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**For Information**

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REPORT TITLE: **2020 Fraud Information**

FROM: Jennifer Weinman, Interim Director, Enterprise Risk and Audit Services

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**OBJECTIVE**

To provide members of the Audit and Risk Committee with information to respond to fraud related enquiries from the external auditor.

**REPORT HIGHLIGHTS**

- The 2020 fraud risk survey was conducted to support the members of the Audit and Risk Committee to respond to enquiries from the external auditor.
  - The external auditor is required by their professional standards to obtain feedback from the members of the Audit and Risk Committee on their perspectives of fraud risk, fraud incidents and fraud prevention program at the Region of Peel.
  - 96 per cent of survey respondents indicated there are effective controls and oversight in place to detect and prevent fraud in their areas of responsibilities, and 86 per cent indicated there is a low risk of fraud occurring.
  - There were six occupational fraud and attempted fraud incidents during 2020.
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**DISCUSSION**

**1. Background**

The external auditor is required by their professional standards to gather feedback from members of the Audit and Risk Committee on their knowledge of fraud incidents, fraud risk and anti-fraud programs at the Region of Peel (the Region).

The Audit and Risk Committee Charter (February 2019) outlines the role of the Committee that includes:

- Review the results of the annual survey on fraud risk and fraud allegations
- Respond to the external auditor's questions related to the Committee members' view on fraud risk, fraud incidents and the Committee's role in the Region's fraud prevention program.

To assist the members of the Audit and Risk Committee answering questions from the external auditor, the Enterprise Risk and Audit Services conducted a fraud risk survey across the organization to gather such information.

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### 2. 2020 Fraud Risk Survey Results and Analysis

The Region's Fraud Prevention Policy (G00-22) defines fraud as: *"Fraud is an act of using dishonesty as a tool for personal gain. Fraud includes any misuse or attempt to misuse the Region's assets for personal gain or purpose unrelated to the Region's business."*

The following sections provide survey results and brief analysis:

#### a) The Survey and Results

A total of 56 staff were surveyed which included 48 directors, four managers and four Associate Medical Officers of Health. 100 per cent response rate was received. The survey and the results are as followed:

1. *"There is a low risk of fraud occurring in my area of responsibilities."*

- Agree: 48 respondents or 86 per cent of respondents
- Disagree: 8 respondents or 14 per cent of respondents

2. *"There are effective controls and oversight in place that will detect or prevent fraud in my area."*

- Agree: 54 respondents or 96 per cent of respondents
- Disagree: 2 respondents or 4 per cent of respondents

3. *"Has there been any actual, suspected or alleged fraud in your area during 2020?"*

Four respondents indicated there were actual, suspected or alleged fraud in their area.

The Enterprise Risk and Audit Services followed up with management on the allegations. As a result of the follow up, four fraud incidents and two attempted fraud incidents were confirmed.

#### b) Analysis of Survey Results

Eight or 14 per cent of the survey respondents agreed there was a high risk of fraud occurring in their area of responsibilities. Among these eight respondents, all but one indicated that they agreed there were effective controls and oversight in place that would detect or prevent fraud.

Fifty-four or 96 per cent of the respondents agreed that there were effective controls and oversight in place that would detect or prevent fraud in their areas, two disagreed. Among the two respondents who disagreed, one respondent agreed in the first survey question that the risk of fraud occurring in their area of responsibility was low.

One respondent to the survey indicated that there is a high risk of fraud occurring in their area of responsibility and that there are not effective controls and oversight in place to detect or prevent fraud in their area of responsibility, Long Term Care. This is an area where the risk of fraud is inherently high related to the receiving and depositing of cash

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and personal cheques in Long Term Care Homes. Measures to strengthen the controls and oversight are underway, and further, Enterprise Audit Services is currently conducting an internal audit of cash and resident trust fund management.

### 3. Occupational Fraud

Occupational fraud is defined as “*the use of one’s occupation for personal enrichment through the deliberate misuse or misapplication of the employing organization’s resources or assets.*”

Following the fraud risk survey, six fraud and attempted fraud incidents were confirmed to have occurred during 2020. The total incidents are illustrated in the table below. In all cases, management has addressed the matters with employees including appropriate disciplinary actions.

Types of Fraud	Number of Instances
<b>Confirmed Occupational Fraud Instances under \$1000</b>	
Attempted misappropriation of funds*	1
Theft of Regional property	1
<b>Confirmed Occupational Fraud Instances over \$1000</b>	
Attempted misappropriation of funds*	1
Falsification of health benefits claims	1
Theft of time	2
<b>Total of incidents</b>	<b>6</b>

\* Attempted misappropriation of funds did not result in loss of funds.

Below is a table of the five-year comparison of confirmed occupational fraud incidents at the Region:

Types of Fraud	Number of Instances				
	2016	2017	2018	2019	2020
Alteration of documents	0	0	0	1	0
Attempted misappropriation of funds					2
Falsification of health benefits claims	0	0	0	4	1
Theft of Regional property	0	1	2	2	1
Theft of time	2	0	3	0	2
<b>Total of incidents</b>	<b>2</b>	<b>1</b>	<b>5</b>	<b>7</b>	<b>6</b>

### 4. Human Services Client Subsidy Fraud

The nature of the services provided by the Human Services department has an inherently high risk of client fraud. All material subsidy fraud allegations against clients are referred to the Human Services Eligibility Review Unit for investigation. Cases demonstrating a clear intent to commit fraud are measured against an established set of police referral criteria. If

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an investigation is determined to have met the referral criteria, the case is reviewed by the Eligibility Review Unit Supervisor and the Peel Regional Police-Fraud Unit. Following Peel Regional Police endorsement of a referral, the Eligibility Review Unit schedules a formal intake for the referral with Peel Regional Police, which is then assigned to an investigating officer.

In 2020, there were no cases referred to Peel Regional Police. The table below is a comparison of the number of Human Services Client Subsidy Fraud cases referred to Peel Regional Police from 2016-2020:

Number of Instances				
2016	2017	2018	2019	2020
0	0	9	8	0

## 5. Fraud Prevention Program

The Region of Peel's Code of Conduct stated that "all employees of the Region are responsible for immediately reporting grounds for suspected fraud to their supervisors, or more senior management".

The Region has established a fraud prevention program, led by Enterprise Risk and Audit Services. The fraud prevention program consists of the following:

- Mandatory fraud prevention training for all employees
- Additional mandatory fraud prevention training for all people leaders
- Fraud Prevention Policy
- Employee Reporting Program
- Employee Anonymous Reporting Line
- Annual fraud awareness events
- Whistleblower Protection Policy
- Fraud information page on the Region's intranet
- Educational and outreach on fraud prevention

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### CONCLUSION

The 2020 fraud risk survey results captured in this report provide members of the Audit and Risk Committee the information related to fraud risk and fraud incidents at the Region of Peel in order to meet the requirements of the external audit.

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*For further information regarding this report, please contact Jennifer Weinman, Interim Director, Enterprise Risk and Audit Services, [jennifer.weinman@peelregion.ca](mailto:jennifer.weinman@peelregion.ca).*

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