



NEWS RELEASE
For Immediate Release

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Many B.C. public sector organizations not using all fraud defences available

VICTORIA – More than half of all public sector organizations in B.C. aren't doing enough to protect against fraud and prevent potentially significant losses, according to the first provincial survey of its kind.

"Comprehensive fraud risk management is an important part of effective corporate governance and control," says Auditor General Michael Pickup. "The Association of Certified Fraud Examiners, for example, estimates that organizations lose up to five per cent of their revenue to fraud every year. A complete and thorough approach to fraud risk management is essential to managing that threat effectively."

The Office of the Auditor General of B.C. surveyed 140 B.C. public sector organizations, including ministries, Crown corporations, post-secondary institutions, school districts, and health authorities to learn more about their fraud risk management practices. The survey asked about fraud risk governance, assessment, prevention, detection, investigation, corrective action, and reporting. It had a response rate of 96 per cent, which provides a complete snapshot. This is the most extensive fraud risk management survey ever done on the B.C. public sector.

Results

The responses – released today in the [Fraud Risk Management Survey Report](#) – indicate many public sector organizations aren't doing enough to effectively manage potential fraud risks:

- 52 per cent of public sector organizations don't have fraud risk management policies in place, including the British Columbia Institute of Technology, Infrastructure BC, and Royal Roads University.
- Of the 48 per cent that said they have one or more policies to support fraud risk management:
 - 12 per cent provided a focused fraud risk management policy.
 - 75 per cent provided related policies, but no overarching fraud risk management policy to explain how they work together.
 - 13 per cent did not provide any policies.
- Additionally, 55 per cent responded that they have not established a regular fraud risk assessment process, including the Justice Institute of B.C., Providence Health Care Society, and School District 41 (Burnaby).

"This is troubling," says Pickup. "I would like public sector organizations to have better fraud risk assessment measures in place."

Many public sector organizations also reported missing other key components of fraud risk management:



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- 76 per cent haven't assessed the need for staff to take fraud prevention training, including School District 36 (Surrey), Transportation Investment Corporation, and the University of Victoria.
- 57 per cent haven't established procedures to use when a potential act of fraud is identified, including Vancouver Island University, BC Transit, and BC Assessment Authority.
- 44 per cent don't have a regular process to review incidents of fraud and corrective actions with senior management and the board, including School District 63 (Saanich), Thompson Rivers University, and the Real Estate Foundation of BC.

Areas for improvement

The report provides the public sector with seven key areas to strengthen fraud risk management practices, including:

- Establishing a formal fraud risk management policy and management framework
- Conducting regular fraud risk assessments
- Evaluating the effectiveness of internal controls designed to mitigate potential fraud
- Assessing the need for a fraud hotline
- Establishing procedures for staff when potential incidents of fraud are identified
- Delivering fraud risk training to staff
- Strengthening oversight and fraud risk management reporting to senior management and the board

Background

The *Fraud Risk Management Survey Report* was conducted as part of the office's 2020-21 annual financial audit work. The survey was not an audit and the office did not audit the responses from organizations.

Related links

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