

Tuesday, December 13, 2016

9:30 a.m. – Regular Meeting

Council Committee Room
4th Floor, City Hall

Members: Regional Councillor Michael Palleschi – Wards 2 and 6 (Chair)
Regional Councillor Martin Medeiros – Wards 3 and 4 (Vice chair)
Regional Councillor Elaine Moore – Wards 1 and 5,
Regional Councillor Gael Miles – Wards 7 and 8
Regional Councillor Grant Gibson – Wards 1 and 5

For inquiries about this agenda, or to make arrangements for accessibility accommodations for persons attending (some advance notice may be required), please contact:

Sonya Pacheco, Legislative Coordinator
Telephone (905) 874-2178, TTY (905) 874-2130, cityclerksoffice@brampton.ca

Note: Some meeting information may also be available in alternate formats, upon request

Agenda Audit Committee

Please ensure all cell phones, personal digital assistants (PDAs) and other electronic devices are turned off or placed on non-audible mode during the meeting.

1. **Approval of Agenda**

2. **Declaration of Interest under the Municipal Conflict of Interest Act**

3. **Consent**

- * The following items listed with an asterisk (*) are considered to be routine and non-controversial by the Committee and will be approved at this time. There will be no separate discussion of any of these items unless a Committee Member requests it, in which case the item will not be consented to and will be considered in the normal sequence of the agenda.

(nil)

4. **Delegations/Presentations**

5. **Reports – Internal Audit**

- 5.1. Report from K. Liew, Acting Director, Internal Audit, dated November 22, 2016, re: **Quarterly Status of Management Action Plans – September 2016**.

To be received

- 5.2. Report from A. Damian, Senior Advisor, Internal Audit, dated November 15, 2016, re: **Corporate Fraud Prevention Hotline Quarterly Update – Phase I**.

To be received

6. **Reports – Finance**

7. **Other/New Business**

**Agenda
Audit Committee**

8. **Question Period**

9. **Public Question Period**

15 Minute Limit (regarding any decision made at this meeting)

10. **Closed Session**

11. **Adjournment**

Next Meeting: Tuesday, February 21, 2017 – 9:30 a.m.

Date: 2016-11-22

Subject: **Quarterly Status of Management Action Plans – September 2016**

Contact: Karen Liew, Acting Director, Internal Audit Division, Office of the Chief Administrative Officer, 905-874-3836,
Karen.Liew@brampton.ca

Recommendations:

1. That the report from Karen Liew, Interim Director, Internal Audit Division, dated November 22, 2016 to the Audit Committee Meeting of December 13, 2016, re: **Quarterly Status of Management Action Plans – September 2016**, be received.

Overview:

- **As part of the Internal Audit follow-up process, departments are required to provide Internal Audit with a quarterly update on the management action plan status and progress of outstanding audit recommendations;**
- **The objective of this report is for Internal Audit to inform Audit Committee members on the progress of the implementation of recommendations, as reported by management;**
- **The comments reflect the status of the implementation of recommendations due to be completed by or prior to September 30, 2016;**
- **As at September 30, 2016, 91% of the audit recommendations with an implementation due date of September 30, 2016 or prior, have been completed by management;**
- **Internal Audit may validate results at a subsequent date as part of the follow-up audit process;**
- **Details concerning the individual recommendations are available upon request.**

5.1-2

Background:

In accordance with the requirements of Standard 2500.A1 of the International Standards for the Professional Practice of Internal Auditing, Internal Audit has established a follow-up process to monitor and ensure that management action plans for audit recommendations have been implemented. This process has been in place since 2006.

For the follow-up process, departments are required to provide a quarterly update to Internal Audit on the progress of implementing agreed-upon audit recommendations. Internal Audit reviews the comments submitted by the department, and where necessary, the Director of Internal Audit will meet with management to discuss the respective progress and comments. Upon complete implementation of the audit recommendations by management, Internal Audit will assess whether a follow-up audit is necessary to validate that the implemented processes and procedures are operating effectively. Such follow-up audits are included in Internal Audit's annual work plan, which is approved by the Audit Committee.

