Anonymous Reporting System
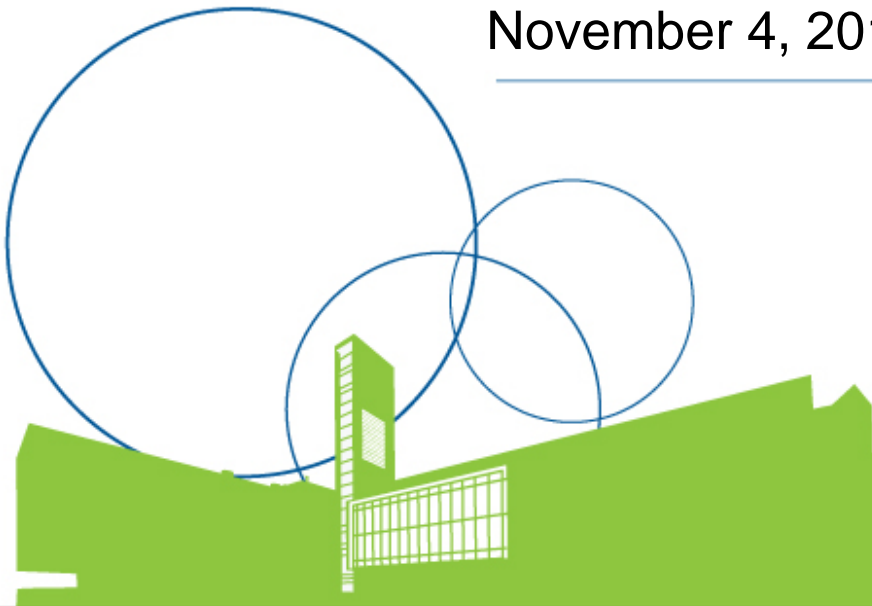
Finance and Administration Committee

November 4, 2013

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Agenda

- Background - Governance and Accountability Survey

- Recommendation

- Why Anonymous Reporting

- Risks

- Jurisdictional Analysis

- Anonymous Reporting Options

- Implementation Cost Analysis

- Key Implementation Issues

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Governance and Accountability - Revisited

Internal Audit recommended that a mechanism be identified that could (if desired) report Code of Conduct/Ethics violations or any other action that could be perceived as doing the City harm.

- Staffing and Operating in-house system (independent function)
- Expanding role of existing department
- "Ethics Officer" Model
- Co-Sourcing Model

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Recommendation

City of Vaughan Implement an Anonymous Reporting System

- Outsourced Intake

- Vaughan Staff Only – Option Later to Expand

- Internal Audit [Co-ordination and Reporting]

- Responsible Staff for Investigating Potential Issues

- Two Year Pilot

Why?? – Vaughan Perspective

- Governance and Accountability Review/Survey
    - Limited Avenues to Report Potential Issues
    - Fear of Reprisal
    - Absence of Trust

- Provides an Option – Doesn't have to be Anonymous

- Further Supports Good Governance by Existing Strengthen Ethics/Code of Conduct Framework

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Why?? – Global Perspective

- More Effective at Detection (Proactive)

- Scalable

- Cost Effective – Can Pay for Itself Almost Immediately

- Efficient

- Empowers Workforce to Address Risk

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Why?? - Statistics

- Code of Conduct/Ethics Violations – Witnessed by 56% of Employees Surveyed Across All Industries

- With a Comprehensive Ethics Program – Including Anonymous Reporting Option - 71% Report Misconduct

