



Subject:	Municipal Fraud Prevention
Type:	Administration
Authority:	Approved by Council: December 13, 2012

Municipal Fraud Prevention Policy

1. POLICY

- 1.1 The Town of Lampman is committed to protecting its revenue, property, proprietary information and other assets. The Town of Lampman will not tolerate any misuse or misappropriation of those assets.

The Town of Lampman Fraud Prevention Policy is established to provide guidance to employees when misuse or misappropriation of Town assets is suspected.

It is the Town's intent to fully investigate any suspected acts of "fraud", as it is defined in this Policy, in an impartial manner regardless of the suspected wrongdoer's length of service, position, title or relationship to the Town.

Any act of fraud that is detected or suspected must be reported immediately and investigated in accordance with this Policy.

The Town will make every reasonable effort, including court ordered restitution, to recover or receive compensation from any appropriate source for Town assets obtained by fraud.

2. SCOPE OF POLICY

2.1 This policy applies to all members of Council, the Mayor, Administrator, Assistant office employees and all Public Works employees of the Town of Lampman

3. DEFINITION OF FRAUD

3.1 There are many definitions of “fraud” in the Criminal Code of Canada. At its most basic, fraud is the act of using dishonesty as a tool for personal gain. For the purposes of this Policy, the definition includes any misuse or attempt to misuse a Town asset for personal gain or purposes unrelated to Town business. Examples of fraud include, but are not limited to:

- Stealing or removing Town assets;
- Using Town equipment, facilities, supplies or funds for purposes unrelated to Town business; and
- Obtaining Town funds or compensation through dishonesty.

4. RELATED POLICIES

4.1 This policy which is designed to augment other policies and is not intended to replace or preclude them. Should an overlap arise between the application of this policy and any other policy, the policy most specific to the situation will apply.

5. RESPONSIBILITIES**5.1 Managers**

Members of management are responsible for establishing and maintaining a system of internal controls to ensure the detection and prevention of fraud, waste, abuse and other irregularities. Management should be reasonably familiar with the types of fraud that might occur within their area of responsibility, and be alert for any indication of fraud.

Managers have the same responsibility with respect to reporting fraud as do all other employees of the Town as outlined below.

Management will support and co-operate with the Auditor, other involved divisions, and law enforcement agencies in the detection, reporting and investigation of all fraudulent acts, including the prosecution of offenders.

5.2 **Employees**

Any employee of the Town of Lampman who knows or has reason to believe that a fraud has occurred, is responsible for immediately notifying his/her immediate manager. If the employee has reason to believe that the employee's immediate manager may be involved, the employee shall immediately notify the Mayor of the Municipality and if the Mayor is involved, shall immediately notify the Auditor of the Municipality. The Auditor may be contacted via telephone or the internet. Employees may remain anonymous when reporting a suspected fraud but must maintain strict confidentiality concerning a reported fraud at all times.

It is expected that employees will fully co-operate with management, the Auditor and other involved divisions and law enforcement agencies during the course of an investigation and will make all reasonable efforts to be available to assist the above noted persons with the investigation.

5.3 **Management Daily Procedure Against Fraud**

- (1) All cheques are initialed by the Mayor when cheques are signed; all Council Members are requested to go through all invoices and review and initial.
- (2) All invoices to any Employee, Council Member or to any credit card must be reviewed and initialed by the Mayor "and" another Council Member.
- (3) Council is required to make sure the first cheque number on the meeting Cheque List is the next cheque number in sequence following the previous meeting.
- (4) All aspects of finances in the office are not segregated to one person. Internal variation of work takes place to protect against fraud.
- (5) All Bank Reconciliations and Deposit Sheets are completed by one person and reviewed by another.
- (6) All unsubmitted credit card purchase slips for municipality purchases on the municipal credit card are the responsibility of the individual whose name is on the municipal credit card. It is the responsibility of the individual whose name is on the municipal credit card to submit all credit card purchase slips even in the

event the particular credit card is used by another individual on the consent of the owner of the credit card.

