

## London Public Library

### Fraud Policy & Risk Management Plan

**Effective:** October 19, 2023

**Next Review:** October 2027

#### **PURPOSE:**

London Public Library's (Library) Fraud Policy and its accompanying Risk Management Plan establishes a framework by which the Library will practice the highest level of business integrity and stewardship.

#### **SCOPE:**

This policy applies to all Library Board Members, Employees and Volunteers, all of whom have the responsibility to conduct themselves at the highest standard of ethical and business practice.

#### **DEFINITIONS:**

**Confidential Information** means privileged, classified or specific information which, for a clear and compelling reason, is held from general disclosure. Access is permitted only by those who are authorized to do so.

**Dishonesty** means the quality of being untruthful or deceitful.

**Embezzlement** means theft or misappropriation of funds placed in one's trust or belonging to one's employer.

**Employee** means a person who is employed by the Library and includes all Employees, including Page and Casual staff.

**Forgery** means falsely making or copying a document for the sake of deception.

**Fraud** means an intentional act to deceive a person or organization in order to obtain an advantage, avoid an obligation or cause loss. It includes a whole range of activities such as deception, bribery, Forgery, extortion, corruption, theft, conspiracy, Embezzlement, misappropriation, concealment of material facts and collusion. The Criminal Code of Canada prescribes when an incidence of fraud is considered a criminal case.

**Integrity** means the quality of being honest, truthful and having strong moral principles.

**Proprietary Information** means information that is protected by intellectual property rights and is viewed as the property of the rights' holder.

**Stewardship** means an ethic that embodies the responsible planning and management of resources.

**Transparency** means a situation in which business and financial activities are done openly, so that people can trust that they are fair and honest.

**Volunteer** means a person who voluntarily extends his or her services to actively support the Library, and who does so without remuneration.

While Library Board Members volunteer their time and do not receive remuneration, for the purposes of this policy they will be referred to as Board Members, and not volunteers, as they have specific roles and responsibilities.

**Whistleblower** means a person who discloses in good faith and on the basis of reasonable belief to those in authority practices relating to mismanagement, corruption, illegality or some other wrongdoing.

## **POLICY STATEMENT:**

The Library believes in the public service values of accountability, integrity, transparency and stewardship, and is committed to the development, implementation and regular review of fraud prevention, detection and response strategies.

The Library has a right and responsibility to protect its revenue, expenses, property, other assets and proprietary information and will not tolerate misuse or misappropriation. Examples of fraud include, but are not limited to:

- Theft or removal of Library assets;
- Any deliberate irregularity or misconduct in the handling or reporting of monetary transactions;
- Any deliberate irregularity or misconduct in the handling or creating of patron records or Library memberships;
- Any deliberate irregularity or misconduct in the handling or creating of employee records, email accounts or Library-related third-party accounts;
- Using Library equipment, facilities, supplies or funds for purposes unrelated to Library business;
- Obtaining Library funds or compensation through dishonesty, false accounting or other false documentation such as altering or providing fictitious receipts or invoices;
- Accepting or seeking value from third parties by virtue of official position or duties;
- Sharing Library proprietary information with unauthorized personnel or those not part of the organization; and
- Engaging in any fraudulent practices.

The Library will have in place the Fraud Risk Management Plan (Plan), outlined in Appendix A that focuses on three objectives:

- *Prevention*: establishing policies, programs and controls designed to reduce the risk of fraud;
- *Detection*: detecting when fraud occurs; and
- *Response*: taking appropriate corrective action and remedying any harm caused.

The Library will promote a culture that encourages ethical conduct and a commitment to acting in compliance with the law. The Plan describes the specific responsibilities that Library Board Members, Management, Supervisors and Employees have for each of these objectives.

### **APPLICATION OF THE POLICY:**

Library Board Members, Employees and Volunteers are entrusted with the obligation to ensure that the Fraud Policy and the responsibilities outlined in the Plan are followed. All Board Members, Employees and Volunteers will sign a Fraud Policy Disclosure Form upon completion of training to confirm in writing that they understand their rights and responsibilities and will comply with this Policy and the Plan.

### **Integrity of Financial Information**

Board Members, Management and others must have complete and accurate financial information in order to make informed decisions. Some Employees participate in accounting processes that directly impact the integrity of internal management reports and external financial statements. All such Employees have a responsibility to ensure that all transactions are recorded accurately and promptly and must report any known inaccuracies immediately. Misrepresentations that result from intentional acts that may conceal or obscure the true nature of a business transaction are contraventions of this Policy.

### **Conflict of Interest**

Board Members, Employees and Volunteers are responsible for conducting the affairs of the Library in an open, transparent and accountable manner and with personal integrity. The Library expects each individual to act in the Library's interest at all times and avoid situations in which their financial or other personal interests or dealings are, or may be, in conflict with the interests of the Library, e.g. procurement, hiring.

Using one's position to give anyone special treatment that would advance their own interests or that of any member of one's family, their friends or business associates is not permitted.

