

President  
of the Treasury Board



Président  
du Conseil du Trésor

Ottawa, Canada K1A 0R5

The Honourable Kevin Sorenson, P.C., M.P.  
Chair  
Standing Committee on Public Accounts  
House of Commons  
Ottawa, Ontario  
K1A 0A6

Dear Mr. Sorenson:

Pursuant to House of Commons Standing Order 109, please accept this as the Government Response to the Thirty-Sixth Report of the Standing Committee on Public Accounts entitled, "Report 1, Management of Fraud Risk, of the Spring 2017 Reports of the Auditor General of Canada."

On behalf of myself and my colleagues – the Minister of Crown-Indigenous Relations and Northern Affairs, the Minister of Indigenous Services, the Minister of Foreign Affairs, the Minister of Public Services and Procurement, and the Minister of Health – I would like to take the opportunity to thank you and the members of the Standing Committee for your commitment to ensuring effective public administration and sound financial management practices in the Government of Canada.

The Government of Canada must make sure that it effectively manages the risk of fraud to maintain Canadians' confidence in public services, preserve employee morale and avoid the loss of public money or property. As such, the Government of Canada agrees with the eight recommendations in the Thirty-Sixth Report of the Standing Committee on Public Accounts and developed comprehensive departmental action plans to address the report findings. The requested progress reports from the six implicated organizations are enclosed.

Yours sincerely,

A handwritten signature in black ink that reads "Scott Brison".

The Honourable Scott Brison, P.C., M.P.

Enclosure

Canada

**Response of the Canadian Food Inspection Agency**

#	Recommended Action	Progress Report
1.	Provide the Committee with a report detailing what progress has been made with regard to ensuring that their current fraud risk assessments are reviewed and updated periodically, following best practices.	<p><b>Action:</b> A revised Fraud Risk Assessment and periodic updates incorporating best practices.</p> <p><b>Implementation Status:</b> Completed by December 2017.</p> <p><b>High-level description:</b> The 2017 Fraud Risk Assessment was a collective effort across the Agency and was completed with an extensive amount of input from various stakeholders. A process and rating guide were developed to assess residual fraud risks. Existing corporate and operational fraud risk scenarios and related internal control information was reviewed and updated, including a consideration for new fraud risk scenarios. For each fraud risk scenario where residual risks were assessed as high risk, risk owners were required to develop mitigation measures. The results of the 2017 Fraud Risk Assessment will be endorsed by senior management through appropriate governance structures. Periodic updates thereafter and the status of mitigation measures will be reported on an ongoing basis.</p>
3.	Provide the Committee a report detailing what progress has been made with regard to identifying operational areas at higher risk for fraud and developing targeted training for employees in these areas, and ensuring that employees are taking mandatory training in a timely manner.	<p><b>Action:</b> Targeted, relevant information and training materials that addresses needs for employees in those areas of higher risk. Executive management contracts include performance objectives to ensure mandatory training is taken in a timely manner.</p> <p><b>Implementation Status:</b> Partial implementation. Fully implemented by March 2018.</p> <p><b>High-level description:</b> The Agency has conducted a needs assessment to address employee information needs, including training with the objective of mitigating fraud in those areas of higher risk</p>

		<p>and has developed the plan for production of deliverables.</p> <p>The method of delivery was determined in August 2017 and training products will be ready for release early 2018-19.</p> <p>Executive management contracts have been updated and executives are now ensuring all employees are taking mandatory training in a timely manner.</p>
<p>4.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to ensuring that the logs used to track and manage declarations of conflict of interest and the related mitigation measures have sufficient and complete information to support the timely resolution of employee declarations of conflict of interest.</p>	<p><b>Action:</b></p> <p>A revised conflict of interest tracking and logging system to ensure critical data is captured for enhanced tracking and reporting capabilities.</p> <hr/> <p><b>Implementation Status:</b></p> <p>Completed by April 2017.</p> <hr/> <p><b>High-level description:</b></p> <p>The tracking and logging system has been optimized to automatically capture processing times, approval times, and completion of follow-ups.</p>
<p>5.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to identifying operational areas at high risk for conflict of interest; ensuring that public servants occupying positions in those areas are reminded annually of their requirement to indicate whether or not they are in a conflict of interest; and, following up on the implementation of mitigating measures for conflicts of interest on a risk basis.</p>	<p><b>Action:</b></p> <p>Identify areas of high risk for conflict of interest and to consider whether additional mechanisms are required to confirm whether or not there is a conflict of interest.</p> <hr/> <p><b>Implementation Status:</b></p> <p>Completed by December 2017.</p> <hr/> <p><b>High-level description:</b></p> <p>Other government departments, unions and management have been consulted.</p> <p>A review of areas at high risk for conflict of interest has been completed. The review has determined that existing measures are sufficiently stringent. All employees are required to submit a Conflict of Interest report upon hiring at the CFIA and at any time should their situation change. This report is also acknowledged during annual performance reviews.</p> <p>A communications strategy has been generated to increase general awareness of the Conflict of Interest program. The plan includes communication packages throughout the year; with the audiences targeted based on the time of year and related activities (e.g. Gifts at Christmas, or Political</p>

