



**PD WEEK 2022**

**SEMAINE DE PP 2022**

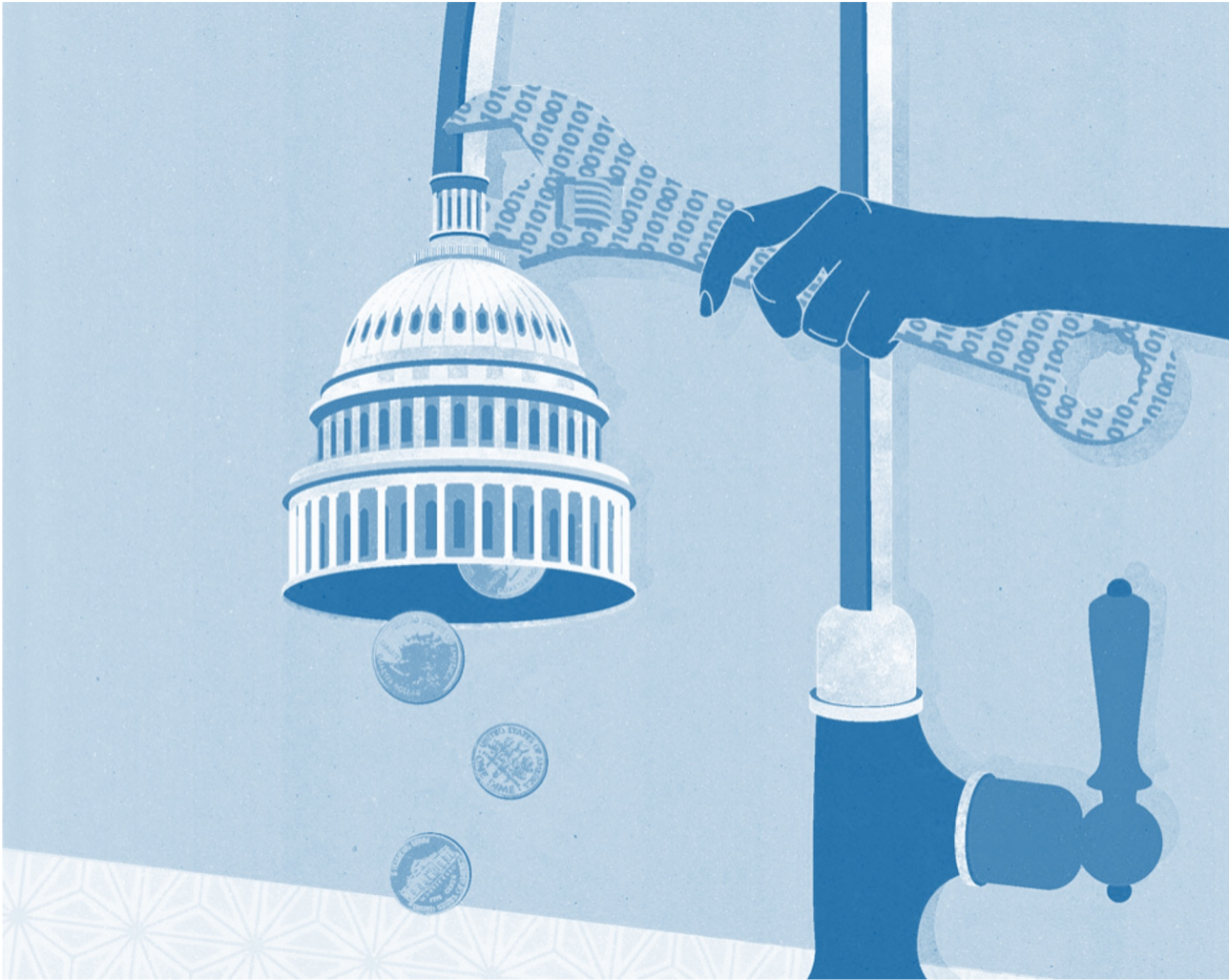
# Program Integrity & Fraud

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**What's new and how to prevent it**

Amanda Holden

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## What is Program Integrity?

“Integrity by Design aims to ensure that benefits and services are delivered to the right person, for the right purpose, at the right time, and in the right amount”

# Program Integrity is Crucial

## Fraud, Waste, & Abuse on the rise

Opportunities exist for public sector entities in Canada to strengthen their fraud risk assessment and fraud prevention practices.



