

The logo for the City of Edmonton, featuring the word "Edmonton" in white text on a dark blue square background. The background of the entire cover is a complex geometric pattern of overlapping triangles in various shades of brown and tan, creating a textured, crystalline effect.

Edmonton

OFFICE OF
THE CITY AUDITOR

2025 ANNUAL REPORT

MARCH 23, 2026

Message from the City Auditor



JANINE MRYGLOD
CITY AUDITOR

MISSION

Enhancing Edmontonians' trust through independent, value-add internal audit and advisory services.

GUIDING PRINCIPLES

Integrity
Accountability
Unbiased
Collaboration
Committed to continuous improvement

CITY AUDITOR BYLAW

In accordance with *Bylaw 21111, City Auditor Bylaw*, the City Auditor provides all internal auditing activities for all programs and activities carried out by the City under the authority of the City Manager.

I am pleased to present the Office of the City Auditor's (OCA) Annual Report for the year ended December 31, 2025. This report shows our ongoing commitment to fiscal stewardship, operational excellence, and the mitigation of risks that could impede our City's strategic objectives.

As an independent body, the OCA is a critical pillar of City oversight, operating with objectivity to enhance value for money and mitigate risks to the City achieving its strategic goals. Our work, guided by the Global Internal Audit Standards, ensures professional ethics and rigor in all performance audits and advisory services.

In 2025, our team delivered high-impact oversight, completing 11 performance audits and issuing 38 recommendations, all accepted by Administration. We integrated advanced data analytics into 70 percent of our projects, boosting precision and efficiencies. We also exceeded our auditee satisfaction target. We view these results not as a finish line, but as a baseline for further refinement of our independent audit and advisory services.

The impact of our work is amplified by a strong governance framework. I thank the Audit Committee and City Council for their ongoing support and for the high value they place on independent oversight. I also thank Administration for their cooperation and transparency, which enables our recommendations to strengthen citizen services and support the City in achieving its goals.

The achievements in this report belong to the OCA staff. Their expertise and integrity have been our greatest asset in a complex year, balancing traditional rigor with innovative problem-solving. It is a privilege to lead a team so invested in our city's success.

Quality Audit, Advisory, and Investigative Services

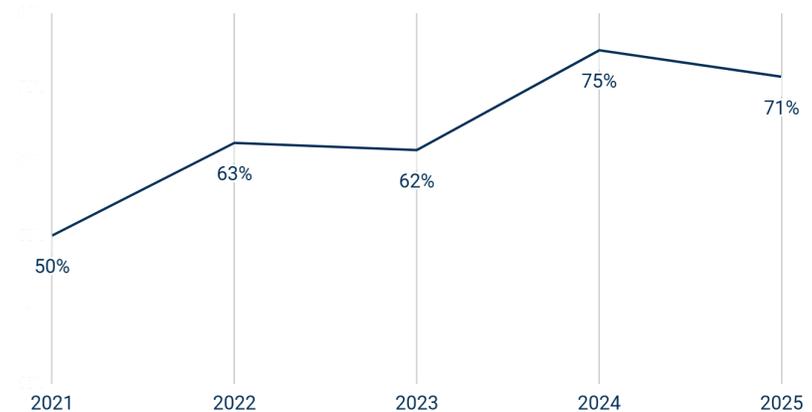
AUDIT PLAN COMPLETION

Our 2025 year-end target was to complete 75 percent of the audits in the annual plan; we completed 71 percent.

We schedule our projects to ensure consistent productivity by staggering project start and end dates throughout the year. This practice of carrying forward audits is deliberate, ensuring their completion in time for the Audit Committee meetings during the first and second quarters of the following year.

Furthermore, the overall completion rate of the Annual Work Plan is significantly affected by emergent work undertaken during the year, such as investigations, unplanned high-priority issues, and requests from Council. Two factors impacted project completion rates in 2025: our advisory support for the 2025 Municipal Elections and staff leaves.

Percent of Planned Audits Completed



*The year 2021 does not have a target. The target for 2022 was 70 percent, and the targets for 2023, 2024, and 2025 are 75 percent.

PERFORMANCE AUDITS

The Office of the City Auditor completed 11 performance audits in 2025. Of these, we presented 7 to the Audit Committee in 2025, and the remaining 4, substantially completed by year-end, at the Quarter 1 2026 Audit Committee meetings. Performance audits assess whether an operational area, service, or program operates efficiently, effectively, and economically and whether risks are appropriately mitigated. We describe each audit below.

Dedicated Accessible Transit Service (DATS) Audit

January 2025

The objective of this audit was to determine if the Edmonton Transit Service Branch (ETS) manages paratransit service effectively and efficiently to serve Edmontonians who are unable to use conventional transit.

We found that ETS partially met the audit objective. We found ETS can improve Dedicated Accessible Transit Service (DATS) eligibility assessment process, privacy controls, contract management practices, strategic planning, data quality, and training.

We made eight recommendations to address these issues.

Taxation, Assessment and Collections System (TACS) Governance Audit

April 2025

The objective of this audit was to determine whether the Financial and Corporate Services Department has an effective governance process for the Taxation, Assessment and Collections System (TACS) to maintain usability.

We found that the Financial and Corporate Services Department partially met the audit objective. The Department has some aspects of a governance process in place to maintain the TACS application's usability. However, we found the Department can improve the overall strategic oversight and risk management of the TACS application.

We made two recommendations to address these issues.

Affordable Housing Funding Decisions Audit

April 2025

The objective of this audit was to determine if the Affordable Housing and Homelessness Section of the Social Development Branch makes funding proposals to Council that are effective at

addressing the affordable housing needs of the City.

We found the Affordable Housing and Homelessness Section met the audit objective by having well-defined criteria for grants and providing Council with consistent and reliable information related to funding proposals. However, we found areas to improve their effectiveness. This includes the documentation for one grant program and the monitoring of agreement requirements for a few grant types.

