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

AUDITOR GENERAL REPORT
Regarding Administration's Alignment with IIA Essential Conditions

Janaury 27, 2026

Contents

Essential Conditions of Governance[1]

This section outlines the Institute of Internal Auditors' (IIA) *Essential Conditions*—non-negotiable governance and management supports that must be in place for an Auditor General function to fully comply with the 2024 *Global Internal Audit Standards*. These conditions are embedded within **Domain III: Governing the Internal Audit Function** and are critical to the independence, authority, and effectiveness of the Auditor General's work.

As the **Board equivalent** under these Standards, the City Council holds specific responsibilities for ensuring the conditions are met. Many of these requirements cannot be fulfilled by the Auditor General alone—they require active oversight, sponsorship, and collaboration by Council and senior leadership. This section provides the benchmark against which current practices have been assessed in the following pages.

What Are the IIA's Essential Conditions?

The Essential Conditions are a set of mandatory activities and supports provided by the City Council, or Audit Committee, and Senior Management that are necessary to enable a fully effective internal audit or Auditor General function. They are designed to ensure a strong foundation, enabling the function to fulfill its purpose of providing independent, risk-based, and objective assurance, advice, insight, and foresight.

These conditions include, but are not limited to:

1. **Council Authorization of the Internal Audit Mandate** – Approving and safeguarding the Auditor General's charter, scope, and authority.

2. **Ensuring Organizational Independence** – Maintaining reporting relationships and structures that protect the Auditor General from undue influence and conflicts of interest.

3. **Oversight of the Auditor General's Function** – Engaging in regular interaction, reviewing and approving plans, budgets, and resources, and ensuring quality assurance processes are in place.

4. **Unrestricted Access** – Supporting operational arrangements that allow the Auditor General access to all necessary data, records, information, personnel, and locations.

5. **Active Support from Senior Leadership** – Collaborating with administration to operationalize the conditions and ensure ongoing compliance with professional standards.

[1] The Institute of Internal Auditors. (2024). *Global Internal Audit Standards*. Domain III: Governing the Internal Audit Function. Retrieved August 13, 2025, from https://www.theiia.org/en/standards/2024-global-internal-audit-standards/

Administration / Senior Management's Role in Meeting the Essential Conditions

As the executive leadership team responsible for day-to-day operations, Administration and Senior Management play a vital role in supporting the effectiveness, independence, and credibility of the Auditor General function through the following responsibilities:

- **Operational Cooperation and Transparency** – Providing unrestricted access to information, systems, and staff to enable the Auditor General to carry out audits and investigations objectively and efficiently.

- **Constructive Engagement** – Maintaining open, professional communication with the Auditor General to clarify scope, respond to recommendations, and ensure timely management action plans are developed and implemented.

- **Support for Independence** – Respecting the Auditor General's statutory independence by avoiding interference in audit planning, scope, execution, or reporting, while ensuring that staff cooperation is embedded in the corporate culture.

- **Integration of Results** – Using Auditor General findings and recommendations to strengthen governance, risk management, and control practices across departments, boards, agencies, and programs.

- **Quality and Accountability Commitment** – Supporting quality assurance by participating in internal and external assessments, ensuring that management responses are evidence-based and progress is monitored and reported to Council.

Assessment of the Essential Conditions of Governance

The following assessment evaluates City Administration's alignment with the IIA's Essential Conditions as outlined in **Domain III: Governing the Internal Audit Function** of the *Global Internal Audit Standards*.

Each Essential Condition reflects a governance responsibility where Council, as the Board-equivalent under the Standards, has a direct or shared role in ensuring compliance.

The Auditor General met with the CAO and Commissioners of the City of Windsor on October 16, 2025 to facilitate a presentation/review of the Essential Conditions of Governance.

Rating System:

- ✅ = **Fully met / no concern** – Current practice meets the Essential Condition, or existing plans in place are expected to meet the requirement.
- ⚠️ = **Met** but warrants continued attention/monitoring.
- 🔎 = **Gap** or deficiency requiring action

Administration's Role in the Assessment:
Each numbered Essential Condition in the table:

- Describes a specific governance expectation under the Standards.
- Indicates whether Administration's current practice fulfills the expectation.
- Where a 🔎 appears, it signals that Council action or procedural adjustment is required to close a compliance gap.

