




CITY OF HAMILTON
OFFICE OF THE AUDITOR GENERAL

TO:	Chair and Members Audit, Finance and Administration Committee
COMMITTEE DATE:	November 16, 2023
SUBJECT/REPORT NO:	Fraud and Waste Annual Report (AUD23011) (City Wide)
WARD(S) AFFECTED:	City Wide
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SIGNATURE:	

RECOMMENDATIONS

- (a) That Appendices “A” and “B” to Report AUD23011 be received.
- (b) That the creation of one Full Time Equivalent (FTE) employee for a Senior Auditor which was previously referred to the 2024 Operating Budget be deferred to the 2025 Operating Budget.

EXECUTIVE SUMMARY

This report is the Annual Report of Fraud and Waste activity and includes the reporting period of July 1, 2022 to June 30, 2023. A total of 159 reports were received and assessed by the Office of the Auditor General (OAG) during this reporting period. Thirteen investigations were launched by the OAG, and there was an overall substantiation rate of 31%.

A detailed report containing the types of reports received, investigations opened, and report examples can be found in Appendix “A” to Report AUD23011.

Alternatives for Consideration – Not Applicable

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.

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: None.

Staffing: None.

Legal: None.

HISTORICAL BACKGROUND

By-law 19-181 (Whistleblower By-law), Section 19 – Responsibility of the Auditor General 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 Auditor General 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 and was made permanent in March 2023.

The third Fraud and Waste Annual Report (AUD23003) was presented to the Audit, Finance and Administration Committee on February 16, 2023. Report AUD23003 fulfilled the semi-annual reporting requirement for January to June 2022, as it contained the information required by the Whistleblower By-law.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

Whistleblower By-law No. 19-181

To Appoint the City Auditor as an Auditor General under Section 223.19 of the *Municipal Act, 2001* By-law No. 19-180

RELEVANT CONSULTATION

Human Resources and Legal and Risk Management Services were consulted as required during the assessment and investigation of Fraud and Waste Hotline reports.

Management was informed of reports relating to their area of responsibility.

ANALYSIS AND RATIONALE FOR RECOMMENDATIONS

This report is the Annual Report of Fraud and Waste activity and includes the reporting period of July 1, 2022 to June 30, 2023. The 2022 year-end reporting requirement for

whistleblower disclosures was fulfilled with Report AUD23009 (July 2023) and this report fulfils the 2023 mid-year reporting requirement for whistleblower disclosures. Since the Fraud and Waste Hotline launch, there has been an increased level of awareness by employees and management to report fraud, waste and whistleblower matters to the Office of the Auditor General. The Office of the Auditor General would like to acknowledge the reports submitted by employees and management, along with the assistance provided to complete assessments and investigations. Reporting these matters so they can be assessed and investigated increases the City of Hamilton's transparency and accountability.

A detailed report containing the types of reports received, investigations opened, and report examples can be found in Appendix "A" to Report AUD23011. This report does not represent an overall picture of fraud, waste or other wrongdoing at the City of Hamilton as there may be items that were not reported to the Office of the Auditor General or items that remain undetected.

An infographic summarizing the activity can be found in Appendix "B" to Report AUD23011.

The Office of the Auditor General would like to thank members of the public that submitted reports and for providing additional information as requested by the Office of the Auditor General.

Future Reporting

The City of Hamilton's Whistleblower By-law (19-181) has a semi-annual reporting requirement. Information about the number, nature, and volume of whistleblower disclosures for the first six months of 2023 are included in this report. The 2023 year-end reporting requirement will be met with the next Semi-Annual Fraud and Waste Report, which is expected to be presented in March or April 2023.

Referral to 2024 Budget of Request for Additional FTE

In July of this year, OAG brought forward a request for one additional full-time FTE to respond to the growing volume of fraud and waste complaints. In that Report (AUD23009) a recommendation was made and approved by Council for referral to the 2024 Budget process.

However, OAG is cognizant of the challenges of this year's budget pressures, and takes seriously the direction to carefully consider such requests in light of Council priorities and the financial impact on residents. Accordingly, we recommend that this request be deferred to the 2025 Operating Budget.

ALTERNATIVES FOR CONSIDERATION

Not applicable.

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement and Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community

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 AUD23011 – Fraud and Waste Annual Report 2022-2023

Appendix “B” to Report AUD23011 – Fraud and Waste Annual Report Infographic