SURVEY AT A GLANCE

Fraud risk management survey

About the survey

We sent an online fraud risk management questionnaire to 140 public sector organizations. In total, 134 organizations completed the questionnaire – a response rate of 96 per cent. It is the most extensive fraud risk management survey ever conducted in the B.C. public sector.

Surveys allows us to quickly gather useful information for legislators and organizations. The questions we asked in this survey covered key elements of modern fraud risk management. The results we present are what organizations told us they are doing. We have not audited their responses.

Purpose

To learn more about fraud risk management in the public sector as part of our annual 2020/21 financial audit work and provide observations (not conclusions) so organizations can improve.

Overall observation

Public sector organizations understand the need for fraud risk management, but many could strengthen fraud risks assessment and management practices by learning from each other and our observations.

Some overall survey results (see Appendix A for survey results by organization type)

Governance	
	▪ 82% assigned risk management to a senior manager.
	▪ 52% do not have formal policies to support effective fraud risk management.

Assessment	
	▪ 55% do not conduct formal fraud risk management assessments.
	▪ 75% have not assessed the need to train staff on fraud.

Prevention	
	▪ 91% have internal controls to prevent frauds.
	▪ Of those, 74% have assessed the operational effectiveness of their internal controls.

Monitoring	
	▪ 65% have a fraud monitoring function.
	▪ 69% have not assessed the need for a fraud hotline.
	▪ Of the 31% that did a needs assessment, 40% established a fraud hotline.

Investigation	
	▪ 57% do not have policies and procedures in place to follow when potential frauds occur.
	▪ Of 43% that do have policies and procedures in place, 60% do not include direction on when to call police.

Reporting	
	▪ 57% have a regular governance process to review incidents of fraud and corrective actions with senior management and board members.
	▪ 25% of organizations do not provide formal reports on fraud risk management to their boards.

Survey at a glance (continued)

Survey Questions	Sample of organizations that said "no". (See appendices B to F for all entity responses)
Fraud Risk Governance	
Q1. Has the Board of Directors, or Board of Governors, assigned responsibility for fraud risk management to a member of senior management in your organization?	**24 said "no" including:** ▪ British Columbia Hydro and Power Authority ▪ School District 38 (Richmond) ▪ Simon Fraser University
Q2. Does your organization have one or more formal policies to support effective fraud risk management (e.g., a corporate fraud risk policy)?	**70 said "no" including:** ▪ British Columbia Institute of Technology ▪ Infrastructure BC Inc. ▪ Royal Roads University
Fraud Risk Assessment	
Q3. Has your organization established a regular fraud risk assessment process to formally assess the likelihood and impact of fraud risks that may impact the organization on an ongoing basis?	**48 said "no" including:** ▪ Justice Institute of British Columbia ▪ Providence Health Care Society ▪ School District 41 (Burnaby)
Fraud Prevention	
Q4. Has your organization implemented internal controls to mitigate assessed fraud risks in line with your control objectives?	**6 said "no" including:** ▪ Nechako-Kitamaat Development Fund Society ▪ Knowledge Network Corporation ▪ School District 52 (Prince Rupert)
4A. [If Q4=Yes] Has your organization assessed the operational effectiveness of those internal controls?	**15 said "no" including:** ▪ Camosun College ▪ School District 40 (New Westminster) ▪ BC Financial Services Authority (BCFSA)
Q5. Has your organization assessed the need for staff to take fraud training?	**101 said "no" including:** ▪ School District 36 (Surrey) ▪ Transportation Investment Corporation ▪ University of Victoria

Survey at a glance (continued)

Survey Questions	Sample of organizations that said "no". (See appendices B to F for all entity responses)
Fraud Monitoring and Reporting	
Q6. Has your organization established a compliance monitoring and reporting function? (e.g., one or more staff who have been tasked with monitoring controls and reporting signs of non-compliance and fraud)?	**47 said "no" including:** ▪ University of British Columbia ▪ Okanagan College ▪ British Columbia Transit
Q7. Has your organization assessed the need for a fraud hotline to report incidents of non-compliance or fraud?	**92 said "no" including:** ▪ Vancouver Island University ▪ Langara College ▪ Oil and Gas Commission
7A. [If Q7=Yes] Has your organization established a fraud hotline based on the results of the needs assessment?	**25 said "no" including:** ▪ Ministry of Finance ▪ British Columbia Lottery Corporation ▪ Fraser Health Authority
Fraud Investigation and Corrective Action	
Q9. Has your organization established policies and procedures to follow when potential incidents of fraud are identified?	**76 said "no" including:** ▪ Vancouver Island University ▪ British Columbia Transit ▪ British Columbia Assessment Authority
9A. [If Q9=Yes] Do the policies and procedures include direction regarding if, when and how police are to be called?	**35 said "no" including:** ▪ University of Victoria ▪ Selkirk College ▪ Real Estate Council of BC
Q10. Is there a regular governance process where incidents of fraud and corrective actions are reviewed with senior management and members of the board?	**58 said "no" including:** ▪ School District 63 (Saanich) ▪ Thompson Rivers University ▪ Real Estate Foundation of BC

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

1. *How concerned is the government about the state of fraud risk management in the public sector?*
2. *Is the government considering actions to promote more formal and specific public sector fraud risk management?*
3. *What are organizations in the public sector doing to learn from each other to improve fraud risk management?*
4. *What are public sector boards going to do with these observations?*