		Activity during elections).
6.	Provide the Committee with a report detailing what progress has been made with regard to A) ensuring that contract files and contracting data are complete and accurate; and B) conducting data analytics and data mining to evaluate controls and identify signs of potential contract splitting, inappropriate contract amendments, and inappropriate sole-source contracting on a risk basis.	<p><b>Action:</b> Continue to perform ongoing validation analysis of procurement activity to ensure the accuracy and completeness of contract files, data and reporting. Identify how to best increase the use of data analytics to evaluate procurement and contracting controls and possible areas of concern.</p> <p><b>Implementation Status:</b> Partial implementation (for A &amp; B) Fully implemented by March 2018</p> <p><b>High-level description:</b> Monthly Validation Reports have been reviewed and revised as necessary to include other data fields required to enable the data analytic and data mining functions.  CFIA continues to do its mandatory monthly validation exercise of procurement data, as it has in the past. With the launch of the pilot project to focus on enhanced data mining, the CFIA will have a more robust system to analyze the data monthly to evaluate procurement and contracting controls and identify red flags. By the end of March 2018, CFIA will have the results from the pilot project and be in a position to report on enhanced data analytics.</p>
7.	Provide the Committee with a report detailing what progress has been made with regard to maintaining a comprehensive and complete log that captures and tracks the status of all allegations, where appropriate, including where corrective measures were implemented to prevent fraud.	<p><b>Action:</b> A centralized function and system to manage allegations and investigations of suspected fraud.  Periodic reporting on the status of allegations and corrective measures implemented.</p> <p><b>Implementation Status:</b> Partial implementation Fully implemented by March 2018</p> <p><b>High-level description:</b> A centralized management and tracking system, including identifying roles and responsibilities for the tracking of allegations is in development, and is anticipated to be implemented by March 2018.</p>

		<p>Periodic reporting on the status of allegations and corrective measures will be endorsed by senior management through appropriate governance structures on an ongoing basis.</p>
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**Response of Global Affairs Canada**

#	Recommended Action	Progress Report
1.	Provide the Committee with a report detailing what progress has been made with regard to ensuring that their current fraud risk assessments are reviewed and updated periodically, following best practices.	<p><b>Action:</b> Review and update the department's fraud risk assessment, including a verification of the effectiveness of controls.</p> <p><b>Implementation Status:</b> Preparation for implementation</p> <p><b>High-level description:</b> Global Affairs Canada (GAC) is using external professional resources to review and update its fraud risk assessment. Expected completion date is April 2018.  As part of the verification of the effectiveness of the Department's controls, various internal audits, reviews and continuous audit work is performed to test key fraud-related internal controls. For instance, various audits of management practices at missions have been conducted over the past two years to identify challenges and propose mitigation measure to address fraud risks.  In conjunction with the Fraud Risk Assessment, GAC has developed a Fraud Risk Management Action Plan that is review quarterly. The goal of the Action Plan is to identify priorities/gaps and have a whole-of-department approach in the response to fraud risk. Also, GAC is developing an Integrated Mission Risk Framework with the objective to establish a consistent methodology that the Department can apply when rating the risk level in its operations abroad, including fraud risk.</p>
3	Provide the Committee a report detailing what progress has been made with regard to identifying operational areas at higher risk for fraud and developing targeted training for employees in these areas, and ensuring that employees are taking mandatory training in a timely manner.	<p><b>Action:</b> Develop and implement new online courses on fraud awareness and Values and Ethics for all GAC personnel, as well as targeted training for program managers abroad operating in environments where corruption and fraud risks are high.</p> <p><b>Implementation Status:</b> Full implementation</p> <p><b>High-level description:</b> Please see response for recommendation #1 which also addresses high risk areas for fraud through a fraud risk assessment.</p>

A new on-line course on fraud awareness with a focus on identification, prevention and reporting of potential or alleged fraud was launched mid-January 2018. This training is required for all GAC personnel, including staff in our mission network, to mitigate significant organizational risk - with biennial recertification. The course will be accessible through MyAccount to GAC employees and other government departments who work at GAC missions. In addition, targeted training for heads of missions (HOM) and management consular officers (MCO) abroad has been enhanced. The purpose of this training is to provide managers working in vulnerable missions where fraud and corruption are prevalent with tools to prevent, detect and respond to potential fraud. This training also focuses on the importance of robust internal controls as the corner stone of an efficient risk mitigation strategy. For example, regional training workshops with a strong focus on fraud risk management have been held in seven locations around the world in 2017.

Also, a new on-line course on values and ethics which includes a focus on Conflict of Interest (COI) was developed and was launched at the end of January 2018. The course is mandatory for all employees with the need to repeat the course every two years. The upcoming pre-posting training season (spring 2018) has been enhanced with additional training sessions targeted to key audiences, such as management staff responsible for contracting processes at missions, on Values and Ethics including COI requirements.

The on-line course will also be accessible through MyAccount to GAC employees and other government departments who work at GAC missions. Employees are notified as part of the letter of offer for Canada-based staff (CBS). Employees will receive an automatic email notification informing them that they need to complete the training by June 2018 (notification will start in winter 2018 once the certification function testing is finalized).

