



AUDITOR GENERAL'S REPORT ACTION REQUIRED

Auditor General's Office – Forensic Unit Status Report on Outstanding Recommendations

Date:	June 12, 2012
To:	Audit Committee
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

This report provides information regarding the implementation status of recommendations made by the Auditor General's Forensic Unit in the context of special reviews, which were publicly reported through Audit Committee, as well as those made in the annual Fraud and Waste Hotline reports.

On an annual basis, the Auditor General reviews information provided by management to determine the accuracy of management assertions related to each recommendation. The results of this review are communicated to Council through the Audit Committee.

Since January 2007, the Auditor General has issued various reports related to its operation of the City's Fraud and Waste Hotline Program. Since that time a total of twelve recommendations were reported publicly.

The results of our review indicate management has not fully implemented four recommendations made in reports by the Auditor General from January 1, 2007 to December 31, 2011.

Continued efforts to implement outstanding recommendations will provide additional benefit to the City through cost savings, additional revenue and enhanced service delivery.

RECOMMENDATION

The Auditor General recommends that:

1. City Council receive this report for information.

Financial Impact

The recommendations in this report have no financial impact.

ISSUE BACKGROUND

The Auditor General's Forensic Unit is responsible for conducting and coordinating investigations or reviews directed at the detection of fraud, waste and wrongdoing involving City resources and reporting on the activity of the Hotline Program. In this context, the Auditor General may make recommendations which management is responsible for addressing.

In 2010, the Auditor General implemented a follow-up process for recommendations made as a result of investigative work or special reviews conducted in the context of the Auditor General's operation of the Hotline Program.

In accordance with the Auditor General's 2012 Work Plan, we have completed a review of the implementation status of recommendations made by the Auditor General in reports issued by the Auditor General's Office from January 1, 2007 through December 31, 2011.

COMMENTS

An inventory of recommendations made in the context of the Auditor General's operation of the Fraud and Waste Hotline Program has been compiled for recommendations made since 2007. This process is similar to that implemented in 2005 for recommendations made in audit reports.

This report is the third annual report issued by the Auditor General related to the follow-up on management efforts to implement outstanding recommendations in the context of special reviews which were publicly reported through Audit Committee, as well as those made in the annual Fraud and Waste Hotline reports.

Description of the Follow-up Process:

The following provides a brief description of the process.

- (a) Auditor General's reports, including recommendations, are submitted to divisional management.
- (b) The recommendations are recorded in a database maintained by the Auditor General. On an annual basis, the Auditor General notifies the City Manager and/or the appropriate divisional management representative, in writing, of all outstanding recommendations.
- (c) The appropriate division official provides a written status report to the Auditor General.

- (d) Upon notification that action has been taken to implement a recommendation, the Auditor General takes the necessary steps to verify that action has been taken.
- (e) The Auditor General prepares a summary report to the Audit Committee and City Council.

Our review process verifies recommendations management believes they have fully implemented. We do not conduct audit work on recommendations not yet fully implemented.

Table 1 below contains results for recommendations made by the Auditor General in the context of reviews conducted as part of its operation of the City’s Fraud and Waste Hotline Program from January 1, 2007 to December 31, 2011.

Table 1: Status of Recommendations issued from January 1, 2007 to December 31, 2011

Status of Recommendations	As of December 31, 2011	As of December 31, 2010
Fully Implemented	8	7
Not Fully Implemented	4	1
Total	12	8
Fully Implemented as a percentage of total recommendations	67%	88%

As of January 1, 2007, various reports issued by the Auditor General’s Forensic Unit contained a total of eight public recommendations. An additional four recommendations were added during the current review period bringing the total to 12 recommendations made from January 2007 to December 2011.

The results of our review indicate that management has fully implemented eight or 67 per cent of the 12 public recommendations made by the Auditor General since January 1, 2007.

Listing of Outstanding Recommendations

A complete listing of the recommendations not fully implemented, since we last reported, is included in Appendix 1.

CONCLUSION

This review process includes the verification of recommendations made by the Auditor General’s Forensic Unit in the context of special reviews which were publicly reported through Audit Committee and those conducted as part of its operation of the City’s Fraud and Waste Hotline Program.

Our review process verifies recommendations management believes they have fully implemented. We do not conduct audit work on recommendations not yet fully implemented. Recommendations reported as “implemented” will not be reported to Council in the future. All recommendations reported as “not fully implemented” will be included in subsequent follow-up reviews, until “fully implemented.”

