and communicating results. To ensure organizational independence, the Internal Audit Division reports:

- Functionally to the Finance and Administration Standing Committee for the approval of the audit plan and oversight of audit activity, and to City Council for the approval of the Internal Audit Charter and receipt of audit reports for information.
- Administratively to the Commissioner of Corporate Services Department for HR processes, budgeting, and allocation of office resources.

Internal Audit will have unrestricted access to the City Manager, Commissioners, and Members of City Council as required to fulfill its responsibilities.

Internal auditors must maintain objectivity in performing their duties. They shall not engage in any activities or decision-making roles that could impair, or reasonably be perceived to impair, their unbiased judgment. Internal auditors are prohibited from:

- Designing, installing, or operating internal controls;
- Developing or implementing policies, procedures, or systems they may later audit;
- Assuming operational responsibilities or participating in management decision-making;
- Auditing functions for which they had operational responsibility within the previous twelve (12) months.

The Manager of Internal Audit shall disclose to the Finance and Administration Standing Committee and City Council any situation that may compromise, or appear to compromise, the independence or objectivity of the Internal Audit Division.

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).

SCOPE OF WORK

The scope of work of the Internal Audit Division encompasses the independent examination and evaluation of the adequacy and effectiveness of the City’s governance, risk management, and internal control processes across all City operations.

Internal Audit’s work is intended to determine whether:

- Risks are appropriately identified, assessed, and managed across the organization.
- Key controls designed to mitigate risks are effective, efficient, and operating as intended.
- Financial, managerial, and operational information is accurate, reliable, complete, and timely.

- Activities comply with applicable federal and provincial legislation, municipal by-laws, City Council directives, and City policies and procedures.
- Resources and assets are acquired economically, used efficiently, safeguarded from loss, and properly accounted for.
- Programs, plans, and objectives are clearly defined, properly communicated, and achieved as intended.
- Significant legislative, regulatory, and emerging issues that may impact the City are identified and addressed appropriately by management.
- Practices support quality, continuous improvement, and good governance across the organization.

Internal Audit may also conduct special reviews, investigations, advisory engagements, and follow-up activities in response to requests from City Council, the Finance and Administration Standing Committee or senior leadership, provided such work does not impair Internal Audit's independence or objectivity and remains consistent with the approved Internal Audit Work Plan.

RESPONSIBILITIES

Internal Audit is responsible for providing independent and objective assurance and consulting services to support City Council, senior management, and staff in achieving the City's objectives. Internal Audit is responsible for:

Audit Planning

- Developing a risk-based annual Internal Audit Work Plan for approval by the Finance and Administration Standing Committee, and presentation to City Council for information.
- Updating the Internal Audit Work Plan as required based on emerging risks, new priorities, or requests from City Council, the Finance and Administration Standing Committee, or senior management, while maintaining Internal Audit independence.

Execution of Audit Work

- Conducting performance, operational, compliance, financial, and other audits as appropriate.
- Implementing the approved Internal Audit Work Plan and undertaking special reviews or advisory engagements when appropriate and consistent with Internal Audit's mandate.
- Determining the adequacy and effectiveness of internal accounting, financial, operational, and administrative controls.
- Reviewing systems and activities for compliance with applicable legislation, regulations, municipal by-laws, City Council directives, and City policies and procedures.
- Reviewing the means of safeguarding assets and, where appropriate, verifying the existence of such assets.

Reporting and Follow-Up

- Reporting audit findings, recommendations, and agreed-upon action plans to senior management and the Finance and Administration Standing Committee, and to City Council for information.
- Evaluating management's corrective actions and performing follow-up reviews to assess whether agreed-upon actions have been implemented.
- Escalating significant unresolved issues or unsatisfactory corrective actions to senior leadership, the Finance and Administration Standing Committee, and City Council when appropriate.

Advisory and Consulting Services

Internal Audit may provide consulting or advisory services that do not impair independence or objectivity, including:

- Providing independent and objective advice relating to internal control, risk management, operational efficiency, and fraud prevention.
- Providing independent advice on management's evaluations of new or changing programs, services, processes, systems, or organizational structures.
- Conducting special projects, reviews, investigations, or research at the request of the Finance and Administration Standing Committee, City Council, or senior management and subject to resource availability and the approval of the Standing Committee.
- Providing education or training on audit-related topics such as risk assessment and internal controls.

Coordination and Collaboration

- Coordinating with the City's external auditors to minimize duplication and support effective audit coverage.
- Sharing internal audit results and participating in external audit planning and risk assessment, where appropriate.
- Consulting regularly with senior management regarding audit findings to ensure awareness of significant issues.

Investigations

- Supporting or assisting in the investigation of suspected fraudulent activities within the City.
- Reporting investigation results to senior management, the Finance and Administration Standing Committee, and City Council as appropriate.

Management Responsibilities

Management is responsible for designing, implementing, maintaining, and monitoring effective internal controls, risk management practices, and governance processes. Internal Audit does not assume any management responsibilities in the course of its work.

REPORTING AND COMMUNCATION

Internal Audit communicates the results of its work in a clear, transparent, and timely manner.

Internal Audit will:

- Present the annual audit plan to the Finance and Administration Standing Committee for approval and subsequently provide the plan to City Council for information.
- Provide final audit reports and follow-up results for senior management and the Finance and Administration Standing Committee, with copies provided to City Council for information.
- Outline findings, recommendations, and management responses in all formal reports to ensure a complete, transparent, and balanced perspective.

ORGANIZATIONAL STRUCTURE

The Internal Audit Division consists of:

Manager of Internal Audit

The Manager of Internal Audit is responsible for the overall leadership, administration, and delivery of the City's internal audit program. This includes developing and executing the annual audit plan, overseeing audit engagements, ensuring adherence to professional standards, and reporting audit results to the Finance and Administration Standing Committee, while reporting administratively to the Commissioner of Corporate Services.

The Manager provides strategic direction, safeguards the independence and integrity of the Internal Audit function, and serves as the primary liaison with senior management, external auditors, and oversight bodies.

Internal Audit Analyst

The Internal Audit Analyst supports the planning, execution, and reporting of audit engagements. This role conducts audit fieldwork, performs analysis, evaluates internal controls, and assists in preparing audit findings and recommendations.

The Analyst works under the direction of the Manager of Internal Audit and contributes to performance, compliance, operational, financial, and special audits. When specialized skills are

required or workload demands increase, qualified contracted professionals may be engaged to supplement the Internal Audit Division to ensure effective coverage.

APPROVAL AND REVIEW OF THE CHARTER

The Internal Audit Charter is a foundational governance document establishing the mandate and authority of the division. This Charter shall be:

- Reviewed annually by the Manager of Internal Audit.
- Endorsed for recommendation by the Finance and Administration Standing Committee.
- Formally approved by City Council