



## STAFF REPORT ACTION REQUIRED

### 2007 Fraud and Waste Hotline

<b>Date:</b>	February 7, 2008
<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 seventh annual report on the activities of the Fraud and Waste Hotline Program for the period January 1, 2007 to December 31, 2007.

Fraud constitutes a business risk that every organization must deal with including the Public Sector. Management has the responsibility to manage this business risk by assessing the likelihood of occurrence and by implementing a strategy that includes prevention controls and detection processes to minimize the incidence of fraud and wrongdoing.

One of the key components of the City's strategy to manage this business risk has been the establishment of the Fraud and Waste Hotline Program, which was established with Council's support to provide a practical and anonymous tool for employees and the public to report incidents of fraud and wrongdoing at the City of Toronto. The Hotline Program is operated by the Auditor General's Office which manages and investigates complaints received and makes recommendations to mitigate the risk of fraud and wrongdoing.

All City of Toronto staff have a responsibility to report improper activity involving City resources. In 2007, we continued to identify instances in which divisions have not reported or delayed reporting incidents of fraud or wrongdoing to the Auditor General's Office. We recognize that divisions may wish to conduct preliminary enquiries to confirm whether there is merit to the allegations. However, once the division has reason to suspect there has been improper activity involving City resources, then the Auditor General's Office should be notified on a timely basis. This report recommends the City Manager ensure that all management are aware of their reporting responsibilities under the Fraud Prevention Policy.

## **RECOMMENDATIONS**

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

1. the City Manager be directed to ensure that all management staff are aware of their reporting responsibilities under the Fraud Prevention Policy. Such responsibilities include the reporting of allegations pertaining to fraud and wrongdoing to the Auditor General's Office on a timely basis.

## **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 "2007 Fraud and Waste Hotline" is attached as Appendix 1.

## **CONTACT**

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## **SIGNATURE**

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Jeffrey Griffiths, Auditor General

## **ATTACHMENTS**

Appendix 1: 2007 Fraud and Waste Hotline