



## STAFF REPORT ACTION REQUIRED

### 2009 Annual Report – Fraud and Waste Hotline

<b>Date:</b>	January 7, 2010
<b>To:</b>	Audit Committee
<b>From:</b>	Jeff Griffiths, Auditor General
<b>Wards:</b>	All
<b>Reference Number:</b>	

#### SUMMARY

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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 ninth report on the activities of the Fraud and Waste Hotline program for the period of January 1, 2009 to December 31, 2009.

During 2009, the Fraud and Waste Hotline received 677 complaints, an increase of nine per cent from the 619 complaints received in 2008. This amount represents an increase of 184 per cent from the initial 238 complaints received by the Hotline in 2003, its first full year of operation.

In 2009, there were a number of complaints received which related to contraventions or potential contraventions of the City's Conflict of Interest Policy. There continues to be a less than clear understanding of circumstances which may constitute a real, potential or perceived conflict.

In 2006, the Auditor General's Office made a recommendation regarding expediting the implementation of formal ethics training to all City staff. While ethics training, including training on conflicts of interest has been introduced, it has not been provided to all management staff. Further, ethics training continues to be outstanding for all non-union staff.

Madame Justice Bellamy in her report relating to the Toronto Computer Leasing Inquiry and the Toronto External Contracts Inquiry made specific recommendations in relation to staff training. This staff training needs to be extended to all staff and at the same time evaluated to ensure that it is effective.

## **RECOMMENDATION**

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### **The Auditor General recommends that:**

1. The City Manager review the recommendations contained in the Bellamy Report on the Toronto Computer Leasing and Toronto External Contracts Inquiries in order to ensure that all recommendations pertaining to ethics training are addressed. Further, training required as a result of the Bellamy recommendations be required to specifically address conflict of interest issues, and be made mandatory for all City staff.

### **Financial Impact**

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

The City's Hotline Program has helped reduce losses and resulted in the protection of City assets. 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.

There are additional benefits of the Hotline Program that cannot be quantified, including the deterrence of fraud or wrongdoing, strengthened internal controls, improvements in policies and operational efficiencies. These benefits may in turn assist in the detection and prevention of future wrongdoing involving City resources.

## **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 "2009 Annual Report – Fraud and Waste Hotline" is attached as Appendix 1.

## **CONTACT**

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## **SIGNATURE**

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Jeffrey Griffiths, Auditor General

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## **ATTACHMENTS**

Appendix 1: 2009 Annual Report - Fraud and Waste Hotline