



STAFF REPORT ACTION REQUIRED

2008 Annual Report – Fraud and Waste Hotline

Date:	January 15, 2009
To:	Audit Committee
From:	Jeff Griffiths, Auditor General
Wards:	All
Reference Number:	

SUMMARY

In June 2000, Audit Committee requested that the Auditor General submit an annual report on the status of fraud and related matters. This report represents the Auditor General's eighth annual report on the activities of the Fraud and Waste Hotline Program for the period of January 1, 2008 to December 31, 2008.

Managing the risk of fraud or other wrongdoing must be a continuous and collective effort involving all levels of staff. The primary responsibility for maintaining appropriate internal controls to prevent and detect wrongdoing remains with divisional management.

The risk of fraud and wrongdoing is an inherent part of conducting business in all organizations including the public sector.

Often fundamental and basic internal controls that help reduce the risk of wrongdoing are overlooked when controls are not regularly reviewed. Inadequate internal controls are a primary contributing factor to the occurrence of fraud while the lack of management review and the override of existing controls are also factors.

Corrective controls, such as improved policies and procedures, are key to remedying problems that are discovered ensuring that future wrongdoing is better prevented and detected, especially in areas subject to greater levels of risk.

In 2008, based on our review of complaints, a number of substantiated complaints may have been mitigated through the active application of internal controls, policies and procedures. In these cases, basic controls were disregarded and their effectiveness not actively monitored. The recommendation made in this report will re-emphasize management's responsibility to regularly review and re-evaluate internal controls.

RECOMMENDATIONS

The Auditor General recommends that:

1. The City Manager direct management staff to regularly review and evaluate the adequacy of internal controls within their area of responsibility. Where appropriate, action be taken to strengthen controls, with a view to preventing and detecting instances of fraud and other wrongdoing.

FINANCIAL IMPACT

There are no direct financial implications resulting from the adoption of this report.

Investigations or reviews conducted by both Management and the Auditor General's Office as a result of various communications to the Fraud and Waste Hotline have resulted, in certain cases, in the recovery of funds to the City. More importantly these investigations or reviews have resulted in improved internal controls which will likely mitigate the loss of future funds.

DECISION HISTORY

In June 2000, Audit Committee requested that the Auditor General submit an annual report on the status of fraud and related matters in response to an investigation that arose during a cash controls review in the then Parks and Recreation Division. The Auditor General's first annual report on the status of fraud and related matters was considered by Council at its meeting of October 3, 2000.

The Fraud and Waste Hotline Program administered by the Auditor General's Office began as a six-month pilot program starting March 1, 2002. City Council approved it as a permanent program at its meeting of November 6, 2002, along with the recommendation that the Auditor General report to the Audit Committee on the operation and activities of the hotline program, as part of his annual report on the status of fraud and related matters.

COMMENTS

The Auditor General's report entitled "2008 Annual Report – Fraud and Waste Hotline" is attached as Appendix 1.

CONTACT

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SIGNATURE

Jeffrey Griffiths, Auditor General

ATTACHMENTS

Appendix 1: 2008 Annual Report - Fraud and Waste Hotline