We made five recommendations to address these areas for improvement.

**Procurement System (Ariba) -
User Experience Audit**

June 2025

The objective of this audit was to determine whether the Corporate Procurement and Supply Services Branch (CPSS) provides support to contribute to a positive user experience of the City's Procurement System (Ariba).

We found that CPSS met the audit objective by providing clear roles and responsibilities, developing and maintaining operating procedures and training manuals, and providing support when required by Ariba users. However, we found opportunities for CPSS to improve their effectiveness relating to the clarity and completion of training requirements and identifying and addressing common Ariba tickets.

We made two recommendations to address these areas for improvement.

**Employee Business Expenses -
Data Analytics Audit**

June 2025

The objective of this audit was to use data analytics to test if the City's controls over employee business expenses are working effectively.

The data analytics tests we conducted found that the Financial Services Branch met the audit objective. Based on the data analytics tests, employee business expenses were valid, accurate and complete, allowable, economical, and properly classified. However, while the majority of credit card transactions we reviewed were approved, we found that 11.6 percent (about

1,000) of them were recorded as unapproved in the accounting system, including transactions dating back to 2023.

We made one recommendation to address this area for improvement.

**Corporate IT Governance -
Business Technology
Investment Audit**

August 2025

The objective of the audit was to determine if the City effectively governs business technology investments to help achieve its strategic objectives.

We found that the City did not meet the audit objective. It has some elements of business technology investment governance in place including the City's Corporate Business Technology Investment Framework and regular reporting on the business technology investments. However, we found the City lacks a clearly communicated owner of the Framework, up-to-date Administrative Directives and Procedures supporting the Framework, understanding of foundational guiding documentation, consistent reporting and a complete corporate portfolio of its business technology investments, and a formal process to regularly evaluate the effectiveness of the Framework.

We made five recommendations to address these issues.

**Enterprise Risk Management
(ERM) Program Audit**

August 2025

The objective of this audit was to determine the maturity level of the City's enterprise risk management (ERM) program against best practices.

We found that the City made strides to advance the integration of its ERM program into its governance, operations, and planning functions. For example, the City has some good foundational ERM processes and procedures in place. However, the City's approach lacks necessary components of a mature program as well as consistency of ERM practices across functions and leadership levels. We assessed the City to be in the preliminary phase (phase two of five) for four of the five components: governance & culture, performance, review & revision, and information, communication & reporting. We assessed the City

to be in the initial phase (phase one of five) for the strategy & objective-setting component.

We made six recommendations to enhance the City's maturity within each component and grow the City's ERM program.

Neighbourhood Renewal Program Audit

January 2026

The objectives of the audit were to determine if the Building Great Neighbourhoods Branch:

1. Manages neighbourhood renewal projects in alignment with the City's Project Development and Delivery Model.
2. Manages the public communication and engagement opportunities to control reputational risks related to neighbourhood renewal projects.

We found that the Branch met the audit objective of managing neighbourhood renewal projects in alignment with the Project Development and Delivery Model, although there are some areas for improvement. The Branch partially met the objective of managing public communication and engagement opportunities to control reputational risks.

We found that the Branch can improve how it sets expectations related to the type of documentation used to support field design changes, in the delivery of renewal projects. The Branch can also improve on clarifying expectations for residents in terms of how the Branch will use information gathered from engagement activities. The Branch uses a multitude of typical engagement tactics, but lacks documented guidelines for when to change a particular engagement tactic, or how many additional tactics should be deployed during a particular phase.

We made three recommendations to address these areas for improvement.

Council and Council Committee Report Validation Audit

January 2026

The objective of this audit was to determine if Administration validates Council and Council Committee report data against supporting information.

We found that Administration met the audit objective. We did

not make any formal recommendations as a result of the audit.

**Attractions and Recreation
Centres Gift Card
Management - Data Analytics
Audit**

February 2026

The objective of this audit was to use data analytics to test if key controls in the issuance and management of gift cards for attractions and recreation centres are working effectively.

Overall, the Community Recreation and Culture Branch partially met the audit objective. We found that access to gift card information is not restricted to relevant details. We also found that the user list is not actively maintained and that people who no longer have valid business needs are not removed from the access list. In addition, we found data integrity issues in the gift card reference number entered by employees. Since the gift card reference number is used for redemption, the data integrity issues may impact the redemption experience of citizens.

We made two recommendations to address these issues.

**Abilities Management
Program Audit**

February 2026

The objective of this audit was to determine if the Human Resources Client Services Branch has an effective Abilities Management Program that helps employees remain at work and supports timely and safe return to work.

We found that the Branch partially met the audit objective. They provide employees with wellness and prevention programs and services to support continuous employment, employ a structured case management system for short term disability cases, explores various reporting methods (e.g., reports, slides) to assist business areas with absence management analysis, and collaborates with business areas to find reasonable accommodations for injured and ill employees, facilitating their return to pre-injury or other suitable roles, as needed.

However, we found areas where they can improve the Abilities Management Program. The Branch lacks a documented methodology for quality review of cases, has not evaluated its modified duties program, lacks abilities management reporting that meets business needs, and lacks a comprehensive

evaluation framework for the Abilities Management Program.

We made four recommendations to address these issues.

AUDIT REPORT LISTING

All current and historical reports by the OCA are available at edmonton.ca/auditor.

RECOMMENDATIONS

2025 ISSUED RECOMMENDATIONS

The OCA makes recommendations to improve the City's operations, programs, and services. In 2025, we made 38 recommendations. Administration accepted all of them, and provided implementation dates and action plans.