- Without a Program – 39% Report Rate

Source: Ethics Resource Centre and Best Practices in Ethics Hotlines – The Network
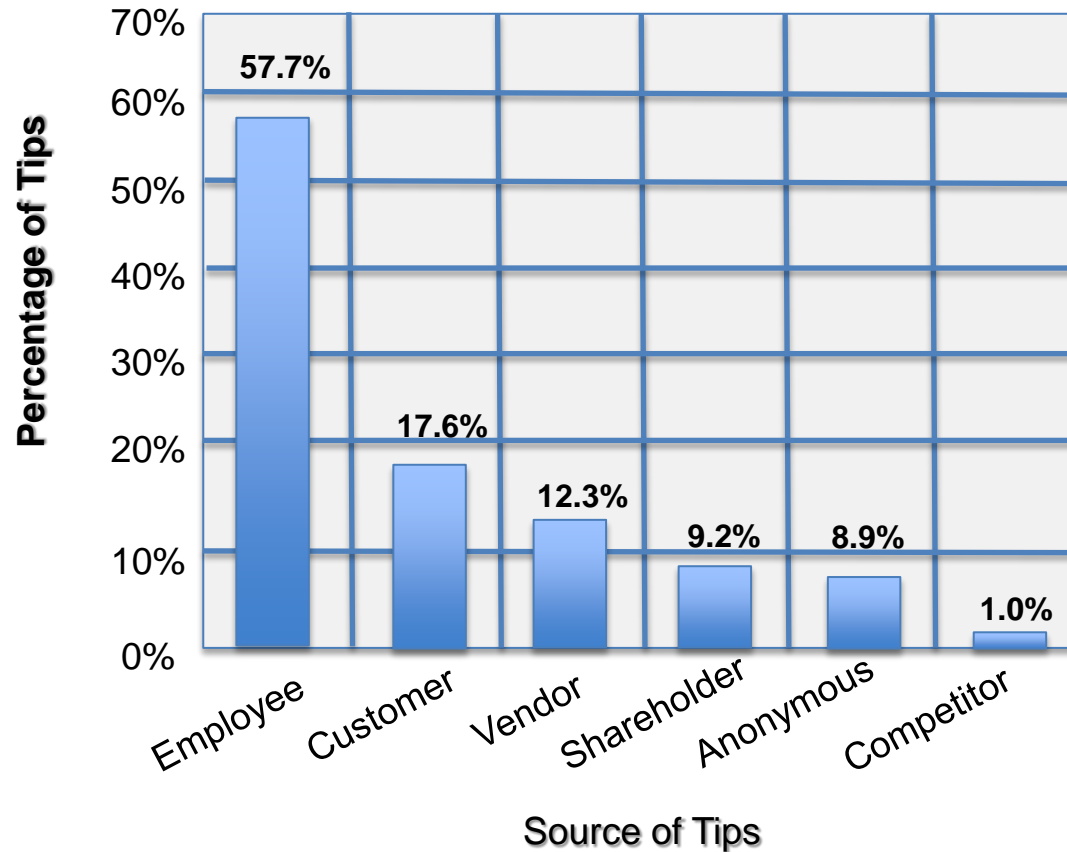
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Reporting Preferences

- Anonymous Availability does not Mean Anonymous Preference
    - If Available – 80% Willing to Report – 39% **More** Likely if they could Remain Anonymous