3042 Locally Engaged Staff (LES) accounts have been created in the learning management system of the department since November 2017. LES accounts were created at the end of January 2018 to provide LES's equal access to learning products, and to be able to report accurately every trimester.

<p>4.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to ensuring that the logs used to track and manage declarations of conflict of interest and the related mitigation measures have sufficient and complete information to support the timely resolution of employee declarations of conflict of interest.</p>	<p><b>Action:</b></p> <p>Implement a new electronic case management software to track and manage the Conflicts of Interest (COI) caseload. All Values and Ethics Advisors will be using this system that offers a central repository for all case information as well as enhanced functionalities such as automatic reminders for case actions, automatic correspondence and forms, and statistical reports.</p> <hr/> <p><b>Implementation Status:</b></p> <p>Full implementation</p> <hr/> <p><b>High-level description:</b></p> <p>Logs of requests for COI were centralized and declarations have been enhanced by inputting additional information. A new case management software was identified that could offer enhanced tracking. This new software has been purchased and programmed to capture COI requirements. The newly added data fields improve COI reporting. Values and Ethics Senior Advisors have been trained on its use and as of January 2018, all new COI requests are being captured using the new software.</p>
<p>5.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to identifying operational areas at high risk for conflict of interest; ensuring that public servants occupying positions in those areas are reminded annually of their requirement to indicate whether or not they are in a conflict of interest; and, following up on the implementation of mitigating measures for</p>	<p><b>Action:</b></p> <p>Develop a corporate wide strategy to identify areas of high risk for ethical breaches and COI, including a review of prior COI requests. This review will allow the identification of trends, risk areas, reporting gaps as well as awareness/training priorities to best support the organization.</p> <p>Develop and implement a new mandatory COI on-line course for all GAC personnel and ensure training is provided to personnel in positions that could be at higher risk for COI.</p> <hr/> <p><b>Implementation Status:</b></p> <p>Partial implementation</p>

	<p>conflicts of interest on a risk basis.</p>	<p><b>High-level description:</b></p> <p>A new on-line course on Values and Ethics which includes a focus on COI was developed and was launched at the end of January 2018. The course is mandatory for all employees with the need to repeat the course every two years. The upcoming pre-posting training season (spring 2018) has been enhanced with additional training sessions targeted to key audiences, such as management staff responsible for contracting processes at missions, on Values and Ethics including COI requirements.</p> <p>Further to this, reminders of COI requirements are communicated regularly to all staff (quarterly). An example of this is a broadcast message that was issued to all staff at the beginning of the holiday season on the topic of gifts.</p> <p>A review of prior COI requests began in January 2018 to identify trends related to certain types of requests.</p> <p>In addition, discussions have commenced in regard to the development of a strategy to identify areas of high risk for COI and ethical breaches. Discussions have included elements such as reinforcing the role of the manager, following up on mitigation measures, and enhancing reporting. The hardship level of our missions abroad has been added to the tracking of all COI requests. This information will assist in identifying if any trends related to certain mission environments result in the need for focused training or other additional measures.</p> <p>An ethical risk framework exists which will support the development of an Ethical Risk Assessment Strategy. Implementation of the Strategy and resulting recommendations is targeted for completion in March 2019.</p>
6.	<p>Provide the Committee with a report detailing what progress has been made with regard to A) ensuring that contract files and contracting data are complete and accurate; and B) conducting data analytics and data mining to evaluate controls and identify signs of</p>	<p><b>Action:</b></p> <p>GAC Procurement Officers are appropriately trained in order to ensure that contract files and contracting data are complete and accurate. Furthermore, GAC has taken steps to improve system data integrity and has introduced automated tools for analyzing procurement data to detect potential fraudulent activities.</p> <hr/> <p><b>Implementation Status:</b></p> <p>Full implementation.</p>

potential contract splitting, inappropriate contract amendments, and inappropriate sole-source contracting on a risk basis.

**High-level description:**

GAC has taken measures to ensure that its Procurement Officers and other non-specialist Procurement stakeholders are appropriately supported and trained in order to ensure that contract files and contracting data are complete and accurate.

These measures include new procurement tools, such as checklists, which have been updated and posted to the Procurement website. Furthermore, training sessions have been developed and delivered to GAC procurement officers and other non-specialist procurement stakeholders on the Finance and Administrative System to reinforce the need for complete and accurate contract files and contracting data.

In addition, an automated Contract Data Monitoring Tool has been developed and implemented and is being used to help identify data integrity concerns and potential fraudulent activities. This tool scans the procurement data in the Finance and Administrative System to identify predetermined patterns or actions that indicate possible data entry errors or inappropriate actions. Flagged entries are then analyzed by experienced Procurement staff to determine if entries need to be rectified or if further investigation is required.

