AUDIT COMMITTEE

Item No. 6 Fraud and Waste Hotline Performance Evaluation

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee, in its capacity as the Audit Committee, concurred in the recommendation of the Winnipeg Public Service and recommended to Council:

1. That the Fraud and Waste Hotline Evaluation Report February 2016 be received as information.

DECISION MAKING HISTORY:

Moved by Councillor Orlikow,

That the recommendation of the Winnipeg Public Service be concurred in and forwarded to Council.

Carried

ADMINISTRATIVE REPORT

Title: **Fraud and Waste Hotline Performance Evaluation**

Critical Path: **Audit Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
L. Klimchak	B. Mansky City Auditor		

RECOMMENDATIONS

That this report be received as information.

REASON FOR THE REPORT

A review of the performance of the Fraud and Waste Hotline was endorsed by the Audit Committee in the City Auditor's Audit Plan 2015–2018.

The report is being submitted in accordance with the City Organization By-law 7100/97 section 19(d)(iv) that the Audit Committee will "receive and review audit reports, and table such reports with its recommendations at a regular meeting of Executive Policy Committee."

EXECUTIVE SUMMARY

The purpose of the Hotline performance evaluation was to answer three main questions:

- Is the availability of the Hotline properly communicated to enable it to serve as a preventative mechanism?
- Has the Hotline been effective at identifying potential unethical behaviour and protecting City property, resources and information?
- Are there opportunities to improve the cost efficiency of the Hotline operations?

The most significant observations of the review include:

- Since the implementation of the Fraud and Waste Hotline in 2012, 75 reports have been received. The Hotline received 42 reports in 2015, which was a significant increase over the 10 reports received in 2014. The Hotline received 36% of reports via an online form, 45% through a live agent and 14% through other processes. Approximately 17% of reports have been substantiated through investigation, and have ultimately resulted in improvements to internal controls and enhancements to supporting procedures.
- The Audit Department should also work with the Public Service to identify opportunities to include Hotline information in any mail sent out to citizens and to discuss opportunities to provide information packages to the various unions that represent City employees. The

Audit Department should also continue to issue City-wide emails on an annual basis to remind staff of the availability of the Hotline.

- The Hotline has received substantiated reports that did identify unethical behaviour. This illustrates the Hotline is contributing to the protection of City property, resources and information. The anonymity feature of the Hotline further contributes to the City's control environment by acting as a preventative measure by also deterring unethical behaviour. The exact benefits derived from the preventative aspect of the Hotline cannot be easily identified or quantified.
- The report intake and database management aspect of the Hotline could be provided at a lower cost by using City resources; however, the inability to access a live operator 24/7, the lack of a bilingual service and a perceived impact on independence and anonymity could all negatively impact the report volumes received by the Hotline. While it may be less costly, altering the service delivery mechanism is not viewed as a prudent business decision at this point in the lifecycle of the Hotline. The Audit Department will continue to contract with an external service provider for the report intake and database management system.

IMPLICATIONS OF THE RECOMMENDATIONS

There are no implications to the recommendation that the report be received as information.

HISTORY

In July 2006, the City of Winnipeg's *HR-008: Fraud, Theft, Misappropriation or Related Irregularities* Administrative Standard was approved by the Chief Administrative Officer; at that time, the City Auditor agreed to conduct investigations referred to the Audit Department by the Public Service under this Administrative Standard.

On May 25, 2011, Council approved the implementation of a Fraud Hotline to be managed by the Audit Department. In conjunction with the launch of the Fraud Hotline, the City's *Fraud, Theft, Misappropriation or Related Irregularities* Administrative Standard was updated and incorporated three new sections: (1) Confidentiality of Information, (2) Whistleblower Protection and (3) Bad Faith Allegations.

The Fraud Hotline commenced operations on April 30, 2012. In July 2013 the Hotline was expanded to provide accessibility to Winnipeg citizens and was renamed the Fraud and Waste Hotline. The Fraud and Waste Hotline is a confidential and anonymous service that allows citizens and staff to report incidents of wrongdoing, as well as other issues and concerns, 24 hours a day, 7 days a week. The Hotline is operated independently by a third party and is accessible by phone or internet.

FINANCIAL IMPACT

Financial Impact Statement

Date: March 30, 2016

Project Name:

Fraud and Waste Hotline Performance Evaluation

Comments:

This report is submitted as information and as such there is no associated financial impact.

Original signed by R. Hodges
Ramona Hodges
Manager of Finance (Campus)
Corporate Finance Department

CONSULTATION

The Audit Department reviewed publically available information from the following jurisdictions:
City of Toronto
City of Calgary
City of Edmonton
City of Ottawa
City of Montreal

OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity - Direction 1 - Provide Efficient and Focused Civic Administration and Governance

This report supports the demonstration of accountability through reporting and to continuously pursue innovative, streamlined service delivery and decision-making processes.

SUBMITTED BY

Department: Audit Department
Prepared by: L. Klimchak
Date: February 19, 2016

ATTACHMENT:

Fraud and Waste Hotline Evaluation Re