

Policy Name	<b>Fraud Prevention and Reporting</b>		
Policy #	<b>405</b>	Category	<b>Finance</b>
Policy Sponsor	<b>Associate Vice-President, Financial Services</b>	Previous Revision Date	<b>February 1, 2011</b>
Policy Approved by	<b>President &amp; CEO</b>	Revision Date	<b>June 18, 2018</b>
Procedures Approved by	<b>CFO &amp; Vice-President, Administrative Services</b>	Review Date	<b>See Policy Review Date or As Required</b>

See the related [POLICY](#).

### DEFINITIONS

**Business Relationship:** The connection between all stakeholders in the process of doing business, such as employer-employee relationship, or outsourced business partners in understanding and supporting inter-business activities. A relationship established between a reporting entity and a stakeholder to conduct transactions or provide services related to verified transactions.

**Fraud:** The intentional deception, false representation or concealment of facts for the purpose of personal gain to obtain an advantage for oneself or for one or more third parties, or to avoid an obligation. Fraud includes inducing another party to act upon intentional deception, false representation or concealment to that party's injury or financial loss. Actions constituting fraud include, but are not limited to:

- forgery or alteration of a cheque, bank draft, or any other financial instrument;
- destruction or theft of funds, securities, supplies, or other assets;
- forgery or alteration of any document or account belonging to Saskatchewan Polytechnic;
- false accounting or any impropriety in the handling or reporting of money or financial transactions;
- bribery;
- corruption (a form of dishonesty undertaken often to acquire personal benefit);
- profiteering as a result of insider knowledge of Saskatchewan Polytechnic or Saskatchewan Polytechnic client activities;
- disclosing confidential or proprietary information to outside parties;
- in conjunction with Conflict of Interest policy #704, providing or accepting gifts of material value to/from customers, contractors, vendors or other persons doing or attempting to do business with Saskatchewan Polytechnic that are intended to influence a business decision or selection process;
- intentionally misrepresenting others' intellectual property as one's own;
- conspiracy to commit any of the above; or,
- any similar or related inappropriate conduct.

### PROCEDURES

1. Employees should be aware of fraud risks within their area of responsibility, and should periodically review areas where fraud risks are more than likely to occur in order to ensure that proper controls

are in place. Employees requiring assistance with fraud risk identification and management may contact the Financial Services division.

2. Employees who detect or suspect that a fraud has occurred should report the incident immediately.

#### Options for Reporting Fraud:

1. Report the incident to an out-of-scope (OOS) manager or Senior Management Assembly (SMA) member.
  - a. It is the responsibility of the OOS manager/SMA member to ensure that all suspicions of fraud and/or irregularity reported to them are also reported immediately to the Associate Vice-President, Financial Services and the Associate Vice-President, Human Resources.

Or,

2. Report the incident to the chair of the Saskatchewan Polytechnic Board of Directors audit committee.
  - a. In extreme circumstances, when an employee does not feel it is appropriate or is not comfortable to report the suspected fraud internally, the employee may report the suspected fraud to the chair of the Saskatchewan Polytechnic Board of Directors Audit Committee. The audit committee is identified on mysaskpolytech.

#### Additional Notes for when Reporting Fraud:

1. Saskatchewan Polytechnic reserves the right to pass on any information to the proper law enforcement agency in order that such agency may determine whether criminal charges are warranted.
2. Any employee who suspects dishonest or fraudulent activity should **not** attempt to:
  - a. personally conduct investigations or interviews/interrogations related to any suspected fraudulent act;
  - b. contact the suspected individual in an effort to determine facts or demand restitution or,
  - c. contact the authorities to report the suspected dishonest or fraudulent activity.
3. The Associate Vice-President, Financial Services, Associate Vice-President, Human Resources, or CFO & Vice-President, Administrative Services has the primary responsibility to coordinate the investigation of all suspected fraudulent acts reported under this policy. If the investigation substantiates that fraudulent activities have occurred, the Associate Vice-President, Financial Services, the Associate Vice-President, Human Resources or the CFO & Vice-President, Administrative Services will designate individuals to prepare and issue reports to appropriate management personnel and to the board of directors through the Audit Committee of the Board of Directors.
4. Based on the results of the investigation, management will determine an action plan for employee discipline, any referral to the applicable law enforcement agency, and/or changes to processes or controls. Decisions to prosecute by way of civil proceedings or to refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel, the President & CEO, the CFO & Vice-President, Administrative Services, Associate Vice-President, Financial Services and, Associate Vice-