While a quality assurance process was already in place, a more formal and strengthened peer review process has been developed and implemented to ensure file completeness and accuracy based on a review by senior procurement officers. The new peer review and quality assurance processes strengthen quality control practices during the procurement process and support mentoring for junior procurement staff. In addition Requests for Proposals are reviewed by senior procurement officers to ensure accuracy and quality prior to being released for bidding. Governance in the form of contract review boards are in place to ensure a departmental review of important procurements. The 'InfoBank' document management system is used to store procurement related information and retain historic data. A routing slip template has been created to track file history. For fiscal year 2018-2019 all construction contracts will be centrally managed in a central e-document location. The aforementioned actions were completed as of September 2017.

<p>7.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to maintaining a comprehensive and complete log that captures and tracks the status of all allegations, where appropriate, including where corrective measures were implemented to prevent fraud.</p>	<p><b>Action:</b> Implement a system to capture and track the status of allegations that lead to internal investigations into the loss of funds and property across the department.</p> <p><b>Implementation Status:</b> Full implementation</p> <p><b>High-level description:</b> GAC implemented a new case management system in 2017 which has improved tracking and reporting on internal investigations. The migration of active case files to the new system is completed while the migration of closed case files is expected to be completed by April 2018.</p> <p>The new system also captures investigations conducted independently in the field by missions to get a complete picture of the risk of fraud across the organization.</p>
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**Response of Health Canada**

#	Recommended Action	Progress Report
2.	Provide the Committee with a report detailing what progress has been made with regard to ensuring that a fraud risk assessment is conducted that considers all areas of its organization and follows best practices.	<p><b>Action:</b> Health Canada is currently conducting a comprehensive fraud risk assessment that considers all areas of its organization and follows current best practices.</p> <p><b>Implementation Status:</b> Partial Implementation Field work to be completed at the end of March 2018 and report due in June 2018.</p> <p><b>High-level description:</b> Health Canada has engaged a firm to conduct a comprehensive fraud risk assessment that follows current best practices. The Office of Audit and Evaluation and the Chief Financial Officer Branch are supporting this work.</p> <p>A contract was initiated with a leading firm to support this work and the planning phase of the Fraud Risk Assessment is complete (December 31, 2017). The field work is underway and the project is expected to meet its scheduled time frame for the Department to receive a draft report at the end of March 2018. The final fraud risk assessment report will be tabled at the Departmental Audit Committee of June 20, 2018.</p>
3.	Provide the Committee a report detailing what progress has been made with regard to identifying operational areas at higher risk for fraud and developing targeted training for employees in these areas, and ensuring that employees are taking mandatory training in a timely manner.	<p><b>Action:</b> Develop a training completion report and distribute to Senior Management to allow for better tracking of training completion rates. Continue to deliver and track specialized training for new regulators which promotes values and ethics and “right-doing”.</p> <p><b>Implementation Status:</b> Complete implementation in December 2017</p> <p><b>High-level description:</b> Health Canada will continue to deliver its specialized training for regulators that promotes values and ethics and right-doing. As well, a training completion report for the mandatory training on <i>Values and Ethics in the Workplace for Managers</i> was developed. The updated report was provided to management on the completion status. The status reports will allow management to track progress of managers required to take the training. The status reports were also presented in December 2017 to the National Union Management Consultation Committee via the Multi-year Mental Health and Wellness Strategy. The evidence was submitted to Internal Audit for further review and the recommendation was deemed complete.</p>

<p>4.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to ensuring that the logs used to track and manage declarations of conflict of interest and the related mitigation measures have sufficient and complete information to support the timely resolution of employee declarations of conflict of interest.</p>	<p><b>Action:</b> Develop additional fields in the conflict of interest case management system</p> <hr/> <p><b>Implementation Status:</b> Complete implementation in March 2017</p> <hr/> <p><b>High-level description:</b> In March 2017, the Corporate Services Branch – Conflict of Interest Directorate developed additional fields in the conflict of interest case management system to allow them to more effectively track the priority and risk associated with each declaration, the declarer’s acknowledgement of any imposed restrictions, and the completion timeframes for each case. On July 21, 2017, the Corporate Services Branch presented this item as an update to the Departmental Audit Committee. Following this, the evidence was submitted to Internal Audit for further review and the recommendation was deemed complete.</p>
<p>6.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to A) ensuring that contract files and contracting data are complete and accurate; and B) conducting data analytics and data mining to evaluate controls and identify signs of potential contract splitting, inappropriate contract amendments, and inappropriate sole-source contracting on a risk basis.</p>	<p><b>Action:</b> Enhance data analytics and data mining practices with specific considerations for data quality and detection of potential contract splitting, abuse of amendments and inappropriate sole-source contracting.</p> <hr/> <p><b>Implementation Status:</b> Complete implementation in September 2017</p> <hr/> <p><b>High-level description:</b> The Chief Financial Officer Branch has enhanced its procurement data analytics, data mining as well as its quality assurance practices. The Branch began with analyzing a three month period of contracting data to have more detailed information on contract amendments, sole source contracting with a focus on risk of contract splitting and increased its frequency of randomly sampling procurement files as a part of its enhanced quality assurance process. The results and methodology were presented in September 2017 to Health Canada’s Shared Service Partnership Contract Review Committee. The data analytics methodology was assessed by the Committee and it was determined that it has strengthened the operating effectiveness of the procurement and contracting controls. The quality assurance monitoring of contracting files is performed and reported on a monthly basis and further data analytics (i.e. contract amendments, contract splitting) are performed and reported on a quarterly basis. The evidence was submitted to Internal Audit for further review and the recommendation was deemed complete.</p>