**55%** do not conduct formal fraud risk assessments.

Of these 55%, only 35% have other internal review or have fraud risk assessments as part of their year-end financial statement audit.<sup>1</sup>



**57%** do not have policies and procedures in place to follow when potential fraud occurs. Of the 43% that do have policies, 60% do not advise when and how to call police.<sup>1</sup>



In the US, **\$163B** in improperly paid pandemic benefits were mostly attributed to fraud, representing an over 18.71% improper payment rate.<sup>2</sup>



Nearly **50%** of the cases of occupational fraud studies occurred due to lack of internal controls or override of existing controls.<sup>3</sup>



In the UK, **£33bn** is the yearly estimated amount that has been lost to public sector fraud and error.<sup>4</sup>

**Fraud against the public sector increases the cost of public services and understanding, finding and reducing it is an essential part of government efficiency.<sup>4</sup>**

<sup>1</sup> Reference: Fraud Risk Management Survey Report – 2020/21, Office of the Auditor General of British Columbia

<sup>2</sup> Reference: Unemployment Insurance: Program Integrity and Fraud Concerns Related to the COVID-19 Pandemic Response - USA Congressional Research Services

<sup>3</sup> Reference: Association of Certified Fraud Examiners (ACFE) Occupational Fraud 2022: A Report to the Nations

<sup>4</sup> Reference: Public Sector Fraud Authority Mandate – September 2022, Government of United Kingdom

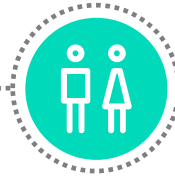
# Citizen Trust

Political impact, culture of the country, custodians of taxpayers' dollars



## Financial Loss

Money lost, costs to investigate, settlement, productivity loss



## Citizen Impact

Lost benefits, benefits are too slow, impact to way of life, health, income



## Media & Reputation

Political good will, front page news, person and party brand reputation



## Investigations & Legal

Legal costs, delay in outcomes, overhead of investigations



# Sometimes “FRAUD” is a 4 letter word



## Waste

- Act of using or expending resources carelessly, extravagantly, or to no purpose
- Waste and Abuse do not necessarily involve fraud or illegal acts



## Abuse

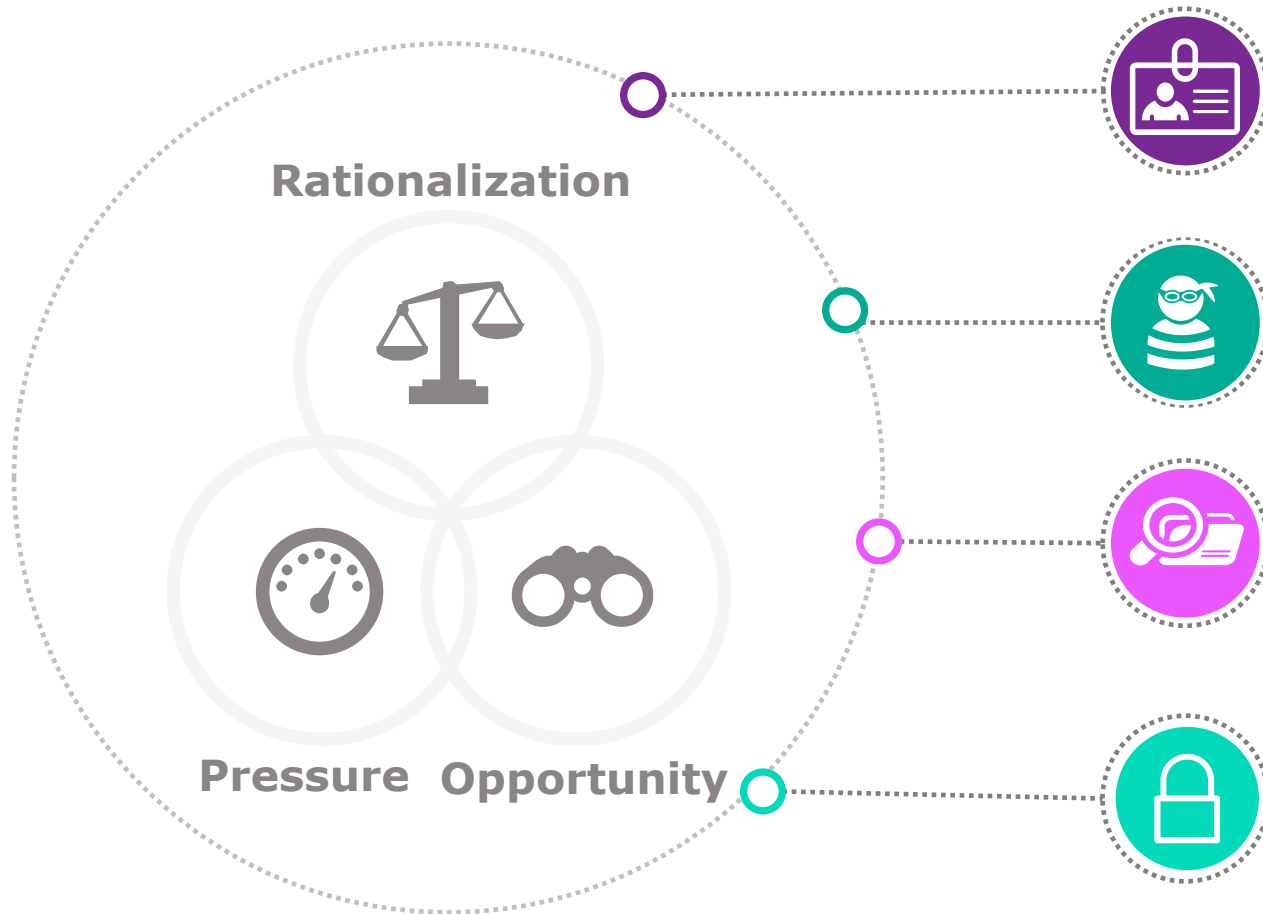
- Behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary operational practice, given the facts and circumstance.
- This includes the misuse of authority or position for personal gain or for the benefit of others



