



AUDITOR GENERAL'S REPORT ACTION REQUIRED

2010 Annual Report – Fraud and Waste Hotline

Date:	January 18, 2011
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 tenth report on the activities of the Fraud and Waste Hotline program for the period of January 1, 2010 to December 31, 2010.

Since the Fraud and Waste Hotline Program was initiated in 2002, the Auditor General's Office has handled over 4,200 complaints. In 2010, the Auditor General's Office received 573 complaints. Over 56 per cent included at least two or more allegations. This represents approximately 900 allegations received.

The Auditor General has previously reported on the importance of Whistleblower Protection in the 2006 and 2009 annual Fraud and Waste Hotline reports. However, how the City manages the risk of retribution and protects Whistleblowers remains an area of concern for the Auditor General's Office.

The 2006 report included a recommendation to provide guidance and training related to Whistleblower Protection. The City Manager has implemented training entitled "Mission, Values and Ethics of the Toronto Public Service", however, it does not provide specific guidance on whistleblower protection or retribution.

While the Auditor General's Office is responsible for the operation of the City's Hotline Program, management is responsible for ensuring employees who report allegations of wrongdoing may do so without reprisal. The importance of protecting those who report wrongdoing should be conveyed to all City employees, through the training process previously recommended by the Auditor General.

RECOMMENDATION

The Auditor General recommends that:

1. The City Manager ensure ethics training, as recommended by the Auditor General in the 2006 and 2009 Annual Fraud and Waste Hotline reports, include guidance to all staff on what constitutes retribution and the importance of protecting employees who report allegations of wrongdoing.

Financial Impact

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.

The implementation of the recommendation in this report will mitigate the risk of retribution by management who take unwarranted action against employees who report complaints of fraud, waste or misuse involving City resources. Retribution against employees who report complaints exposes the City to risk of loss in case of dispute by those employees. The inclusion of additional training in the current training program will involve minimal costs.

The extent of any potential cost savings resulting from implementing the recommendation in this report is not determinable at this time.

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 "2010 Annual Report – Fraud and Waste Hotline" is attached as Appendix 1.

CONTACT

Carmelina Di Mondo, Director, Forensic Unit, Auditor General's Office
Tel: 416-397-7625, Fax: 416-392-3754, E-mail: cdimond@toronto.ca

SIGNATURE

Jeffrey Griffiths, Auditor General

10 FWO 03

ATTACHMENTS

Appendix 1: 2010 Annual Report - Fraud and Waste Hotline