**Response of Crown-Indigenous Relations and Northern Affairs and the Department of Indigenous Services Canada**

#	Recommended Action	Progress Report
1.	Provide the Committee with a report detailing what progress has been made with regard to ensuring that their current fraud risk assessments are reviewed and updated periodically, following best practices.	<p><b>Action:</b> Implement approaches to conducting fraud risk assessments for both new departments. Develop a plan for conducting the next fraud risk assessments to be implemented in 2018-2019.</p> <p><b>Implementation Status:</b> Planning Stage. Implementation of the action plan for the previous Indigenous and Northern Affairs Canada Department-wide fraud risk assessment is nearly complete. Consultations have taken place between the Chief Finances, Results and Deliver Officer Sector and the Audit and Evaluation Sector on leadership for the fraud risk assessment. Appropriate funding is being identified to support planning and conduct of the fraud risk assessment. With the creation of Department of Indigenous Services Canada (DISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNA) a revised plan and approach is required to conduct fraud risk assessments for the two newly created departments.</p> <p><b>High-level description:</b> Approach, scope, budget, and resourcing for conducting the fraud risk assessments will be defined.</p> <p>Resources for conducting the risk assessments will be identified.</p> <p>External resources will be procured.</p> <p>The planning stage is expected to be completed by the end of the first quarter of 2018-2019.</p> <p><b>Action:</b> Review and update the department-wide fraud risk assessment according to the revised approach following best practices.</p> <p><b>Implementation Status:</b> In planning phase to determine the approach to conduct fraud risk assessments for the Department of Indigenous Services Canada (DISC) and Crown-Indigenous Relations and Northern Affairs Canada (CIRNA).</p> <p><b>High-level description:</b> Risk assessment workshops will be conducted with department business sectors and regions.</p> <p>Business sectors and regions will prepare fraud risk response plans to address the findings of the fraud risk</p>

		<p>assessment.</p> <p>The fraud risk assessment is expected to be completed by March 31, 2019.</p>
3.	Provide the Committee a report detailing what progress has been made with regard to identifying operational areas at higher risk for fraud and developing targeted training for employees in these areas, and ensuring that employees are taking mandatory training in a timely manner.	<p><b>Action:</b> Implement whereby high risk areas of fraud are identified on an ongoing basis through the investigative work on complaints and allegations and with fraud risk assessments as part of every internal audit engagement.</p>
		<p><b>Implementation Status:</b> Completed May 2017</p>
		<p><b>High-level description:</b> Every internal audit engagement now includes a fraud risk assessment. High risk areas are identified and reported to the Assessment &amp; Investigation Services Branch for further investigation, as part of their ongoing work investigating complaints and allegations.</p>
		<p><b>Action:</b> Incorporate basic fraud elements in the ongoing mandatory values and ethics training provided to employees. Provide Senior Management with a monthly report on the number of employees who attend the training. Ensure all employees receive the same training.</p>
		<p><b>Implementation Status:</b> Completed December 2017</p>
		<p><b>High-level description:</b> Mandatory Values &amp; Ethics training including fraud and conflict of interest is offered to all employees on an ongoing basis. Scheduled dates for the 2017-2018 fiscal year's training are currently available on the Intranet and the Centre for Integrity, Values and Conflict Resolution is working with Senior Management to ensure staff attend. The Centre reports to Senior Management monthly on training provided.</p>
		<p><b>Action:</b> Provide specialized construction fraud training in all regions.</p>
		<p><b>Implementation Status:</b> Completed December 2016</p>
		<p><b>High-level description:</b> Training to all regions was completed prior to the end of the Fraud Risk Management audit.</p>
4.	Provide the Committee with a report detailing what progress has been made with regard to ensuring that the	<p><b>Action:</b> Modify log to include whether or not it was a conflict of interest, date declarations received and closed as well as an assessment of the risk involved (low, medium, high).</p>

	<p>logs used to track and manage declarations of conflict of interest and the related mitigation measures have sufficient and complete information to support the timely resolution of employee declarations of conflict of interest.</p>	<p><b>Implementation Status:</b> Completed April 2017</p>
		<p><b>High-level description:</b> The log was modified to include the date that declarations are received and closed as well as an assessment of the level of risk involved (High, Medium, Low). For the more complex files, the Department keeps hard copy files, when it is not possible or practical to have all the relevant information entered in the log, given its limitation.</p>
<p>5.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to identifying operational areas at high risk for conflict of interest; ensuring that public servants occupying positions in those areas are reminded annually of their requirement to indicate whether or not they are in a conflict of interest; and, following up on the implementation of mitigating measures for conflicts of interest on a risk basis.</p>	<p><b>Action:</b> Consulted senior management to identify areas at high risk for conflict of interest. Inform employees working in areas identified as high risk about conflict of interest and remind them of their obligation to report any conflict of interest.</p>
		<p><b>Implementation Status:</b> Completed summer 2017</p>
		<p><b>High-level description:</b> Operational areas at high risk for conflict of interest have been identified. Senior Management was asked to identify operational areas at high risk for conflict of interest and employees working in those areas were reminded by their supervisor of conflict of interest and the process to report any conflict of interest.</p>
		<p><b>Action:</b> Develop and communicate a process to ensure mitigation measures will be implemented when an employee identifies a high risk of conflict of interest.</p>
		<p><b>Implementation Status:</b> Completed summer 2017. On – going – after the review of a confidential report, whenever mitigating measures are deemed necessary, approval of the appropriate level of authority is obtained (based on the sub-delegation instrument).</p>
		<p><b>High-level description:</b> When mitigation measures are communicated to employees, their supervisors are copied, and employees sign to acknowledge them. Managers then ensure the measures are implemented. If issues arise, the situation is revisited if additional risks to the Department are identified.</p>

