

**POLICY: FINANCE –  
REPORTING OF FRAUDULENT OR RELATED  
DISHONEST ACTS**

**POLICY #: B-FIN-09**

COMMITTEE:	Finance & Audit	PASSED:	28 May 2015
TOPIC:	Reporting of Fraudulent or Related Dishonest Acts	AMENDED:	
		REVIEW PERIOD:	3 - 5 years

**PURPOSE**

To provide guidelines with respect to steps to be taken when fraud or related dishonest activities are suspected.

To ensure that the Board Chair is made aware in a timely and appropriate manner of the possibility of significant financial losses suffered by the Library.

To ensure that the Board is made aware in a timely and appropriate manner of any significant financial losses suffered by the Library.

To ensure that Council is made aware in a timely and appropriate manner of significant financial losses suffered by the Library.

**POLICY**

The District of North Vancouver Public Library ("Library") adopts the District of North Vancouver's Reporting of Fraudulent or Related Dishonest Activities Policy No. 5-2660-1. In recognition of the fact that complete independence is required in the investigation of fraud and dishonest acts, the Director of Library Services and the Chief Financial Officer ("CFO") have a limited role in the reporting structure. Matters of fraudulent and related dishonest acts are reported directly to the Internal Auditor ("IA"). For clarity purposes, reference in Policy No.5-2660-1 to the Director is understood to mean "Manager" in the Library organizational structure.

The Library is committed to the prevention, deterrence, detection and investigation of all forms of fraud or related dishonest activities. This commitment recognizes the inherent limitations of internal controls in reducing the risk of fraud or dishonest activities from the operation of an organization.

Management is responsible for the design and implementation of internal controls to deter and detect fraudulent or related dishonest activities in their areas of responsibility. When an improper activity is detected or suspected, management should determine whether an error or

mistake has occurred or if there may be dishonest or fraudulent activity. Management is also responsible for referring suspicions of fraud to the IA. The IA has the primary responsibility for the initial investigation of allegations of fraudulent or related dishonest activities committed by, within, or against the Library.

The IA will notify the Library Director or Board Chair and the appropriate senior management (including the CFO) of a reported suspicion of fraudulent or related dishonest activities upon the commencement of the investigation to the extent practical. Throughout the investigation those individuals with "a need to know" will be informed of pertinent investigative findings.

## **CONFIDENTIALITY**

The identity of persons reporting matters covered by this policy will not be disclosed to any third party not involved in the investigation or prosecution of the matter. The person making the allegation will retain anonymity to all other employees and the public unless they agree otherwise. Where concerns cannot be resolved without revealing their identity (i.e. if the evidence is required in court), a dialogue will be carried out with the employee concerned as to whether and how the matter can be proceeded.

The only exception for breaching confidentiality would be for an overriding legal obligation, such as if ordered by a court of law to reveal confidential information relating to a reported allegation.

The Library's assurance of confidentiality can only be completely effective if the person reporting the allegation likewise maintains confidentiality.

**DEFINITIONS** "Fraud" generally involves a willful or deliberate act with the intention of obtaining an unauthorized benefit, such as money or property, by deception or other unethical means. Fraudulent or related dishonest activities include, but are not limited to:

- Forgery or alteration of documents (cheques, promissory notes, time sheets, contractor agreements, purchase orders and securities etc.)
- Misrepresentation of information on documents
- Misappropriations of funds, securities, supplies, or any other asset
- Improprieties in the handling or reporting of money transactions
- Theft, disappearance, or destruction of any asset
- Unauthorized use or misuse of Library property, equipment, materials or records
- Authorizing or receiving payments for goods not received or services not performed

- Any claim for reimbursement of expenses that are not made for the benefit of the Library
- Authorizing or receiving payment for hours not worked
- Any computer related activity involving the alteration, destruction, forgery or manipulation of data for fraudulent purposes or misappropriation of Library-owned software

## **RESPONSIBILITIES**

### **Board Members**

- Notifies Council at the time steps are being taken toward investigating or securing the interest of the Library that are likely to become public (internally and externally)
- Provides direction to the Director of Library Services on actions to be taken in response to a fraudulent and related dishonest acts

### **Internal Auditor**

- Conducts the initial investigation of allegations of fraudulent or related dishonest activities committed by, within, or against the Library
- Notifies the Director of Library Services (or in certain circumstances the Board Chair), and the appropriate senior management (including the CFO) of a reported suspicion of fraudulent or related dishonest acts upon the commencement of the investigation to the extent practical. Throughout the investigation those individuals with "a need to know" will be informed of pertinent investigative findings

