



FRAUD PREVENTION POLICY

Document Type: District Fraud Prevention Policy

Administering Entity: Board of Directors and General Manager

Date Approved: May 17, 2023, Ordinance 2023-07

Prior Amendment Date: September 27, 2017, Ordinance 2008-05

Approved By: Paul Kelley, General Manager, Board of Directors

Indicative Time for Review: Biennial

Responsibility for Review: Board of Directors and General Manager

Introduction

1. No precise legal definition of fraud exists; many offences referred to as fraud are covered by the Theft Acts of 1968 and 1978. The term is used to describe acts such as deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment of material facts and collusion. For practical purposes, and for this policy, fraud may be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.
2. This Chapter is concerned with occupational fraud i.e., fraud committed by CCCSD employees, Board of Directors or contractors in the course of their work. Guidance on issues arising from the private and personal activities of staff, which may impinge on the performance of their duties or risk bringing discredit to the CCCSD.

3. Occupational fraud and abuses usually fall into these main categories:

- Theft, the misappropriation or misuse of assets for personal benefit
- Bribery and corruption
- False accounting and/or making fraudulent statements with a view to personal gain
- Forgery or alteration of any document or account belonging to CCCSD
- Forgery or alteration of a check, bank draft or any other financial document
- Impropriety in the handling or reporting of money or financial transactions
- Disclosing confidential and propriety information to outside parties
- Accepting or seeking anything of material value from contractors, vendors, persons providing goods or services to CCCSD. Exceptions: Gifts less than \$25 in value
- Destruction, removal or inappropriate use of records, furniture, fixtures and equipment belonging to CCCSD
- Gain for another: for example, falsely claiming overtime, travel and subsistence, sick leave or special leave (with or without pay)
- Externally perpetrated fraud against an organization

POLICIES & PRINCIPALS

The CCCSD is committed to preventing fraud and corruption from occurring and to developing an anti-fraud culture. To achieve this the CCCSD will comply with requirements of Government Agency Accounting to:

- Develop and maintain effective controls to prevent fraud
- Ensure that if fraud occurs a vigorous and prompt investigation takes place
- Take appropriate disciplinary and legal action in all cases, where justified
- Review systems and procedures to prevent similar frauds when frauds has occurred
- Investigate whether there has been a failure in supervision and take appropriate disciplinary action where supervisory failures occurred
- Record and report all discovered cases of fraud

The following policies and principles apply in the CCCSD:

- CCCSD staff and Board of Directors must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties.
- The CCCSD will not tolerate fraud, impropriety or dishonesty and will investigate all instances of suspected fraud, impropriety, or dishonest conduct by CCCSD staff, members of the Board of Directors or external organizations (contractor or client).
- CCCSD staff or members of the Board of Directors must not defraud the CCCSD, other CCCSD staff, CCCSD clients or CCCSD contractors, in any way.
- The CCCSD will take action – including dismissal and/or criminal prosecution - against any member of staff or member of the Board of Directors defrauding (or attempting to defraud) the CCCSD, other CCCSD staff, other CCCSD Board Members, CCCSD clients or contractors.
- The CCCSD will take action - including criminal prosecution - against external organizations defrauding (or attempting to defraud) the CCCSD, CCCSD staff in the course of their work, CCCSD Board Members, CCCSD clients or contractors.
- The CCCSD will co-operate fully with an external investigating body.
- The CCCSD will always seek to recover funds lost through fraud.
- All frauds will be reported to Internal Audit.

ACTION TO BE TAKEN IN THE EVENT OF DISCOVERY OR SUSPICION OF FRAUD

The CCCSD has established arrangements for staff to report any concerns they may have without fear of prejudice or harassment to the General Manager. If the General Manager is suspected of fraudulent activity the staff is to report to a board Member(s). This applies to concerns relating to fraud and to any other concerns within the context of the Public Interest Disclosure Act 1998. Furthermore, staff is protected under the CCCSD current Ethics Policy, which states that “Whistleblowers” will be protected.

Concerns which should be reported include, but are not limited to, staff committing or attempting to commit:

- Any dishonest or fraudulent act
- Forgery or alteration of documents or accounts
- Misappropriation of funds, supplies or other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiting from an official position
- Disclosure of official activities or information for advantage
- Accepting or seeking value from third parties by virtue of official position or duties
- Theft or misuse of property, facilities or services.

External organizations' actions which should be reported include:

- Being offered a bribe or inducement by a supplier
- Receiving fraudulent (rather than erroneous) invoices from a supplier
- Reported allegations of corruption or deception by a supplier.

