



Hamilton

INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	January 23, 2019
SUBJECT/REPORT NO:	Whistleblower, Fraud & Waste Information Update for Q3 & Q4 2018 (AUD19001) (City Wide)
WARD(S) AFFECTED:	City Wide
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Council Direction:

By-law 09-227 (Whistleblower By-law), Section 19 – Responsibility of the Director of Audit Services requires a quarterly report for, in the aggregate, on the number, nature and outcome of disclosures of serious wrongdoing made under this By-law.

On June 27, 2018, Council directed the Director of Audit Services to implement a Fraud and Waste Hotline with intake performed by an independent third party as part of a three-year pilot project.

Information:

This Information Report contains information about the number, nature and outcome of disclosures relating to By-law 09-227 for Q3 2018 (July – September 2018) and Q4 2018 (October – December 2018), along with historical information.

On June 27, 2018, Council directed the Director of Audit Services to implement a Fraud and Waste Hotline. After this direction was received, it received some media coverage and there was an increase in the volume of items reported by both staff and citizens. To capture this volume, additional categories have been added to this report and will continue to be included on a go-forward basis. As a result, the numbers from Q1 & Q2 2018 have been updated to reflect the new categories included in this report. This report is now a Whistleblower, Fraud and Waste Information Update.

OUR Vision: To be the best place to raise a child and age successfully.

OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

OUR Culture: Collective Ownership, Steadfast Integrity, Courageous Change, Sensational Service, Engaged Empowered Employees.

Number and Nature of Disclosures/Investigations in 2018

Timeline	Categories				Total Volume
	Staff Inquiry	Whistle-blower	External Inquiry/ Citizen Complaint	Audit Findings	
Q1 (Jan - Mar)	0	0	2	0	2
Q2 (Apr - Jun)	1	0	1	0	2
Q3 (Jul - Sep)	1	0	1	0	2
Q4 (Oct - Dec)	3	0	2	1	6
2018 (Jan – Dec)	5	0	6	1	12

Total Volume in 2018 (January to December): 12

Note: "Audit Findings" means that because of an audit, an investigation was launched due the findings on a specific matter.

Nature and Outcomes

Q3: There were two items assessed and/or investigated in Q3. The items related to misconduct and government transparency and accountability. One item is closed, and one item is ongoing.

Q4: There were six items assessed and/or investigated in Q4. The items related to fraud, health and safety, public safety and financial management. Four of the items are closed and two are ongoing.

Number and Nature of Disclosures from 2010 – 2018

Year	Categories				Total Volume
	Staff Inquiry	Whistle-blower	External Inquiry/Citizen Complaint*	Audit Findings*	
2010	0	2	1	*	3
2011	1	2	0	*	3
2012	1	1	1	*	3
2013	2	2	0	*	4
2014	3	2	0	*	5
2015	1	1	1	*	3
2016	1	3	1	*	5
2017	1	0	1	*	2
2018	5	0	6	1	12
Total	15	13	11	1	40

* Citizen Complaints and investigations resulting from Audit Findings were not included in this report from 2010-2017. Due to the approval by Council to implement a Fraud and Waste Hotline, this information is included for 2018.

The total volume from 2010 – 2018 was 40 items. These sustained low volumes for an organization the size of the City of Hamilton, with almost 8,000 employees, in comparison with other cities indicated a need for further action to ensure employees are comfortable with reporting concerns.

In 2018, action was taken. On June 27, 2018, Council approved the implementation of a Fraud and Waste Hotline with intake performed by an independent third party as part of a three-year pilot project. The RFP process is currently in progress, with the hotline expected to launch in Q2 2019.

Relevant Research Findings

Per a recent Harvard Business Review article *Research: Whistleblowers Are a Sign of Healthy Companies*, the benefits of having a hotline were clearly identified:

“Our analysis revealed that whistleblowers—and large numbers of them—are crucial to keeping firms healthy and that functioning internal hotlines are of paramount importance to business goals including profitability. The more employees use internal whistleblowing hotlines, the less lawsuits companies face, and the less money firms pay out in settlements.”

“We also found that higher use of internal reporting systems is not associated with a greater volume of external reports to regulatory agencies or other authorities. This suggests that a higher volume of internal reports does not imply that problems at the company are more frequent or severe. Instead, internal reports indicate open communication channels between employees and management and a belief that issues raised will be addressed. At the same time, when employees do report externally, it reflects management’s failure to address issues internally.”

The full article can be found at <https://hbr.org/2018/11/research-whistleblowers-are-a-sign-of-healthy-companies>.