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# Auditor General 2026 Work Plan Proposal

## Report

08.31.2025

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Office of the Municipal Auditor General,  
The Corporation of the City of Windsor

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# Executive Summary

The 2026 Auditor General Work Plan is presented in accordance with the Auditor General Charter, the in-force professional services contract, and the International Internal Audit Standards.

Council is asked to decide between a constrained baseline plan and a modified one-time adjustment scenario. Both options result in mandate impairment; with added one-time funds the modified option partially restores core capacity for 2026 by funding follow-up validation, a contingency reserve, and clearing the investigation backlog.

Both scenarios are presented in accordance with the Auditor General Charter and contract requirements, with mandatory disclosures of resource limitations and scope impairments under the International Internal Audit Standards.

## Resource Context

- The contract provides 1,200 hours annually (\$300,000).
- Core obligations have grown structurally by over +500 hours annually since 2019 due to:
  - Professional Standards compliance (+315 hours)
  - Fraud & Waste Hotline administration (+182 hours)
- Core activities now consume virtually the entire envelope, leaving no discretionary capacity.
- [Section 8 - Compliance Crosswalk](#) provides insight into the Charter, contract and standards requirements and alignment.

## Constrained Plan (Baseline)

Under the current contract envelope:

- **Statutory AG Mandate Effort** - 51.5%
  - Governance, Standards & Compliance - 51.5%
  - Risk Based Project Reviews - 0%
- **Supplemental AG Mandate Effort** - 48.5%
- No audit projects will be delivered in 2026–2028.
- No Management Action Plan Validation for a third consecutive year (2024–2026).
- Pending investigations (~290 hrs) consumes all remaining capacity; new complaints received Aug 2025–Dec 2027 will be deferred until 2028, when only 2–3 cases can be addressed.
- Audit coverage across the universe is <0.01% in 2026, effectively zero.

### Modified 2026 Scenario (One-Time Adjustment)

Council may consider a one-time increase of **\$75,000**. This would:

- **Statutory AG Mandate Effort** - 56.6%
  - Governance, Standards & Compliance - 56.6%
  - Risk Based Project Reviews - 0%
- **Supplemental AG Mandate Effort**- 42.4%
- Clear the 2026 investigation backlog and allow new complaints to be investigated in-year.
- Restore follow-up validation (175 hrs) and the unallocated reserve (120 hrs).
- Stabilize the function for 2026 and reduce non-compliance with professional standards.
- No audit projects will be delivered in 2026–2028.

### Key Implications

- **Constrained Plan** → Council accepts that core and investigative obligations are delivered, but **projects, follow-up, and contingency are absent**, leaving mandate impairment and scope limitation in effect.
- **Modified 2026 Scenario** → Council accepts that core and investigative obligations are delivered, with follow-up and contingency restored, but **projects remain absent**, leaving mandate impairment in effect.
- Council accepts that both of the proposed work plans are **non-compliant** with the Charter and contract expectations.
- This report includes formal disclosure, in accordance with Standards 4.1, 8.2, and 9.3 of the IIA Global Internal Audit Standards (2024), of areas where the Auditor General function is not in full conformance due to resource constraints, contractual boundaries, and supplemental mandate responsibilities. Receipt of this report by Council fulfills the requirement that the governing body be informed of such conditions and their potential impact on independence, coverage, and overall mandate delivery.
- These disclosures are made to ensure transparency and to satisfy the Standards' requirement that such matters be discussed with and communicated to the governing body. Council may note these conditions for awareness and determine whether any corrective action or resourcing adjustment is warranted.

## Overview of Proposed Work Plan Coverage

Category / Activity	2026 Constrained	Modified 2026 Scenario
<b>Core Activities</b>		
Auditor General Function	✓	✓
Annual Quality Self-Assessment & Reporting	✓	✓
Management Relationship & Performance Reporting	✓	✓
AG Executive Leadership Development	✓	✓
Annual Risk Assessment & Work Plan Update	✓	✓
Fraud & Waste Hotline Administration	✓	✓
Management Action Plan Follow-Up	✗	✓
Governance & Emerging Issues Reserve (Unallocated)	✗	✓
<b>Investigations</b>	⚠	✓
<b>Projects</b>	✗	✗

# 1. Context & Authority

The Office of the Auditor General operates under a framework established by legislation, Council-approved governance instruments, contractual arrangements, and professional standards. Together, these define the mandate, independence, and resource boundaries within which this Work Plan has been developed.