## Fraud

- Obtaining something of value through willful misrepresentation.
- Whether an act is in fact “fraud” is a determination to be made through the judicial or other adjudicative system and beyond management’s professional responsibility for assessing risk

# The “fraud triangle” represents the ingredients of fraud and results in many types of fraud



## Internal Fraud

Includes a wide range of risks where employees or vendors misappropriate assets, funds through internal processes and weak controls. *Money that moves within the organization.*

## External Fraud

External actors including misguided citizens, criminals and organized crime take advantage of payments in the form of benefits, grants, loans, tax refunds/exemptions, etc. *Money that moves from within to outside the organization.*

## Insider Risk

The practice of examining risks in employee performance, activities, data/systems access, communications including sentiment analysis, etc., to prevent inappropriate activities that may result in fraud, other operational risks or reputational and reduced program integrity.

## Cyber Threats

Securing the organization's technology from inappropriate access and manipulation. Cyber attacks may be a predicate activity to fraud &/or may facilitate internal or external fraud.

Canadian Anti-Fraud Centre

Canada

[Browse scams](#) [Protect yourself](#) [Report fraud](#) [What to do if you're a victim](#)

The Canadian Anti-Fraud Centre collects information on fraud and identity theft. We provide information on past and current scams affecting Canadians. If you think you're a victim of fraud, [report it!](#)

### Recent scams and fraud



[This Cyber Security Awareness Month, learn how to identify phishing attempts!](#)

#### The impact of fraud so far this year

As of September 30, 2022

Reports of fraud:	<b>68,259</b>
	(107,139 in 2021)
Victims of fraud:	<b>43,476</b>
	(68,061 in 2021)
Lost to fraud:	<b>\$362.7 M</b>
	(\$383 M in 2021)

FEATURES | FROM PIVOT MAGAZINE

## A catalogue of 2022's latest cons and scams

6.14.2022 | CPA CANADA

Crypto scams, real estate renter fraud, fake time share buyers, and more, in this roundup



The popular Netflix show Squid Game inspired a crypto token that saw more than US\$3 million snatched from investors (Alamy)

"I HAVE BEEN HACKED."



# WHAT IS BUSINESS EMAIL COMPROMISE?



## ILLEGAL ACCESS

Criminals gain entry to a victim's devices or systems – through hacking, phishing websites, malware – then deceive the victim into transferring money into their bank account.



## SOCIAL ENGINEERING

Criminals can target their victims based on information they share on social media platforms.



## URGENT REQUEST

The criminal impersonates a supplier requesting an urgent payment or change to banking details, or a senior employee in the company with authority to authorize payments.

