



INFORMATION REPORT

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	February 18, 2021
SUBJECT/REPORT NO:	Fraud, Waste, and Whistleblower Semi-Annual Update (AUD21001) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

COUNCIL DIRECTION

By-law 19-181 (Whistleblower By-law), Section 19 – Responsibility of the City Auditor requires reporting to Council semi-annually, 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 City Auditor to implement a Fraud and Waste Hotline with intake performed by an independent third party as part of a three-year pilot project. The City's Fraud and Waste Hotline launched in July 2019. The first Fraud and Waste Annual Report (AUD20007) was presented to the Audit, Finance and Administration Committee on October 22, 2020. Report AUD20007 fulfilled the semi-annual reporting requirement for January to June 2020, as it contained the information required by the Whistleblower By-law.

INFORMATION

This Information Report contains information about the number, nature and outcome of Whistleblower disclosures relating to By-law 19-181, along with information about Fraud

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

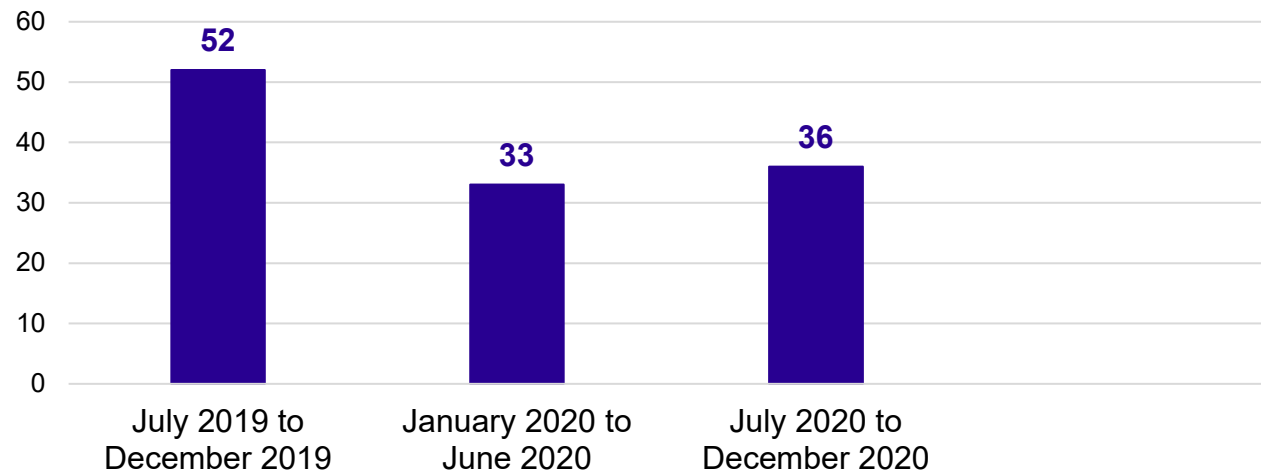
OUR Mission: To provide high quality cost conscious public services that contribute to a healthy, safe and prosperous community, in a sustainable manner.

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

and Waste reports received from July 2020 to December 2020, along with historical information.

FRAUD AND WASTE REPORT VOLUME SINCE HOTLINE LAUNCH

Fraud and Waste Report Volume



SEMI-ANNUAL SUMMARY (July 2020 to December 2020)

Report Type

The following table shows Fraud and Waste reporting activity for the second half of 2020 and the disposition of each report, including the number that resulted in an investigation being undertaken.

Description	Volume
No Response Required/Not Enough Information/ Out of Jurisdiction	4
Referral - No Action Required	5
Referral - Response Required	16
Investigations Launched	4
Assessment In Progress	7
Total Reports (July to December 2020)	36

Report Category

A wide variety of reports were received by the Office of the City Auditor for the six-months July 2020 to December 2020. The most common report categories were the following:

Description	Volume
Multiple Categories Applicable	7
Service Complaint/Concern	4
Employee Time Theft/Misconduct	4
Misuse of City Resources	3
Out of Jurisdiction	3
Social Services - Fraud/Wrongdoing	3
Improper Financial Reporting/Budgeting	3
Conflict of Interest	3
Various Other Categories	6
Total Reports (July to December 2020)	36

Investigations Launched – Types

The following table shows a breakdown of the subject matter of the investigation for those launched for reports received from July 2020 to December 2020.