Using this Assessment:
This table should be read as both a compliance checklist and a governance improvement tool. It not only documents current alignment with the Standards but also highlights areas where Council can strengthen:

- Oversight and sponsorship of the Auditor General's work
- Access, independence, and resource safeguards
- Integration of governance, risk, and control oversight
- Commitment to quality assurance and external validation

Essential Elements Assessment - Administration

#	Essential Condition	Assessment	Finding Reference/Note
1	Participate in discussions with the City Council and chief audit executive (Auditor General) and provide input on expectations for the internal audit function that the City Council should consider when establishing the internal audit mandate.	✅	Administration participates in discussions with City Council regarding the work of and reports from the Auditor General regularly. Administration’s key input into the mandate is one of encouraging independence and objectivity of the function.
2	Support the internal audit mandate throughout the organization and promote the authority granted to the internal audit function.	✅	Administration supports the Auditor General's function, and the Auditor General can readily engage with any member of Senior Leadership should the need or desire arise, and vice versa.
3	Communicate with the City Council and chief audit executive (Auditor General) about administration’s expectations that should be considered for inclusion in the internal audit charter.	✅	Administration has the opportunity to review and provide feedback on the Auditor General Charter and to express views to City Council.
4	Support recognition of the internal audit function throughout the organization.	✅	Administration has demonstrated ready support for the Auditor General and team members whenever requested and has woven awareness of the function into various administration and leadership venues.
5	Work with the City Council and administration throughout the organization to enable the internal audit function’s unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the internal audit mandate.	✅	Administration supports unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfill the Auditor General's charter/mandate.

#	Essential Condition	Assessment	Finding Reference/Note
6	Position the internal audit function at a level within the organization that enables it to perform its services and responsibilities without interference, as directed by the City Council.	✅	The Auditor General reports to: - Council for work plans, project reports and hotline administration/investigation - the Office of the Commissioner of Finance and City Treasurer for progress reporting and administration - has direct access to the CAO as needed.
7	Recognize the chief audit executive's direct reporting relationship with the City Councl.	✅	Administration is highly aware and supportive of the Auditor General's role of directly reporting to City Council.
8	Engage with City Council and the chief audit executive (Auditor General) to understand any potential impairments to the internal audit function's independence caused by nonaudit roles or other circumstances and support the implementation of appropriate safeguards to manage such impairments.	⚠️	Two potential areas were identified: 1. **Fraud and Waste Hotline Administration** The administration and oversight of the Fraud and Waste Hotline constitute nonaudit activities that could give rise to a perceived impairment to independence if not appropriately safeguarded. In this case, independence risk is mitigated through several factors: the Hotline is independently administered; oversight responsibility has been formally assigned to the Auditor General by City Council; the function supports assurance and investigative objectives rather than management operations; and reporting, confidentiality, and escalation protocols are established to preserve objectivity and protect against undue influence. Based on these safeguards, the

#	Essential Condition	Assessment	Finding Reference/Note
			administration and oversight of the Fraud and Waste Hotline do not impair the Auditor General's organizational independence. 2. **Budget and Work Plan Approval Process** The Auditor General Bylaw requirement to submit annual budget increase requests to City Administration for review prior to Council consideration could be perceived as an impairment to independence, as Administration has a role in reviewing and commenting on the proposal. This risk is mitigated by the transparency of the process and the role of City Council as the sole approving authority. Administration has advised that the Auditor General's unadjusted budget request will be brought forward to Council as submitted, alongside any administrative comments or recommendations. Final decisions regarding the Auditor General's budget and Work Plan rest exclusively with Council, consistent with the treatment of other external budget submissions, such as those from Agencies, Boards, and Committees (ABC). Based on these safeguards, the budget and Work Plan approval process does not impair the Auditor General's organizational independence.

#	Essential Condition	Assessment	Finding Reference/Note
			No further action required.
9	Provide input to the City Council on the appointment and removal of the chief audit executive.	✅	Administration provides input to City Council on the appointment and removal of the Auditor General. Per the City Bylaw, the appointment and removal are made by City Council.
10	Solicit input from the City Council on the performance evaluation and remuneration of the chief audit executive.	✅	Administration acquires feedback from Council on the Auditor General as needed. The Auditor General's compensation is tied directly to a fixed contract.
11	Engage with the City Council to determine the chief audit executive's qualifications, experience, and competencies.	✅	This was conducted at the time of internal audit outsourcing, and awareness was then reinforced through direct experience during the appointment of the Auditor General.
12	Enable the appointment, development, and remuneration of the chief audit executive through the organization's human resources processes.	✅	Given the nature of the relationship, this was conducted through the Office of the CAO and Procurement operating under Council directive regarding contractual agreements.
13	Engage with the City Council to provide the internal audit function with sufficient resources to fulfill the internal audit mandate and achieve the internal audit plan.	⚠️	Administration has established a procedural framework through which the Auditor General submits annual Work Plans and associated budget requests for Council consideration and has participated in Council deliberations by providing comments on reports and responding to questions as requested. While Council has been informed of identified constraints and has approved a Standards-Limiting Framework, Administration has not provided Council with an explicit organizational assessment of whether current Auditor General resource levels are sufficient to support the function in light of the City's growth, complexity, investigative workload, and evolving