5.4 **Auditors** - per Canadian Auditing Standards (CAS) - CAS 240 - Communications to Management and with Those Charged with Governance

- (1) If the auditor has identified a fraud or has obtained information that indicates that a fraud may exist, the auditor shall communicate these matters on a timely basis to the appropriate level of management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. (ref: Para. A 60).
- (2) Unless all of those charged with governance are involved in managing the entity, if the auditor has identified or suspects fraud involving:
 - (a) management;
 - (b) employees who have significant roles in internal control; or
 - (c) other where the fraud results in a material misstatement in the financial statements,the auditor shall communicate these matters to those charged with governance on a timely basis. If the auditor suspects fraud involving management, the auditor shall communicate these suspicions to those charged with governance and discuss with them the nature, timing and extent of audit procedures necessary to complete the audit. (Ref: Para. A61-A63)
- (3) The auditor shall communicate with those charged with governance any other matters related to fraud that are, in the auditor's judgment, relevant to their responsibilities. (Ref: Para. A64)
- (4) **Communications to Regulatory and Enforcement Authorities**

If the auditor has identified or suspects a fraud, the auditor shall determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. Although the auditor's professional duty to maintain the confidentiality of client information may preclude such reporting, the auditor's

legal responsibilities may override the duty of confidentiality in some circumstances. (Ref: Para. A65-A67)

6. INVESTIGATION RESPONSIBILITIES

6.1 Subject to the nature of the suspected fraud, the appointment of an investigator will be the responsibility of Council, in consultation with management and the auditor as/if required, and the investigator will have primary responsibility for the investigation of all suspected fraud except as identified in Section 7.

Within the scope of their investigation as set out above, members of the Investigator's Office will have:

- Free and unrestricted access to all Town records, employees and premises, whether owned or rented; and
- The authority to examine, copy, or remove all or any portion of the contents of files, desks, cabinets, and other Town facilities without prior knowledge or consent of any individual who might use or have custody of any such items.

The Investigator may delegate responsibility for the investigation of suspected fraud to appropriate divisional management staff depending on the nature and scope of the suspected fraud. In this regard, the Investigator will continue to monitor and provide advice as requested.

Decisions to prosecute or refer the investigation results to the R.C.M.P. or other regulatory agencies for additional investigation will be made by Council, and if the circumstances allow, in consultation with divisional management.

Upon conclusion of an investigation recommendations may be made to divisional management where required in order to minimize future risk. Management is responsible for implementing the appropriate controls to prevent reoccurrence.

7. SPECIAL INVESTIGATIONS

7.1 Where it is suspected that fraud may have been committed by a member of the Town Council, the Mayor, or Administrator; the auditor will conduct an initial review and report the results to the unsuspected Council. Where appropriate, the results may be reported to the Mayor, or Administrator.

Where it is suspected that fraud may have been committed by the auditor, the Mayor and Administrator will conduct an initial review. Where appropriate, the results may be reported to the Town solicitor.

8. CONFIDENTIALITY

- 8.1 The Investigator and all participants in a fraud investigation shall treat all information received confidentially. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. To the extent possible by law, the identity of individuals involved in an investigation including the identity of an individual alleging fraud and the identity of an individual alleged to have committed fraud will be protected.

Any staff person or elected official contacted by the media with respect to a fraud investigation shall refer the media person to the Mayor or Administrator. The alleged fraud or investigation shall not be discussed with the media by any person other than the Mayor or Administrator, in consultation with the investigator, auditor and/or Town solicitor.

9. WHISTLE-BLOWER PROTECTION

- 9.1 No person covered by this policy 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.

10. DISCIPLINARY ACTION

- 10.1 Management is solely responsible for discipline of employees in consultation with the Town Council. Employees who have committed fraud will be subject to disciplinary action up to and including dismissal.

Where fraud is suspected of any Town employee or member of Council, the individual will be given notice of the essential particulars of the allegations following the conclusion of the investigation and prior to final disciplinary action. The individual

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against whom allegations are being made will be given opportunity to respond. This requirement is subject to any collective agreement provisions respecting the rights of employees in the disciplinary process.