



City of Richmond

Report to Committee

To: Finance and Audit Committee **Date:** December 15, 2025
From: Katie Ferland **File:** 03-0950-02/2025-Vol 01
Director, Business Services
Re: Fraud Risk Management Update

Staff Recommendation

That the report titled "Fraud Risk Management Update", dated December 15, 2025, from the Director, Business Services, be received for information.

Katie Ferland
Director, Business Services
(604-247-4923)

Att 1

REPORT CONCURRENCE		
ROUTED TO: Human Resources Finance Department	CONCURRENCE <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	CONCURRENCE OF GENERAL MANAGER
SENIOR STAFF REPORT REVIEW	INITIALS: 	APPROVED BY CAO

Staff Report**Origin**

In alignment with the City's commitment to responsible financial management and continuous improvement, various actions were undertaken in 2025 to enhance the City's fraud risk management practices including reviewing and updating relevant procedures, launching a fraud awareness campaign, expanding compliance training, and implementing additional confidential reporting channels for staff.

To supplement these actions, a planned review was undertaken in accordance with the City's Internal Audit Plan to assess the overall current state of fraud risk awareness and management within the organization, and to identify any additional opportunities for improvement.

This report supports Council's Strategic Plan 2022-2026 Focus Area #4 Responsible Financial Management and Governance:

Responsible financial management and efficient use of public resources to meet the needs of the community.

4.2 Seek improvements and efficiencies in all aspects of City business.

4.3 Foster community trust through open, transparent and accountable budgeting practices and processes.

Background

Fraud is a deliberate act of deception by one or more individuals for personal gain that causes financial, reputational, legal, or other harm to an organization. Managing fraud risk requires coordinated activities to prevent, detect, and respond to fraudulent behaviour.

The City conducts systematic internal reviews to audit, evaluate, and strengthen risk management, financial controls, and governance processes. Fraud risk management is a focus of these regular reviews, recognizing that fraud risks and schemes evolve over time with technological changes, new payment methods, and shifting social and behavioural factors.

Fraud Risk Management and Governance Framework

The City's fraud risk management framework is governed by Council-approved Antifraud Policy 6804. This policy has been in place since 2008 and outlines the City's commitment to the highest standards of honesty, propriety, ethics and integrity in all of its activities and outlines duties and responsibilities, reporting mechanisms, and other elements of its ongoing Antifraud Program.

A supplementary Administrative Procedure outlines activities undertaken to operationalize this policy including providing communication and training to employees, implementing control mechanisms to prevent and detect fraud, providing secure reporting channels for staff and monitoring for indicators of potential fraud.

In 2025 and at the direction of Council, the Finance Committee was renamed the Finance and Audit Committee, and its terms of reference were expanded to include oversight of internal audit activities including internal audit plans and reports.

Through the 2026 budget process a new role was approved by Council that will provide objective assessments and reporting to the Senior Management Team and the Finance and Audit Committee on the design and effectiveness of internal controls, compliance, and organizational risk management practices including those related to fraud risks. An internal audit plan will be presented to the Committee for information and input. These actions will further strengthen the City's fraud risk management and governance framework.

Analysis

Various actions were undertaken in 2025 to enhance the City's fraud risk management practices including reviewing and updating relevant procedures and guidelines, launching a fraud awareness campaign and accompanying employee survey, expanding compliance training regarding fraud and other key topics and implementing new confidential reporting channels for staff. Updates on these initiatives were provided to Council by memorandum in June and October, and are included in Attachment 1.

To augment these actions, a review was initiated in accordance with the City's Internal Audit Plan and with the assistance of an independent expert third party. PricewaterhouseCoopers LLP (PwC) was retained to assist with assessing the current state of fraud oversight, prevention, detection and response practices and to recommend additional improvements that are aligned with recognized leading practices and standards across the following five components:

1. Fraud Risk Governance

Establishes the overall structure and accountability for fraud risk management by defining oversight roles. It ensures leadership sets the tone, reinforces ethical culture, embeds fraud considerations into processes and procedures, and supports organization-wide learning and awareness initiatives.

2. Fraud Risk Assessment

Systematically identifies, evaluates, and prioritizes potential fraud risks across the organization, considering likelihood, impact, and existing controls. It provides the basis for targeting mitigation efforts where vulnerabilities exist.

3. Control Activities (Preventative and Detective)

Encompasses the policies, procedures, and mechanisms that prevent fraud from occurring, detect it when it does, and enable employees to report concerns through safe and accessible channels. These controls strengthen internal processes, reduce opportunities for fraud, and support timely identification of irregularities.

4. Investigation and Corrective Action

Provides a structured approach for addressing allegations, managing cases, and conducting timely, fair, and consistent investigations. It ensures that findings lead to

appropriate remediation, disciplinary action, and control improvements to prevent recurrence.

5. Program Monitoring

Continuously reviews the effectiveness of the fraud risk management program to track performance, identify gaps, and adjust strategies to maintain a strong and adaptive fraud prevention posture.

Collectively these components form a comprehensive Fraud Risk Management Program (FRMP). The City's practices across each of these program components were assessed to identify opportunities for further enhancement and to formalize its FRMP. The City's ongoing focus on fraud risk management combined with improvements recently undertaken have enhanced the organization's fraud risk management posture to a well-defined and in some cases progressive state of maturity.