The quarterly implementation status updates from management are reported to the Audit Committee. This report summarizes the statuses of audit recommendations due to be implemented by management on or prior to September 30, 2016.

Current Situation:

As of September 30, 2016, there were 151 audit recommendations that were due to be implemented by management on or prior to this date. Of the 151 recommendations, 137 (91%) were reported by management as completed, and the remaining 14 were in-progress of implementation.

The following table summarizes the 151 recommendations by department and audit report, as at September 30, 2016:

Division / Department	Audit Report Name	Due by Sep. 30, 2016		
		Total	Completed	In Progress
City Clerk	Privacy Follow-up	15	15	0
Community Services	Liquor Inventory Management	3	2	1
	Purchasing Process	2	2	0
Corporate Services	Network Elements	27	24	3
	Peoplesoft Application Security	28	24	4
	Payroll Audit	25	25	0
	Purchasing Process	34	34	0
Human Resources	Human Resources Recruitment	15	10	5
	Payroll	1	0	1
Transit	Transit PRESTO Revenue	1	1	0
Total Count		151	137	14
Percentage (%) of Total Count			91%	9%

5.1-3

For the 14 in-progress recommendations where implementation was due by or prior to September 30, 2016, management has the following revisions to the implementation dates:

Audit Report Name	# of Outstanding Recommendations	Original Due Date	Management's Revised Due Date
Human Resources Recruitment	5	September 2014 - December 2014	December 2016 - December 2017
Liquor Inventory Management	1	September 2016	March 2017
Network Elements	3	May 2016 - June 2016	December 2016 - September 2017
Payroll Audit	1	June 2014	March 2017
Peoplesoft Application Security	4	May 2016	December 2016
Total In-Progress	14		

Corporate Implications:

Financial Implications:

None

Other Implications:

None

Strategic Plan:

This report achieves the Strategic Plan priority of Good Government through the establishment of an Internal Audit follow up procedure for the implementation of audit recommendations, which promotes corporate accountability, values and governance best practice.

Conclusion:

Implemented recommendations are following a consistent trend with an overall completion rate of approximately 80% to 90% over the past five years. This demonstrates that management and staff are committed to implementing audit recommendations to enhance processes in order to manage risk more effectively in their respective areas. Internal Audit encourages management and staff to continue striving to meet the target completion dates of audit recommendations.

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Approved by:

Karen Liew, CPA, CA
Interim Director, Internal Audit

Report authored by: Karen Liew, CPA, CA
Interim Director, Internal Audit

Date: 2016-11-15

Subject: **Corporate Fraud Prevention Hotline Quarterly Update – Phase I**

Contact: Andrew Damian, Senior Advisor, Internal Audit Division, Office of the Chief Administrative Officer, 905-874-2216, Andrew.Damian@brampton.ca

Recommendations:

1. That the report from Andrew Damian, Senior Advisor, Internal Audit, Internal Audit Division, dated November 15, 2016 to the Audit Committee Meeting of December 13, 2016, re: **Corporate Fraud Prevention Hotline Quarterly Update – Phase I**, be received.

Overview:

- **The Corporate Fraud Prevention Hotline was launched on July 4, 2016 for the use of City of Brampton employees;**
- **As of November 15, 2016 the Corporate Fraud Prevention Hotline has received five (5) reports of alleged fraud. Internal Audit conducted preliminary investigations of all five reports;**
- **Expected implementation of Phase II, Corporate Fraud Prevention Hotline open to members of the public, is early 2017;**
- **Internal Audit will continue to update the Audit Committee on a quarterly basis on the status of the Corporate Fraud Prevention Hotline.**

Background:

As part of the City of Brampton's commitment to protecting its assets, the Corporation established a framework to prevent, detect and report incidence of fraud, as well as investigate any suspected acts of fraud. This initiative reflects the City's proactive efforts to ensure and demonstrate our commitment to corporate accountability, transparency, responsibility and sound, ethical operating practices. On July 4, 2016 the City launched Phase I of the Fraud Prevention Hotline (Hotline), which allows City employees to report alleged incidents of fraud. Phase II of the

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initiative, which will make the Hotline available to the public, will be implemented in early 2017. The Hotline allows employees to report incidents anonymously and confidentially 24 hours a day, seven days a week. To report an incident of suspected fraud, employees can submit a report through the ClearView secure website, over the phone through a dedicated toll-free number, or by mail through a confidential post office box.

