

Memo

To: Mayor and Members of City Council

From: Christopher O'Connor

Date: Jul 10, 2025

Subject: Auditor General Communication Regarding Work Plan and Project Planning Approach

Audit Planning and Engagement Summary

(Aligned with the International Standards for the Professional Practice of Internal Auditing – IIA Standards)

1. Purpose and Context

This summary provides an overview of the Auditor General's (AG) approach to developing the City's annual and multi-year audit work plan. It serves as a reference for Council and Administration, outlining how audits are identified, assessed, prioritized, and scoped. The summary clarifies the roles of both Administration and Council in the planning process and reaffirms the professional standards and independence under which the Auditor General operates.

This report also seeks to provide clarity and context regarding the role and influence of Administration as it relates to audit planning. While Administration provides input to inform project timing, context, and operational insight, the work plan remains under the exclusive control of the Auditor General until it is presented to Council for approval. No projects are added, removed, or altered based on Administration's preferences. If any contentions or differing views arose during planning, these would be transparently disclosed in the plan presented to Council, with direction sought where appropriate.

2. Foundations of the Annual Work Plan Development

The Office of the Auditor General (OAG) prepares its audit plan in alignment with:

- Section 223.19 of the Municipal Act, 2001
- IIA International Standards for the Professional Practice of Internal Auditing (IPPF)
- Principles of municipal accountability, transparency, and value-for-money

The OAG operates independently of Administration and retains full authority over the development and execution of the audit plan. Input from Council and Administration is welcomed as part of the planning process, but does not influence final decisions of what is contained in the plan proposed to Council.

3. Annual Work Plan Development Process

Audit planning follows a structured, repeatable methodology centred on a five-year rolling perspective: reviewing two years of prior activity, establishing a current-year plan, and considering needs for the next two years. This approach enables informed decision-making, balanced audit coverage, and responsiveness to emerging risks.

Step 1: Risk Assessment and Environmental Scan

- Audit results and coverage from the past 3–5 years
- Complaints and allegations (investigated, referred, or closed)
- Operational or structural changes within the City
- Sectoral trends, professional publications, and peer AG reports
- Considerations submitted by Citizens
- Council discussions regarding prior year plans and topics raised throughout the year

Step 2: Audit Universe and Project Prioritization

- Comprehensive list of auditable entities updated annually
- Projects scored on materiality, risk, control complexity, and past coverage

- More projects considered than can be executed within the annual budget
- Forward-looking projection over two years to ensure balanced coverage

Step 3: Acquire Input from Administration

- Determine if other internal or external work overlaps with proposed audits
- Understand timing and impact of changes or enhancements in audit areas
- Consider Administration's views on audit value (input only, not determinative)

Step 4: Finalization and Submission of the Workplan Plan

- Work plan submitted to Council for approval
- Capacity reserved for unplanned issues, investigations, and urgent risks

4. Individual Project Scoping and Engagement

Each audit begins with a defined scope and objectives drawn from the approved work plan.

Planning includes:

- Reviewing internal documentation and prior audit findings
- Research using professional knowledge bases, sector guidance, benchmarking and professional experience
- Confirming process structure and key controls
- Clarifying materiality and audit boundaries

Once the scope and objectives are drafted, the Auditor General considers whether any original workplan insights from Administration regarding audit value can be addressed within the defined scope. Adjustments may be made to ensure practical relevance while preserving the independence and risk-driven nature of audit objectives, and ensuring that budgetary considerations are not negatively impacted.

Administration does not define or influence the audit scope or objectives. The Auditor General maintains professional discretion and independence throughout.

5. Role of Administration in Planning

Administration provides operational and contextual input during planning. This includes:

- Highlighting internal risks or changes
- Identifying potential audit overlaps
- Offering suggestions on areas of interest or improvement

However:

- Administration does not approve, modify, or remove projects
 - Only the Auditor General determines the final work plan proposed to City Council, as well as the initial and final project audit objectives and scope within the bounds of the annual work plan
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6. Professional Standards and Oversight

All work by the OAG adheres to:

- IIA Global Internal Audit Standards (IPPF)
 - IIA Code of Ethics
 - Internal Quality Assurance and Improvement Program (QAIP)
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7. Considerations

1. Council Involvement Timing – Direction Recommended

Currently, Council is only formally engaged when the work plan is presented for approval. While earlier engagement could support broader input, it would also require additional

effort and cost to implement. The following measures are already in place to support transparency:

- A list of projects considered but not included is shared for potential revision
- Budget constraints have limited execution to one small project per year in recent cycles
- Planning is informed by independent research into risks and trends

If budget increases are either unknown or not planned, maintaining the current process is recommended.

If budget increases are anticipated, an adjusted timeline that incorporates earlier Council consultation is recommended:

- Planning would begin in mid-to-late August
- The draft Audit Universe and prioritization would be presented to Council in late September
- Administration input would be gathered in October (by the 20s)

Planned approach to moving forward: Given the time and cost implications of enhanced planning efforts, as well as ongoing budget constraints, the Office of the Auditor General for the Corporation of the City of Windsor will continue to operate under the current audit planning and work plan development process unless otherwise directed by Council.

Should the departmental operating budget increase in the future by more than 33% above the approved 2025 level (\$300,000) — indexed annually using the Consumer Price Index (CPI) — a revised planning framework will be introduced. This will include earlier Council engagement and expanded consultation activities, reflecting the Office's enhanced capacity to undertake multiple audit projects.

2. Input into Individual Project Scope

The Auditor General retains full responsibility for determining project-level scope and objectives. Neither Administration nor Council currently provides input at this level.

A jurisdictional review of peer municipalities found no evidence of project-level scoping being brought to Council or Audit Committee for input or approval.

In rare exceptions, scope consultations have occurred in large-scale enterprise transformations where Council involvement was necessary for strategic decisions. These were where the following conditions were present:

- Enterprise-wide initiatives tied to major budget commitments
- Strategic risks were significant and numerous, wherein several key ones were identified, but they could not all be covered, given both the available time and effort
- Instances where Council, or Audit Committee, input on citywide risk prioritization was needed due to limited audit capacity and budgetary constraints

Routine scoping consultations with Council are not recommended because:

- They would require extensive technical briefings on audit objectives, risk frameworks, and process design
- They would compromise confidentiality and timeliness
- They would increase project effort and extend timelines by approximately five weeks per audit

Therefore, no change is recommended to the current scoping process. If the AG were to require Council input, or if the risk profile/coverage warranted it, the AG would seek Council input.

8. Summary

The OAG applies a structured, independent, and professional process to audit planning. This approach:

- Prioritizes high-risk and high-value areas
- Preserves the independence and integrity of the audit function
- Enables timely, practical, and constructive recommendations

The OAG welcomes Council's input on proposed changes to planning timing and engagement, as outlined in Section 7.

Sincerely,

Christopher OConnor

Auditor General for The Corporation of the City of Windsor