- Employees Willing to Report have the Following Preference
    - Anonymous "Hotline" [Telephony] – 57%
    - Anonymous Letter – 20%
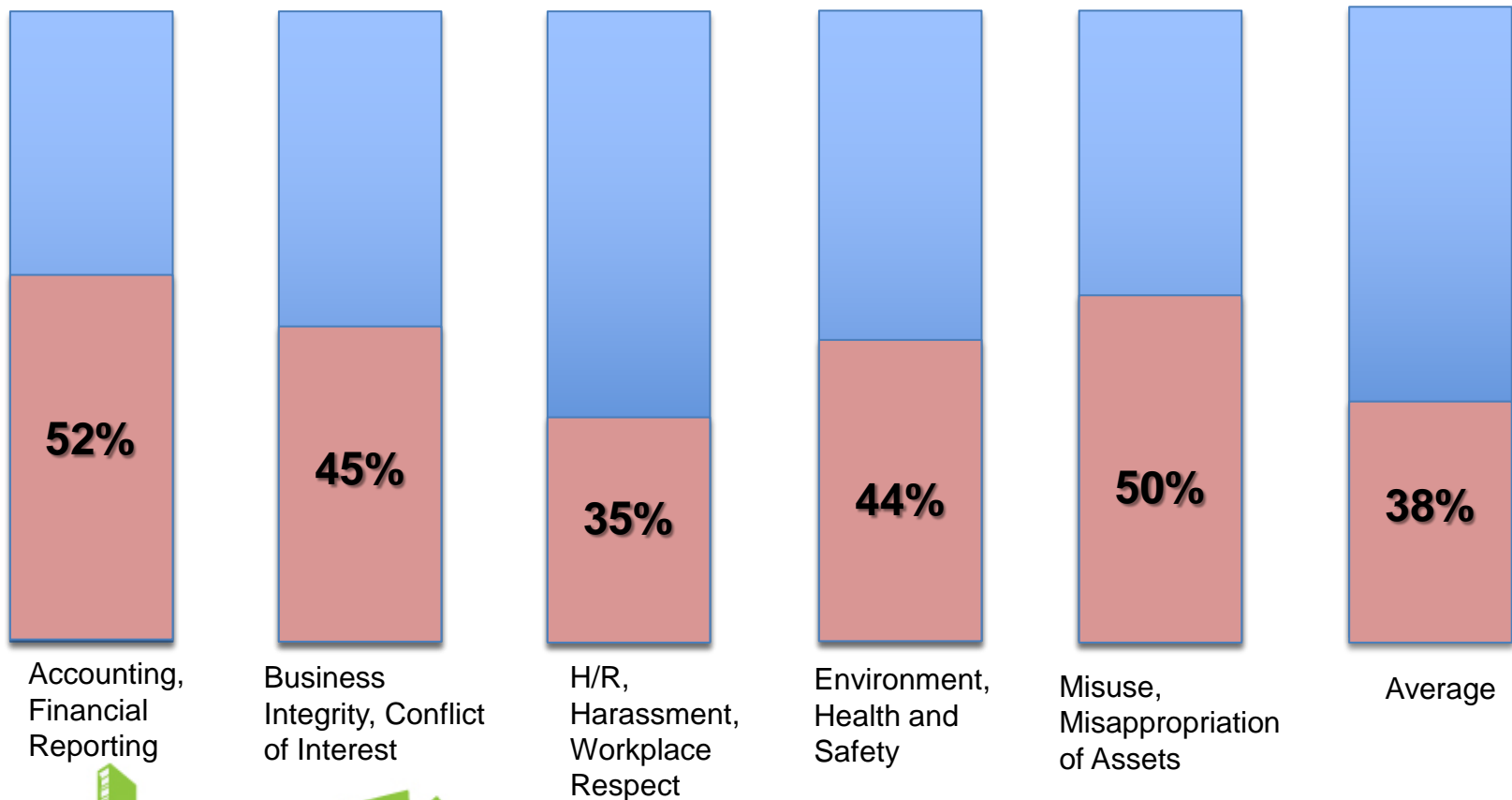   - Anonymous Website – 16%

Source - Ernst and Young

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Ethics Tips by Source

Source: Association of Certified Fraud Examiners, Report to Nations

Value – Substantiation Rates

[Rate of Allegation Having Some Merit – Higher is Better]

Accounting, Financial Reporting	Business Integrity, Conflict of Interest	H/R, Harassment, Workplace Respect	Environment, Health and Safety	Misuse, Misappropriation of Assets	Average
52%	45%	35%	44%	50%	38%

