



Audit at a glance

Why we did this audit

- The Association of Certified Fraud Examiners estimates organizations can lose up to five per cent of revenue to fraud.
- The comptroller general has legislated responsibility for the overall quality and integrity of financial management and control systems for government, including controls to mitigate the risk of fraud.
- An effective fraud risk management framework maximizes the likelihood fraud will be prevented or detected in a timely manner, and fraud allegations will be responded to appropriately.
- The B.C. government’s fraud risk management framework is decentralized. Ministries are responsible for managing fraud risks in their organization, with oversight and support from the Office of the Comptroller General (OCG).
- In 2017, the OCG significantly changed the way it responds to reports of fraud by turning its focus to prevention and detection.

Objective

To determine whether the Office of the Comptroller General has established an effective framework to manage fraud risk in the B.C. public service.

Audit period:

April 1, 2020, to
September 30, 2021

Conclusion

The Office of the Comptroller General (OCG) has established an effective framework to manage fraud risk in the B.C. public service, except for the incomplete government-wide fraud risk assessment.

Most components of the framework are in place but we found:

- The OCG had not completed a government-wide fraud risk assessment at the time of the audit. It is scheduled to be completed by March 31, 2022.
- The OCG’s process to monitor and report on the components of the fraud risk management framework does not include monitoring and reporting on its government-wide fraud risk assessment.

We made three recommendations to improve government’s fraud risk management framework.

The Office of the Comptroller General has accepted all three recommendations.





What we found

Fraud risk governance

- Government core policy establishes clear employee and ministry responsibilities.
- Ministries and other central agency investigation units understand the role and responsibilities of the OCG.
- The OCG understands its capacity to fulfill its responsibilities for fraud risk management.

RECOMMENDATION 1

Fraud risk assessment

- The OCG has assessed fraud risk for certain types of transactions and some programs.
- The OCG had not completed an overall, government-wide fraud risk assessment.
- This assessment is scheduled to be complete March 31, 2022. Until the fraud risk assessment is complete, the OCG will not have a full understanding of current fraud risks and the likelihood and significance of those risks.

RECOMMENDATION 2

Fraud control activities

- Ministries are responsible for establishing and monitoring their own fraud control activities.
- The OCG monitors ministry compliance with relevant core policies and ministry fraud control activities.
- The OCG has developed mandatory fraud awareness and prevention training for public service employees.

NO RECOMMENDATION

Fraud investigation and communication

- The OCG has documented policies and procedures for investigating incidents of suspected fraud.
- The OCG has a process to ensure it receives reports of fraud identified within government.
- During the audit period, the OCG received 22 reports of suspected fraud.
- All reported suspected frauds were reviewed by OCG, but none led to a forensic investigation.

NO RECOMMENDATION

Fraud framework monitoring

- The OCG has a process to monitor and report on the components of the fraud risk management framework currently in place.
- This process does not include monitoring and reporting on the effectiveness of its fraud risk assessment process and how the identified risks impact government's overall framework.

RECOMMENDATION 3

After reading the report, you may want to ask the following questions of government:

1. *What are government's plans to respond to the results of the government-wide fraud risk assessment and update it in the future?*
2. *In a decentralized model, how can the OCG ensure government has a robust process for identifying and appropriately responding to incidents of suspected fraud in all ministries?*
3. *What are the risks for government following the OCG's shift from focusing on investigations of reported fraud to a focus on prevention and detection?*