## **Statutory AG Mandate**

The Municipal Act, 2001 (s.223.19–223.24) authorizes the City of Windsor to appoint an Auditor General who is independent of Administration and reports directly to Council. The Act requires the Auditor General to carry out responsibilities in an **independent manner** and report directly to the Council. The Auditor General is empowered to conduct examinations of the stewardship of public funds and achievement of value for money in municipal operations. To carry out these responsibilities, the Auditor General has the authority to access records, require information, and conduct examinations of municipal operations.

This statutory foundation supports the AG's role in governance, standards compliance, annual risk-based planning, and delivery of audit projects.

## **Supplemental AG Mandate**

In 2013 Council directed that inbound allegations related to fraud, waste and misuse be administered, directed and investigated (as required) by Internal Audit, and subsequently by Internal Audit under the direction of the Auditor General. This is a discretionary decision and is not a requirement of the AG under the Municipal Act. The practice is common with Municipalities that have an AG.

This discretionary accountability supports the AG's role in strengthening governance and public trust by providing Council and residents with an independent channel for the review of concerns.

## **Auditor General Charter (2025)**

The AG Charter consolidates the **Statutory AG Mandate** and the **Discretionary AG Mandate**. Council approved an updated Auditor General Charter on February 24, 2025. The Charter defines the **purpose, scope, authority, accountability, and responsibilities** of the Office. It requires that:

- A rolling three-year risk-based Work Plan be developed and submitted to Council for approval.
- Each year's plan must be implemented as approved, with any significant deviations reported back to Council.
- The Auditor General maintain independence and objectivity, while ensuring coverage of governance, risk management, and control processes.
- A formal follow-up process be maintained to validate the implementation of management action plans.

- Resource limitations or restrictions on scope, communications, or access must be reported to Council.

### **Contractual Obligations**

The in-force contract, as amended and assigned to Risk Savvy Ltd. effective January 1, 2023, establishes the resourcing parameters of this Work Plan:

- **Annual budget** of \$300,000 with **1,200 hours available** in 2026.
- **Core activities** (risk assessment, quality assurance, governance functions, hotline administration, quarterly and annual reporting, follow-up) are mandatory.
- At least **one audit project and findings validation** are expected annually, unless Council is advised otherwise.
- Investigations are mandatory and may pre-empt planned projects; any such changes must be disclosed to Council.
- Council may authorize **additional services** at \$200/hour, subject to a \$60,000 cap per major project.

### **Professional Standards**

This Work Plan has been developed in accordance with the **IIA Global Internal Audit Standards (2025)**. Standards 2030 (Resource Adequacy) and 2600 (Acceptance of Risk) require that:

- Resource limitations that prevent full adherence to the approved Charter or Work Plan be disclosed to Council.
- Council consciously accept any reductions in coverage or provides additional resources to maintain conformance.

[Section 8 - Compliance Crosswalk](#) provides insight into the Charter, contract and standards requirements and alignment and compliance therewith.

## 2. Core Activities (Non-Discretionary)

Core activities are those functions that **the Municipal Act mandates, the Auditor General Charter, professional standards, or the in-force contract**. They must be performed each year, regardless of the remaining capacity for discretionary projects.

These include professional standards compliance, quality assurance, relationship management, leadership development, hotline administration, risk assessment updates, and follow-up on prior audit findings.

Under the constrained \$300,000 (1,200-hour) contract envelope, these obligations consume nearly all available capacity:

- Professional standards compliance has increased by approximately **+315 hours** with the introduction of the 2025 Standards.
- Fraud & Waste Hotline administration has grown by approximately **+182 hours** since 2019.
- Together, these structural increases have displaced other core elements, forcing reductions to follow-up validation and the unallocated reserve.

### **Constrained Allocation (Baseline):**

- Auditor General Function – 185 hrs
- Annual Quality Self-Assessment & Reporting – 120 hrs
- Management Relationship & Performance Reporting – 120 hrs
- AG Executive Leadership Development – 100 hrs
- Annual Risk Assessment & Work Plan Update – 80 hrs
- Fraud & Waste Hotline Administration – 292 hrs
- Management Action Plan Follow-Up – 0 hrs (**deferred**)
- Unallocated Reserve – **13 hrs (significantly consumed)**
- **Subtotal: 910 hrs (within 1,200 hrs envelope, but core reduced below intended levels)**

This baseline results in **sustained deferral of follow-up validation (2024–2026)** and elimination of contingency capacity, creating mandate impairment and non-compliance with Standards 8.2, 10.1, and 12.1.