If an Employee or Volunteer and/or their family members, friends or business associates have a personal or financial interest that might present a conflict or bias in

connection with their duties as a Library Employee or Volunteer, they must report this conflict to the CEO & Chief Librarian (CEO) and/or their Director/Manager in writing.

Board Members & Employees who hold positions as Board Members or Employees for other community agencies or entities that partner, collaborate or do business with the Library and might be in position of dealing with issues related to the Library should inform the Board Chair and CEO. Should business arise that places them in actual or potential conflict with Library policy or business contracts or other legal agreements, a conflict of interest must be declared.

### **Confidentiality of Information**

As a result of one's position with the Library, Board Members and Employees may be entrusted with confidential information, including financial information, with regard to the Library, its customers and suppliers.

Board Members and Employees are required to maintain in confidence any confidential information that they may have acquired with regard to the Library's clients, systems, business, operations, material, contracts, or any other plans which are not public knowledge. They shall not disclose to anyone or entity outside the Library any information provided to them by the Library which would impede or reduce the Library's ability to operate its business. Specifically, unless written consent from the Library is first secured, they shall not disclose or use at any time either during or subsequent to their employment, any confidential information of the Library or its clients of which they become informed during the employment, except as required in their duties to the Library.

### **Monitoring Fraud Risk**

It is the responsibility of the Library Board, CEO and Management to assess fraud risks and monitor controls to assess the extent to which the control's objectives have been achieved.

The CEO and Director, Financial Services will review, assess and respond to risk as part of ongoing financial review and monitoring of operating financial controls. The CEO will report any risks and management response to the Library Board as part of the reporting processes or as matters arise.

### **Reporting Fraud**

A Board Member who receives communication regarding alleged fraud/suspected fraud or has reason to believe that the Fraud Policy has been breached in any way by others will refer the communication to the Board Chair and/or Library CEO. The Chair and CEO will follow steps to ensure that communication is handled in a manner consistent with the requirements of this policy. Should the communication relate to the CEO, the Executive Committee of the Board will review the matter and take the steps required under this Policy.

An Employee or Volunteer who has reason to believe that fraud has been committed and that the Fraud Policy has been breached in any way by others is encouraged to bring their concerns to the CEO, or designate. An Employee or Volunteer who has reason to believe that fraud has been committed and that the Fraud Policy has been breached in any way by the CEO shall bring their concerns to the Library Board Chair.

The Library Board Chair and CEO will make every reasonable effort to provide confidentiality to a person alleging fraud or reporting suspected fraud, including protecting their identity. However, information collected and retained may be required to be released to law enforcement including release required for criminal investigation, court proceedings, arbitration or other legal proceedings.

### **Protection Against Retaliation**

Any form of retaliation, discrimination or reprisal against a Board Member, Employee or Volunteer, because that person alleged fraud or reported suspected fraud in good faith; or because that person participated as a witness in an investigation in good faith, will be considered a violation of this Policy and may be reported to the proper authorities.

### **Consequences**

The Library will administer consequences should conclusive evidence of violation of the Fraud Policy be uncovered.

In the event of proven fraud by an Employee or Volunteer, the Library will administer discipline up to and including dismissal in accordance with Library policies and the Collective Agreement.

In accordance with the [Public Libraries Act](#), if a Board Member is convicted of an indictable offence, the Member is disqualified from the Board and their seat becomes vacant. The Board shall declare the seat vacant and notify the appointing Council accordingly.

In addition, the Library reserves its rights to take steps to have offenders prosecuted and to seek remedies available through the law.

Frivolous or vexatious reports in which the reporting individual knows or should reasonably be expected to know that there is no foundation in fact or where the report is filed for the purpose of bringing an adverse consequence to the subject of the report may also be subject to consequences and, in the case of Employees and Volunteers, discipline, up to and including dismissal.

### **INQUIRIES:**

CEO & Chief Librarian  
Director, Financial Services  
Director, Human Resources

## APPENDIX A: FRAUD RISK MANAGEMENT PLAN

### Board Responsibilities

#### *Prevention*

1. Leadership
  - Demonstrate leadership by conducting themselves at the highest standard of ethical and business practice in all actions and communications to staff and the public.
  - Provide governance direction re: fraud risk management as part of the fiduciary role of the Board.
  - Ensure that the Library has a current Fraud Policy and other related policies in place and that there is a scheduled review cycle.
2. Risk Assessment / Risk Management
  - Ensure the CEO has an internal mechanism in place to assess Library's risk of fraud.
  - Delegate to the CEO the administration and management of this Plan in accordance with the Board-[CEO Linkage Policy](#).
3. External Audit
  - Ensure that an external audit is completed annually and that audit findings are received by the Board.
  - Review auditor's findings and ensure that corrective actions are undertaken and controls put in place should any control deficiencies be identified.
4. Library Business Transactions
  - Follow Library policies and procedures related to business transactions, including but not limited to procurement, travel and expenses, use of credit cards (as assigned), and Library-issued communications devices and other equipment.

#### *Detection*

- Receive and review complaints or issues raised regarding suspected fraud and undertake and/or provide direction to the CEO for the investigation and response.

