

Fraud Risk Management

SESSION

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Fraud Risk Management
Practical Insights and Improvement
Strategies for the Public Sector

Recent headlines: Fraud in the public sector

- **March 2024:** Public Services and Procurement Canada found three federal IT subcontractors fraudulently billed nearly \$5 million between 2018 and 2022.
- **March 2024:** B.C. government issued a warning about a fake PayBC website collecting personal and credit card information.
- **April 2023:** Former Ontario government employee sentenced to 10 years for defrauding the province of more than \$47M.
- **Nov. 2022:** Saskatchewan Health Authority defrauded of \$170K by employee who amended time records over a five-year period.
- **June 2022 to March 2024:** 232 CRA employees fired for inappropriately claiming the Canada Emergency Response Benefit during the pandemic.



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Association of Certified Fraud Examiners: A Report to the Nations (2024)

1. Perpetrator's level of authority related to occupational fraud:

Percentage of cases and median loss (USD)				
	2024	2022	2020	2018
Employee	37%	37%	44%	47%
	\$60,000	\$50,000	\$60,000	\$156,000
Manager	41%	38%	32%	27%
	\$184,000	\$122,000	\$139,000	\$205,000
Owner/Executive	19%	24%	21%	23%
	\$500,000	\$331,000	\$438,000	\$600,000

2. Fraudsters who colluded with others caused median losses more than 3X higher than those who acted alone. Median loss for one perpetrator: \$75,000. Two or more perpetrators: \$250,000.
3. Frauds during the pandemic: Median losses up 24% from 2022 – 2024. 53% of cases (2024) had at least one pandemic-related factor contributed to acts of fraud.

Enterprise risk management isn't fraud risk management

Intentional acts of fraud:

- Misstate financial information
- Misstate non-financial information
- Misappropriate assets
- Perpetrate illegal acts or corruption

5 key components in the *COSO fraud risk management framework

1. Control environment
2. Risk assessment
3. Control activities
4. Information & communication
5. Monitoring activities

*Committee of Sponsoring Organizations



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OAGBC 2021 cross government fraud risk management survey results for approx.140 entities

Survey results by COSO framework component:

Control Environment	<ul style="list-style-type: none">• 82% assigned risk management to a senior member of management• 52% did not have a formal policy to support effective fraud risk management
Risk Assessment	<ul style="list-style-type: none">• 55% did not conduct a fraud risk management assessment• 75% did not assess the need to train staff on fraud risk
Control Activities	<ul style="list-style-type: none">• 91% had controls to prevent fraud• 74% of the 91% had assessed the operational effectiveness of those controls
Information & Communication	<ul style="list-style-type: none">• 57% did not have policies and procedures in place to follow when a fraud occurred
Monitoring Activities	<ul style="list-style-type: none">• 65% had a fraud monitoring function• 56% have a regular governance process to review incidents of fraud and corrective actions with senior management and board members• 25% of organisations do not provide formal reports on fraud risk management to their boards



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Fraud-related work at OAGBC

1. Public sector fraud risk management survey reports (2021 and 2023)
2. Fraud risk management: BC Hydro's Site C dam and hydroelectric energy project (2022)
3. Fraud risk management at the Office of the Comptroller General (2022)



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Examples from other Canadian jurisdictions

- Office of the Auditor General of Canada
 - COVID-19 Pandemic Specific COVID-19 Benefits (2022)
- Office of the Auditor General Manitoba
 - Main Street Project Investigation (2021)
- Office of the Auditor General of Quebec
 - Report of the Auditor General of Quebec to the National Assembly (2022)
- Office of the Auditor General of Nova Scotia
 - Financial Report October 2019 & Financial Report December (2020)
- City of Toronto Auditor General
 - Auditor General's 2022 Annual Report on the Fraud and Waste Hotline
- Office of the Auditor General City of Ottawa
 - 2022 Report on the Fraud and Waste Hotline

Resources

- [Canadian Audit & Accountability Foundation \(CAAF\)](#)
- [Association of Certified Fraud Examiners: Occupational Fraud \(2022\) \(2024 report\)](#)
- [Office of the Auditor General of B.C.: report one report two report three report four report five](#)
- [Office of the Auditor General of Canada](#)
- [Office of the Auditor General Manitoba](#)
- [Office of the Auditor General of Quebec](#)
- [Office of the Auditor General of Nova Scotia: report one report two](#)
- [City of Toronto Auditor General](#)
- [Office of the Auditor General City of Ottawa](#)



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