



The Corporation of the District of North Vancouver

CORPORATE POLICY MANUAL

Section:	Finance	5
Sub-Section:	Financial Irregularities	2660
Title:	REPORTING OF FRAUDULENT OR RELATED DISHONEST ACTIVITIES	1

POLICY

The District 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 Internal Auditor.

Internal Audit is responsible for monitoring and evaluating internal controls to detect possible weakness. Internal Audit has the primary responsibility for the initial investigation of allegations of fraudulent or related dishonest activities committed by, within, or against the corporation.

Internal Audit will notify the Chief Administrative Officer (or in certain circumstances, the Mayor) and the appropriate senior management 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.

Reporting to the Mayor

The Chief Administrative Officer shall inform the Mayor in a timely manner, verbally or by written report, when a fraudulent act is ‘probable’ (i.e. there is reasonable likelihood to indicate that a fraud has occurred). The Mayor may at his/her discretion inform Council of the information provided by the Chief Administrative Officer.

Reporting to Council

The Chief Administrative Officer shall inform Council of fraudulent or related dishonest activities:

1. as soon as the Chief Administrative Office has determined that disclosure of information will not jeopardize the proceeding of an investigation; or
2. at the time steps, that are likely to become public (internally and externally), are being taken toward investigating or securing the interest of the District; or
3. upon completion of an investigation which has confirmed the District suffered financial loss in excess of \$25,000

by verbal or written report to Council as soon as possible (method to be at the discretion of the Chief Administrative Officer).

The District will pursue every reasonable effort, including court ordered restitution, to obtain recovery of the District losses from the offender, or other appropriate sources.

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

REASON FOR POLICY

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

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

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

AUTHORITY TO ACT

Delegated to staff

PROCEDURE

1. Applicability

This policy applies to Council Members, all employees and persons acting on behalf of the District of North Vancouver and to employees of local Boards, Agencies and Commissions over which Council has authority to require general policies to be followed.

2. Definition

Fraud generally involves a wilful 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 District 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 District.

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 District-owned software.

3. Reporting Responsibilities

3.1 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, department head, director and/or directly to Internal Audit.

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

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

3.2 Management

If the department manager determines a suspected activity may involve fraud or related dishonest activities, he/she should notify the divisional director. The director should contact Internal Audit. 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, Internal Audit, legal counsel or the police.

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

3.3 Internal Audit

Internal Audit will investigate situations involving suspected fraud or related dishonest activity. Internal Audit is available and receptive to receiving relevant information on a confidential basis. Individuals have the right to contact Internal Audit directly whenever a fraudulent or related dishonest activity is suspected.

4. Investigation Protocol

Upon notification or discovery of a suspected fraud, Internal Audit will promptly investigate the fraud. During the initial phase of an investigation, Internal Audit 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 District 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.

Internal Audit 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", Internal Audit will document the results in a confidential report to the Chief Administrative Officer of the nature and possible extent of the wrong-doing. Internal Audit will consult with the Chief Administrative Officer in determining the appropriate course of action in the circumstances including deciding on if, and when to inform the police and also seek legal counselling.

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

Internal Auditor 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.

5. Personal Actions

Internal Audit will make recommendations to assist departments in 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 Internal Audit 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 and the Chief Administrative Officer.

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.

6. 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.

7. 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 Manager-Purchasing will coordinate notification of insurers and filing of insurance claims.

8. Reporting to External Auditors

The Chief Financial Officer will report to the external auditors of the District 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 District.

9. Reporting to Council

The Chief Administrative Officer shall inform the Mayor, verbally or by written report, of fraudulent or related dishonest activities when a fraudulent act is 'probable' (i.e. there is reasonable likelihood to indicate that a fraud may have occurred). The Mayor may at his/her discretion inform Council of the information provided by the Chief Administrative Officer.

The Chief Administrative Officer shall inform Council of fraudulent or related dishonest activities:

1. as soon as the Chief Administrative Officer has determined that disclosure of information will not jeopardize the proceeding of an investigation; or
2. at the time steps, that are likely to become public (internally and externally), are being taken toward investigating or securing the interest of the District; or
3. upon completion of an investigation whereby the District suffered financial loss in excess of \$25,000 by verbal or written report to Council as soon as possible (method to be at the discretion of the Chief Administrative Officer).

The Chief Administrative Officer will report results of the investigation and the correction action plan to the Mayor.

The Chief Administrative Officer will report results of the investigation and the corrective action plan to Council when one or more of the above three policy conditions are met.

Note:

The responsibilities assigned to Internal Audit under this policy shall be deemed to transfer to any successor of this function, in the event of any organizational change.

Approval Date:	December 15, 2003	Approved by:	Regular Council
1. Amendment Date:	December 10, 2013	Approved by:	Finance & Audit Standing Committee
2. Amendment Date:		Approved by:	
3. Amendment Date:		Approved by:	