

Date: 2022-04-29

Subject: **Corporate Fraud Prevention Policy Updates**

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Report Number: CAO's Office-2022-482

Recommendations:

1. That the report titled: **Fraud Prevention Policy Updates**, to the Audit Committee Meeting of May 17, 2022, be received.
2. That the updated Corporate Fraud Prevention Policy, as set out in **Appendix 3**, be approved.

Overview:

- The purpose of this report is to describe the proposed changes to the Corporate Fraud Prevention Policy. The main changes are necessary to:
 - Clarify the handling of fraud allegations implicating staff in key leadership positions;
 - Strengthen Internal Audit's independence in fact and appearance; and
 - Reduce the potential for conflict of interest.
- The scope of the changes include allegations of fraud involving the Chief Administrative Officer, City Clerk, City Solicitor, City Treasurer, Director of Human Resources, or Director of Internal Audit.
- A copy of the updated Corporate Fraud Prevention Policy with edit marks ("marked") is included in **Appendix 2**. A copy of the Corporate Fraud Prevention Policy without edit marks ("clean") is included in **Appendix 3**. The previous Corporate Fraud Prevention Policy, GOV-110, dated September 1, 2019, is set out in **Appendix 4**.
- The operational approach is detailed in **Appendix 1**.

Background:

As part of the City of Brampton's ("City") commitment to protecting its assets, a Fraud Framework was established to prevent, detect, and report incidents of fraud, as well as investigate any suspected acts of fraud. On July 4, 2016, the City launched the Corporate Fraud Prevention Hotline ("Fraud Hotline"), which allows City employees to report alleged incidents of fraud. The Fraud Hotline allows employees to report incidents of suspected fraud anonymously and confidentially 24 hours a day, seven days a week. Employees can submit a report through a third-party secure website or over the phone through a third-party dedicated toll-free number. Employees should feel empowered to do the right thing to ensure the City's assets are protected.

The current Corporate Fraud Prevention Policy came into effect on September 1, 2019, and establishes the requirements and responsibilities for the prevention, detection, and reporting of Fraud, the conduct of Fraud investigations, and the consequences when Fraud is found to have occurred.

Current Situation:

The experience gained from managing the Fraud Hotline reporting process since the last policy update has highlighted areas where policies and procedures need to be clarified and strengthened.

The changes presented in this report will enhance existing corporate policies and procedures; they do not replace them.

Please refer to Appendix 2 and 3 for the updated Corporate Fraud Prevention Policy (marked and clean versions).

Policy Objectives

1. The policy objectives, in relation to allegations of fraud involving the CAO, City Clerk, City Solicitor, City Treasurer, Director of Human Resources, or Director of Internal Audit, are to:
 - Clarify the handling of these allegations;
 - Strengthen audit independence in fact and appearance; and,
 - Reduce the potential for conflict of interest.
2. A policy statement is being added to consider and comply with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA) in relation to potential fraud related information collected.

Policy Additions

We recommend the following changes be approved:

- Where the CAO is implicated in allegations of fraud, a third-party will be retained to investigate the allegations and will report their findings to City Council;
- Where the City Clerk, City Solicitor, City Treasurer, Director of Human Resources, or Director of Internal Audit are implicated in allegations of fraud, a third-party will be retained to investigate the allegations and will report their findings to the CAO; and,
- Fraud reports are subject to access requests, limitations and exemptions in accordance with the Municipal Freedom of Information and Protection of Privacy Act (MFIPPA).

Regarding the Director of Internal Audit

It is important to note that should a fraud report be submitted involving the Director of Internal Audit, the report is automatically routed to the CAO for review. Internal Audit is not aware of nor involved in any such reports.

Operational Prerequisites

The operational approach described in **Appendix 1** was designed with the objectives of:

- Minimizing staff involvement in investigations that involve the CAO and identified senior positions; and,
- Retaining a third party investigator as quickly as possible after an allegation has been submitted to the Fraud Hotline.

In order to meet these objectives, Internal Audit, in collaboration with Purchasing, will assemble a roster of pre-qualified third-party investigators with standardized agreements.

Corporate Implications:

Financial Implications:

Any cost incurred this year would be absorbed by the 2022 operating budget, with an explanation for any variance. Any increase to the operating budget will be assessed during the 2023 budget process.

Other Implications:

N/A

Term of Council Priorities:

This report fulfills the Council Priority of “Brampton is a well-run city” through enhancing the Corporate Fraud Prevention Policy and Fraud Investigation Process, which promote corporate accountability, our corporate values, and governance best practices.

Conclusion:

The policy changes, operational approach, and funding requirements identified in this report will achieve the objectives of clarifying the handling of fraud allegations involving staff in key leadership positions, strengthening audit independence in fact and appearance, reducing the potential for conflict of interest, and minimizing staff involvement in those investigations.

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Attachments:

Appendix 1: Operational Approach

Appendix 2: Updated Corporate Fraud Prevention Policy- Marked

Appendix 3: Updated Corporate Fraud Prevention Policy- Clean

Appendix 4: Corporate Fraud Prevention Policy GOV-110- v September 2019