Source: The 2013 Ethics and Compliance Hotline Benchmark Report – Navex Global
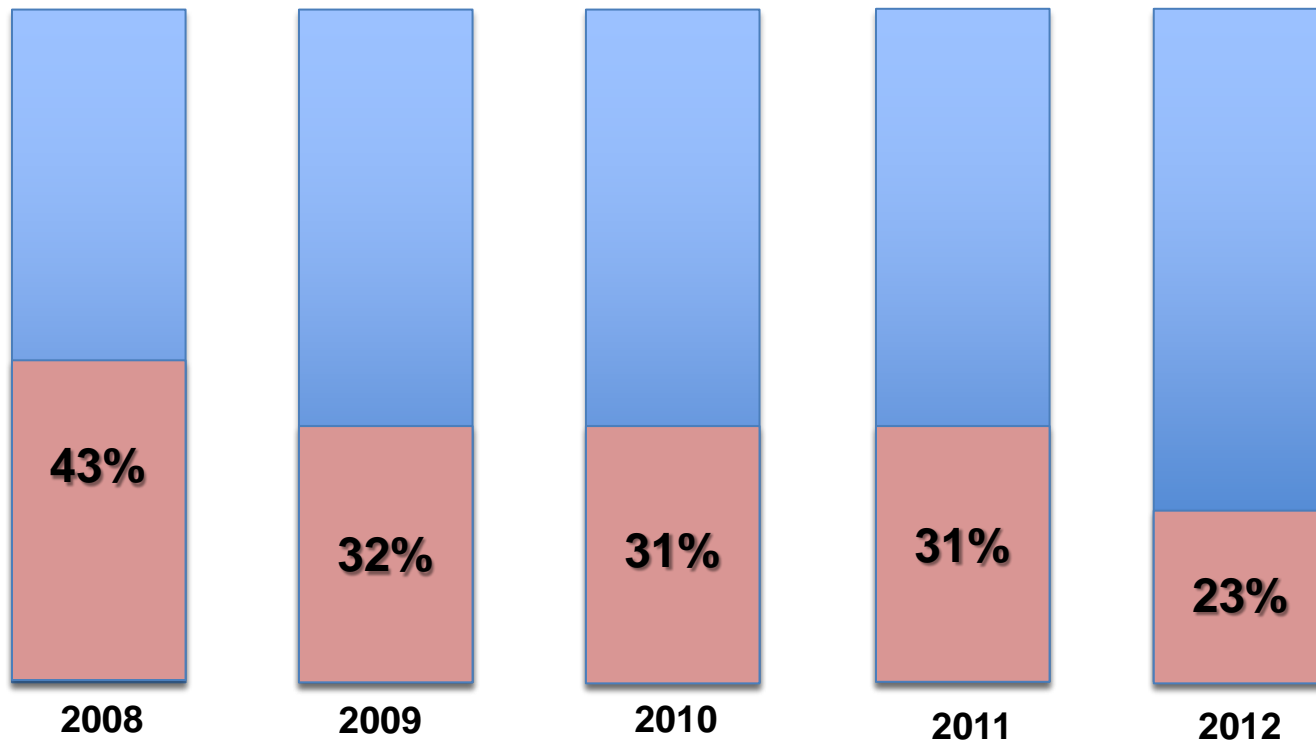
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Risks

- Too Expensive - No Value

- "Snitch Line: Label – Erode Trust

- Frivolous/False Allegations – "Wild Goose Chase"

- Inability to Follow-up – Can't Report Back to Unknown People

- Operation in a Collective Bargaining Unit Environment

- Privacy (MFIPPA) Issues

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Anonymous Follow-Up Rates

[Median Company Rate – All Industries]

2008 — 43%
2009 — 32%
2010 — 31%
2011 — 31%
2012 — 23%

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Jurisdictional Analysis*

- Anonymous Reporting Lines are Quite Varied

- Ethics Versus Fraud and Waste Mechanisms

- Co-Sourced Versus In-House

- Varied Degree of Success

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Issues Raised

City	2010	2011	2012
Toronto	573	822	774
Calgary	100	68	94
Halifax	Introduced 2011	71 (Staff Line Only)	N/A (Expanded to Public)
Edmonton (Staff Line Only)	45	50	38

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Issues Raised - Edmonton

Report Category	2008	2009	2010	2011	2012
Financial Reporting and Accounting	0	1	1	1	0
Health and Safety, Environment	2	0	1	5	1
Unethical Conduct and Conflict of Interest 3	10	9	13	18	10
Manipulation or Falsification of Data	0	2	0	1	2
Harm to People or Property	3	5	5	3	1
Theft, Embezzlement, Fraud 1	5	12	7	10	12
Violation of Laws, Regulations, Policies, Procedures 2	11	9	7	4	11
Miscellaneous	2	6	11	8	1
Total	33	44	45	50	38

