



City of Hamilton Report for Consideration

To: Chair and Members
Audit, Finance and Administration Committee

Date: May 22, 2025

Report No: AUD25006

Subject/Title: Fraud, Waste, and Whistleblower Semi-Annual Update

Ward(s) Affected: (City Wide)

Recommendations

- 1) That Appendix "A" respecting revisions to the Fraud Policy and Protocol (to be known as the Fraud and Waste Policy and Protocol) **BE APPROVED**.

Key Facts

- The Whistleblower By-law, No. 19-181 requires semi-annual reporting of whistleblower activity by the Office of the Auditor General (OAG).
- This report fulfils the reporting obligation for the second half of 2024 (July to December).
- Additionally, the Fraud Policy and Protocol has not been revised since the launch of the Fraud and Waste Hotline in 2019.
- Report AUD25005 included a recommendation that the Fraud Policy and Protocol be updated to reflect current practices including the use court orders, injunctions, and recovery of funds.
- The OAG has revised the document, the Fraud and Waste Policy and Protocol and recommends that Council approve the revisions.

Financial Considerations

Not applicable.

Background

Council Direction

Whistleblower By-law

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.

The fifth Fraud and Waste Annual Report (AUD24006) was presented to the Audit, Finance and Administration Committee on November 21, 2024. Report AUD24006 fulfilled the semi-annual reporting requirement for January to June 2024, as it contained the information required by the Whistleblower By-law.

Fraud Policy and Protocol

The Fraud Policy and Protocol was first approved by City Council in April 2003. In 2019, some minor administrative changes were made by the Auditor General and HR advised that Council approval was not required because the updates were minor and administrative.

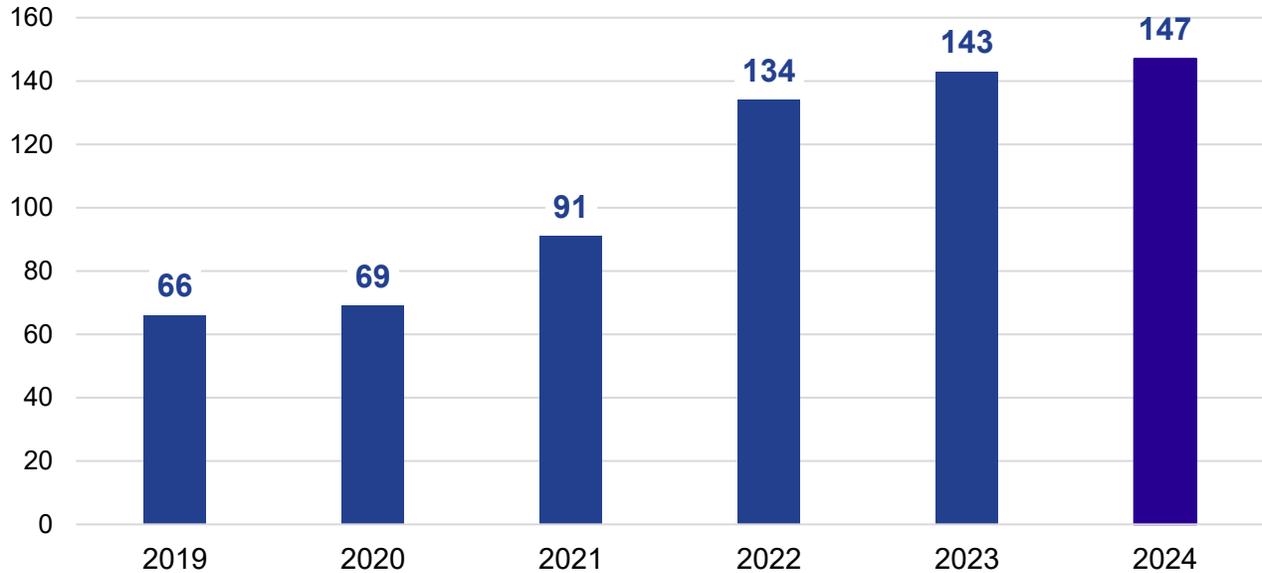
The Fraud and Waste Hotline was made permanent by City Council in early 2023, and the OAG's investigative techniques have become increasingly more sophisticated, and the Fraud Policy and Protocol needs to be revised to reflect current assessment investigative practices. The revisions proposed in this report require Council approval because they are substantial. The proposed document is included as Appendix "A" to Report AUD25006, with side-by-side analysis against the current Fraud Policy and Protocol is included as Appendix "B" to Report AUD25006.

Analysis

This Report contains information about the number, nature and outcome of Whistleblower disclosures relating to By-law 19-181, along with information about Fraud and Waste reports received from July to December 2024, along with historical information.