Of the 38 recommendations we made in 2025, we identified the following themes:

- **Strengthening monitoring and financial oversight (13 Recommendations):** This is the most frequent theme. It focuses on active oversight of existing processes. Examples include clearing unapproved transactions, restricting access to data, improving data integrity, improving management reporting, monitoring Ariba tickets, second-party reviews of invoices, developing program evaluation framework, and improved monitoring of grants and contractor performance.
- **Standardization of documentation and guidelines (11 Recommendations):** This includes the need for clear requirements for supporting documentation, documented quality review processes, updated administrative directives, and documented guidelines.
- **Maturation of Enterprise Risk Management and IT Governance (9 Recommendations):** This includes dedicating resources to the ERM program, defining risk appetite, establishing governing bodies for applications like TACS, and consolidating technology investments into a single city-wide portfolio.

- **Building internal capability and training (5 Recommendations):** This includes providing ERM education, training for technology decision-makers, addressing training gaps, and tracking the completion of mandatory training materials.

To determine if Administration has implemented our recommendations, we assess the adequacy, effectiveness, and timeliness of actions they take. This provides assurance that management has implemented our recommendations or provided appropriate explanations when actions are delayed, or if they have decided not to implement recommendations.

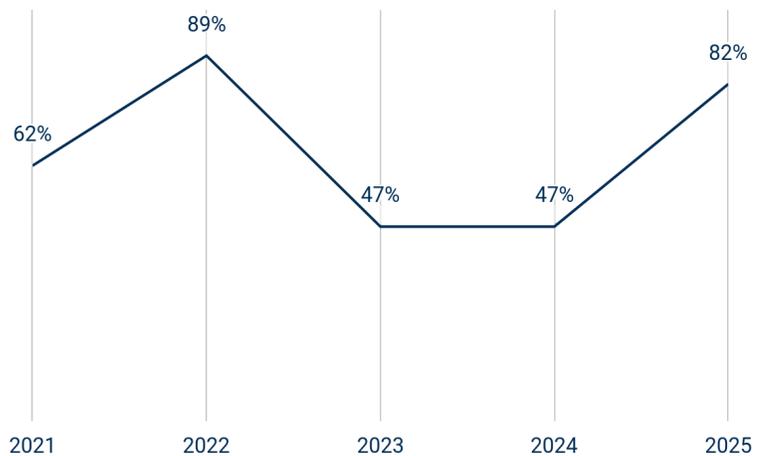
2025 CLOSED RECOMMENDATIONS

In 2025, our target was for Administration to implement 75 percent of the recommendations due in 2025 by the due date originally provided. There were 33 recommendations due in 2025. Administration implemented 27 recommendations (82 percent) by their due date¹, 3 recommendations after their due date, and 3 remain unimplemented.

Administration has provided us with revised action plans and due dates for all the recommendations they did not implement on time. Administration sometimes needs to revise action plans and planned due dates as a result of unforeseen circumstances, such as competing priorities, changes in resources, and changes in industry requirements.

¹ Recommendations closed within 10 days of their due date are considered closed on time.

Percent of Recommendations Implemented by Due Date



In 2025, we presented a Recommendation Follow-up Dashboard report at four Audit Committee meetings. These reports provide the status of our recommendations and note any changes to planned implementation dates. In 2025, Administration implemented 37 recommendations², which improved efficiency, effectiveness, economy, governance, and risk management within the City.

We highlight the improvements and implications of some of the implemented recommendations below.

Updated enforcement related policies and procedures and a fully functional dispatch and GPS system

In 2022, we audited **the management and support of enforcement services**. In response to the recommendations, the Community Standards Branch completed a Peace Officer Operational Manual and completed a review of all Standard Operating Procedures for all enforcement teams, and documented a policy framework.

The Branch also launched an OnCall Computer Aided Dispatch system. Staff were trained on the system and guiding documents were developed to assist staff with usage of the new system and change management.

² This includes recommendations that were due in 2023 (3), 2024 (10), 2025 (22) and 2026 (2).

Improved guidance on the use and tracking of earned days off and monitoring against annual entitlements

In 2023, we audited the **City's management of employee absences and overtime**. In response to the recommendations, the Employee Services Department (currently the Employee and Legal Services Division) created a Guide for Supervisors on Earned Day Off (EDO) and Compressed Hours of Work Programs, worked with Branch Leadership Teams to remind leaders that they are responsible to track against entitlements and approve EDOs, and created a tracking tool template for business areas to use. The Department also created a Standard Operating Procedure to ensure Human Resources Business Partners will review EDO tracking two times per year to confirm business areas have an effective process in place for reviewing used EDOs against entitlements.

Improved performance measurements for 311 tickets and closing resolved 311 tickets

In 2023, we audited the **City's response to 311 requests**. In response to the recommendations, City Departments improved their performance measurements for 311 tickets by identifying key measures and targets and by clarifying how they calculate their results. 311 also worked with City Departments to review all tickets that have been created and transferred to their departments in 2024 for alignment with the current definition of closure for a ticket.

Monitoring and reporting on grant funding compliance and evaluation of grant programs and subsidies

In 2023, we audited the **City's management of grants and subsidies**. In response to the recommendations, the Financial Services Branch developed and implemented a process to monitor and report on compliance with the Municipal Funding Arrangements Policy. The Branch also prepared reporting templates that external groups receiving funding are required to complete. The Branch presented the first Municipal Funding Arrangements Outcome Report to Council in September 2025.

Improved waste cart inventory management, service verification application data integrity, and training and guidance documents for collectors

In 2024, we audited the **City's management of its curbside collections program for waste**. In response to the recommendations, the Waste Services Branch developed a Standard Operating Procedure to facilitate the accurate and effective management of curbside cart inventory.

In addition, the Branch developed procedures for improving data integrity in the service verification application. These procedures aim to ensure data integrity and accessibility, and provide long-term storage for reporting, analysis, and operational purposes.