President, Human Resources, as will final decisions on disposition of the case. All actions taken in response to an established act of fraud must be approved by the President & CEO.

5. In the event the fraud is committed by a member of the Board of Directors, the CFO & Vice-President, Administrative Services, shall report this act directly to the chair of the Audit Committee of the Board of Directors or chair of the Board of Directors as deemed appropriate.
6. In the event the fraud is committed by the President & CEO, the next most senior executive of Saskatchewan Polytechnic available shall report this act directly to the chair of the Audit Committee of the Board of Directors. The actions taken in response to the act of fraud by the President & CEO must be approved by the Board of Directors.
7. Employees who make vexatious (unjustified or inappropriate) reports of fraud will be investigated and are subject to disciplinary action, up to and including termination with cause. Discipline may also occur in the event of interference with the process, retaliation against anyone who participates in the process, or breach of confidentiality.

# **Directive from the Ministry of Advanced Education**

## **Reporting of Public Losses – Regional Colleges and Saskatchewan Polytechnic**

### **Authority**

*The Regional Colleges Act* clauses 12(c) and subsections 13(1) and 13(2).

*The Saskatchewan Polytechnic Act* subsections 5(1)(e) and 5(1)(i).

### **Objective**

The objective is to outline the reporting requirements for incidents involving fraud or similar illegal acts involving money and property administered by regional colleges and Saskatchewan Polytechnic (institutions) to improve sector accountability.

### **Applicability**

This policy applies to situations of suspected or confirmed incidents of fraud or similar illegal acts:

- by employees of institutions;
- by individuals employed on personal service and fee-for-service contracts; and,
- by clients, suppliers, contractors or other third parties.

In this policy, fraud is defined as the use of deception with the intent of obtaining an advantage, avoiding an obligation or causing a loss to another party. The term is used to describe such acts as theft, false representation, misappropriation, bribery and corruption.

This policy does not apply to acts of negligence or poor performance by employees, which should be addressed through normal human resource management processes.

### **Policy**

It is expected that institutions will have a policy in place related to incidents of fraud or similar illegal acts. At a minimum, this policy should include the following:

- Employees' responsibility to report, and a mechanism for them to report, the possible existence of fraud or illegal act to management.
- The institution's responsibility, including the processes in place, to:
  - o Prevent, detect and report instances of fraud or similar illegal acts;
  - o investigate the next step for every reported allegation including alerting the appropriation authorities, if necessary;
  - o take the appropriate level of disciplinary action, if required;
  - o recover losses; and
  - o adjust policies to prevent future losses.

### **Requirement to Report to Ministry of Advanced Education (Ministry)**

All losses of trust money, public money or property over \$500 due to fraud or similar illegal acts must be reported to the Executive Director, Sector Relations and Student Services, Technical and Trades Branch.

When reporting the incident, the following information should be provided:

- nature of the incident, including when and how the incident was detected and the time period over which the incident occurred;
- if employees were involved, the position and location of the employee and whether any disciplinary action was taken;
- amount of the loss;
- preventative and detective controls that could have reduced the loss;
- action that management is taking to correct any deficiencies in internal controls;

- insurance claims/recoveries; and
- whether there was any police involvement.

