



Hamilton

INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	May 2, 2019
SUBJECT/REPORT NO:	Whistleblower, Fraud & Waste Information Updated for Q1 2019 (AUD19003) (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 Q1 2019 (January – March 2019), 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 were added starting in Q3 2018 to this report and will continue to be included on a go-forward basis. This report is 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 2019

Timeline	Categories				Total Volume
	Staff Inquiry/ Report	Whistle-blower	External Inquiry/ Citizen Complaint	Audit Findings	
Q1 (Jan - Mar)	2	0	6	0	8
2019 (Jan – Mar)	2	0	6	0	8

Total Volume in 2019 (January to March): 8

Note: "Audit Findings" means that an investigation was launched due to observations made on a specific matter in the course of an audit.

Nature and Outcomes

Q1:

There were eight cases assessed and/or investigated in Q1. The items related to fraud, financial management, misconduct, accountability and theft. Four of the items are closed and four are ongoing.

Carry forward items from 2018:

There were three ongoing cases at the end of 2018. One of these cases was addressed at GIC and Council, via the private and confidential report, AUD19002 (Roads Audit Update) in February 2019. Another case is now closed, and the third case is an ongoing investigation as an additional related case was opened in Q1 2019.

Number and Nature of Disclosures from 2010 – 2019

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
2019 (Jan-Mar)	2	0	6	0	8
Total	17	13	17	1	48

* 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 has been included from 2018 onwards.

The total volume from 2010 – 2019 is 48 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.

Fraud and Waste Hotline

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. A competitive procurement for an external vendor to provide 24/7 telephone and online hotline intake services occurred via a Request for Proposal (RFP). The RFP closed in March 2019, and the hotline is expected to launch in June/July 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>.

APPENDICES AND SCHEDULES ATTACHED

None.