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## Modified 2026 Scenario (One-Time Adjustment)

If Council were to approve a one-time increase of **\$75,000 for the Modified 2026 Scenario (One-Time Adjustment) (Modified 2026 Scenario)**, the Office could restore core to the intended levels while also meeting pending investigative obligations.

### Modified 2026 Scenarios Allocation:

- Auditor General Function – 185 hrs
- Annual Quality Self-Assessment & Reporting – 120 hrs
- Management Relationship & Performance Reporting – 120 hrs
- AG Executive Leadership Development – 100 hrs
- Annual Risk Assessment & Work Plan Update – 80 hrs
- Fraud & Waste Hotline Administration – 292 hrs
- Management Action Plan Follow-Up – **175 hrs (restored)**
- Unallocated Reserve – **126 hrs (restored)**
- **Subtotal: 1,200 hrs**

## Comparison of Outcomes

Category	Constrained (No Adjustment)	Modified 2025 Scenario
<b>Follow-up validation</b>	Cancelled (2024–2026)	Restored (175 hrs in 2026)
<b>Unallocated reserve</b>	Consumed (0 hrs)	Restored (120 hrs)
<b>Standards compliance</b>	Non-conformance with Standards 8.2, 10.1, 12.1	Restored for core obligations
<b>Total core effort</b>	897 hrs (reduced)	1,202 hrs (fully restored)

### 3. Investigations

Investigations are a **mandatory function** of the Auditor General, as mandated by both the contract and the Auditor General Charter. The Office operates the **Concerned Citizen and Employee Hotline**, which requires intake, triage, and reporting of allegations. When matters appear to have merit, the Auditor General has explicit authority under the contract and Charter to **stop, delay, or postpone audit projects to redirect resources to investigations**.

Pending investigations include matters related to Conflict of Interest, Employment Concerns, Procurement Practices, Traffic Violation, and Parking Ticket Practices, together estimated at approximately 290 hours of AG effort.

With core activities already consuming ~1,192 hours, this creates a **net deficit of ~282 hours** under the existing \$300,000 (1,200-hour) contract envelope. To accommodate the pending investigations within this constraint:

- Follow-up validation is cancelled for the third consecutive year (2024–2026).
- The unallocated reserve is fully consumed (reduced from 120 hours to 0).
- New complaints received August 2025 through December 2027 will be deferred until 2028, when only 2–3 cases could realistically be addressed.

This baseline plan therefore results in sustained non-compliance with the Auditor General Charter and International Internal Audit Standards, particularly Standards 8.2 (Mandate Impairment), 12.1 (Follow-Up), and 2600 (Scope Limitation).

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#### Modified 2026 Scenario

If Council were to approve a one-time increase of **\$75,000 (~350 to 400 hours)**, investigative work could be delivered without displacing core activities.

- The **pending investigations (~290 hrs)** would be cleared in 2026.
  - **At least two (2) new complaints in 2026** could be addressed in-year rather than deferred to 2028.
  - **Core programs restored:** follow-up validation (175 hrs) and unallocated reserve (120 hrs) are preserved at intended levels.
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This adjustment would not create ongoing project capacity, but it would **stabilize the function for 2026** and prevent further erosion of compliance with the Auditor General Charter and professional standards.

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## Comparison of Outcomes

Category	Constrained (No Adjustment)	Modified 2026 Scenario
<b>Pending Investigation</b>	Cleared in 2026	Cleared in 2026
<b>New complaints (2026–2027)</b>	Deferred to 2028	At least two (2) addressed in 2026
<b>Follow-up validation</b>	Cancelled (2024–2026)	Restored (175 hrs in 2026)
<b>Unallocated reserve</b>	Consumed (0 hrs)	Restored (120 hrs)
<b>Compliance impact</b>	Non-conformance with Standards 8.2, 9.3, 12.1, 2030, 2600	Partially restored; no projects, but core + investigations covered

## 4. Planned Projects and Deferrals

The Auditor General's Charter and the in-force contract anticipate the delivery of **at least one new audit project annually, in addition to systematic follow-up on management action plans**. The 2026 Risk Assessment identified several high-priority areas for potential audit coverage (see accompanying report: [Auditor General Report Regarding 2026 Risk Assessment](#)).

