

Auditor General's 2024 Annual Report on the Fraud and Waste Hotline

Date: January 29, 2025

To: Audit Committee

From: Auditor General

Wards: All

SUMMARY

This report represents the 2024 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 2024, 679 complaints, representing approximately 1,050 allegations, were received by the Auditor General's Office. This is a reduction from 2023 by approximately 36 per cent or 375 complaints, primarily the result of receiving fewer complaints outside of our jurisdiction (not related to the City of Toronto), as well as subsidy fraud complaints. Despite the decrease in the number of complaints, we continue to manage a high volume of allegations, which has remained relatively consistent over the past five years at an average of approximately 1,250 allegations per year.

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 2020 to 2024 are \$2.0 million (actual losses) plus \$1.1 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 and emerging issues, make results-oriented recommendations to management, and inform our Audit Work Plan.

RECOMMENDATIONS

The Auditor General recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

The recommendation in this report has no financial impact.

DECISION HISTORY

The *City of Toronto Act, 2006* 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

The Hotline is managed by the Auditor General's Forensic Unit, which is comprised of a team of professionals who collectively possess the expertise to resolve a broad range of complaints and conduct investigative work into complex allegations. Depending on the volume of work, the Forensic Unit may leverage audit staff or outside experts to assist on complex investigations.

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

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.

In 2024, 679 complaints representing approximately 1,050 allegations were received. In addition to reviewing these complaints, the Auditor General continued to focus on conducting investigations.

The Auditor General's report titled "Auditor General's 2024 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. Exhibit 3 provides summaries of various reviews and investigations concluded in 2024.

Highlights of the 2024 statistics are as follows:

2024 Annual Results

- Almost 14,650 complaints received since 2002
- \$2.0 million actual losses plus \$1.1 million potential losses over a 5-year period (2020-2024) had the fraud not been detected
- 679 complaints received in 2024 representing approximately 1,050 allegations; the number of complaints is less than 2023 (1,054 complaints) due mainly to fewer outside jurisdiction complaints received in 2024 (81 compared to 362 in 2023)
- All complaints from 2024 involved some level of preliminary investigative work by the Auditor General's Office, including a triage process to assess the risk and priority of incoming complaints
- 121 complaints from 2024 were investigated by the Auditor General and/or the City's Divisions, Agencies, and Corporations
- 26 per cent (32 complaints) of 121 complaints investigated were substantiated in whole or in part. This number is expected to increase as outstanding 2024 investigations continue to be completed in 2025
- 53 per cent (17 out of 32) of substantiated complaints were anonymous
- Actions taken as a result of investigations include:
 - 9 employees disciplined
 - 23 instances where other appropriate actions with vendors, employees or members of the public (such as subsidy recipients) were taken
- \$740,000 actual loss, \$225,000 potential loss and \$421,000 recovery for complaints substantiated and closed in 2024. These amounts are expected to increase as outstanding 2024 complaints are completed in 2025
- Typically, 57 per cent of victim organizations do not recover any of their fraud losses according to the Association of Certified Fraud Examiners *2024 Report to the Nations on Occupational Fraud*

Previous Years Complaints Closed in 2024

- 378 complaints from previous years were closed in 2024 and 19 per cent (71 complaints) of those were substantiated in whole or in part
- Actions taken as a result of investigations include:
 - 19 employees disciplined
 - 52 instances where other appropriate actions with vendors, employees or members of the public (such as subsidy recipients) were taken

CONTACT

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SIGNATURE

Tara Anderson
Auditor General

ATTACHMENTS

Attachment 1: Auditor General's 2024 Annual Report on the Fraud and Waste Hotline