<b>6.</b> Provide the Committee with a report detailing what progress has been made with regard to A) ensuring that contract files and contracting data are complete and accurate; and B) conducting data analytics and data mining to evaluate controls and identify signs of potential contract splitting, inappropriate contract amendments, and inappropriate sole-source contracting on a risk basis.	<b>Action:</b> Train procurement staff on Fraud Risk Management.
	<b>Implementation Status:</b> Completed February 27, 2017
	<b>High-level description:</b> A course was developed and presented to all PGs within the HQ Procurement Hub on February 22, 2017 and the BC Procurement Hub on February 27, 2017.
	<b>Action:</b> Implement standardization practices regarding file numbering of contract files, for improved search capability.
	<b>Implementation Status:</b> Completed March 1, 2017
	<b>High-level description:</b> Various filing number systems were integrated using the current convention and numbers have been cross-referenced in SAP and on contract files.
	<b>Action:</b> Establish a protocol for the storage of contract files on-site for purposes of quality assurance review and audit.
	<b>Implementation Status:</b> Completed April 15, 2017
	<b>High-level description:</b> Approximately 200 boxes of contract files have been transferred to the Records Office for proper labelling, consolidation of documents and archiving of files for future retrieval and ultimate disposal. Files labelled using our previous system (OASIS) were cross-referenced using SAP, thereby facilitating future search in the system.
<b>Action:</b> Organize file material for ease of access and rapid retrieval of information.	
<b>Implementation Status:</b> Completed April 15, 2017	

	<p><b>High-level description:</b> Working tools were provided to staff to identify all required information to be included in contract files and the order in which required documentation is to be filed.</p>
	<p><b>Action:</b> Complete a quality assurance and compliance review of contract files to determine among other things fraud risk indicators in contracts.</p>
	<p><b>Implementation Status:</b> Completed November 2016</p>
	<p><b>High-level description:</b> A quality assurance review of 90 contract files was conducted and a summary report was prepared identifying the overall quality of transaction files and documentation in which sole sourcing and contract amendments were reviewed. Specific training was provided to procurement staff in January 2017 based on the observations of the quality assurance report to address issues related to data input into SAP, issues involving sole source contracting and other policy-related issues.</p>
	<p><b>Action:</b> The template and sampling tool to conduct yearly quality assurance and compliance review of contract files have been updated.</p>
	<p><b>Implementation Status:</b> Completed June 30, 2017</p>
	<p><b>High-level description:</b> The template used for quality assurance reviews of contract files was updated to identify fraud risk factors in contracts.</p>
	<p><b>Action:</b> Software to conduct data analytics and data mining in contracts has been purchased.</p>
	<p><b>Implementation Status:</b> Completed June 30, 2017</p>
	<p><b>High-level description:</b> ACL Analytics software license has been purchased to further advance the use of data analytics and data mining to detect potential procurement fraud risks. Training was provided in December 2017. The</p>

		software will be used to identify potential procurement fraud risks in 2018-19.
7.	Provide the Committee with a report detailing what progress has been made with regard to maintaining a comprehensive and complete log that captures and tracks the status of all allegations, where appropriate, including where corrective measures were implemented to prevent fraud.	<p><b>Action:</b> Tracking log has been updated to include the status of all allegations and corrective measures implemented.</p> <p><b>Implementation Status:</b> Completed September 2017</p> <p><b>High-level description:</b> The allegations tracking log is more comprehensive and complete and includes source and nature of complaints and allegations; and a reference to corrective measures required and implemented. Results were presented for information to the Audit Committee in December 2017.</p>