The losses reported should be the actual or estimated direct costs attributable to the incident excluding any costs related to the investigation, reporting and follow-up. Property damage or loss should be valued at the estimated cost to restore or replace the property to a pre-incident condition. All losses should be reported gross of any recoveries.

Institutions will provide the information to the Ministry in the format outlined in Appendix A.

Incidents should be reported to the Ministry as soon as institutions are able to confirm that an incident of fraud or similar illegal act has occurred and are able to provide the applicable information detailed above.

At a minimum, the losses need to be reported to the Ministry on a quarterly basis. A process will be developed to ensure institutions are notified of the deadlines for providing information to the Ministry quarterly.

### **Reporting to the Standing Committee on Public Accounts**

All losses of money and property over \$500 due to fraud or similar illegal acts by employees or fraud by third parties will be reported by the Ministry to the Standing Committee on Public Accounts (PAC). Information related to other incidents may also be reported to PAC where the Ministry deems it would be in the public interest to do so.

All items reported to PAC will also be reported publically through a quarterly news release. The news release, including a table with information on the loss, will be posted to the Government's website. A sample copy of the table is included in Appendix B.

The Ministry will advise the impacted institution of the date of the news release and will work with them to prepare for the release.

Institutions may contact the Technical and Trades Branch, Ministry of Advanced Education if further guidance is required.

### **Examples of Fraud or Similar Illegal Activity**

Employee examples:

- falsification or alteration of financial records;
- misuse of a purchase card;
- theft of money or property;
- unauthorized use of public resources;
- misuse or corruption of files or data;
- claiming non-legitimate expenses or unworked hours;
- intentional damage of institution property; or
- accepting bribed or kickbacks.

Third party examples:

- theft of institution money or property;
- misuse or corruption of institution files or data;
- deliberate short-shipment by a supplier; or
- unauthorized use of institution resources.

## **Appendix A – Form for Reporting Fraud or Similar Illegal Activity to the Ministry**

### **Description**

Describe the incident, including when and how the incident was detected and the time period over which the incident occurred.

### **Employees/Positions Involved With Incident**

Describe the position and the location of the employee that committed the illegal act. Do not include names. Where employees of institutions are not involved, indicate that fact.

### **Loss Amount**

Indicate the amount of the loss. Any recoveries are indicated separately.

### **Preventative Controls**

Describe any preventative internal controls that would have reduced the risk of loss. This may include an explanation of the difficulty in implementing certain controls. This section should usually start “The loss could have been prevented by....”

### **Detective Controls**

Describe any detective internal controls that would have reduced the risk of loss. This may include an explanation of the difficulty in implementing certain controls. This section should usually start “The loss could have been detected earlier if ....”

### **Internal Control/Process Changes**

Describe the action that management is taking to correct any deficiencies.

### **Disciplinary Action**

Describe any disciplinary action that was taken with respect to government employees.

### **Insurance Claims/Recoveries**

Describe any recoveries or actions to recover the loss (e.g., Blanket Position Bond, insurance, civil action, repayment).

### **Police Involvement**

Describe any police involvement in the incident, including when they were notified and the status of the investigation.

**Appendix B – Sample of Information Reported Publically**

Losses of Public Money				
Saskatchewan Polytechnic and Regional Colleges				
For the Period of July 1, 2017 to September 30, 2017				
Date of Occurrence	Institution	Description	Amount	Action Taken
July 1, 2016 to June 30, 2017	Saskatchewan Polytechnic, Moose Jaw Campus	Facility was broken into and laptop was stolen from a classroom.	\$ 900	The incident was reported to the Moose Jaw Police Service.
July 1, 2017 to Sept. 30, 2017	Great Plains College, Kindersley	A bank account was accessed by an employee to make personal purchases.	\$ 7,500	An internal investigation was conducted. The incident was reported to the RCMP, the employee responsible was terminated with cause and recovery efforts are ongoing. The responsibility levels for all bank accounts has been reviewed a new process has been implemented to ensure a similar incident does not happen.