




**CITY OF HAMILTON**  
**CITY MANAGER'S OFFICE**  
**Office of the City Auditor**

<b>TO:</b>	Chair and Members Audit, Finance and Administration Committee
<b>COMMITTEE DATE:</b>	June 18, 2020
<b>SUBJECT/REPORT NO:</b>	City Auditor Reporting of Serious Matters to Council Policy (AUD20003) (City Wide)
<b>WARD(S) AFFECTED:</b>	City Wide
<b>PREPARED BY:</b>	Brigitte Minard CPA, CA, CIA, CGAP (905) 546-2424 Ext. 3107  Charles Brown CPA, CA, CPA (Illinois) (905) 546-2424 Ext. 4469
<b>SUBMITTED BY:</b>	Charles Brown CPA, CA, CPA (Illinois) City Auditor Office of the City Auditor City Manager's Office
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That the Office of the City Auditor Policy, City Auditor Reporting of Serious Matters to Council Policy, attached as Appendix "A" to Report AUD20003, be approved;  
and,
- (b) That a by-law to amend the Whistleblower By-law 19-181, updating the frequency of reporting from quarterly to semi-annually, with a mid-year status report and a comprehensive annual report, attached as Appendix "B" to Report AUD20003, be enacted by Council.

**EXECUTIVE SUMMARY**

The City Auditor reports functionally to City Council via the Audit, Finance and Administration Committee. The intent of the "City Auditor Reporting of Serious Matters to Council" policy is to provide clarity on when the City Auditor should proactively

communicate matters being investigated to Council, outside of the typical reporting process for the Office of the City Auditor (OCA).

Serious matters require urgent attention. As per the policy, proactive disclosure to Council is called for with respect to serious matters that:

- Pose a security threat (e.g. cybersecurity exposure) to the organization's information systems/hardware/software applications or involves major privacy breach.
- Threaten public safety.
- Involve potential fraud over \$100,000.
- Could have a significant adverse impact on the City's vulnerable populations.
- Result in investigation by OCA and referral to the Police
- In the judgement of the City Auditor are deemed to be of a significant risk to the Corporation.

Due to the addition of this policy, it is also recommended that the reporting frequency of Whistleblower By-law disclosures be adjusted to streamline the OCA's reporting process.

### **Alternatives for Consideration – Not Applicable**

### **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

Financial: N/A

Staffing: N/A

Legal: The Legal Services & Risk Management Division is consulted as required per the Fraud Policy and Protocol.

### **HISTORICAL BACKGROUND**

During this term of Council, various members of the Audit, Finance and Administration Committee have discussed with the City Auditor what is considered to be a "serious matter" that is to be reported to Council. This topic has also arisen due to the July 2019 launch of the City of Hamilton's Fraud and Waste Hotline ([www.hamilton.ca/fraud](http://www.hamilton.ca/fraud)), and the increased volume of reports and investigations that the Office of the City Auditor has been undertaking since July 2019.

The "City Auditor Reporting of Serious Matters to Council" policy was developed to provide clarity on what a "serious matter" is and the reporting requirements for the City Auditor.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

This report is regarding a policy that is being put forward for Council's consideration and approval. The relevant policy is "City Auditor Reporting of Serious Matters to Council Policy" that is included as Appendix "A" to Report AUD20003.

This report also proposes a change to the frequency in reporting of Whistleblower disclosures be moved to semi-annually. The rationale for this is because any serious matters that fit the definition of the criteria to be reported to Council would be done by the City Auditor in an expediated manner and moving to semi-annual reporting would streamline the OCA's reporting process.

## **RELEVANT CONSULTATION**

City of Toronto - Auditor General's Office  
Niagara Region - Internal Audit

## **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The purpose of the "City Auditor Reporting of Serious Matters to Council Policy" is to outline and provide guidelines on when the City Auditor should proactively inform Council about a serious matter pertaining to the City of Hamilton.

The City Auditor's compliance with this policy would serve to keep Council informed and minimize the risk of Council not being aware of serious matters that OCA is investigating or that management may not have previously reported to Council that have come to the OCA's attention through the course of its work.

This policy applies to the City Auditor who is the appointed Auditor General for the City under the Municipal Act and to any matter that comes to their attention. It applies to serious matters uncovered through investigations launched under the Fraud and Waste/Whistleblower protocols, in the course of audits, and/or other engagements (i.e. risk assessments or consulting projects). With the approval of this policy, the reporting frequency for Whistleblower By-law disclosures changes. Rather than quarterly reporting of Whistleblower reports, it is recommended that the frequency be moved to semi-annually as any serious matters reported to Council would be done by the City Auditor in an expediated manner.

As a result, the Fraud and Waste Hotline and Whistleblower updates will be reported in Q3 for Hotline activity and Whistleblower disclosures that occur in the first six months of the year. A comprehensive annual Fraud and Waste Hotline and Whistleblower report will encompass Hotline activity and Whistleblower disclosures for the entire year (i.e. January to December) and will be reported in the following year. This change in reporting frequency strikes the balance between keeping Council well informed and ensure the OCA's resources are utilized in an efficient manner.

#### **ALTERNATIVES FOR CONSIDERATION**

Not applicable.

#### **ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

##### **Our People and Performance**

Hamiltonians have a high level of trust and confidence in their City government.

#### **APPENDICES AND SCHEDULES ATTACHED**

Appendix "A" to Report AUD20003 – City Auditor Reporting of Serious Matters to Council Policy

Appendix "B" to Report AUD20003 – Amending Whistleblower By-law