**Response of Public Services and Procurement Canada**

#	Recommended Action	Progress Report
2.	Provide the Committee with a report detailing what progress has been made with regard to conducting fraud risks assessments that consider all areas of their organizations and that follow best practices.	<p><b>Action:</b> Conduct a departmental-wide fraud risk assessment and mapping of existing and recommended mitigation measures including management controls. This assessment will be input into the Departmental Risk Profile.</p> <p><b>Implementation Status:</b> Ongoing Implementation.</p> <p><b>High-level description:</b> Using best practices on risk management from a number of organizations, including the Treasury Board Secretariat, the Canadian Standards Association, the International Organization for Standardization, the Association of Certified Fraud Examiners, the Institute of Internal Auditors, a departmental-wide fraud risk assessment and mapping of existing and future fraud risk management controls is being conducted in three phases from 2017 to 2020, encompassing all relevant business lines.</p> <p>For fiscal year (FY) 2017-2018, the fraud risk assessment will focus on contracting activities. The assessment will be extended to include real property transactions (Phase 2 in FY 2018-2019) and other key business lines that might be vulnerable to fraud, such as the Receiver General functions and pay (Phase 3 in FY 2019-2020).</p> <p>PSPC is currently conducting the first phase of fraud risk assessment focusing on contracting activities.</p> <p>Internal stakeholders discussed and identified key procurement fraud risks, existing controls and mitigating measures that are currently in place.</p> <p>For each identified fraud risk, PSPC has documented the description of the risk, their respective causes, consequences, internal controls, and residual risks.</p> <p>Internal stakeholders will be engaged further to identify any residual fraud risks that are not mitigated to an acceptable level and to make recommendations on further mitigation strategies. This engagement is scheduled for February 2018.</p> <p>The fraud section in the Departmental Risk Profile will be refreshed before September 2018 to include the results of the departmental fraud risk assessment related to procurement activities.</p> <p>The monitoring and reporting process of the Departmental Risk Profile is expected to be completed by March 2018.</p>

<p>3.</p>	<p>Provide the Committee a report detailing what progress has been made with regard to identifying operational areas at higher risk for fraud and developing targeted training for employees in these areas, and ensuring that employees are taking mandatory training in a timely manner.</p>	<p><b>Action:</b> Provide mandatory employee training on Conflict of Interest and Values and Ethics, which includes information on fraud risk, and identify high risk employees for targeted training</p> <p><b>Implementation Status:</b> Ongoing Implementation.</p> <p><b>High-level description:</b> PSPC has introduced a suite of mandatory online training courses and practices to strengthen employee awareness of fraud risk. The new Learning Management System was launched in April 2017, along with the new online values and ethics awareness learning and assessment tool rolled out to all new employees and students. As of January 5, 2018, 906 new employees have completed training. Completion on a monthly basis is being monitored and reminders are sent to employees who have not completed the training within six months of hire. The training will be mandatory for all employees as of April 1, 2018, and will be monitored by Human Resources Branch.</p> <p>The Conflict of Interest training was also updated in Spring 2017 to include information on fraud. Since the update, 24 sessions were delivered to 281 employees. The training continued to be provided on request through the department’s training catalogue. PSPC will continue to identify sectors and occupational areas at higher risk of fraudulent practices for targeted training.</p> <p>Further, a new online course on how to identify and report fraud and wrongdoing was launched in the Spring of 2017. Since then, 315 employees have subsequently taken the course.</p>
<p>4.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to ensuring that the logs used to track and</p>	<p><b>Action:</b> Enhance conflict of interest tracking logs by including the COI determination (none, real, potential or apparent) resulting from the employee declaration.</p> <p><b>Implementation Status:</b> Ongoing Implementation</p>

	<p>manage declarations of conflict of interest and the related mitigation measures have sufficient and complete information to support the timely resolution of employee declarations of conflict of interest.</p>	<p><b>High-level description:</b> PSPC has added a column to its Conflict of Interest (COI) tracking log, as of January 2017, to include data that captures the COI determination and outcome (none, real, potential or apparent) resulting from the declaration. PSPC will be conducting regular monitoring on a monthly basis to ensure follow-ups and consistency on the completion and data entry into this new column. PSPC's current process ensures that employees' management is aware of mitigation measures by issuing a letter to the employee on which the manager is copied. PSPC has a service standard in place (60 business days).</p>
<p>6.</p>	<p>Provide the Committee with a report detailing what progress has been made with regard to A) ensuring that contract files and contracting data are complete and accurate; and B) conducting data analytics and data mining to evaluate controls and identify signs of potential contract splitting, inappropriate contract amendments, and inappropriate sole-source contracting on a risk basis.</p>	<p><b>Action:</b> Implement an ongoing Departmental Contract Monitoring Program which includes risk based reviews to target contract splitting, amendments, and rationales for non-competitive contracts.</p> <p><b>Implementation Status:</b> Completed September 2016.</p> <p><b>High-level description:</b> PSPC will continue its initiative to improve data quality through measures that ensure complete information is captured in the departmental financial and materiel management system. Departmental contract monitoring is ongoing and includes risk-based reviews that target contract splitting, amendments, and rationales for non-competitive contracts.</p> <p>In September 2016, PSPC implemented a risk-based validation of contracts through a weekly monitoring of program to detect anomalies and ensure corrective action is taken where appropriate. PSPC monitors data in the system on a weekly basis and are addressing issues as they are identified. Concurrently, PSPC is documenting procedures to support the branches in improving behaviours, and taking corrective measures whether it be documentation, requesting system changes, or training and info sessions to improve data integrity. As of September 2017, no issues related to policy compliance were found that would have needed to be raised for further investigation.</p>