Description	Volume
 Fraud	1
 Waste/Mismanagement	1
  Combined Fraud and Waste/Mismanagement	2
Total Investigations (July to December 2020)	4

Each investigation is unique and has a customized approach. The length of time to complete an investigation varies depending on the number of allegations, the scope of the investigation, and the complexity the matter being investigated.

In the second half of 2020, the most common type of investigation contained elements of both fraud and waste/mismanagement. This is to be expected as the definition of fraud is narrower than waste/mismanagement. Fraud encompasses any array of irregularities and illegal acts characterized by intentional deception (forgery, alteration of documents, misrepresentation of information, misappropriation, unauthorized use, disappearance, destruction of assets, authorizing payment for goods/services not received, improper handling of money, false claims, violations of Code of Conduct).

Waste involves taxpayers not receiving reasonable value for money in connection with any government funded activities, due to mismanagement or an inappropriate or careless act or omission by those with control over or access to government resources. Importantly, waste goes beyond fraud and doesn't necessarily involve a violation of law.

Waste relates primarily to poor management, imprudent expenditure, inadequate oversight or abuse of policy and includes incurring unnecessary costs or risks due to ineffective practices, systems or controls.

Whistleblower By-law Disclosures

The following table lists the number of Hotline reports that involve reporting by a qualifying Whistleblower. The comparative data is for the time period since the Fraud and Waste Hotline launched in July 2019.

Description	July 2020 to December 2020	January 2020 to June 2020	July 2019 to December 2019
 Qualifying Disclosures	1	0	2

Under By-law 19-181 (Whistleblower By-law), Section 6 – Requirements with Respect to a Qualifying Disclosure, the employee making the disclosure of serious wrongdoing identified themselves and their position with the City; the employee making the disclosure of serious wrongdoing has reasonable grounds to believe there has been serious wrongdoing by one or more employees; the employee making the disclosure of serious wrongdoing does so in good faith; the employee's disclosure of serious wrongdoing was made to the City Auditor.

In the six-month period from July 2020 to December 2020, one report was determined to be a qualifying disclosure per the Whistleblower By-law, as assessed by the Office of the City Auditor.

This report was received during the previous reporting period and was reported with a status of “Investigation Launched” with a substantiation outcome of “Pending”. Since that report was issued, the work on the investigation has progressed and the report was found to be a qualifying disclosure. The report category is Theft/Misappropriation and the outcome is not yet available as the investigation is in progress.

Employees

Description	July 2020 to December 2020	January 2020 to June 2020	July 2019 to December 2019
Reports Self-Identified as Employee	58%	33%	54%

The Office of the City Auditor continues to encourage employees and management to submit reports and thanks all those that submitted reports for this reporting period, and for their cooperation during report assessments and investigations. Additional information about anonymous reports and reports submitted by management will be included in the annual report.

Annual Report

A more detailed annual report containing additional analysis, case samples and outcomes will be completed after the twelve-month period of July 2020 to June 2021 has ended. The Fraud and Waste Annual Report is expected be submitted to the Audit, Finance, and Administration Committee in the fall of 2021.

HOW TO SUBMIT A REPORT

The Fraud and Waste Hotline is available for the public, employees, and vendors that do business with the City of Hamilton.



The Fraud and Waste Hotline accepts reports through the following methods:

- **Online:** www.hamilton.ca/fraud A "Submit Report" button links to the third-party vendor page
- **Email:** cityofhamilton@integritycounts.ca
- **Phone:** 1-888-390-0393
- **Mail:** PO Box 91880, West Vancouver, BC V7V 4S4
- **Fax:** 1-604-926-5668

If any reports are received directly by the Office of the City Auditor by telephone, email, fax, mail, or the web-based suggestions form (www.hamilton.ca/audit) these complaints are entered directly into the Hotline case management system and assessed similar to any other report.

APPENDICES AND SCHEDULES ATTACHED

None.