#	Essential Condition	Assessment	Finding Reference/Note
			professional standards requirements. See Recommendation #1 below.
14	Engage with the City Council and the chief audit executive on any issues of insufficient resources and how to remedy the situation.	⚠️	Administration has engaged with the Auditor General and City Council regarding the operational implications of constrained resources, including prioritization decisions and the implementation of a Council-approved Standards-Limiting Framework. However, broader consideration of whether existing resource levels are sufficient to support the Auditor General function in the medium term is addressed separately under Essential Condition #13. See Recommendation #1 below.
15	Provide input on the internal audit function's performance objectives.	✅	The proposed performance measures are included in the proposed 2025 Workplan for Council approval/receipt, and Administration has an opportunity to provide comments on the material.
16	Participate with the City Council in an annual assessment of the chief audit executive and internal audit function.	✅	The proposed performance measures are included in the proposed 2025 Workplan for Council approval/receipt and will be reported upon as part of the performance report, which Administration will have the opportunity to comment on.
17	Collaborate with the City Council and the chief audit executive to determine the scope and frequency of the external quality assessment.	✅	The current plan is to align to the standards and conduct the independent external review once every 5 years, with self-assessments against the same framework occurring annually. The initial independent external review is planned for 2029 and is expected to consume more than 25% of the total Work Plan. The work plan impacts trade-offs, as under

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			the current budget, no projects would be conducted in the year of the external assessment, and limited investigations would occur.
18	Review the results of the external quality assessment, collaborate with the chief audit executive and City Councl to agree on action plans that address identified deficiencies and opportunities for improvement, if applicable, and agree on a timeline for completion of the action plans.	✅	When the external assessment is conducted, a deliverable requirement will be the provision of complete results to Council. Action plans and timelines will also be shared with Administration for input/consultation.

Essential Condition Non-Compliance Risks and Recommendations

1. Administration Assessment of Auditor General Resource Sufficiency[2]

Standards Context

Under the Global Internal Audit Standards (Domain III – Governing the Internal Audit Function), senior management has a responsibility to support the board-equivalent by enabling informed decisions regarding the Auditor General's authority, independence, and resource sufficiency. This responsibility extends beyond procedural mechanisms and includes providing an organizational perspective on whether approved resources are sufficient to support the approved mandate.

To preserve the independence of the Auditor General, Administration is not expected to support or oppose the Auditor General's Work Plan or budget proposals. Rather, the Standards contemplate a complementary role for Administration in informing Council of relevant organizational, operational, and risk considerations necessary for Council to assess resource sufficiency.

Finding

Administration has not provided City Council with an explicit, Administration-led assessment of whether current Auditor General resources are sufficient to support the Auditor General function on an ongoing basis.

Specifically, Council has not been provided with Administration's organizational perspective on whether current resourcing is adequate to support:

- the Auditor General's approved mandate and baseline functions, as well as the added responsibilities for the Fraud and Waste Hotline oversight and investigations; and
- the cumulative effects of organizational complexity, investigative workload, evolving professional standards requirements, and cost escalation.

While mechanisms exist for the Auditor General to raise resource constraints or budgetary needs directly to Council, the Global Internal Audit Standards contemplate a complementary role for Administration in providing Council with an independent organizational assessment to inform governance decisions regarding resource sufficiency.

As the current Auditor General appointment approaches the end of its term, reliance on reporting from the incumbent Auditor General as the primary source of information regarding future resourcing or structural needs increases the risk of perceived self-interest. An Administration-led assessment,

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[2] *In developing this recommendation, the Auditor General consulted with the Institute of Internal Auditors' professional standards guidance function and external professional services practitioners with public-sector quality assurance experience.*

informed as appropriate by factual and contextual input from the Auditor General, mitigates this risk and supports both actual and perceived independence.

Risk

In the absence of an Administration-led assessment, Council risks focusing primarily on incremental pressures while lacking visibility into whether the core Auditor General function is adequately resourced under normal operating conditions.

This may result in the continued use of a Standards-Limiting Framework without a clearly articulated duration or resolution pathway, increasing the risk of de facto non-conformance with the Global Internal Audit Standards without an explicit Council determination.

Recommendation[3]

That City Council direct Administration to develop and present an action plan for Council's consideration assessing the sufficiency of the Auditor General function's governance structure and resourcing, informed by:

- the Global Internal Audit Standards;
- baseline Auditor General demand, including audits, investigations, reporting, follow-up activities, and Fraud and Waste Hotline oversight;
- investigative workload trends and organizational complexity; and
- the implications and duration of the current Standards-Limiting Framework.

In developing the action plan, Administration may consult with the Auditor General for factual and contextual input; however, the assessment and articulation of options should be led by Administration in order to preserve both actual and perceived independence.

The action plan should outline options and considerations to inform Council decision-making and does not presuppose any particular outcome, resourcing level, or governance model.

Comments from Administration

Administration has previously shared with the Auditor General the legislative requirements for proceeding in-camera. Matters meeting the criteria should be submitted in accordance with the timelines set by the City Clerk's office.

[3] *In developing this recommendation, the Auditor General consulted with the Institute of Internal Auditors' professional standards guidance function and external professional services practitioners with public-sector quality assurance experience.*