### Resource Reality in 2026

- After accounting for core activities (1,192 hours), only **~8 hours remain** for discretionary coverage.
- The current pending investigations (290 hours) not only consumes this remainder but creates a **net deficit of ~282 hours**.

### Resulting Deferrals

Given these constraints:

- **No new audit project can be initiated in 2026** within the contracted 1,200-hour limit.
- All identified risk-based projects are formally **deferred to future years** and included in the rolling three-year view of the risk universe for transparency.

### Implications

The deferral of these projects represents a **departure from the contract and the Auditor General Charter**, which anticipate at least one project, plus systematic follow-up, annually. This limitation is disclosed in accordance with IIA Standards 2030 (Resource Adequacy) and 2600 (Scope Limitations).

The deferred projects are detailed in the companion [Auditor General Report Regarding 2026 Risk Assessment](#), while the [Auditor General Communication Regarding 2026 Budgetary & Governance Scenarios Considered](#) outlines options for restoring capacity in future years.

## 5. Rolling Three-Year Work Plan

The Auditor General Charter requires a rolling three-year risk-based Work Plan. This provides Council with visibility into intended coverage, as well as the impact of current resource constraints.

Category / Activity	2026 Constrained	Modified 2026 Scenario	2027	2028
<b>Core Activities</b>				
Auditor General Function	185 hrs	185 hrs	185 hrs	185 hrs
Annual Quality Self-Assessment & Reporting	120 hrs	120 hrs	120 hrs	120 hrs
Management Relationship & Performance Reporting	120 hrs	120 hrs	120 hrs	120 hrs
AG Executive Leadership Development	100 hrs	100 hrs	100 hrs	100 hrs
Annual Risk Assessment & Work Plan Update	80 hrs	80 hrs	80 hrs	80 hrs
Fraud & Waste Hotline Administration	292 hrs	292 hrs	292 hrs	292 hrs
Management Action Plan Follow-Up	0 hrs <sup>2</sup>	175 hrs	250 hrs <sup>3</sup>	150 hrs → 0 hrs <sup>4</sup>
Governance & Emerging Issues Reserve (Unallocated)	13 hrs <sup>1</sup>	128 hrs	120 hrs → 0 hrs <sup>1</sup>	120 hrs → 0 hrs <sup>1</sup>
<b>Subtotal Core</b>	<b>910 hrs</b>	<b>1,200 hrs</b>	<b>1,147 hrs</b>	<b>1,167 hrs</b>
<b>Investigations</b>	<b>290 hrs</b>	<b>375 hrs</b>	<b>None</b>	<b>203 hrs</b>
<b>Projects</b>	<b>None</b>	<b>None</b>	<b>None</b>	<b>None</b>
<b>Total</b>	<b>1,200 hrs</b>	<b>1,575 hrs</b>	<b>1,150 hrs</b>	<b>1,100 hrs</b>

Reference notes:

- 1 - Reserve allocated proactively to cover annual deficit. Little to no cushion remaining.
- 2 - Given the investigation listing to be completed, the Management Action Plan Follow-Up has been postponed for an additional year (2024 and 2025 findings yet to be validated).

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- 3 - Forecasted hours for the 2027 Management Action Plan Follow-Up increased as work will need to cover 3 years of findings raised.
- 4 - Given the lack of capacity to investigate complaints in 2027, the Management Action Plan Follow-Up is expected to be postponed for 2028 (2027 findings would then have yet to be validated).

## Narrative

- The **one-time \$75k Modified 2026 Scenario adjustment would only affect 2026**; 2027–2028 constraints remain unchanged unless further resources are added.
- **2026**: Core obligations (1,192 hrs) plus pending investigations (290 hrs) create a deficit of ~282 hours, resulting in:
  - Allocation of Governance & Emerging Issues Reserve (Unallocated) to Investigations, as well as
  - Cancellation and allocation of Management Action Plan Follow-Up to Investigations.

No projects can be delivered. Follow-up is deferred, with only a listing of outstanding findings provided. New investigations received between August 1, 2025 and December 31, 2026, will be deferred to 2028 for investigation.