The Branch also developed a Standard Operating Procedure for bi-annual training sessions about waste bin set out events, and how to use the service verification application. The purpose is to ensure that all collectors are appropriately trained on the usage of the service verification application to provide better and more consistent data.

Improved performance management process for the Blatchford Redevelopment

In 2024, we audited the effectiveness of **the Blatchford Redevelopment Office's performance management process**.

In response to the recommendations, the Office created a spreadsheet to collect and analyze performance data. The data source is linked to supporting data, which is timely and matches the reported actual demonstrating data collection. Actuals are compared to targets, with variances identified and explained, demonstrating data analysis.

The Office also provided a memo to Council with a performance management update and a commitment to provide ongoing monitoring and reporting through annual updates to Council. In the performance management update memo to Council and the Blatchford Renewable Energy Annual Business Plan, the Blatchford Office included action plans for how they will achieve the targets for measures with significant variances.

Improved how to obtain information on recreation programming needs from the community

In 2024, we audited the effectiveness of **the Community Recreation and Culture Branch's approach to providing equitable recreation programming**. In response to the recommendations, the Branch developed a research approach, emphasizing the use of diverse methods to gather and analyze data from multiple perspectives. This approach included community engagement through survey and focus groups, jurisdictional scan and state of sport research. The approach is targeted at understanding the needs of all community members,

including barriers to access and enables the City to gather qualitative and quantitative data to inform strategic considerations as it relates to provision of equitable programs and services.

Improved the City's Fraud Risk Management Program

In 2024, we assessed the maturity level of the **City's overall Fraud Risk Management Program**. In response to the recommendations, the Service Innovation and Performance Branch, with assistance from the Risk Committee, developed a Fraud Risk Management (FRM) Addendum to the Enterprise Risk Management (ERM) Framework and incorporated fraud risk assessments in the Framework. The Branch also enhanced the ERM Risk Rating Guide to specifically consider fraud risks. Fraud risk appetite and tolerance thresholds were developed as part of the Addendum. The Branch, with assistance from the Office of the City Auditor, City Clerk's Office, Employee Services, Legal Services, and Financial Services, updated the Fraud Administrative Policy, the Fraud Reporting and Investigation Procedure, and the Whistleblower Protection Procedure.

Monitoring facility maintenance staff and safety requirements

In 2024, we audited the **City's performance of facility maintenance services**. In response to the recommendations, the Fleet and Facility Services Branch completed both electronic and in-person communication to clarify hybrid versus flexible work arrangements as well as the importance of the destination application. The use of the application is now mandatory for all front line staff, forepersons, and contract inspectors. The Branch implemented a dashboard to assist supervisors and people leaders with monitoring.

The Branch also communicated with their staff the expectations and requirements for completing the Occupational Health & Safety Inspections and Field Level Hazard Assessments (FLHA). Additionally, supervisors incorporated the results of these inspections into their Employee Performance Plan for all zone forepersons.

Improved effectiveness of the City's affordable housing funding proposals to Council

In 2025, we audited the effectiveness of **the City's affordable housing funding proposals** to Council. In response to the recommendations, the Social Development Branch implemented a software solution that is used for scoring of Affordable Housing Investment Program grant applications. The Branch also created a Terms of Reference for all subject matter experts that provide input into the grant application scoring. The software solution also retains all documentation that was used to determine a grant score. The Branch also created a meeting minute template to document meetings that are held to determine which grants in a scoring round are recommended for funding. The template includes a section that documents the rationale for a decision being made. The Branch retains the notes from each meeting.

Improved eligibility review process, contractor monitoring and payment approval process, strategic planning, and data validation and quality assurance over paratransit services

In 2025, we audited the effectiveness and efficiency of **the Edmonton Transit Service Branch's management of paratransit services**. In response to the recommendations, the Dedicated Accessible Transit Service (DATS) team updated their eligibility process guidelines.

The DATS team also improved contractor oversight through documented vehicle inspections, proof of training review, on-site meeting minutes, a performance measure dashboard, and an improved payment approval process. Contract enforcement was clarified, making service assessments discretionary in updated contracts.

The DATS team created the DATS Strategic Reporting Framework, aligning four service objectives with the mission/vision, supported by performance measures and targets. Paratransit risks were added to the branch risk register.

Due to high cost, DATS prioritized fixing material data errors over implementing full data validation. They implemented a preparer/reviewer signoff for the monthly strategic report, with two people checking formulas. A Complaints Data Integrity Process now requires a DATS analyst to review and correct missing complaint information.

ADVISORY PROJECTS

Advisory projects allow the OCA to provide strategic, risk, and control-related advice prior to and during the development and implementation of projects, programs, and services. The advisory projects we perform do not impede our ability to conduct objective audits in an area at a future date.

In 2025, we undertook a number of advisory projects that provided advice on:

- Risk and controls for the 2025 Municipal Election.
- Grant and funding processes.
- Good practices for dashboard management.
- The development permit automated system review tool.
- Process risks and potential changes to the City's non-profit leasing guidelines.

INVESTIGATIONS - FRAUD AND MISCONDUCT HOTLINE

The City's Fraud Administrative Policy and accompanying procedures prescribe how to prevent, detect, report, and investigate suspected fraud. It also details the processes for reporting and resolving complaints.

Employees can provide reports of suspected fraud and misconduct through a hotline service provided by a third party. Reports can be provided anonymously. The OCA manages the hotline. Employees can also submit reports directly to the OCA or through their supervisors.