Current Situation:

Internal Audit is committed to updating the Audit Committee on a quarterly basis on the status of the Hotline, including statistics on the number and types of reports received. As of November 15, 2016, the Hotline received a total of five (5) reports of alleged fraud. The following table provides a summary of the reports:

Date Submitted	Report Category	Report Method	Report Status
July 2016	Non-Compliance with Policy or Procedure	Web	Reviewed by Internal Audit. No action taken (insufficient information provided by reporter)
August 2016	Unethical Conduct	Letter	Reviewed by Internal Audit. Control issues identified - audit to be performed by Internal Audit.
August 2016	Conflict of Interest	Letter	Reviewed by Internal Audit. Issues resolved by Operating Department.
August 2016	Conflict of Interest	Letter	Reviewed by Internal Audit. Control issues identified - audit to be performed by Internal Audit.
August 2016	Manipulation of Data	Letter	Reviewed by Internal Audit. Preliminary investigation completed – no further actions taken as there was no evidence of fraud uncovered during the preliminary investigation.

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It is important to note that the majority of the reports have been submitted via letter. As such, communication with the reporter to obtain specific details and/or further enquiries could not be undertaken. Any additional information helps to assist Internal Audit in their investigation. Submitting reports via website or toll-free number allows reporters to follow the progress of the case, submit further information and view actions taken. Using the website or toll-free number is a very effective way for Internal Audit to communicate back the results of the preliminary investigation as well.

The employees' identities are protected as all reports are anonymous and confidential. The third party hotline provider, ClearView, is completely independent from the City of Brampton, and the system resides on ClearView's secured servers. Reports filed via ClearView's website are encrypted, and the IP address is not traceable. Reports via the toll-free telephone number are transcribed by trained ClearView operators verbatim. Additionally, ClearView does not use caller ID's on their system.

On July 4, 2016 the City launched Phase I of the Hotline which allows City employees to report alleged incidents of fraud. Phase II of the initiative, which will make the Hotline available to the public, will be implemented in early 2017. A communication strategy is currently being developed in consultation with the City's Strategic Communications division to inform and educate City of Brampton residents. Communication efforts will include:

- media releases;
- social media channels updates (Twitter and Facebook);
- online City Matters e-newsletter;
- webpage with Fraud Prevention Hotline information;
- Brampton.ca homepage feature, and
- posters at various City facilities (including recreation centers, libraries, etc.).

Corporate Implications:

Financial Implications:

The 2016 operating budget approved by Council, includes \$140K for implementation, maintenance and operation of the Corporate Fraud Prevention Hotline. The 2016 contract with ClearView is in the amount of approximately \$30K for services provided over a 12-month period from the date of implementation. The estimated cost of the ClearView services in 2017 is approximately \$35K. The increased cost is related to the implementation of Phase II of the Hotline.

Other Implications:

None

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Strategic Plan:

This report achieves the Strategic Plan priority of Good Government through the operation of Corporate Fraud Prevention Policy and Hotline that promotes corporate accountability and values and governance best practice.

Conclusion:

The Corporate Fraud Prevention Policy and Hotline enhances and strengthens the City's governance structure. It reinforces Council's expectations regarding rules of behavior and emphasizes the values of the City. Internal Audit will continue to update the Audit Committee on the status of the Hotline and any ongoing and/or completed fraud investigations at upcoming meetings.

Approved by:

Approved by:

Karen Liew, CPA, CA
Interim Director, Internal Audit

Andrew Damian, CFE, CIA
Senior Advisor, Internal Audit

Report authored by: Andrew Damian, CFE, CIA
Senior Advisor, Internal Audit