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# Managing the risk of Fraud at Indigenous Services Canada (ISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC)

February 7, 2019



# Agenda

- Overview: Crown-Indigenous Relations and Northern Affairs Canada and Indigenous Services Canada
- Transformation
- Assessment and Investigation Services Branch
- Office of the Auditor General audit of Managing Risk of Fraud
- Fraud Risk Assessment
- Fraud Awareness
- Collaborating with AFOA on dealing with fraud

## Overview

August 2017 the Government of Canada announced the dissolution of Indigenous and Northern Affairs Canada (INAC) and the creation of two new departments: Department of Crown-Indigenous Relations and Northern Affairs (CIRNA), and the Department of Indigenous Services (ISC).

This change is an important step in building a nation-to-nation, Inuit-Crown, and government-to-government relationship with First Nations, Inuit, and Métis peoples in Canada.

# Crown-Indigenous Relations and Northern Affairs Canada (CIRNAC)

The Department was charged with the mandate to:

- Accelerate the work already begun to renew the nation-to-nation, Inuit-Crown, and government-to-government relationship between Canada and Indigenous Peoples; and,
- Modernize institutional structure and governance so that First Nations, Inuit, and Métis Peoples can build capacity that supports implementation of their vision of self-determination.

# Indigenous Services Canada (ISC)

The Department was charged with the mandate to:

- ensure an improved and consistent, high quality, and distinctions-based approach to the delivery of services to Indigenous Peoples; and
- support and empower Indigenous peoples to independently deliver services and address the socio-economic conditions in their communities.

The First Nation and Inuit Health Branch (formerly part of Health Canada) is part of Indigenous Services Canada.

# Transformation of CIRNAC and ISC

The transformation of CIRNAC and ISC will bring significant changes in the way that the Government of Canada is interacting with Indigenous Peoples. Some of these changes may affect how CIRNAC and ISC will manage the risk of fraud. For example:

## Implementation of the New Fiscal Relationship

- 10-year grant funding mechanism
- Eligibility requirements
- Reporting requirements
- Indigenous Auditor General

# Transformation of CIRNAC and ISC

## Improving Services to Indigenous Peoples and Communities

- Provide Indigenous Peoples and Communities with educational activities to raise awareness of Fraud;
- Provide training and tools within communities to develop their capacity to take a greater role in the Fraud Risk Management.
- Develop a Fraud Risk Assessment model that can be offered to FN communities to better manage their risk of fraud (forward looking opportunity)

# The Assessment and Investigation Services Branch

The Assessment and Investigation Services Branch (AISB) reports to the Chief Audit and Evaluation Executive and operates in an independent and objective manner. AISB provide services to both Departments.

The purpose and mission of AISB is to:

- Assist the Departments in fulfilling their commitment to improve results of programs and to enhance the federal government's transparency and the accountability of its programs;
- Assess allegations or complaints about wrongdoing from First Nation, Inuit and Metis members or employees of the Departments;
- Conduct financial reviews and examinations of recipients of departmental funding;
- Conduct investigations of allegations regarding the misuse of public funds and other fraudulent activities within Indigenous communities and CIRNAC/ISC.

# The Assessment and Investigation Services Branch

Various partners are supporting AISB with the conduct of its operations

- Internal Partners
  - Departmental sectors responsible for programs,
  - Regional offices
  - Departmental Security Officer
  - Labour Relations
- External Partners (consultants conducting financial reviews, forensic audits and Special Examinations)

AISB established a standing offer using the PASS Supply Arrangement from Public Services and Procurement Canada. This procurement mechanism is helpful to put contracts in place in a timely manner.

# The Assessment and Investigation Services Branch

AISB is dealing primarily with two types of file.

## Complaints

- Involve delivery of services

## Allegations

- Involve fraud and other wrongdoing

AISB is also consulted for investigations related to conflicts of interest, misconduct, misuse of Government assets and misuse of Government funds by a public servant, where Labour Relations or DSO are leading the investigation.

## OAG Audit on Managing the Risk of Fraud

The work of other External Assurance Providers such as the Office of the Auditor General of Canada (OAG), can also impact AISB work related to the management of the Risk of Fraud.

In the spring of 2017, the OAG published an audit report on Managing the Risk of Fraud that involved multiple Departments.

To address the recommendations of the OAG audit, AISB was tasked to contribute to the departmental Action Plan. Two out of six recommendations were assigned to us.

- Developing a Fraud Awareness training package for all staff.
  - Sessions were provided by AISB to all Regional Offices across Canada;
  - About 400 employees attended the session in 2017-2018.
- Review and update the Departmental Fraud Risk Assessment for both CIRNAC and ISC.

# Departmental Fraud Risk Assessment – Why is important

## Management Awareness

- Increase management's understanding and awareness of internal fraud risk exposure

## Prioritizing & Reducing Risk

- Provide a basis for prioritizing and enhancing anti-fraud controls and procedures to reduce risk exposure.

## Federal Government Policies

- Effective fraud prevention and detection controls are essential to enable management to protect the department's assets and reputation and comply with the requirements of the *Financial Administration Act* ("FAA").
- The Treasury Board Secretariat's (TBS) *Policy on Internal Controls* requires deputy heads and CFO's to conduct, address and action issues identified under the *Internal Control over Financial Reporting (ICFR)*. which includes "**...providing reasonable assurance that financial resources are safeguarded against material loss due to waste, abuse, mismanagement, errors, fraud, omissions and other irregularities.**"

# Departmental Fraud Risk Assessment (4 phases)

## Planning and Identification

- Confirm timing, tools, deliverables, focus, etc.
- Identify list of participants for workshops/interviews
- Develop preliminary list of fraud risk scenarios for review by management

## Risk Assessment

- Management to assess the fraud risks for impact and likelihood (inherent risk)
- Employees to participate in Fraud Risk Assessment workshops
- Management to review and discuss the results of the risk assessment and agree on the top risks

## Mapping to Controls and Follow up Interviews

- Map organizations existing controls to fraud risks and identify gaps/opportunities for improvement
- Conduct follow up interviews with select members of the management team to validate the results of the fraud risk assessment and gain their perspectives on responses for the top fraud risks

## Reporting

- Report and present the assessment results and recommendations for improvement

## Collaboration - The Department and AFOA

- Joint fraud awareness training
- Investigation guidelines
- Interchanges