

## ADMINISTRATION RESPONSE TO FRAUD RISK MANAGEMENT AUDIT

### Recommendation

That the November 29, 2024, Financial and Corporate Services report FCS02755, be received for information.

<b>Requested Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	n/a		
<b>City Plan Values</b>	LIVE.		
<b>City Plan Big City Move(s)</b>	n/a	<b>Relationship to Council's Strategic Priorities</b>	Conditions for service success
<b>Corporate Business Plan</b>	Managing the corporation		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>Fraud and Whistleblower Administrative Directive</li> </ul>		

### Executive Summary

- In 2024, the Office of the City Auditor (the Auditor) conducted an audit to determine the maturity level of the City's overall Fraud Risk Management Program compared to best practices.
- The Auditor assessed five core components of the City's approach to Fraud Risk Management and adapted a maturity scale to assess enterprise anti-fraud programs.
- The Auditor found the City had some parts of a Fraud Risk Management Program in place, however, lacked necessary components of a mature, formal program. Recommendations were provided to improve the City's Fraud Risk Management Program.
- Administration accepts all of the Auditor's recommendations.

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### REPORT

Fraud occurs in all organizations, of every size, in every industry, and in every municipality. The best way to fight fraud is to prevent it. The Office of City Auditor report found that the City has some parts of a fraud risk management program in place. However, it lacks necessary components of a mature, formal program. Implementing a well-defined fraud risk management program will help the organization identify current and potential risks, associated controls to mitigate those risks and assess the severity of incidents. This includes the tracking of fraud risk monitoring, which will assess the program's overall effectiveness and evaluate the performance of a fraud risk management program.

#### Audit Recommendations and Responses

Administration accepts all five of the Auditor's recommendations.

##### Audit Recommendation 1

"Develop a Fraud Risk Management Program that includes:

- An overall owner of fraud risk management.
- Guiding documents that identify key stakeholders, roles and responsibilities, key performance indicators, and fraud risk management monitoring."

The City Manager and Deputy City Manager, Financial and Corporate Services will develop a fraud risk management program that includes guiding documents, identification of and input from key stakeholders. Program development will consider roles and responsibilities, performance indicators, monitoring and reporting.

Implementation date: June 30, 2025

##### Audit Recommendation 2

"As part of the City's Fraud Risk Management Program, define the City's fraud risk appetite."

In conjunction with the development of a fraud risk management program the City Manager will define the City's fraud risk appetite.

Implementation date: June 30, 2025

##### Audit Recommendation 3

"As part of the City's Fraud Risk Management Program, develop and implement fraud awareness education that ensures employees are aware of their role in fraud prevention and detection."

The City Manager, working with the Deputy City Manager Financial and Corporate Services will develop and implement a fraud awareness education that considers the roles and responsibilities of different employees across the City and the most effective method of educating individuals. Education development will consider developing new training, enhancing existing training and developing educational communication campaigns.

Implementation date: December 31, 2025

## **ADMINISTRATION RESPONSE TO FRAUD RISK MANAGEMENT AUDIT**

### Audit Recommendation 4

“Develop risk assessment methods that include processes to identify risks and controls, and monitor and evaluate those controls.”

The City Manager will work with the Deputy City Manager, Financial and Corporate services to develop a methodology to identify fraud risk. The methodology will include processes to identify risks, internal controls to prevent, detect and mitigate fraud risk, evaluation of controls and monitoring and reporting.

Implementation date: September 30, 2025

### Audit Recommendation 5

“Work with the Office of the City Auditor to review and update the Fraud and Whistleblower Administrative Directive.”

The City Manager will work with the City Auditor and the Deputy City Manager, Financial and Corporate Services to review and update the Fraud and Whistleblower administrative directive. These updates will be done in conjunction with other recommendations.

Implementation date: June 30, 2025

## **Community Insight**

Public engagement and/or research were not completed for this report as it reflects changes to internal-facing processes.

## **GBA+**

Fraud awareness training and information will be delivered in a variety of formats based on employee’s roles at the City and learning styles.

## **Environment and Climate Review**

This report was reviewed for environment and climate risks. Based on the review completed no significant interactions with the City’s environmental and climate goals were identified within the scope of this report.