Fraud and Waste Report Volume Since Hotline

Fraud and Waste Report Volume



Semi-Annual Summary (July 2024 to December 2024)

Report Type

The following table shows Fraud and Waste reporting activity for the second half of 2024 and the disposition of each report, including the number that resulted in an investigation being undertaken.

Report Type	Volume
Referral - Response Required	27
Referral - No Action Required	5
Investigations Launched	8
No Response Required/Not Enough Information/Out of Jurisdiction	30
Assessment In Progress	8
Total Reports (July 2024 to December 2024)	78

Report Category

A wide variety of reports were received by the Office of the Auditor General for the six-months July 2024 to December 2024. The most common report categories were the following:

Report Category	Volume
Multiple Categories Applicable	19
Social Services – Fraud/Wrongdoing	16
Time Theft and/or Misconduct	10
Out of Jurisdiction	9
Other Various Category	7
Service Complaint/Concern	6
Conflict of Interest	3
Improper Financial Reporting/Budgeting	3
Waste/Mismanagement	3
Fraud	1
Misuse of Asset	1
Total Reports (July 2024 to December 2024)	78

Investigations Launched – Types

The following table shows a breakdown of the subject matter of the investigation for those launched for reports received from July 2024 to December 2024.

Types of Investigations Launched	Volume
 Fraud	1
 Waste/Mismanagement	3
  Combined Fraud and Waste/Mismanagement	3
In Progress (Type to be determined)	1
Total Investigations (July 2024 to December 2024)	8

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 of the matter being investigated.

In the second half of 2024, one investigation is in the early stages of investigation and the type is not yet finalized. It should be noted that 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.



Qualifying Whistleblower By-law Disclosures

Year	Period: July to December	Period: January to June
2024	2	4
2023	0	1
2022	3	2
2021	1	2
2020	1	0
2019	2	Hotline Launched July 1, 2019

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 Auditor General.

In the six-month period from July 2024 to December 2024, two reports were determined to be a qualifying disclosure per the Whistleblower By-law, as assessed by the Office of the Auditor General. There is also one report where assessment is in progress, if it is found to be a qualifying disclosure it will be reported in future periods.

For the first report, the category is Conflict of Interest. The outcome is not yet available as the investigation is in progress.

For the second report, the category is Multiple Categories Applicable (Conflict of Interest, Employee Misconduct, Procurement Irregularities). The outcome is not yet available as the matter is in progress.

Employees

Reports Self-Identified as Employee

Period	% Self-Identified as Employee
July 1, 2024 to December 31, 2024*	51%
July 1, 2023 to June 30, 2024	46%
July 1, 2022 to June 30, 2023	48%
July 1, 2021 to June 30, 2021	64%
July 1, 2020 to June 30, 2021	59%
July 1, 2019 to June 30, 2020	46%

*Note: The upcoming Annual Fraud and Waste Report will include the % Self-Identified as Employee for the period July 1, 2024 to June 30, 2025.

The Office of the Auditor General 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.

Serious Matters Reporting

All items qualifying as a “Serious Matter” per the “Auditor General Reporting of Serious Matters to Council Policy” for the reporting period have been previously reported to

Council. As at December 31, 2024, there were fifteen items that qualified under this Policy since it was approved by Council in July 2020.

Serious Matters Reported to Council

Year	Report Volume
2024	4
2023	4
2022	3
2021	2
2020*	2
Total	15

*Note: Auditor General Reporting of Serious Matters to Council Policy launched in 2020.

Annual Report

A more detailed annual report containing additional analysis, case samples and outcomes will be completed after the twelve-month period of July 2024 to June 2025 has ended. The Fraud and Waste Annual Report is expected to be submitted to the Audit, Finance, and Administration Committee in Q4 of 2025.

Policy Implications and Legislated Requirements

Whistleblower By-law No. 19-181

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

Alternatives

Not applicable.

Relationship to Council Strategic Priorities

- 3. Responsiveness & Transparency
 - 3.2. Get more people involved in decision making and problem solving
 - 3.3. Build a high performing public service

Previous Reports Submitted

[Report AUD24006 Fraud and Waste Annual Report](#)

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.

Regarding Appendix A, the proposed revisions to the Fraud (and Waste) Policy and Protocol, the corporate-wide Policy Review Group chaired by Human Resources reviewed the proposed revisions and provided feedback to the OAG. This included staff from Legal Services and representatives from each Department.

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:** 1-844-785-0699

If any reports are received directly by the Office of the Auditor General 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

Appendix A – Proposed Fraud and Waste Policy and Protocol

Appendix B – Side by Side Text Comparison – Fraud (and Waste) Policy and Protocol

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