

# Audit at a glance

## Why we did this audit

- The Site C dam and hydroelectric energy project on the Peace River in northeastern B.C. is the largest and most expensive infrastructure project in the province's history.
- Site C has an estimated construction cost of \$16 billion and is scheduled for completion in 2025.
- Fraud related to projects of this scale and complexity can be costly and wasteful, so effective fraud risk management is essential for financial and operational integrity.

## Objective

To determine if the British Columbia Hydro and Power Authority (BC Hydro) has established a program to effectively manage fraud risk on the Site C dam and hydroelectric energy project (Site C).

## Audit period:

December 2014 to January 2022

## Conclusion

BC Hydro's internal framework of control includes elements of fraud risk management, but it has not established a fraud risk management program for the Site C project.

BC Hydro's board of directors approved a fraud risk policy on January 12, 2022, documenting organizational commitment to fraud risk management.

We made five recommendations focused on BC Hydro:

- implementing its new fraud risk policy
- providing fraud risk management training
- conducting regular fraud risk assessments
- developing a fraud investigation procedure
- regularly evaluating fraud risk management program effectiveness

**BC Hydro has accepted all recommendations.**

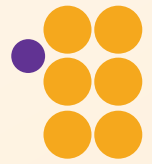
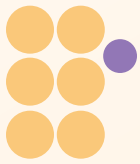
## What we found

### BC Hydro's board of directors approved a fraud risk policy on January 12, 2022

- Prior to approval of the new fraud risk policy, no documentation clearly assigned fraud risk management responsibility to a senior BC Hydro executive, including Site C.
- Few employees have received fraud risk management training.
- BC Hydro has a code of conduct policy, ethics office, and an anonymous reporting line – elements of a fraud risk management program.

### Recommendations 1 and 2





## Audit at a glance *(continued)*

### **Prior to this audit, BC Hydro had not performed fraud risk assessments for Site C**

- BC Hydro drafted its first fraud risk assessment as this audit was in progress.
- The absence of regular fraud risk assessments increases the risk of overlooking potential fraud threats.

**Recommendation 3**

### **BC Hydro has internal controls to defend against identified fraud threats**

- Existing controls documented in BC Hydro's fraud risk assessment were suitably designed, implemented, and likely to mitigate fraud schemes identified in the assessment.
- There is a risk that existing controls may not be enough to address unidentified fraud threats.

**No recommendation**

### **There are ways for BC Hydro employees to report and investigate suspected fraud**

- BC Hydro has ways for employees to report potential fraud.
- Audit Services at BC Hydro investigates fraud allegations related to accounting and auditing matters.
- BC Hydro is developing a fraud investigation procedure to supplement its fraud risk policy.

**Recommendation 4**

### **BC Hydro has not established a Site C fraud risk management program for it to monitor and evaluate**

- As fraud threats evolve and change over time, a fraud risk management program should be monitored and evaluated for effectiveness.
- In the absence of a fraud risk management program, Audit Services at BC Hydro has audited Site C's:
  - procurement and contract management processes and practices in 2017
  - payment verification controls in the fall of 2021
- They had no major findings.

**Recommendation 5**

### **After reading the report, you may want to ask the following questions of BC Hydro:**

1. What has BC Hydro, at Site C, done to address the types of fraud threats that are most common on infrastructure projects of this size?
2. How will the Site C project team assess and respond to fraud threats going forward?
3. What can companies that are involved in public infrastructure projects learn from this audit?