#### *Response*

- As required, referring the investigation results to law enforcement or other regulatory agencies.

## Management Responsibilities

### *Prevention*

#### 1. Leadership

Demonstrate leadership by conducting themselves at the highest standard of ethical and business practice in all actions and communications to staff and the public.

- Champion an anti-fraud culture in which all Employees and Volunteers understand and practice ethical values on a daily basis and understand their right and responsibility to report, free from recrimination, suspected fraudulent activities.
- Oversee the implementation of this Plan and related processes, procedures and controls.
- Ensure that any Employee hired in a position that entails working with cash of significant value, a position of financial or other trust, and/or a position that has access to confidential information is hired with the appropriate human resources reference and information checks (e.g. police information checks).
- Follow Library policies and procedures related to Library business transactions, including but not limited to monetary charges, cash handling, travel and expenses, use of credit cards, library-issued communications devices and other equipment, and library procurement.
- Ensure that all Employees and Volunteers are aware of and understand this Plan and their rights and responsibilities.

#### 2. Risk Assessment/Management

- Conduct an annual review of this Plan and related policies in accordance with the Board policy review schedule; or, as necessary.
- Working with the Director, Financial Services review and update processes, procedures and controls regularly, mitigating risk by ensuring that these remain effective.
- Ensure that all Employees and Volunteers are trained in this Plan and processes and procedures for financial transactions, access to information and confidentiality.
- Consider risk for fraud when new or changed policies, processes and procedures are introduced into the organization.
- Directors/Managers will ensure compliance with the system-wide controls and controls within their area of responsibility and will identify and bring forward any recommendations for changes or additions to controls.
- Use due diligence, in accordance with the Library's Procurement Policy, in the hiring of vendors and other third parties, especially relating to those having access to financial and other confidential information.

### 3. External Audit

- Participate in the annual financial audit and cooperate with the audit plan fully to ensure that the auditors have all the necessary information to be able to conduct a thorough assessment.
- Put corrective actions/controls in place based on any deficiencies identified by the external auditor as a result of the annual audit.
- Undertake follow up action plan(s), including any new processes, procurements and/or controls needed in response to the audit findings.

#### *Detection*

- Ensure all Employees and Volunteers understand their right and responsibility to report concerns regarding any suspected fraudulent activities that come to their attention without fear of recrimination as a Whistleblower.
- Ensure all Employees and Volunteers are knowledgeable about the mechanisms for reporting concerns confidentially to a member(s) of the Management team.
- Act on reports from Board Members, Employees and Volunteers in a timely, effective and unbiased manner.

#### *Response*

- Conduct a comprehensive internal investigation whenever information relating to suspected or actual fraud is uncovered in order to gather facts, assess and decide on an appropriate course of action.
- Administer discipline for proven fraud, in accordance with Library policies and the Collective Agreement, to Employees involved in the fraud.
- Administer discipline for proven fraud to those in management and supervisory positions in those instances in which:
  - They knew or should have known that fraud was occurring;
  - Allowed others to commit fraud;
  - Directed or pressured others to violate the Fraud Policy, related policies and business standards to meet business or personal objectives;
  - Failed to set a positive example of acting with integrity; or, had a prior history of missing or permitting violations; and/or
  - Retaliated against others for reporting concerns.
- Voluntarily disclose the results of the investigation to a law enforcement agency and/or legal regulator as required.
- Remedy any harm caused.
- Examine the root cause(s) of the relevant control breakdown in order to ensure that controls are strengthened and future risk is mitigated.

### **Supervisor Responsibilities**

#### *Prevention*



## 1. Leadership

- Demonstrate leadership by conducting themselves at the highest standard of ethical and business practice in all actions and communications to staff and the public.
- Participate in and supervise the daily application of the Fraud Policy and this Plan and related processes, procedures and controls.
- Support an anti-fraud culture by ensuring all direct reports understand and live ethical values on a daily basis and realize their right and responsibility to report, free from recrimination, suspected fraudulent activities.
- Follow Library policies and procedures related to Library business transactions, including but not limited to monetary charges, cash handling, travel and expenses, use of credit cards, library-issued communications devices and other equipment, and library procurement.
- Ensure that direct reports participate in the training for this Plan and training related to processes and procedures for financial transactions, access to information and confidentiality.

## 2. Risk Assessment/Management

- Routinely monitor staff activities that have been identified as having a potential risk for fraud.
- Consider risk for fraud when new or changed processes are introduced into the department/location.
- Report any concerns to Management immediately.

### *Detection*

- Receive, document and immediately notify Management of any concern relating to potential fraudulent activity noted by the Supervisor and/or communicated by a direct report.
- Provide support and reassurance to Employee or Volunteer who suspects fraudulent activities or misconduct and has reported it.

### *Response*

- Cooperate fully with Management, other involved departments, and law enforcement agencies during the course of any investigation involving fraud, maintaining confidentiality of information and making all reasonable efforts to be available to assist.
- Participate with Management in the development of new or revised controls and monitor effectiveness on an ongoing basis.