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Implementation Options

1. In-House Implementation – Central Process, Dedicated Resources

2. Outsourcing Intake – Follow-up Directed to Individual Departments – In-House Co-ordination

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Why?? – Option 2

- Most Cost Effective Solution*

- Least Staffing Impact

- 24/7/365 Access

- Easily Scalable

- Enhance Reporting and Trend Analysis

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Implementation Costs

- Set-up Costs [Out-Sourced] $3,000

- Subscription Fees [Out-Sourced] $4,500

- Planning [In-House] $7,500

- Program Communication [In-House] $5,000

- Program Operation [Internal Audit] $20,000 - $25,000*

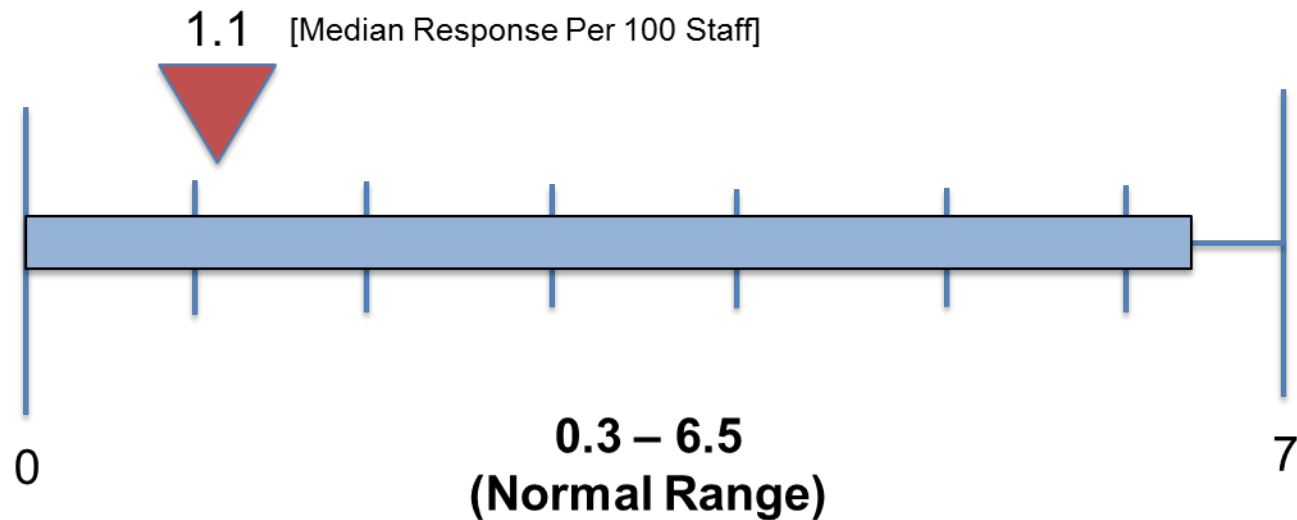* Replace One to Two Audit Projects

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Proactive Benefits
Dealing With Questions Early

- Ethics/Code of Conduct Training?

- Policy Review/Updates?

- Effectiveness of Staff Communications?

- Staff Focus Points - Areas to Dig Deeper?

- Emerging Risk Areas?

