

AUDIT COMMITTEE – MAY 29, 2023

COMMUNICATIONS

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Item No.

C1. Presentation material

2

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Ethics and Compliance Framework

Communication : C 1
Audit Committee
May 29, 2023
Agenda Item # 2

Office of Transformation and Strategy
Presented to Audit Committee
May 29, 2023

VAUGHAN CITY HALL

Agenda

1. Project Background
2. Project Objective
3. Developing the Ethics and Compliance Program
4. Vaughan's Ethics and Compliance Framework; Key Principles
5. Ethics Policy
6. Ethics Governance
7. Current State Assessments
8. Key Deliverables and Next Steps

Project Background

An Internal Audit recommendation was made in 2016 that management enhance the City's corporate governance, accountability and transparency framework by developing a comprehensive ethics and compliance program designed to prevent, detect and respond to fraud and misconduct.



Objective

The objective of this project is to develop an ethics and compliance program which supports a culture of ethical behavior and trust.



Demonstrates the City's commitment to responsible corporate conduct.

Ensures our policies and procedures support good corporate governance for the City.

Developing the Program

- **Project Working Group** with representation across the organization to obtain ideas and inputs into the development and features of the program.
- **Project Steering Committee** of senior management to review and approve recommendations made by the Working Group.
- **Values Review** of City's core values – respect, accountability, and dedication; integrity
- **Literature Review – ‘The Responsible Public Servant’**: Act in the public interest; Be politically neutral; Avoid conflicts of interest; Do not disclose confidential information; Protect the privacy of citizens and employees; Be accountable.
- **Jurisdictional Research** conducted to gain an understanding of ethics and compliance issues in the public sector; how surrounding municipalities and third-party organizations mitigate risks and foster a culture of good ethical behaviour and trust.

Developing the Program

Ethics and Compliance Initiative (ECI) report, “Principles & Practices of High-Quality Ethics & Compliance Programs”

ECI is a best practice community of organizations committed to empowering organizations to build and sustain High-Quality Ethics & Compliance Programs.

Through its research, ECI identifies the practices that:

- improve ethics & compliance program effectiveness
- build institutional culture strength



ECI brings together ethics & compliance professionals and academics from all over the world **to share techniques, resources and exciting new ideas.**

ECI also has an established track record of providing support to organizations seeking to transform their cultures, often in the wake of significant challenges with noncompliance.

ECI Principles

PRINCIPLE 1

STRATEGY: Ethics & Compliance is central to business strategy

PRINCIPLE 2

RISK MANAGEMENT: Ethics & Compliance risks are identified, owned, managed and mitigated

PRINCIPLE 3

CULTURE: Leaders at all levels across the organization build and sustain a culture of integrity

PRINCIPLE 4

SPEAKING UP: The organization encourages, protects and values the reporting of concerns and suspected wrongdoing

PRINCIPLE 5

ACCOUNTABILITY: The organization takes action and holds itself accountable when wrongdoing occurs



Ethics and Compliance Framework



THE VISION

Leading with Trust

To create a positive culture of ethical behavior and trust by continuing to instill values of respect, accountability, dedication and integrity in our staff.

FRAMEWORK

(WHAT) What does this mean?

(HOW) Supports / Aids

VISION & OBJECTIVES

- Commitment to respect, accountability, dedication and integrity in all that we do
- Communicate the vision and common objectives
- Aligned purpose toward achieving the vision
- Culture of Ethics and Compliance

- ✓ *Ethics and Compliance Vision and Framework*
- ✓ *Objectives, Activities, Action Plans*
- ✓ *Strategic Alignment and Timeframe*

GOVERNANCE

- Accountability and oversight to ensure a sound culture of ethics is engrained throughout the organization
- Identify roles and responsibilities of leaders and staff
 - E.g., role of business leaders in communicating and ensuring policy compliance as part of the work culture in their teams

- ✓ *Roles and Responsibilities*
- ✓ *SLT/SLTE Steering Committee*
- ✓ *Employee Code of Conduct*
- ✓ *Link to staff performance reviews and/or development plans*

PEOPLE & TRAINING

- Staff engagement and accountability for culture of ethical behavior & trust
- Staff confidence to do the right thing even when no one is looking
- Staff training and supports
- Tools to identify and manage ethical dilemmas; address “grey area”
 - E.g., Self-assessment, early issue spotting and prompt remediation of compliance gaps are recognized

- ✓ *Employee Code of Conduct*
- ✓ *Training – Onboarding and Refresher*
- ✓ *Ethics Learning Modules*
- ✓ *Best Practices: Ethical Decision Making (1 pager)*

POLICIES & PROCESS

- Policy development and review aligned with principles and framework
- Policies reflect good governance and ensure business is conducted in an open and transparent way
- Periodically assess current policies and procedures to address changing needs and reduce E&C risk

- ✓ *Ethics Policy and Process*
- ✓ *Employee Code of Conduct*
- ✓ *Respect in the Workplace Policy*
- ✓ *Workplace Violence Policy*
- ✓ *Acceptable Use of Technology Policy*

TOOLS

- Tools to provide support to staff in ethical decision-making
- Staff feel prepared and empowered to address “grey area” situations
- Employees aware of available resources to support speaking up
- Risk assessments and mitigations
- Culture metrics (element of business unit performance on ethical culture)

- ✓ *Ethics & Compliance Toolkit*
- ✓ *Annual Acknowledgement*
- ✓ *Whistleblower Policy and Process*
- ✓ *Anonymous Reporting System*
- ✓ *Employee Engagement Survey / Scores*

Ethics and Compliance Policy

- Presented to Policy Committee and approved March 27
- Will be provided to all employees with training
- Includes:
 - Expectations and objective
 - High level descriptions of guiding principles & framework components
 - Key definitions
 - Information about the ethics governance and oversight
 - Related policies, practices, and tools

Ethics Governance

- Ongoing governance and oversight help to ensure ethics is a priority and remains top of mind
- Format: Ethics and Compliance Review as a quarterly item on SLT-E agenda
 - To discuss current issues, new ideas, and proposed changes to program
 - Utilize current state assessment questions as a guideline for discussion

Current State Assessment Process

Purpose:

- To gain an understanding of the current state of ethics and compliance in the organization by assessing departments under the five key principles of the Ethics and Compliance Framework.

Methodology:

- OTS to facilitate Department / Portfolio sessions to review the checklist and identify areas of risk.
- CSAs to be conducted in conjunction with Employee Engagement results.
- Results will be used to inform the development of an Action Plan, as required.

Key Deliverables

- ✓ Research and analysis of best practices
- ✓ Development of an Ethics and Compliance Framework and key principles
- ✓ Ethics Policy
- ✓ Ethics Governance and Oversight
- ✓ Development of tools – Current State Assessment checklist; staff training; yearly acknowledgement

Next Steps

- ❑ **Q3 2023:** Current State Assessments – Facilitation sessions
- ❑ **Q3 2023:** Communications Plan to staff and strategy to rollout new framework and program to the organization
- ❑ **Q4 2023:** Develop training materials, reference documents
- ❑ **Q1 2024:** Deliver training as part of Corporate training through OCHRO; enhance policy acknowledgement

Ethics and Compliance Framework

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