CONTACT

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SIGNATURE

Jeff Griffiths, Auditor General

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ATTACHMENTS

Appendix 1: Recommendations Not Fully Implemented

RECOMMENDATIONS NOT FULLY IMPLEMENTED

Division: City Manager’s Office, Human Resources

Report Title: 2006 Annual Report on the Status of Fraud and Related Matters, Including Operation of the Fraud and Waste Hotline Program

Report Date: March 8, 2007

Recommendation	Management’s Comments and Action Plan/Time Frame
<p>The City Manager give consideration to accelerating the introduction of a formal ongoing ethics education program to all City staff which emphasizes the following:</p> <ul style="list-style-type: none"> ▪ the role of staff in the prevention and detection of fraud; ▪ the responsibilities of staff in reporting incidents of allegations of fraud or wrongdoing; ▪ the importance of protecting employees who report allegations of fraud or wrongdoing; ▪ the importance of recognizing, avoiding and communicating conflict of interest situations; and ▪ the consequences of reporting incidents of fraud or wrongdoing which are frivolous or vexatious. <p>In developing such a program, consideration should be given to delivering the program through the City’s intranet.</p>	<p>Beginning in 2006 the City Manager's Office conducted workshops to create awareness on the mission, values and charter of expectations for the Toronto Public Service (referred to as 'ethics training'). A Corporate Orientation was introduced in 2008 furthering the awareness building on the mission, values and charter of expectations.</p> <p>In 2009 and 2011 both the Orientation and the 'ethics training' were updated to include awareness on the Conflict of Interest Policy the Fraud Prevention Policy and the Whistle Blower Protection policy. Implementation will be complete in 2012 when 3 elearning modules will be introduced. The elearning modules are: Mission, Values & Ethics, Conflict of Interest policy and Whistle Blower Protection policy.</p> <p>Timeline for completion – September 2012</p>

Division: City Manager's Office, Human Resources

Report Title: 2010 Annual Report - Fraud and Waste Hotline Program

Report Date: January 18, 2011

Recommendation	Management's Comments and Action Plan/Time Frame
<p>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.</p>	<p>Beginning in 2006 the City Manager's Office conducted workshops to create awareness on the mission, values and charter of expectations for the Toronto Public Service (referred to as 'ethics training'). A Corporate Orientation was introduced in 2008 furthering the awareness building on the mission, values and charter of expectations.</p> <p>In 2009 and 2011 both the Orientation and the 'ethics training' were updated to include awareness on the Conflict of Interest Policy the Fraud Prevention Policy and the Whistle Blower Protection policy. Implementation will be complete in 2012 when 3 elearning modules will be introduced. The elearning modules are: Mission, Values & Ethics, Conflict of Interest policy and Whistle Blower Protection policy.</p> <p>Timeline for completion – September 2012</p>

Division: City Manager's Office, Human Resources

Report Title: Protecting Whistleblowers from Retribution

Report Date: January 24, 2011

No.	Recommendation	Management's Comments and Action Plan/Time Frame
001	The City Manager, in consultation with the City Solicitor and Executive Director, Human Resources, take immediate action to provide guidance and reinforce staff's awareness of the Whistleblower Protection provisions in the Fraud Prevention Policy.	<p>The Whistleblower Protection provision in the Fraud Prevention Policy has been placed into a separate Whistleblower Protection policy and by-law was enacted by City Council on June 15, 2011. The City's orientation for new employees and ethics training have been updated to ensure awareness of the Conflict of Interest Policy, Fraud Prevention Policy and the Whistle Blower Protection policy. An e-learning module specific to Whistleblower Protection has been created in consultation with the City Solicitor and reviewed by staff of the Auditor General. Roll-out is scheduled to commence in the 3rd quarter of 2012. At this time there will be compliance with this recommendation.</p> <p>Timeline for completion – September 2012</p>

No.	Recommendation	Management's Comments and Action Plan/Time Frame
003	The City Manager give consideration to directing management to notify the City Manager of instances where proposed action against an employee may contravene the Whistleblower Protection afforded under the Fraud Prevention Policy.	<p>The Whistleblower Protection Policy includes a clear management imperative "where a manager or supervisor is informed of, or becomes aware of, reprisals against an employee, as a result of a report of wrongdoing, the manager or supervisor will inform the Executive Director, Human Resources, or the City Manager." A memo was issued from the City Manager to Division Heads in January 2011, specifically re-iterating the importance of the Fraud Prevention policy and in particular highlighting the whistleblower protection provision. A follow-up memo from the City Manager to Division Heads will be issued in March 2012, to ensure that the proper protocol is followed for making the City Manager aware of any potential contravention of the Whistle Blower Protection policy. As well, the City's orientation for new employees and ethics training have been updated to ensure awareness of the Conflict of Interest Policy, Fraud Prevention Policy and the Whistle Blower Protection policy. The e-learning course material on the Whistleblower Protection Policy includes a specific section directed to managers and supervisors highlighting their responsibilities related to the identification of and reporting of instances which contravene the policy.</p> <p>Timeline for completion – September 2012</p>