

## 27.1 Fraud Policy

### Policy Statement

The Government of Nova Scotia (“Government”) recognizes the importance of protecting the organization, its operations, its employees, and its assets from the consequences of fraudulent activity. Government is committed to maintaining the highest standards of respect, integrity, diversity, accountability, and the public good. The Government adopted this policy to ensure consistent and effective prevention, investigation, and reporting of fraud occurrences within Government. The Government has zero tolerance for fraud in any form.

Government values the integrity of staff and recognizes that they have a key role to play in the prevention, investigation, and reporting of fraud. Employees must be vigilant at all times and are required to report any concerns they may have at the earliest opportunity in accordance with the policy guidelines. Government is committed to creating and maintaining an honest, open, and well-intentioned working environment.

### Definitions

#### **AUDIT COMMITTEE**

The Audit Committee is a cross-representation of the Deputy Ministers’ Committee that is responsible for the oversight of accountability, governance and risk management processes within the provincial government.

#### **EMPLOYEE**

A person whose terms and conditions are set out in accordance with the *Civil Service Act* and regulations and/or *Civil Service Master Agreement*, as well as other direct employees performing work for the Province and positions designated by the Governor in Council.

#### **DEPARTMENT HEAD**

The deputy of the member of the Executive Council presiding over a department and all others whom the Governor in Council from time to time designates as having the status of deputy minister/deputy head/CEO.

#### **DEPARTMENT**

Any government department, office, or public service entity established by the Government, as identified under Category I in Appendix I-A of Manual 100, 1.2 Corporate Administrative Policy Manuals Policy.

**DIVISIONAL HEAD**

The executive director or director who is accountable for a specific subset of operations within a department.

**EXTERNAL PARTIES**

Any person or organization that is not employed by, or associated with a Nova Scotia government department (e.g. agency, board or commission), who receives or provides goods and services, income or funding with the Government.

**FRAUD**

The use of deception with the intent of obtaining an advantage, avoiding an obligation or causing a loss to another party. Examples of fraud are included in Appendix 27-A.

**INTERNAL CONTROLS**

Processes, effected by the Government, designed to provide reasonable assurance regarding the achievement of corporate and departmental goals and objectives.

**Policy Objectives**

This policy is established as part of the Government's network of controls that aid in the prevention and detection of fraud. It helps promote consistent organizational behaviour by highlighting responsibility for the development of controls and the ways of reporting fraudulent behaviour.

**Application**

This policy applies to all employees with respect to any suspected fraudulent acts against the Government involving employees and/or external parties. This policy will apply to all entities as outlined in Manual 100, 1.2 Corporate Administrative Policy Manuals Policy.

**Policy Directives**

Employees are required to act lawfully and in accordance with government policies and procedures. All employees must report any instances of suspected fraud in accordance with the procedures set out in the policy guidelines. Employees may also make a voluntary disclosure to the Office of the Ombudsman under the *Public Interest Disclosure of Wrongdoing Act*.

Allegations under this Fraud Policy are serious. All persons involved in a reported situation are responsible for respecting the reputation of individuals. Employees reporting suspicious incidents under this policy must treat the matter as confidential and not discuss it with anyone other than the person to whom they have reported the incident or the designated investigation team.

Retaliation is prohibited against anyone who has reported a suspicious incident in good faith or has participated in an investigation under this policy. Retaliation may result in disciplinary action.

Reasonable measures shall be taken to maintain confidentiality and to protect, to the extent possible, the identity of the employee(s) reporting suspected offenses under this policy.

Any reports found to be malicious will be reviewed and considered for appropriate discipline of the reporting employee.

The consequences for an employee engaging in fraud will include disciplinary action up to and including dismissal.

For fraud investigations, the department head has the authority to:

- a. Initiate any investigation which they consider appropriate
- b. Retain professional assistance (e.g. accounting, internal audit) as deemed necessary. Any costs incurred through the use of external parties will be the responsibility of the department.
- c. Determine who should perform and/or provide oversight of the fraud investigation procedures (e.g. Internal Audit Centre, third party investigators, Office of the Ombudsman, law enforcement). Department heads will work with the Internal Audit Centre to coordinate procedures to ensure consistent investigation processes.

The rules of procedural fairness govern all activities under the investigation process.

## Policy Guidelines

Detailed procedures for the reporting and investigation of fraud are available on the Internal Audit Centre's intranet site (<https://novascotia.sharepoint.com/sites/ISD/Shared%20Documents/INTERNAL%20AUDIT/Fraud%20Reporting%20Investigation%20Procedures.pdf>).

## Accountability

### AUDIT COMMITTEE

The Audit Committee is responsible for developing and maintaining a Fraud Management Program to help prevent and detect fraud. Specific components of a comprehensive Fraud Management Program include:

- Fraud policies and procedures
- Fraud risk assessment
- Fraud awareness education and training
- Fraud prevention and detection techniques
- Well-documented framework for reporting and investigating allegations of fraud

### DEPARTMENT HEAD

Department heads are responsible for implementing and maintaining a system of internal controls for the prevention and detection of fraud.

Specific controls which are important to the prevention and detection of fraud include:

- Segregation of duties
- Regular and timely accounting reconciliations
- Physical safeguards over money and property
- Effective supervision
- Effective Information System Security (e.g. passwords, encryption)

The above controls are not all-inclusive but are general guiding principles.

Specific responsibilities for the reporting and investigation of suspected fraudulent acts can be found in the procedures as set out in the policy guidelines.

## Monitoring

The Audit Committee is responsible for the review and update of this policy. The Audit Committee shall monitor the effectiveness of the policy and coordinate periodic reviews.

## References

This is an organizational policy designed to supplement other Government policies and is not intended to replace or preclude them. If a situation occurs where there is a conflict between application of this policy and any other government policy, the policy most specific to the situation will apply.

This policy is further supported by the following pieces of provincial legislation and provincial policies. In situations where this policy is in conflict with statutory provisions, the latter shall prevail.

- *Public Interest Disclosure of Wrongdoing Act*
- *Freedom of Information & Protection of Privacy Act*
- Values, Ethics, & Conduct: A Code for Nova Scotia's Public Servants

## Enquiries

Executive Director, Internal Audit Centre (902) 722-1310

## Appendix

Appendix 27-A – Examples of Fraud and similar illegal activity

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Approved by:	<b><i>Treasury and Policy Board</i></b>	Administrative update:	

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## **Appendix 27-A**

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

The following examples are not intended to be an exhaustive list.

### **Employees**

Some examples of employee fraud or similar illegal acts are:

- falsification or alteration of financial records
- deceitful use of a corporate credit card
- unauthorized use of government owned or leased vehicles and equipment
- corruption of government files or data
- reimbursements for non-legitimate expenses or unworked hours
- accepting bribes or kickbacks
- undeclared conflicts of interest
- theft of cash or cheques prior to entry into the accounting system

### **External Parties**

Some examples of external third party fraud or similar illegal acts are:

- theft of government money or property
- corruption of government files or data
- deliberate short-shipment by a supplier
- deliberate substitution of inferior quality or defective goods by a supplier
- intentional damage of government property
- bid-rigging, price fixing, or kickbacks in the contracting process
- fraudulent claims for social benefits, grants, or other program payments, including refunds and rebates