Response of the Treasury Board of Canada Secretariat

#	Recommended Action	Progress Report
8A.	<p>Provide the Committee with a report detailing what progress has been made with regard to:</p> <p>A) increasing awareness across the Government of Canada of the importance of managing fraud risks by supporting senior management in implementing fraud risk management; and</p>	<p><b>A) Increasing Awareness</b></p> <p><b>Action 1:</b> In support of senior management implementing fraud risk management, Treasury Board Secretariat's Office of the Comptroller General (TBS OCG) conducts ongoing activities that increase awareness across the government's financial and internal audit communities of the importance of managing fraud risks.</p> <hr/> <p><b>Implementation Status:</b> Ongoing Implementation.</p> <p><b>High-level description:</b></p> <p>There are a number of activities that TBS OCG has undertaken to ensure that departments are aware of the importance of fraud risk management as well as the information, tools and models available to facilitate the implementation of sound fraud risk management practices. OCG conducted or will conduct the following activities to promote awareness on the importance of managing the risk of fraud:</p> <p>In May 2017, OCG sent a communiqué to departments to:</p> <ul style="list-style-type: none"> <li>- Direct them to comply with the specific standards issued by the Institute of Internal Auditors on the management of fraud risks in accordance with the new <i>Policy on Internal Audit</i>.</li> <li>- Remind them of the roles and responsibilities of Deputy Heads and Chief Financial Officers in the <i>Policy on Financial Management</i> which contains specific requirements for internal control over financial reporting and for safeguarding financial resources against fraud.</li> </ul> <p>June 2017 – a presentation was made by the OCG to the Heads of Professional Practices Units on the role of internal audit regarding fraud.</p> <p>June 2017 – the OCG organized the delivery of a presentation to the CFO community on 'Managing the Risk of Financial Fraud'.</p> <p>November 2017 – An OCG consultation took place with the Internal Control working group to promote awareness and to gather departmental Fraud Risk Management tools, documentation and frameworks.</p>

		<p>March 2018 – OCG will develop content on fraud risk in the revised TBS OCG <i>Guidebook for a Departmental Audit Committee</i> to ensure that members have sufficient context to address fraud risk. The revisions to the Guidebook will also help Departmental Audit Committee members exercise their challenge function, as appropriate, with regard to results of fraud risk assessments and/or fraud risk management frameworks as part of discharging their responsibilities for risk management in the department.</p> <p>March 2018 – OCG will create a website available to government employees using Web 2.0 tools in collaboration with a Government-wide fraud risk community of practice with links to fraud risk management resources and references that have been compiled through research and consultations.</p> <p>Ongoing – OCG will create a repository of best practices as well as training content on fraud risk management from across government, other jurisdictions and internationally, which will be available to federal employees using Web 2.0 tools.</p> <p>Ongoing – OCG will support fraud risk management activities in departments by promoting the internal government website which will provide information and models that can be used and adapted to address specific risk thresholds in departments.</p> <p>Ongoing – OCG, on an annual basis, will remind departments on the importance of managing the risk of fraud through community events and presentations, such as CAE annual meeting and the Heads of Professional Practices annual meeting.</p>
<b>8B.</b>	B) The consideration of issuing specific guidance on managing fraud risks and how its implementation could be monitored.	<p><b>B) Need for Specific Guidance</b></p> <p><b>Action 2:</b> The Office of the Comptroller General has consulted departments on the need to update its guidance on the management of fraud risks in a number of meetings:</p> <ul style="list-style-type: none"><li>- OCG consultations with its interdepartmental Policy Implementation Working Group of Deputy Chief Financial Officers (DCFO) on September 26, 2017.</li><li>- OCG consultations with Chief Audit Executives on November 16, 2017 and January 15, 2018.</li></ul>

		<p><b>Implementation Status:</b> Ongoing Implementation.</p> <p><b>High-level description:</b> Consultations with DCFOs and CAEs indicated that there was sufficient guidance currently available related to the management of fraud risk. However, they noted that with a decentralized approach to managing risk fraud the broader government would benefit from the sharing of departmental best practices in order to obtain additional information on governance as well as the roles and responsibilities related to fraud risk management.</p> <p>The Office of the Comptroller General will address the comments raised during these consultations by conducting the activities in recommendation 8A as well as the following:</p> <p>Ongoing – OCG will support efforts among departments to establish a fraud risk community of practice that would leverage internal audit and financial management experience and expertise.</p> <p>Ongoing – OCG will establish a standing item in annual OCG-led meetings that will discuss and share progress on the implementation of fraud risk management measures in departments. As part of this standing item, OCG will also confirm with stakeholders if there is a need for additional guidance for the management of fraud risk commensurate with emerging risks, trends or issues across the Government of Canada.</p> <p>Ongoing – OCG will continue to monitor the management of fraud risk from a financial management perspective through its various working groups including the internal control working group and the Financial Management Implementation advisory group.</p> <p>Ongoing- OCG will continue to monitor findings from external and periodic assessments of federal government internal audit functions. Internal audit functions are encouraged to conduct these assessments as per the requirements of the <i>Policy on Internal Audit</i> and its relative directive. These assessments review and identify potential issues related to control, risk and fraud risk in internal audit.</p>
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