Key actions have been identified to continue to improve the City's fraud risk management posture. A summary of actions completed and in progress is provided in Attachment 1. It is anticipated that all in-progress actions will be completed within one to two years, with the majority completed in 2026. Upon completion of the action plan, the program in its entirety would be re-assessed to evaluate and enhance risk management practices amidst a continuously evolving fraud risk landscape. Regular status updates on this work plan will be provided to the Finance and Audit Committee.

Financial Impact

None.

Conclusion

The City conducts systematic internal reviews to audit, evaluate, and continuously improve risk management, financial controls, and governance processes. Various actions were undertaken in 2025 to strengthen the City's fraud risk management practices. Additional enhancement opportunities have been identified through a planned review in accordance with the City's Internal Audit Plan. This report includes a summary of actions completed and in progress that will continue to position the City to prevent, detect and respond to fraudulent activity.



Katie Ferland
Director, Business Services
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Att.1: Fraud Risk Management Program - Enhancements Completed and In Progress

Fraud Risk Management Program – Enhancements Completed and In Progress

	Action	Details	Status
1.	Raise awareness of Antifraud Policy	New training on the Antifraud Policy, including how to recognize and report fraud, was rolled out to all staff in early September through the learning management system. This training is mandatory for all regular full-time (RFT) staff, and all other staff are encouraged to participate. 1,149 employees have completed the training representing 98% of RFT employees.	Complete
2.	Implement new reporting channel for staff	To supplement existing mechanisms for reporting suspected fraudulent activity outlined in the Antifraud Policy, two additional confidential reporting channels were developed and made available to all staff through the City's internal audit function. These include a dedicated email address and telephone number.	Complete
3.	Increase Purchase Card (P-Card) Audit frequency	A P-Card audit was completed in July 2025. All recommended actions were completed by management or are underway. Moving forward P-Card audits will be conducted once per year, at minimum. The next P-Card audit will occur in 2026.	Complete
4.	Develop Purchase Card Training Program	Compliance training was expanded to include a mandatory module regarding Purchase Card (P-Card) use to help ensure that all staff who use P-Cards are aware of and comply with all relevant policies, procedures, guidelines, and bylaws.	Complete
5.	Undertake employee fraud awareness survey	A fraud awareness survey was administered to City employees over a 4-day period to assess employee awareness of the Antifraud Policy and confidence in using reporting mechanisms without fear of retaliation. The survey was completed by 655 staff, and the results helped to inform enhancements to training and awareness initiatives.	Complete
6.	Sustain communication and awareness campaign	To enhance employees' awareness of fraud risk management efforts and their understanding of the Antifraud Policy and specific aspects such as obligations and secure mechanisms to report suspected	In Progress

		fraudulent activity, communication initiatives will be ongoing. This will include promotion of events such as Cybersecurity Awareness Month and International Fraud Awareness Month.	
7.	Review and update relevant procedures and guidelines	Policies, procedures, and guidelines undergo continuous review in order to ensure appropriate controls are in place to reduce the risk of fraud. For example, updates to the Recognition of City Employees Administrative Directive and Purchasing Card Guidelines are underway.	In Progress
8.	Investigate the use of AI and other technologies	Staff are exploring opportunities to leverage the use of technology such as advanced data analytics and artificial intelligence to improve the efficiency and effectiveness of internal audit and compliance monitoring activities.	In Progress
9.	Improve exit interviews	The exit interview process will be enhanced by adding questions about ethics and misconduct, and ensuring feedback is reviewed to identify risks or areas for improvement.	In Progress
10.	Ensure cross-functional FRMP oversight	Cross-functional committee oversight of the Fraud Risk Management Program will be implemented to ensure sufficient expertise from relevant areas including Law, Risk, Internal Audit, Finance, and HR.	In Progress
11.	Track and monitor fraud allegations	Centralized tracking and monitoring of all allegations of fraud or misconduct, including actions taken and outcome, will be developed to inform continuous improvement efforts.	In Progress
12.	Strengthen conflict of interest process	Documentation of all Conflict of Interest (COI) declarations, including those determined not to be a conflict will be required, and an annual COI declaration process will be implemented to facilitate ongoing oversight and annual reporting.	In Progress
13.	Create Employee Code of Conduct	A code of conduct outlining core values and expected ethical behaviour for all employees is in development.	In Progress
14.	Enhance employee reporting channels	To further enhance fraud reporting processes, a standard intake template is being developed to ensure no critical information is missed, and a mailing option will be introduced for	In Progress

		submitting written complaints. A sustained effort is being made to raise awareness of the non-retaliation protections in place for those who report suspected fraud. Employee pulse surveys will be conducted periodically to continuously assess employees' awareness and confidence in using reporting mechanisms without fear of retaliation.	
15.	Update Antifraud Policy and Administrative Procedure	Updates to fraud related policies and procedures are underway to reflect enhancements recently made and in progress. An updated Policy will be presented to the Finance and Audit Committee for approval. These policies and procedures will be reviewed regularly and shared with employees for mandatory acknowledgement.	In Progress
16.	Conduct financial signing authority training and reviews	Recurring training will be made available for all employees who are granted financial signing authority. Periodic reviews of delegated limits will be conducted.	In Progress
17.	Undertake fraud risk assessments	Entity-wide Fraud Risk Assessments (FRAs) will be included in the rolling Internal Audit Plan. Formal guidelines and a schedule for completing FRAs on a recurring basis will be established.	In Progress
18.	Strengthen background checks	Background checks will be strengthened to ensure they are role-specific and applied to internal promotions.	In Progress