

FRAUD RISK MANAGEMENT AUDIT

Recommendation

That the November 29, 2024, Office of the City Auditor report OCA02769, be received for information.

Report Purpose

Information only.

Executive Summary

This report presents the results of the Fraud Risk Management audit.

REPORT

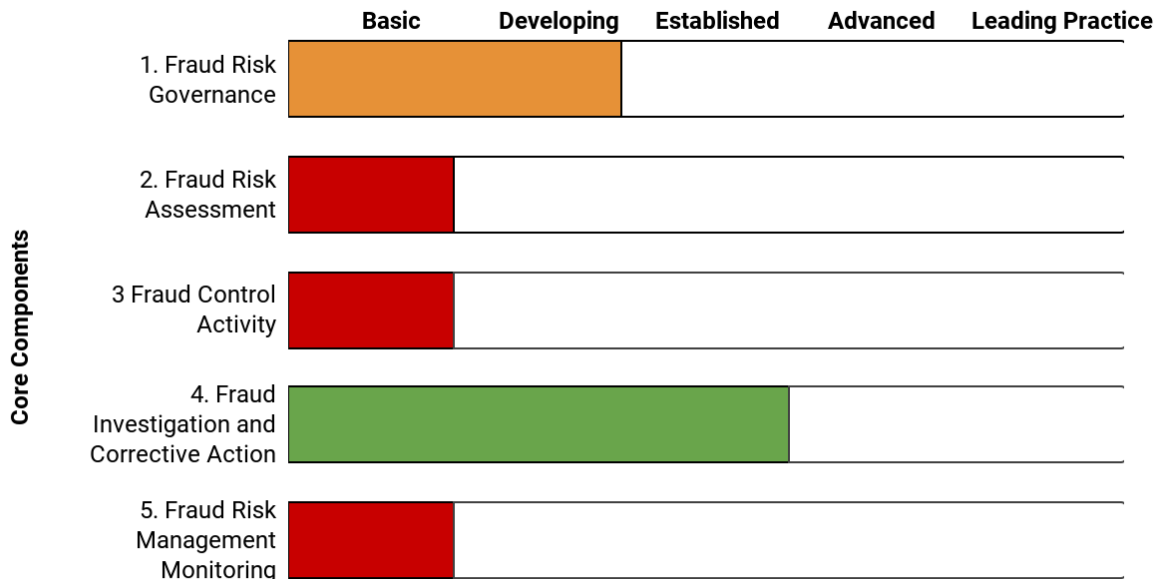
Fraud risk management is a proactive approach taken by an organization to mitigate exposure to fraudulent activities. This includes the policies, procedures, and processes that guide employees to identify, address, and manage fraud risks.

The objective of this audit was to determine the maturity level of the City's overall Fraud Risk Management Program against best practices. The Office of the City Auditor (OCA) engaged an external subject matter expert to conduct the maturity assessment as the OCA plays a role in the City's fraud risk management.

Overall, the OCA found that the City has some parts of a fraud risk management program in place. However, it lacks some of the necessary components of a mature formal program. This is reflected in the maturity assessment for each of the five core components of a Fraud Risk management Program. See Figure 1.

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Figure 1: City of Edmonton Fraud Risk Management Maturity Scorecard



To address the key risks associated with these findings the OCA made the following five recommendations:

1. The City Manager and the Financial and Corporate Services Department develop a Fraud Risk Management Program that includes:
 - a. An overall owner of fraud risk management.
 - b. Guiding documents that identify key stakeholders, roles and responsibilities, key performance indicators, and fraud risk management monitoring.
2. The City Manager, as part of the City's Fraud Risk Management Program, defines the City's fraud risk appetite.
3. The City Manager, as part of the City's Fraud Risk Management Program, develops and implements fraud awareness education that ensures employees are aware of their role in fraud prevention and detection.
4. The City Manager develops risk assessment methods that include processes to identify risks and controls, and monitor and evaluate those controls.
5. The Financial and Corporate Services Department works with the Office of the City Auditor to review and update the Fraud and Whistleblower Administrative Directive.

Policy

Bylaw 16097, Audit Committee Bylaw, section 14(d) states that "Committee will review all reports from the City Auditor dealing with completed audit projects."

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Attachment

1. Fraud Risk Management Audit Report