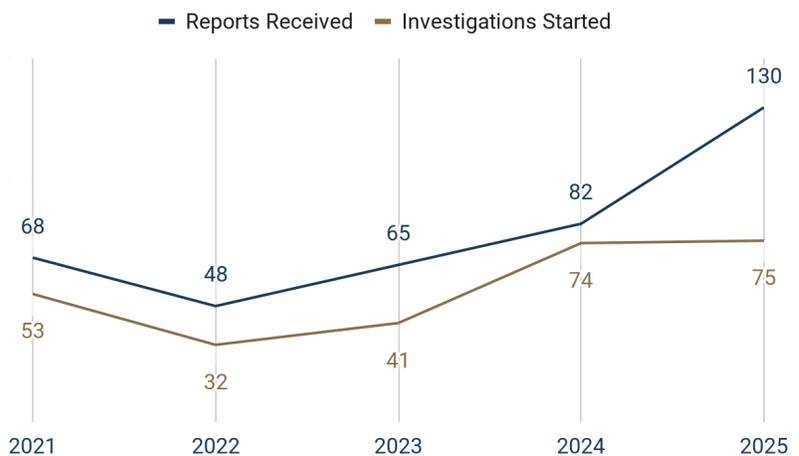
INVESTIGATIONS

We do not investigate all the reports we receive. We decide whether the report can be investigated and by whom, depending on the available details and the nature of the reports. This means:

- If the report is of suspected fraud, we investigate it.

- If the report is about a workplace issue, we refer it to the City Manager to decide how to investigate it. Administration provides the results, including any actions that have resulted from these investigations, back to us.
- If the report is about harassment and discrimination, we refer it to the City's Safe Disclosure Office. We do not receive the outcomes of these reports.
- In some cases, we redirect a report to an investigating party outside of Administration, for example, Edmonton Police Service, Edmonton Public Library, City's Agencies, Boards or Commissions, or wholly owned corporations of the City of Edmonton. We do not receive the outcomes of these reports.

Reports Received vs. Investigations Started*



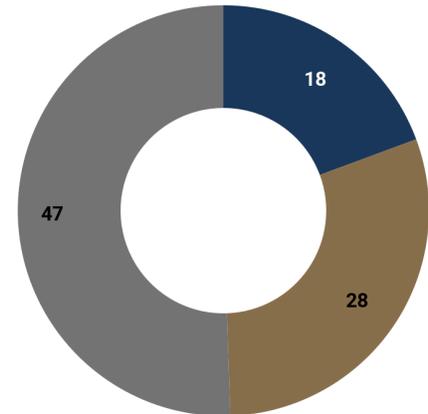
* Note - Not all investigations started in the year will be completed in that year.

OUTCOMES OF INVESTIGATIONS

In 2025, the Office of the City Auditor or Administration completed 93 investigations. Some of these were from reports we received from previous years. Investigations are designed to prove or refute alleged fraudulent behavior or misconduct by a City employee or other parties.

Outcome of Hotline Reports Investigated in 2025

- Substantiated
- Not Substantiated - Control Weaknesses Identified
- Not Substantiated



DETAILS OF SUBSTANTIATED INVESTIGATIONS

Below are the details of 15 substantiated investigations, stemming from 18 hotline reports. Some of these reports were investigated collectively due to shared allegations.

Theft of Assets

The OCA was informed that an estimated \$65,000 in fraudulent transactions were conducted at a malfunctioning Smart Fare Machine. The transactions were committed by an unknown number of individuals from September 2024 until discovery on June 13, 2025. Over 300 suspicious Arc Cards were identified and blocked with about \$20,000 remaining on them, reducing the loss of revenue to approximately \$45,000. Administration reported the case to the Edmonton Police Service. However, due to the length of time and the Arc Cards not being registered, the perpetrators could not be identified, and no charges were laid. Edmonton Transit Service has reinforced control procedures to prevent future incidents.

Theft of Assets

Administration identified and investigated fraudulent transactions involving a City of Edmonton employee. The employee misappropriated \$1,200 by misusing attraction and recreation centre gift card balances to purchase City goods and services. Administration substantiated the allegations, reported the case to Edmonton Police Services, and applied corrective actions, including termination of employment. The City received restitution for the misappropriated assets. Following these corrective measures, in 2025, the Office of the City Auditor

conducted an Attractions and Recreation Centres Gift Card Management - Data Analytics Audit to test key controls in the issuance and management of these gift cards. The audit resulted in two recommendations aimed at further strengthening these key controls.

Overpayment

A reporter alleged that two employees were overcharging overtime hours for on-call work. Investigators found that the overcharged hours were the result of a shared misunderstanding of the union agreement by both the employees and their supervisors, rather than deliberate misconduct. However, due to insufficient detail in the corresponding work orders, it was not possible to accurately calculate the extent of the overpayments. Administration applied corrective action.

Policy Violation

A reporter alleged that an employee parked a City vehicle at their residence during an extended absence (greater than four days) which is in violation of the take home vehicle permit procedure. Administration investigators were able to substantiate the allegation and Administration applied corrective action, short of termination.

Secondary Employment

A reporter alleged that an employee engaged in outside employment while on medical leave. Administration investigators were able to substantiate that the employee engaged in outside employment without obtaining the necessary approvals. Administration terminated the employee.

Secondary Employment

A reporter alleged that an employee had secondary employment and was engaging in this secondary employment on City time. In addition, the secondary employment was in conflict with their City employment and this conflict was not disclosed. Administration investigators were able to substantiate the allegations and Administration terminated the employee.

We received two separate reports for this allegation.

Secondary Employment

A reporter alleged that an employee did not respond to a request for services, and alleged another employee invited a City-assigned client to a private (competitor) facility to provide

services. This violates the Code of Conduct and the expectations of the employee's position. Administration investigators were able to substantiate the allegations and Administration terminated the employee.

Secondary Employment and Use of City Information

A reporter alleged that an employee engaged in secondary employment and accessed information through their City employment which can be used for personal gain. Administration investigators were able to substantiate the allegation of secondary employment. Administration applied corrective action, short of termination.