The CCCSD has established the following Fraud Response Plan, which sets out guidance to the General Manager and the Board of Directors in the event of fraud being discovered or suspected. Under the Plan:

- Incidents will be logged in a Fraud Register, which contains details of allegations, investigations and conclusions
- Frauds and allegations of fraud will be investigated by the General Manager or Board Member (s) independent of the area under suspicion
- Progress on investigations will be reported to CCCSD Board of directors as a standing item on the agenda.

RESPONSIBILITIES

The creation of an anti-fraud culture underpins all work to counter fraud. All CCCSD staff should understand the risk of fraud faced by the office, that fraud is serious and diverts resources away from the CCCSD's primary objectives.

BOOKKEEPER/ACCOUNTANT & FINANCE COMMITTEE BOARD MEMBERS

The Bookkeeper/Accountant and the Finance Committee Board Members are responsible for establishing the internal control system designed to counter the risks faced by the CCCSD. Together they are accountable for the adequacy and effectiveness of these arrangements. Managing fraud risk should be seen in the context of the management of this wider range of risks.

- The General Manager and the Finance Committee Board Members are responsible for making arrangements for investigating allegations of fraud. These arrangements include the appointment of a person besides the General Manager to lead the investigation if necessary.
- Finance Committee Board Members will be responsible for receiving the report of the General Manager or investigating person and consider an appropriate response.
- Finance Committee Board Members are responsible for assisting the General Manager and the Administrative Assistant in developing and maintaining effective controls against fraud.
- The General Manager will be responsible for enforcing CCCSD's anti-fraud policies including:

- a. Instigating disciplinary and legal action (both civil and criminal) against the perpetrators of fraud
- b. Taking disciplinary action against Department Supervisors, where supervisory failures have contributed to the commission of fraud
- c. Providing confidential advice to staff who suspect a member of staff of fraud

APPOINTED INVESTIGATOR

The General Manager will be responsible for investigating allegations of fraud unless the General Manager is the subject of the alleged fraud. In that case the Board of Directors will be responsible for the investigation and may appoint someone else to investigate.

Including:

- Carrying out a thorough investigation if fraud is suspected, with the support of Internal Audit, where necessary:
- Gathering evidence, taking statements and writing reports on suspected frauds
- Liaising with the Finance Committee Board Members where investigations conclude that a fraud has taken place and reporting to the full Board of Directors
- Identifying any weaknesses which contributed to the fraud and
- If necessary, making recommendations for remedial action

To carry out these duties the General Manager or appointed person will have unrestricted access to the CCCSD records, Finance Committee Board Members, the General Manager, all other pertinent staff, the CCCSD's Internal and External Auditors, and the CCCSD's legal advisers.

Any investigation of wrongdoing must be treated with the utmost confidentiality.

DEPARTMENT SUPERVISORS & DIRECTORS

Department Supervisors are the first line of defense against fraud. They should be alert to the possibility that unusual events may be symptoms of fraud or attempted fraud and that fraud may be highlighted as a result of management checks or be brought to attention by a third party.

They are responsible for:

- Being aware of the potential for fraud
- Ensuring that an adequate system of internal control exists within their area of responsibility, appropriate to the risk involved and those controls are properly operated and complied with
- Reviewing and testing control systems to satisfy themselves the systems continue to operate effectively

The General Manager will inform the Board of Directors if there are indications that an external organization (such as a contractor or client) may be trying to defraud (or has defrauded) the CCCSD or its staff carrying out their duties.

They will also inform the Board of Directors if they suspect their staff may be involved in fraudulent activity, impropriety or dishonest conduct.

The General Manager will contact the Finance Committee Board Members immediately on being alerted to such suspicions. Time is of the essence in reporting suspicions. The General Manager will therefore inform the Finance Committee Board Members directly if the Chair of the committee is absent. The Finance Committee Board Members will keep the full Board of Directors informed of developments.

The General Manager and Board of Directors will take care to avoid doing anything which might prejudice the case against the suspected fraudster.

CCCSD STAFF

CCCSD staff must have, and be seen to have, the highest standards of honesty, propriety and integrity in the exercise of their duties. CCCSD staff are responsible for:

- Acting with propriety in the use of official resources and in the handling and use of public funds whether they are involved with cash or payment systems, receipts or dealing with contractors or suppliers
- Reporting details of any suspected fraud, impropriety or other dishonest activity immediately to their Supervisor or the General Manager
- Assisting in the investigation of any suspected fraud.

Staff reporting or investigating suspected fraud should take care to avoid doing anything which might prejudice the case against the suspected fraudster.