- **2027**: Even assuming no new investigations, expanded follow-up work (250 hrs) [covering 2024-2026] pushes core demand to 1,147 hrs, essentially consuming the full 1,150 hr envelope. No project capacity is available, and the unallocated reserve is fully consumed to balance the shortfall.
- **2028**: With follow-up demand declining to ~150 hrs, core requirements are 1,167 hrs against a total of 1,100 hrs. After drawing on the unallocated reserve, ~53 hrs remain, but not enough to undertake a project. No new projects can be initiated, though a small reserve is retained for emerging risks.

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## Implications

- For three consecutive years (2026–2028), the Office will be unable to deliver **any new audit projects**, contrary to the expectations outlined in the contract and the Auditor General Charter.
- Follow-up validation work is increasingly at risk of delay, which compounds future efforts as unresolved findings accumulate.
- Investigations, when required, will further strain the already limited capacity.
- Unless Council amends expectations or provides additional resources, **the risk universe will continue to grow while audit coverage remains at zero.**

This rolling plan shows that even with the Modified 2026 Scenario, there is no project capacity through 2028.

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## 6. Plan Constraints & Assumptions

The 2026 Work Plan has been prepared in accordance with the Auditor General Charter, the in-force contract, and the International Internal Audit Standards (2025). While the methodology and project selection process remain risk-based, the Office's capacity to deliver is subject to significant constraints.

Two structural changes—new professional standards and expanded hotline administration—now consume nearly the entire annual envelope. These, combined with investigation demands, mean projects and follow-up cannot be delivered.

### Structural Increases in Core Obligations

- **Professional Standards Compliance:** Implementation of the 2025 IIA Standards has added **~315 hours annually** to core requirements, including expanded quality assurance, documentation, and disclosure activities.
- **Hotline Administration:** As noted for the last four years, the annual effort to manage the Fraud & Waste Hotline has grown given the volume complexity, follow-up/clarity requirements, alternative routing, and analysis efforts for assessing a need for an investigation. Hotline administration has grown by 182 hours annually since 2019, reflecting higher volume, complexity, and follow-up requirements.
- **Management Action Plan Validation:** The number of outstanding recommendations requiring validation continues to expand the longer follow-up activities are delayed.

Together, these increases consume nearly the entire annual envelope, leaving virtually no capacity for investigative or discretionary coverage.

### Investigations Deferral Timeline

- **2026:** All residual hours are consumed by the pending investigations of 290 hours. New complaints received after **August 1, 2025**, cannot be addressed in 2026.
- **2027:** Expanded follow-up (250 hrs) and core activities consume the full 1,150-hour envelope. Even assuming no new investigations in 2027, there is **no investigative capacity**. Complaints received from August 1, 2025, through December 31, 2027, are therefore deferred until 2028 for consideration.
- **2028:** Core requirements still exceed available hours, leaving only a modest reserve (~53 hrs). If this reserve is used and the 2028 Management Action Plan Validation deferred, there is capacity for **1–3 potential investigations at most**, depending on complexity. Larger or additional cases will again be deferred.

### Effect on Projects

- The contract and Auditor General Charter anticipate the delivery of at least **one new audit project annually, along with systematic follow-up of prior findings**.

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- Due to the growth in core obligations and the existing pending investigations, **all projects are deferred for 2026–2028**.
  - Due to the current pending investigations and the potential need for future investigation efforts, the **2026 and 2028 Management Action Plan Validation reviews are deferred**.
  - These two qualifications represent a **departure from both the contract and the Charter**, disclosed to Council in accordance with IIA Standards 2030 (Resource Adequacy) and 2600 (Scope Limitations).

## Mandate Balance

- The Auditor General's statutory responsibilities under the *Municipal Act, 2001* require independent assurance on the stewardship of public funds and achievement of value for money. Since 2013, Council has also assigned responsibility for the Fraud & Waste Hotline to the Auditor General. While this discretionary mandate is common in municipalities with an Auditor General, its growth has been significant: from less than 10% of the annual plan in 2013 to approximately 48.5% in 2026.
- As a result, Hotline responsibilities now displace statutory project reviews and standards-based activities. New allegations after August 1, 2026, cannot be considered without cancelling core statutory obligations or deferring matters until 2027–2028. Approval of this Work Plan therefore constitutes Council's explicit acceptance that the discretionary Hotline mandate takes precedence over the statutory audit project mandate for 2026 with further implications for 2027.