Inappropriate Conduct

A reporter alleged that an employee was taking sexually explicit photos and making sexually explicit social media content at a City of Edmonton workplace. Administration investigators were able to substantiate the allegation the employee was making content, however it was not sexually explicit. The investigators were not able to substantiate that the actions happened during City time. In addition, investigators confirmed that the workplace was not identifiable in the content. Administration applied corrective action, short of termination.

We received two separate reports for this allegation.

Respectful Workplace

A reporter alleged that some members of a business area's leadership team and other employees engaged in inappropriate comments, favoritism, and inappropriate conduct. Administration investigators were able to substantiate some of the allegations against one employee however, the employee resigned before the investigation concluded. Allegations against a second employee were not substantiated.

Conflict of Interest

A reporter alleged that a parent and child were in a direct reporting relationship in violation of the Code of Conduct. Administration investigators found breaches of the Code of Conduct and Hiring Administrative Directive due to hiring a temporary employee whose immediate family member could influence their supervision, creating potential and perceived conflicts of interest. An actual conflict occurred when the employee worked at the parent's supervised location, establishing a direct reporting relationship. Employees were

transparent about the relationships, though no formal disclosure or risk mitigation was documented. The breach was determined not to be intentional, instead highlighting organizational process gaps, which Administration addressed with corrective action.

Conflict of Interest

A reporter alleged that there was nepotism in a City department. Nepotism is the unfair practice of using one's power, position, or influence to grant jobs, promotions, or special advantages to family members or friends, regardless of their actual merit or qualifications. Administration investigators found that three temporary employees were hired to positions where there were potential and perceived conflicts of interest due to the close proximity of employees in leadership positions to their respective immediate family members in the organizational structure. The investigators also found that an actual conflict of interest situation could occur if the individual in leadership position was to act for another employee. Added to this, was that there were no documented risk mitigation measures to deal with the perceived and potential conflict of interest situations. As such the Code of Conduct and Hiring Administrative Directive were breached. The investigator determined that the employees did not commit an intentional breach, rather this case highlighted organizational process and procedural gaps that needed to be addressed. Administration applied corrective action by addressing procedural gaps.

We received two separate reports for this allegation.

Conflict of Interest

A reporter alleged that a manager was guilty of workplace misconduct by hiring a close friend. Administration investigators found that the manager did not fully and transparently disclose the depth of the friendship. Administration applied corrective action, short of termination.

Procurement Process

A reporter alleged that an employee did not follow the City's procurement procedures to obtain a specific type of device. Investigators substantiated the allegation and found that the device was not procured in an open, fair, and transparent manner. The employee showed favouritism to a former

co-worker. In addition, City standards for assigning and managing work were not followed. Investigators also identified a number of control weaknesses which were shared with Administration. Administration applied corrective action, short of termination.

Procurement Process

A reporter made two separate allegations: first, that a licensing agreement may have been violated, and second, that City procedures were bypassed to accelerate a procurement process and give favourable treatment to a preferred vendor. Investigators determined that there were no reasonable grounds to continue with a fraud investigation into the first allegation. They observed that the fraud threshold of deception was not met given the number of people aware of and involved in the actions that were taken relating to the licensing agreement.

However, the investigator did substantiate the second allegation. The City's technology investment process was not accurately followed and the procurement process was not conducted in a fair, open, and transparent manner. In addition, the investigation identified a conflict of interest involving an employee engaged in the process and the preferred vendor. Investigators identified a number of control weaknesses that were shared with Administration. Investigators completed the investigation before the procurement process concluded. Administration applied corrective action.

CONTROL WEAKNESSES IDENTIFIED

In 28 completed investigations, investigators did not substantiate the allegation, but did find control weaknesses. Investigators provided these to management in the area to address. Examples of these control weaknesses include:

Policy, Compliance, and Documentation

- Non-compliance with the City's Private Vehicle Reimbursement policy.
- Absence of a standard operating procedure or policy for how vacation and sick days impact overtime shutdown eligibility to ensure transparency, consistency, and fairness in overtime management.
- Undisclosed perceived or potential conflicts of interest.

Inventory and Asset Management

- Undisclosed and unmonitored secondary employment.
- Deficient records for shop cleanups and the disposal of surplus or excess inventory.
- Lack of formal asset tracking procedures for audio-visual assets.

Workforce Management and Oversight Deficiencies

- Inconsistent monitoring of staff locations and movements.
- Insufficient communication and oversight of hybrid work arrangements.
- Lack of accountability for hours worked and nature of work conducted.

Procurement and Contract Management

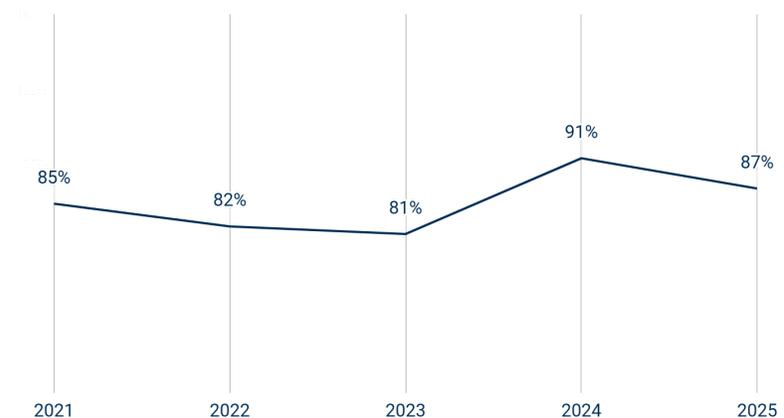
- Ineffective contract management practices, including lack of reconciliation or verification of supporting documentation, to ensure the City is receiving value for money from the contract.
- Insufficient procurement documentation to ensure that City acquires services in an open, fair, and transparent manner with the best available price and quality on the market.