### **Director of Library Services**

- Informs the Board Chair in a timely manner, verbally or by written report, when a fraudulent or dishonest act is "probable" (i.e. there is reasonable likelihood to indicate that a fraud has occurred). The Board Chair may at his/her discretion inform the Board of the information provided by the Director of Library Services
- Informs the Board in a timely manner, verbally or by written report, of a fraudulent or dishonest act as soon as:
  1. it is determined that disclosure of information will not jeopardize the proceeding of an investigation; or
  2. at the time steps are being taken toward investigating or securing the interest of the Library that are likely to become public (internally and externally); or
  3. upon completion of an investigation which has confirmed the Library suffered financial loss in excess of \$2000

- Pursues every reasonable effort, including court order restitution, to obtain recovery of the Library losses from the offender or other appropriate sources

## **Employee**

Any employee who has observed or suspected fraudulent incidents or practices may use the channel of communication with which he/she is most comfortable. Accordingly, he/she may report immediately his/her concerns to the immediate supervisor, any manager, and/or directly to the IA.

The employee is expected to keep the matter confidential unless requested to do otherwise by senior management, the IA, legal counsel or the police.

Employees who knowingly make false accusation/allegations will be subject to disciplinary action which may include termination of employment.

## **Management**

If the department manager determines a suspected activity may involve fraud or related dishonest activities, he/she should notify the IA. Management should not attempt to conduct individual investigations, interviews or interrogations. Management shall not discuss the matter with anyone other than the person to whom the fraud was reported, the IA, the Board, legal counsel or the police.

Management will cooperate with the IA, other involved departments and police in the detection, reporting and investigation of criminal acts. Every effort will be made to achieve the recovery of the Library losses.

## **INVESTIGATION PROTOCOL**

Upon notification or discovery of a suspected fraud, the IA will promptly investigate the fraud. During the initial phase of an investigation, the IA will protect the reputations of all concerned by restricting access to all information related to the allegations and investigation to those with a legitimate need to know. Internal Audit shall have full and unrestricted access to all necessary records and personnel. All Library furniture and contents, including desks and computers, are open to inspection when there is reasonable suspicion of a dishonest or fraudulent activity which makes such inspection appropriate. There is no assumption of privacy.

The IA shall take immediate action to prevent the theft, alteration, or destruction of relevant records. The records must be adequately secured until the investigation is completed.

Where an investigation concludes that a fraudulent act is "probable", the IA will document the results to the Board Chair and, if applicable, the Library Director, in a confidential report of the nature and possible extent of the wrong-doing.

The District IA will consult with the Board Chair and Library Director in determining the appropriate course of action in the circumstances including deciding on if, and when to inform the police and also seek legal counsel.

All participants in a fraud investigation shall keep the details and results of the investigation confidential. However, the IA may disclose particulars of the investigation with potential witnesses if such disclosure would further/benefit the investigation.

The IA will make all evidence collected during the course of an investigation available to legal counsel and the police in their investigation of criminal acts including prosecution of offenders.

### **Personal Actions**

The IA will make recommendations regarding the prevention of future similar occurrences. Management is responsible for taking appropriate corrective actions to ensure adequate controls exist to prevent recurrence of improper actions. Follow-up audit will be conducted by the IA, to ensure implementation of corrective actions.

If "suspicion of fraud" is substantiated by the investigation, disciplinary action, up to and including dismissal, shall be taken by the appropriate level of management, in consultation with Human Resources Department, the Library Director and the Board Chair.

Unless exceptional circumstances exist, a person under investigation for fraud shall be given notice in writing of the essential particulars of the allegations following the conclusion of the audit investigation and prior to final disciplinary action being taken.

### **Protection of informants**

No employer or person acting on behalf of an employer shall:

- dismiss or threaten to dismiss an employee;
- discipline or suspend or threaten to discipline or suspend an employee;
- impose any penalty upon an employee; or
- intimidate or coerce an employee,

because the employee has acted in accordance with the requirement of the policy. The violation of this section will result in discipline up to and including dismissal.

### **Accounting for Loss, Restitution, and Recovery**

The department incurring the loss from a fraudulent or dishonest act will normally suffer the loss until the monies can be recovered through insurance or restitution. If appropriate, the CFO will coordinate notification of insurers and filing of insurance claims.

### **Reporting to External Auditors**

The District CFO will report to the external auditors of the Library any fraud or irregularity, which is considered material in amount, that may reflect on the honesty or integrity of any employee, agent, or Officer of the Library.