## Assumptions for 2026–2028

- The resource envelope remains at 1,200 hours in 2026, 1,150 hours in 2027, and 1,100 hours in 2028.
- Investigations are mandatory but will be deferred as required to future years due to lack of capacity.
- Projects identified in the risk assessment are valid but carried forward in the rolling three-year view.
- **Complaints received between August 1, 2025, and December 31, 2027, will not be investigated until 2028**, and even then, only 2–3 small matters can realistically be addressed.

Approval of this Work Plan by Council constitutes formal acceptance that the Auditor General Charter mandate cannot be fulfilled under current resources, consistent with IIA Standards 2030 and 2600.

## 7. Deliverables for 2026

Despite the resource limitations outlined in Sections 3–6, the Office of the Auditor General will continue to fulfill its mandate to the fullest extent possible within the contractual envelope. The following deliverables will be provided in 2026:

Even under constrained resources, the Office of the Auditor General will continue to provide several key deliverables. However, important elements of the mandate are deferred.

### What Council Will Receive in 2026 (Constrained Plan)

#### Core Deliverables

- **Quarterly Written Updates** (January, April, July, October) summarizing work completed, investigations, and follow-up listings.
- **Semi-Annual Appearances before Council** (spring and fall) to discuss progress and emerging issues.
- **Annual Report** consolidating 2026 activities, results, and disclosures.
- **Annual Risk Assessment and 2027 Work Plan Update.**
- **Annual Quality Self-Assessment** in accordance with IIA Standards.
- **Listing of Outstanding Findings** where management action plans remain unvalidated.
- **Aggregate Hotline Reporting** – included in quarterly updates.

#### Investigation Deliverables

- **Investigation Reports** for backlog cases and any new complaints addressed in 2026 (or listed if deferred).
- **Listing of Deferred Investigations** (complaints received Aug 2025–Dec 2027 deferred to 2028).

### Deferred Deliverables

- **No Audit Projects** – All eight risk-based projects identified in the Risk Assessment are deferred through at least 2028.

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- **No Follow-Up Validation** – Independent testing of management’s corrective actions is deferred for the third consecutive year (2024–2026).
  - **No Emerging Issues Coverage** – The Governance & Emerging Issues reserve is fully consumed, leaving no contingency for unplanned work.
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## Modified 2026 Scenario

If Council approves the one-time \$75,000 adjustment, the Office can restore core deliverables that are otherwise absent. In this scenario, Council would also receive:

- **Management Action Plan Follow-Up Validation** – Independent testing of corrective actions would resume in 2026.
- **Unallocated Reserve Restored** – Top up of contingency capacity available to address emerging issues.
- **Timely Investigation Coverage** – The 290-hour backlog of pending investigations would be cleared in 2026, and at least two new complaints could be addressed in-year rather than deferred until 2028.

Even under this modified approach, **no new audit projects would be undertaken in 2026**, but the adjustment would stabilize the function, prevent further non-compliance with professional standards, and provide Council with a fuller set of core deliverables.

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## Key Implications

**Under the Constrained Plan**, Council approval of this Work Plan therefore represents formal acceptance that:

- Core and investigative obligations will be delivered, **but**
- **Audit projects, follow-up validation, and contingency capacity are absent**, leaving mandate impairment and scope limitation in effect.

**Under the Modified 2026 Scenario**, Council approval of this Work Plan therefore represents formal acceptance that:

- Core and investigative obligations will be delivered, **but**
  - **Audit projects are absent**, leaving the mandate impairment and scope limitation in effect.
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## 8. Compliance Crosswalk

The following table summarizes areas of compliance and non-compliance between the in-force contract, the Auditor General Charter, and the proposed 2026 Work Plan.

Requirement	Source	Expectation	2026 Reality	Compliance Status
<b>Annual Risk-Based Work Plan</b>	Contract; Charter; IIA Standards	Develop and submit a rolling 3-year risk-based Work Plan for Council approval.	2026 Risk Assessment & rolling plan (2026–2028) prepared.	✔ Compliant
<b>Quarterly Reporting</b>	Contract	Provide quarterly written updates (Jan, Apr, Jul, Oct).	Quarterly written updates planned.	✔ Compliant
<b>Semi-Annual Presentations</b>	Contract	Appear before Council at least 2x annually.	Semi-annual presentations included.	✔ Compliant
<b>Fraud &amp; Waste Hotline</b>	Contract; Charter	Operate hotline; triage, track, and report calls.	Hotline administration (292 hrs) delivered; pending investigations addressed.	✔ Compliant
<b>Investigations</b>	Contract; Charter	Redirect resources from projects to investigations where warranted; report to Council.	Investigations are prioritized; pending the investigations (290 hours) will be addressed. New allegations deferred to 2027.	⚠ Partially compliant (timeliness gap) ✔ Resolved in Modified 2026 Scenario)