Promoting OCA Value and Collaborative Relationships

AUDITEE SATISFACTION

After each audit, we issue an auditee satisfaction survey to get feedback on our performance and to identify areas where we can improve. We also interview the Branch Manager and Deputy City Manager of the audited area. Auditees overall assessment of value is based on the average response from auditees to the question "The recommendations and/or results of the audit addressed risks identified and added value to the City on a scale of 1 to 5."³ Our target for 2025 was 85 percent overall satisfaction.

Percent of Overall Auditee Satisfaction



COLLABORATIVE RELATIONSHIPS

Our staff actively build collaborative relationships both within and outside the City to promote the auditing profession and our practices. This proactive involvement is essential for ensuring that our practices remain current, adhere to the highest industry standards, and incorporate leading-edge techniques in risk management, internal audit, fraud examination, and internal control.

³ Methodology was changed in 2025. For comparatives in the prior years, responses from the survey question "recommendations were useful" were used.

External Relationships:

Maintaining robust relationships with professional bodies outside the City is a cornerstone of our commitment to professional excellence. These collaborations facilitate knowledge sharing, benchmarking, and the adoption of best practices from across the industry. Our external network includes, but is not limited to:

- Chapters of the Institute of Internal Auditors and the Association of Fraud Examiners.
- City auditors from across Canada.
- Provincial audit bodies.

Internal Engagement:

Within the City of Edmonton administration, the audit team works proactively with various departments to embed strong controls and risk-awareness into operational processes. This internal engagement helps to foster a culture of integrity and accountability across the organization. Our team is involved through things like:

- Attendance at various City committees, including: the City's Risk Committee, the Data Governance Committee, the Business Intelligence Forum, APEGA Responsible Members for the Centre of Excellence, and Project Management Centre of Excellence.
- Regular meetings with Corporate Procurement and Supply Services (CPSS), Workplace Investigations (HR Client Services), and Corporate Security (Legal Services).

Advanced Analytics and Innovation

2025 was the final year of our 3-year stand-alone advanced analytics plan. We:

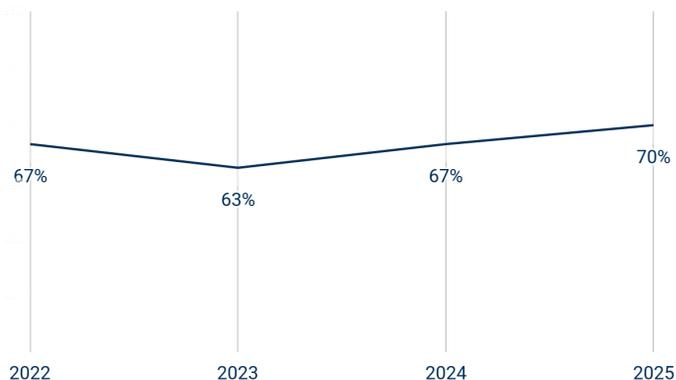
- Performed two data analytics only audits (see performance audit section). As part of data analytics only audits, we developed internal dashboards with results of tests conducted to support Administration's ongoing monitoring.
- Further incorporated advanced data analytics into our traditional audits and investigations, including risk identification and assessment.
- Leveraged advanced analytics for automating internal processes to enhance staff efficiency.

We continued to maintain two interactive OCA dashboards. These dashboards, available at edmonton.ca/auditor, provide information on the follow-up of recommendations and fraud and misconduct hotline activity.

APPLICATION OF ADVANCED ANALYTICS

In 2025, advanced analytics were key to our audits, enhancing findings through multi-source data insights and targeted testing. We met our goal of using advanced analytics in 70 percent of audits, up from 67 percent in 2024.

Percent of Projects with Advanced Analytics Applied⁴



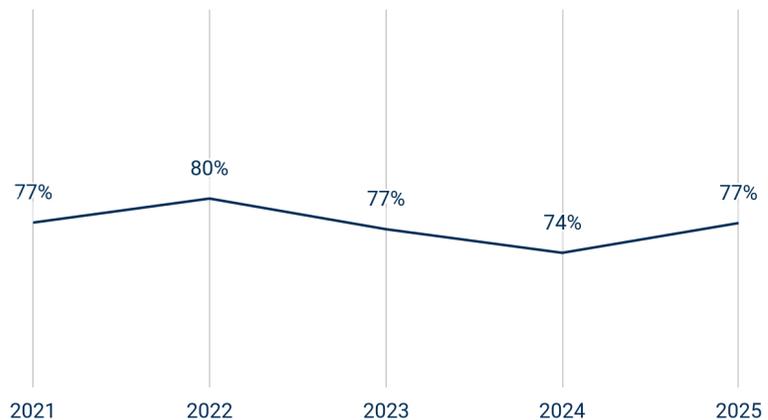
⁴ Started collecting data in 2022

Organizational Effectiveness

STAFF UTILIZATION

Our target for 2025 was to spend 79 percent of available audit staff time on projects. This fluctuates year to year due to the different administrative and professional development activities we may be undertaking in a particular year. Examples of administrative activities include: OCA monthly team meetings, monthly project leads meetings, and weekly leadership team meetings. Professional development activities include: corporate training, OCA retreats, continuous professional improvement, and training to maintain certifications.