#BECareful



INTERPOL

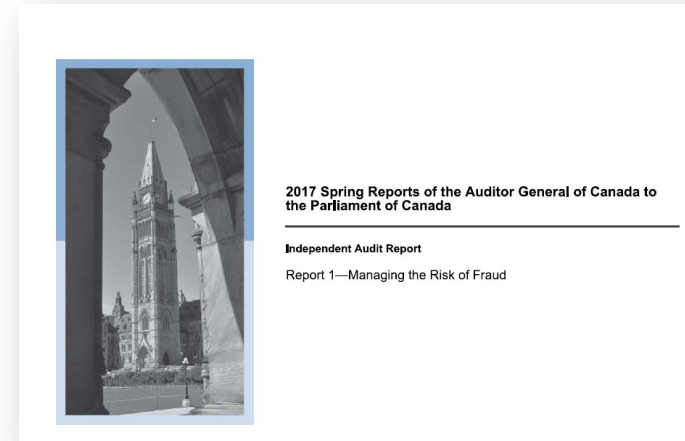
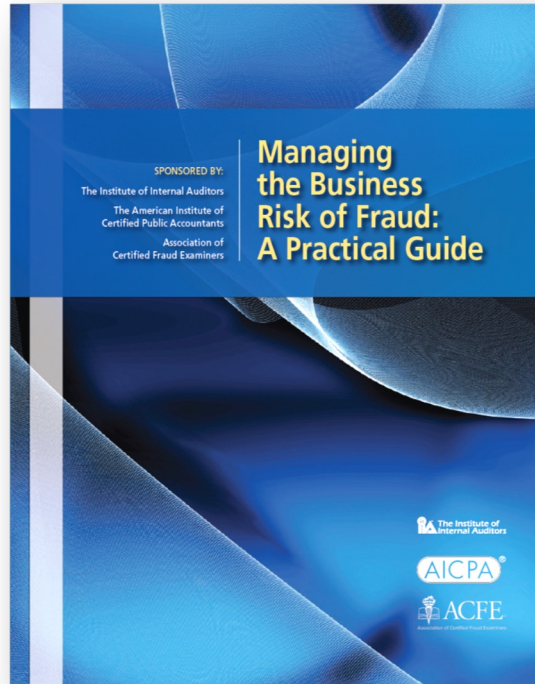


# Take Action

## What Can Your Organization Do?

# Government Framework for Fraud Management

Audit Focused Industry Paper  
(ACFE + IIA + AICPA)



Guide on Managing Fraud Risks at  
the Office of the Auditor General of  
Canada

# OAG Fraud Risk Management Program

## Governance

- Oversight
- Policies related to business ethics
- Fraud-related policies and procedures
- Conflict of interest policies/procedures

## Fraud Risk Assessment

- Fraud risk assessment policy/procedure
- Conduct fraud risk assessment
- Periodic reassessment
- Policy review of fraud risk assessments

## Controls to Prevent and Detect Fraud

- Training & awareness activities
- Internal controls to prevent and detect fraud
- Conflict of interest management
- Fraud Detection

## Response to Allegations of Fraud, Waste or Abuse

- Reporting procedures and systems
- Intake triage of allegations
- Investigations
- Reporting
- Corrective actions/remediations

Reference: [https://www.oag-bvg.gc.ca/internet/English/acc\\_rpt\\_e\\_42986.html](https://www.oag-bvg.gc.ca/internet/English/acc_rpt_e_42986.html)



## 5 Components

There are 5 major components to the **COSO Enterprise Risk Management Framework**



**Governance**



**Fraud Risk Assessment**



**Prevention Controls Assessment and Implementation**



**Detection, Investigation and Communication**



**Monitoring and Testing**



## 17 Principles

The components map to 17 Risk Management Principles tailored for Fraud Management, which help to provide clarity to design and implement fraud strategy, controls and related processes.



## 85 Activities

The 17 principles help define 85 activities across 1<sup>st</sup> and 2<sup>nd</sup> line functions, designed to maximize the likelihood of fraud prevention and detection in a timely manner and create a strong fraud deterrence effect through effective oversight while leveraging enterprise synergies

# Setting the Course to Enhance Program Integrity and Reduce Fraud Risk



Build  
awareness,  
top down



Understand  
and assess  
your risks



Get the basics right -  
policy, framework  
operating model



Move from pay and  
chase to prevention  
with data & analytics



Ensure your  
investigations are  
effective



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