Requirement	Source	Expectation	2026 Reality	Compliance Status
<b>Follow-Up of Findings</b>	Contract; Charter; IIA Standards	Systematic validation of management action plans annually.	Validation fieldwork deferred; only listing of outstanding findings provided.	✗ Non-compliant (✓ Resolved in Modified 2026 Scenario)
<b>At Least One Audit Project Per Year</b>	Contract; Charter	Deliver ≥1 project annually, in addition to follow-up.	All eight Option 1 projects deferred.	✗ Non-compliant
<b>Quality Assurance Program</b>	Contract; Charter; IIA Standards	Maintain QAIP; conduct annual self-assessment.	Annual self-assessment (120 hrs) included.	✓ Compliant
<b>Disclosure of Resource Adequacy</b>	Charter; IIA Standards	Disclose when resources are insufficient; report scope limitations.	Disclosure included in 2026 Work Plan.	✓ Compliant

## Key Observations

- **Compliant:** Risk-based planning, quarterly reporting, semi-annual Council appearances, hotline operation, pending investigations, QAIP, disclosure.
- **Partially Compliant:** Investigations — while pending investigations will be addressed, new allegations (Aug 2025–Dec 2026) will not be investigated until 2027. The Modified 2026 Scenario would resolve this.
- **Non-Compliant:**
  - **Management Action Plan Validation** – deferred to 2027, only listings provided in 2026 and 2028. The Modified 2026 Scenario would resolve this.
  - **Audit Projects** – no new projects in 2026, 2027, 2028

## 9. IIA Standards Disclosures

In accordance with the IIA Global Internal Audit Standards (2024), specifically Standards 4.1 and 12.1 and Domain III – Governing the Internal Audit Function, the Auditor General is required to disclose to Council any conditions that may limit full conformance with the Standards or affect the effectiveness of the internal audit function. This report therefore communicates such considerations for Council's awareness and record. Council's receipt of this report satisfies the Standards' requirement that these matters be discussed and disclosed to the governing body

The following disclosures are made in accordance with the International Internal Audit Standards (effective January 2025). These highlight areas where the Office of the Auditor General cannot fully comply due to structural constraints, scope limitations, or resource constraints. They are reported against three major categories:

1. Material Disclosures Required
2. Essential Conditions (Domain III – Governing the Internal Audit Function).
3. Disclosures against Standards.

Receipt of this report by Council satisfies the Standards' requirement that such matters be formally discussed with, and disclosed to, the governing body.

Council may note these limitations for awareness and determine whether any corrective or budgetary actions are warranted as part of its oversight of the Auditor General function.

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### A. Material Disclosures Required - Mandate Impairment

The in-force contract sets a limitation on office efforts and requires delivery of at least one audit project annually, plus systematic follow-up of prior findings, in addition to core activities. Even if this minimum were achieved, the resulting assurance coverage would represent **less than 0.025% of the City's audit universe** — far below municipal benchmarks and insufficient to demonstrate reasonable coverage under the Auditor General Charter.

In practice, the Office is unable to deliver either an audit project or follow-up validation in 2026 due to structural increases in professional standards compliance (+315 hrs), hotline administration (+182 hrs), and the pending investigations (290 hrs).

This reflects a **multi-year pattern of impairment**:

- Since 2020, the Office has had the the capacity to deliver only five audit projects.
- To facilitate capacity constraints, the Management Action Plan Validation review has also been deferred for three consecutive years (2024–2026).

Accordingly, the Auditor General's ability to fully exercise the approved mandate is materially impaired, and this impairment is formally disclosed to Council in accordance with Standard 8.2.