Percent of Total Available Audit Staff Time Spent Working on Projects

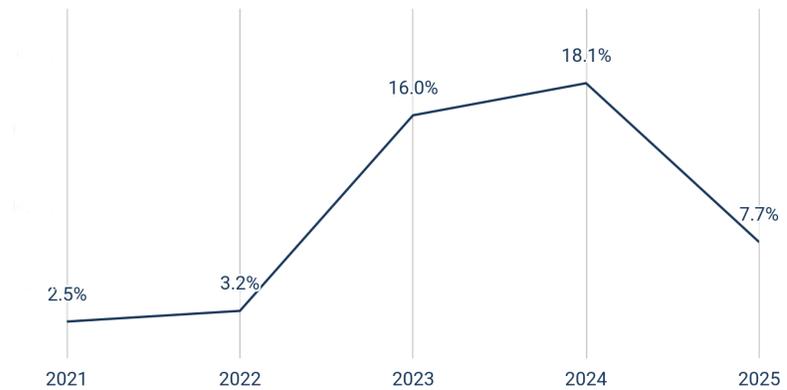


COST-EFFECTIVENESS AND ACCOUNTABILITY

The OCA is committed to operating in a cost-effective and accountable manner. We measure our cost-effectiveness by monitoring our actual versus budgeted expenditures and our office operating expenses as a percentage of the City's operating expenses.

In 2025, our actual expenditures were \$2.9 million which is 7.7 percent below our budget. This is mainly due to vacancies and leaves which reduced personnel costs. Our target is to be within 5 percent of our budget.

Percent of Actual OCA Expenditure below Budget



Our office expenditures made up 0.08 percent of the City's total operating expenses in 2025.

QUALITY ASSURANCE AND IMPROVEMENT

We perform periodic self-assessments throughout the year to ensure we comply with Global Internal Audit Standards of the Institute of Internal Auditors (the Standards). Our periodic self-assessments include the Deputy City Auditors performing project quality reviews and an annual evaluation across all projects and processes. Our self-assessments confirm that we comply with the Standards. We did not identify any significant deficiencies or areas for improvement. We have addressed minor areas for improvement we identified.

The Standards and the City Auditor Bylaw both require that we undergo an independent, external quality assessment (EQA) review at least once every five years. In December 2025, we completed our most recent EQA. The assessment concluded that the OCA Generally Achieves the Global Internal Audit Standards. This finding demonstrates our strong intent and commitment to fulfilling the Purpose of Internal Auditing, adhering to its 15 Principles, and conforming to the 52 Standards. Specifically, we fully conform with 41 standards and generally conform with the remaining 11. This was our third EQA in the past 10 years, following reviews in 2015 and 2020.

Per the Standards, the Office of the City Auditor must confirm its organizational independence. In 2025, the OCA

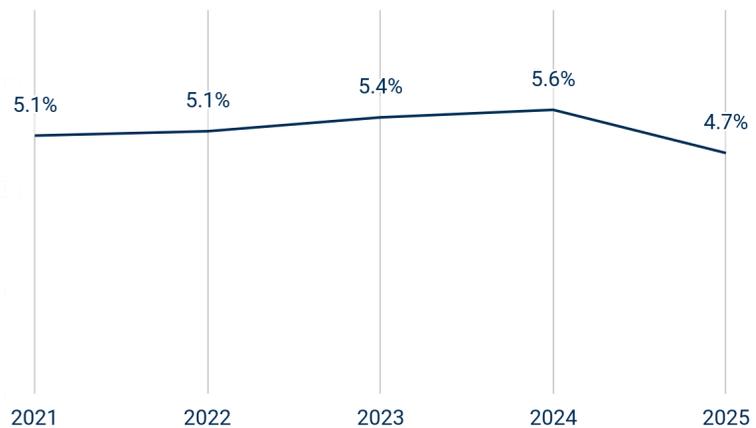
was free from conditions that threatened its ability to carry out internal audit responsibilities in an unbiased manner.

Empowering People

TRAINING AND DEVELOPMENT

On average, staff spent 10 days on training and development to enhance their knowledge, skills, and other competencies, including ethics. The average cost for all external training and development was \$1,406 per staff member in 2025. Our target for 2025 was for staff to spend five percent of their available time on training and development.

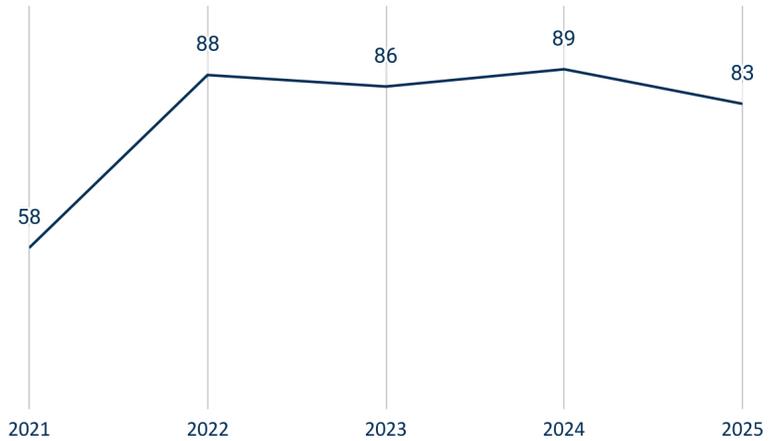
Percent of Available Staff Time Spent on Training and Development



EMPLOYEE ENGAGEMENT

The culture of our office supports the achievement of our goals. We measure employee engagement through the result of the City of Edmonton Employee Check-in survey question: How happy are you working at the City of Edmonton? Our target for 2025 was a score of 85 out of 100.

Average Employee Engagement Score*



*2021 and 2023 results are from the fourth quarter of each year. The 2022 result is from the first quarter of 2023, the 2024 results are from the second quarter of 2024, and the 2025 results are from the second quarter of 2025 because the City did not conduct the survey in the fourth quarter of 2022, 2024, or 2025.

IN CLOSING

This report highlights the significant work of the Office of the City Auditor staff towards achieving the goals of our 2022 to 2025 Strategic Plan. We look forward to 2026, where we will continue our efforts to enhance Edmontonians' trust through independent, value-add internal audit services.