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**For Information**

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REPORT TITLE: **2021 Fraud Information**

FROM: Jennifer Weinman, Director, Internal Audit

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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 2021 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 the 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 85 per cent indicated there is a low risk of fraud occurring.
  - There were six occupational fraud incidents during 2021.
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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 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 purposes unrelated to the Region's business."*

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 incidents
- 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. 2021 Fraud Risk Survey Results and Analysis

The following sections provide survey results and brief analysis:

#### a) Survey Questions and Results

A total of 52 staff were surveyed which included 49 directors, two managers and one advisor. 100 per cent response rate was received.

The survey and the results are as followed:

1. *“Is there a low risk of fraud occurring in your area of responsibilities.”*
  - Yes: 44 respondents or 85 per cent of respondents
  - No: Eight respondents or 15 per cent of respondents
2. *“Are there are effective controls and oversight in place that will detect or prevent fraud in your area.”*
  - Yes: 50 respondents or 96 per cent of respondents
  - No: Two respondents or four per cent of respondents
3. *“Has there been any alleged or confirmed fraud in your area during 2021?”*
  - One respondent indicated there was an alleged or confirmed fraud in their area.

Enterprise Risk and Audit Services followed up with management about the reported allegation. As a result of the follow up, and incidents reported to Enterprise Risk and Audit Services during the year, six occupational fraud incidents and three fraud incidents related to Human Services client subsidy fraud were confirmed.

#### b) Analysis of Survey Results

Eight survey respondents agreed there was a high risk of fraud occurring in their area of responsibilities. These areas normally have a business nature which have a higher risk level. Among these eight respondents, six respondents indicated that there were effective controls and oversight in place that will detect or prevent fraud in their areas. Two respondents indicated that there were no effective controls and oversight in place that would detect or prevent fraud in their areas.

Fifty respondents agreed that there were effective controls and oversight in place that would detect or prevent fraud in their areas, and two respondents disagreed. Enterprise Risk and Audit Services followed up with these two respondents to gather more information about fraud controls in their area of responsibility. Long Term Care continues work to strengthen internal controls that will help improve fraud prevention and detection as previously reported in the Long-Term Care Cash Handling audit. The Covid-19 pandemic has placed significant strain on Long Term Care resources, and they anticipate this work will conclude near the end of 2022. Peel Housing Corporation

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has recognized a need to strengthen fraud prevention and detection controls and will engage with Enterprise Risk and Audit Services in 2022 to commence this work.

One respondent indicated there was an alleged fraud in their area in 2021. Upon follow up, it was noted that the allegation did not relate to occupational fraud.

### 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 incidents were confirmed to have occurred during 2021. 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>	
Unauthorized use of Regional assets	1
Theft of time	2
<b>Confirmed Occupational Fraud Instances over \$1000</b>	
Theft of Regional property*	1
Falsification of health benefits claims	2
<b>Total Incidents</b>	<b>6</b>

\* The property was recovered.

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

Types of Fraud	Number of Instances				
	2017	2018	2019	2020	2021
Alteration of documents	-	-	1	-	-
Attempted misappropriation of funds	-	-	-	2	-
Unauthorized use of Regional assets	-	-	-	-	1
Falsification of health benefits claims	-	-	4	1	2
Theft of Regional property	1	2	2	1	1
Theft of time	-	3	-	2	2
<b>Total Incidents</b>	<b>1</b>	<b>5</b>	<b>7</b>	<b>6</b>	<b>6</b>

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### 4. Human Services Client Subsidy Fraud

The nature of 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 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 2021, there were three 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 2017-2021:

Number of Instances				
2017	2018	2019	2020	2021
-	9	8	-	3

### 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's fraud prevention program is 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 2021 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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