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## B - Essential Conditions (Domain III)

Essential Condition (2024 IIA)	Expectation	Disclosure / Current Status	Reference to Detailed Section Below
EC 1 – Mandate & Authority	Council-approved charter defines authority, access, and scope.	Charter exists; however, the contract structure and hours limit the delivery of minimum coverage.	9.1 Mandate Impairment (p. 20)
EC 2 – Organizational Independence & Objectivity	CAE reports functionally to the board; free from undue influence.	Reporting line maintained; perception risk due to administrative budget routing.	9.2 Organizational Independence (p. 22)
EC 3 – Resources	Function is sufficiently resourced to meet obligations.	Current 1,200-hour envelope is below the minimal benchmark → material impairment.	9.3 Resourcing of Function (p. 23)
EC 4 – Board Support	Board actively supports and protects IA independence.	Council review of the AG budget is pending; no evidence of access restrictions has been found.	9.3 Resourcing of Function (p. 23)
EC - 6 - Board Relationship with AG	Council and AG meet periodically without senior management present.	s. 239 of the <i>Municipal Act, 2001</i> , Council may only meet in-camera where the subject matter falls within specific legislative exceptions	7.1 Private Sessions with Council (p.21)

## C - Disclosures Against Standards

### S7.1 / EC6 – Private Sessions with Council

The *IIA Global Internal Audit Standards (2024)* — Standard 7.1 (Organizational Independence) requires that the governing body meet periodically with the Auditor General without senior

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management present. Under s. 239 of the *Municipal Act, 2001*, Council may only meet in-camera where the subject matter falls within specific legislative exceptions (e.g., litigation, solicitor-client privilege, labour relations, or identifiable individuals). Because Auditor-General briefings do not independently qualify as closed-meeting exceptions, full conformance with this requirement is not possible. This constitutes a structural, statutory limitation rather than a governance or operational deficiency.

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### **S8.3 Organizational Independence**

The Auditor General reports directly to Council, which retains final approval authority over the Auditor General's budget and work plan. However:

- Administration reviews and recommends on any budget request before it is presented to Council; and
- The Auditor General's budget is currently embedded within a City department under a Commissioner's portfolio, rather than presented as a standalone line item.

These factors create a perception of influence by Administration over Auditor General resources. While no impairment to operational independence has been identified, this perception risk is formally disclosed in accordance with Standard 8.3.

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### **S9.1 – Governance, Risk, and Control**

The planning process incorporated review of risks, stakeholder perspectives, and City operations. However, the City's Enterprise Risk Management governance, risk appetite, and control frameworks are still maturing, limiting a full demonstration of conformance with this Standard.

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### **S9.3 – Audit Plan Coverage**

The 2026 Work Plan provides assurance coverage for less than 0.01% of the City's audit universe — effectively zero.

From 2020 through 2026, total audit coverage has averaged well below 1% of the audit universe annually. This level of coverage is far below generally accepted municipal benchmarks and constitutes a material limitation in scope coverage under Standard 9.3.

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## **S9.4 – Coordination**

Coordination has been undertaken with the City's Enterprise Risk Management function, and alignment with the external auditor will occur once the plan is finalized to avoid duplication. No other compliance assurance functions exist at the City.

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## **S9.5 – Risk Acceptance**

Several high-risk areas remain deferred or uncovered through 2028 due to budgetary and resourcing constraints. In accordance with Standard 9.5, this constitutes a formal acceptance of risk by the Council, as communicated herein.

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## **S10.1 – Contingency Capacity**

The Governance & Emerging Issues Reserve is intended to provide contingency capacity for unplanned risks, consistent with both the Auditor General Charter and IIA Standards. Best practice benchmarks suggest contingency capacity of at least 10% of total hours.

In 2026, the reserve is set below this benchmark and is significantly consumed by the pending investigations. As a result, responsiveness to emerging risks will be severely limited, and in some cases non-existent.

This represents a limitation in the Office's ability to fulfill its Charter responsibility to provide timely assurance and advice on significant developments in governance, risk, and control.

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## **S12.1 – Follow-Up**

No independent validation of management action plans was conducted in 2024 or 2025, and validation is also deferred in 2026. Only a listing of unresolved findings will be provided. This represents non-conformance with Standard 12.1. Continued deferral increases the future effort required to complete this work.

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## **S2030 – Resource Adequacy**

The 1,200-hour contractual envelope is insufficient to deliver both contractual and Charter expectations. Structural increases in core obligations (+315 hours for professional standards, +182 hours for hotline) and investigative demands leave no capacity for additional projects.

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## **S2600 – Acceptance of Risk**

- No projects will be undertaken between 2026 and 2028.
  - Follow-up validation is deferred for three consecutive years (2024–2026).
  - New investigations received between August 1, 2025 and December 31, 2027, will be deferred to 2028, when only 2–3 can realistically be addressed.
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