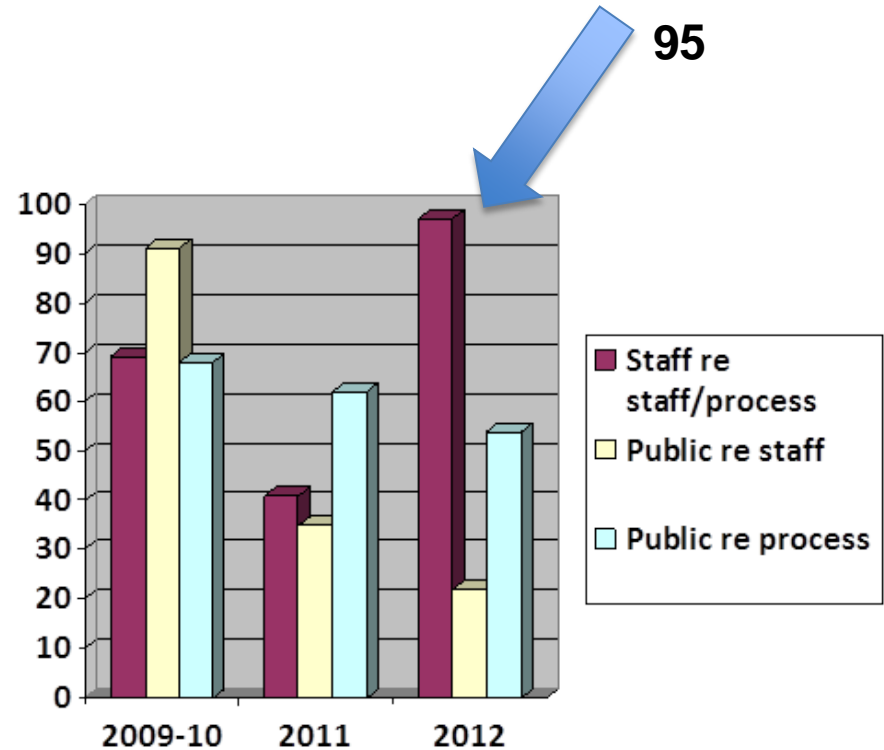- Organizational Cultural Issues?

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Expected Issues Volumes

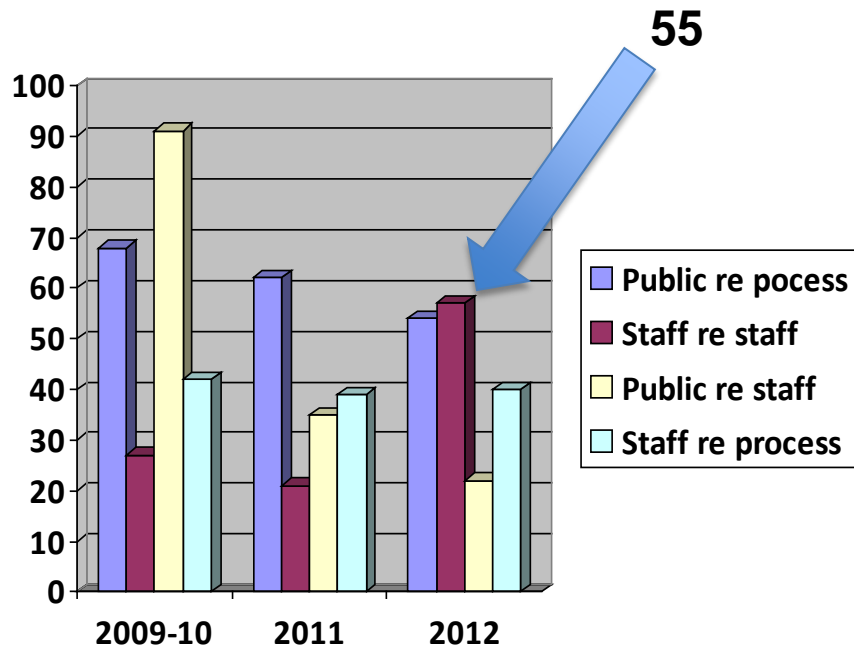1.1 [Median Response Per 100 Staff]

0.3 – 6.5
(Normal Range)

0   7

| Vaughan 1198 | Median 13 Range 4 - 78 |

Source: The 2013 Ethics and Compliance Hotline Benchmark Report – Navex Global

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Issues Reported – Integrity Commissioner

55

95

Left chart legend:
- Public re pocess
- Staff re staff
- Public re staff
- Staff re process

Right chart legend:
- Staff re staff/process
- Public re staff
- Public re process

Source: Suzanne Craig – Vaughan Integrity Commissioner 2013

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Key Implementation Issues

- Ownership

- Selection of Third Party Service Provider

- Key Contact People

- Education and Communication

- Escalation Criteria

- Reporting Requirements

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Questions?

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