

## **Auditor General's 2022 Annual Report on the Fraud and Waste Hotline**

**Date:** January 26, 2023

**To:** Audit Committee

**From:** Auditor General

**Wards:** All

### **SUMMARY**

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This report represents the 2022 annual report on fraud, waste and wrongdoing at the City including the activities of the Fraud and Waste Hotline Program (the Hotline Program). It highlights the complaints that have been communicated to the Auditor General's Office. It does not represent an overall picture of fraud or other wrongdoing across the City.

In 2022, 1,032 complaints comprised of approximately 1,200 allegations were received by the Auditor General's Office, the highest in a year since the launch of the Hotline Program.

The Hotline Program has helped to reduce losses and resulted in the protection of City assets. The actual and potential losses from complaints received from 2018 to 2022 is approximately \$27.9 million (actual losses) plus \$1.5 million (potential losses) had the fraud not been detected. Additional benefits that are not quantifiable include:

- the deterrence of fraud or wrongdoing
- strengthened internal controls
- improvements in policies and procedures
- increased operational efficiencies
- the ability to use complaint data to identify trends, address risks, make action-oriented recommendations to management and inform our audit work plan

### **RECOMMENDATIONS**

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The Auditor General recommends that:

1. City Council receive this report for information.

## **FINANCIAL IMPACT**

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The recommendation in this report has no financial impact.

## **DECISION HISTORY**

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The *City of Toronto Act* identifies that, as part of her responsibilities, "the Auditor General is responsible for assisting City Council in holding itself and city administrators accountable for the quality of stewardship over public funds..."

Stewardship over public funds involves reviewing controls and verifying that allegations of fraud and waste are addressed.

The Fraud and Waste Hotline Program began as a six-month pilot program starting on March 1, 2002. City Council approved it as a permanent program at its meeting of November 6, 2002, along with the recommendation that the Auditor General report to Audit Committee on the operation and activities of the Hotline Program.

## **COMMENTS**

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The Auditor General's Forensic Unit is comprised of a team of professionals that operate the Hotline Program and collectively possess the expertise to resolve a broad range of complaints and conduct investigative work into complex forensic allegations. Due to the small size of the team, the Forensic Unit occasionally leverages audit staff or outside experts to assist in complex investigations.

The Forensic Unit also provides independent oversight of management-led investigations by reviewing the adequacy of work conducted, including steps taken to reduce losses, protect City assets and prevent future wrongdoing.

One of the benefits of the annual report is to demonstrate to employees and the public that the City of Toronto is committed to taking action when issues of fraud, waste or other wrongdoing are reported to the Auditor General's Office.

During 2022, 1,032 complaints comprised of approximately 1,200 allegations were received. In addition to reviewing these complaints, the Auditor General continued to focus on conducting major fraud investigations.

The Auditor General's report entitled "Auditor General's 2022 Annual Report on the Fraud and Waste Hotline" is attached as Attachment 1.

Detailed statistics concerning the activities of the Hotline Program are included in the Annual Report as Exhibit 1. Exhibit 2 contains a summary of a major investigation that resulted in a report being issued to the Audit Committee, as well as an update to an investigation report that our Office issued in 2018. Exhibit 3 provides summaries of various reviews and investigations concluded in 2022.

Highlights of the 2022 statistics are as follows:

#### 2022 Annual Results

- Almost 13,000 complaints received since 2002
- Approximately \$27.9 million actual losses plus \$1.5 million potential losses had the fraud not been detected
- 1,032 complaints received in 2022 representing approximately 1,200 allegations; the number of complaints is approximately 26 percent more than last year, 22 per cent higher than 2020 and a 76 per cent increase over 2019
- 99 per cent of complaints from 2022 involved some level of preliminary investigative work by the Auditor General's Office
- 144 complaints from 2022 were investigated by the Auditor General and/or the City's Divisions, Agencies, and Corporations
- 10 per cent (15 complaints) of 144 complaints investigated were substantiated in whole or in part. This number is expected to increase as outstanding 2022 investigations continue to be completed in 2023
- 47 per cent of substantiated complaints were anonymous
- Actions taken as a result of investigations include:
  - 3 employees disciplined
  - 12 instances where other appropriate actions with vendors, employees or members of the public (such as subsidy recipients) were taken
- \$121,000 actual loss in 2022. This amount is expected to increase as outstanding 2022 complaints are concluded in 2023
- Typically, 52 per cent of victim organizations do not recover any of their fraud losses according to the Association of Certified Fraud Examiners 2022 Report to the Nations on Occupational Fraud

#### Previous Years Complaints Closed in 2022

- 359 complaints from previous years were closed in 2022 and 6 per cent (20 complaints) of those were substantiated in whole or in part
- Actions taken as a result of investigations include:
  - 9 employees being disciplined
  - 11 instances where other appropriate actions with vendors, employees or members of the public (such as subsidy recipients) were taken

## **CONTACT**

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Elaine Au, Assistant Auditor General, Forensic Unit, Auditor General's Office  
Tel: 416-392-8437, E-mail: [Elaine.Au@toronto.ca](mailto:Elaine.Au@toronto.ca)

Jasmin Bhatia, Director, Forensic Unit, Auditor General's Office  
Tel: 416-392-0142, E-mail: [Jasmin.Bhatia@toronto.ca](mailto:Jasmin.Bhatia@toronto.ca)

## **SIGNATURE**

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Tara Anderson  
Auditor General

## **ATTACHMENTS**

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Attachment 1: Auditor General's 2022 Annual Report on the Fraud and Waste Hotline