

Part: **Financial Management and Administration**
 Section: **Treasury Board's Risk Management Policies**
 Subsection: **Other Risk Management Policies**
 Policy: **Incidents of Suspected Fraud or Similar Illegal Acts**

Number: **4101**
 Date: **2021-02-10**
 Page: **1 of 9**

Incidents of Suspected Fraud or Similar Illegal Acts

Objective

The objective is to help safeguard the Government's money, property, and information.

Authority

The Financial Administration Act, 1993, clauses 5(a) and subsection 10(2)

Applicability

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

- by employees appointed under [The Public Service Act, 1998](#) and individuals employed on personal service and fee-for-service contracts with ministries of the Government of Saskatchewan;
- 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.

Background

Fraud and similar illegal acts committed against the Government are costly. These acts can result in economic losses, misuse of private or confidential information, and disruption of programs and services. They can reduce employee morale, create recruitment problems, and bring disrepute to the public service and the Government.

No organization is immune from fraud or similar illegal acts and no system of controls can provide absolute assurance that such acts will not occur. However, the Government is accountable to taxpayers for ensuring effective and efficient programs and services and safeguarding public money, property, and information. Safeguarding these assets includes implementing policies and procedures to prevent and detect fraud or similar illegal acts.

Treasury Board Policy

- .01 Ministries are to emphasize an ethical and positive work environment which promotes honesty, integrity, respect, service excellence and accountability.

Part:	Financial Management and Administration	Number:	4101
Section:	Treasury Board's Risk Management Policies	Date:	2021-02-10
Subsection:	Other Risk Management Policies	Page:	2 of 9
Policy:	Incidents of Suspected Fraud or Similar Illegal Acts		

- .02 Ministries are to maintain adequate systems and controls to prevent and detect fraud and similar illegal acts.
- .03 The Government maintains a zero tolerance policy towards fraud and similar illegal acts. Zero tolerance means ministries are to investigate all suspected incidents of fraud or similar illegal acts and take appropriate disciplinary and legal action in all confirmed cases.

Provincial Comptroller Directives

Employee Responsibilities

- .04 Employees are required to act lawfully and in accordance with government policies and directives.
- .05 Any employee who has knowledge of a suspicious incident within the Government of Saskatchewan, which may involve fraud or similar illegal activity, shall report it immediately, as outlined in [Section 4102 Employee Onus to Report Suspected Fraud or Similar Illegal Acts](#).

Ministry Responsibilities

- .06 Ministries have primary responsibility for preventing and detecting fraud and similar illegal acts.
- .07 Fraud and similar illegal acts occur when individuals are motivated by personal and work pressures, have opportunity to commit the acts and are able to rationalize or provide justification for their behavior.
- .08 Ministries reduce the likelihood of fraud and similar illegal acts by developing and maintaining:
 - an ethical and positive work environment;
 - a sound system of internal controls; and
 - proper and consistent oversight.
- .09 Senior management sets the “tone at the top” by modelling the attitude and conduct which they expect their employees to display. They are responsible for fostering an ethical climate and positive workplace, which emphasizes honesty, integrity, respect, service excellence and accountability.
- .10 It is critical that ministries take reasonable steps, through training and other communication methods, to ensure that employees are aware of and understand the policies which

Part: **Financial Management and Administration**
 Section: **Treasury Board's Risk Management Policies**
 Subsection: **Other Risk Management Policies**
 Policy: **Incidents of Suspected Fraud or Similar Illegal Acts**

Number: **4101**
 Date: **2021-02-10**
 Page: **3 of 9**

affect them. This includes internal ministry policies and government-wide policies on financial, human resources, information technology, legal and purchasing matters. Particular emphasis should be placed on [fraud awareness training](#), the Government's zero-tolerance fraud policy and the policy requirement for employees to report suspicions of fraud or similar illegal acts.

- .11 Ministries are to design their system of internal controls to fit their programs and operations. The system should consider the principal risks, the costs to implement controls and existing government policies and directives, particularly the Financial Administration Manual. Specific controls which are important to the prevention and detection of fraud include:
- segregation of duties;
 - regular and timely accounting reconciliations (e.g., bank reconciliations);
 - physical safeguards over money and property (e.g., safes and locked cabinets, restricted access to inventories);
 - effective supervision;
 - effective information system security (e.g., passwords, encryption, console logs, network security controls, backup); and
 - appropriate and current delegations of authority.
- .12 It is not sufficient to develop and document adequate anti-fraud controls and processes. Ministries must ensure they are in place and operating as intended. Controls should be monitored through such means as internal audits, review of variance and exception reports by management and general oversight by senior officials. Deficiencies detected should be fixed and controls and processes modified as required.
- .13 If incidents of fraud or similar illegal acts occur, managers will be subject to appropriate discipline if they failed to provide adequate supervision or direction, failed to take appropriate action or condoned improper conduct.
- .14 When incidents of suspected fraud or similar illegal acts are identified, ministries are responsible for investigating all incidents. Ministries are expected to:
- take disciplinary action against employees, which may

Part:	Financial Management and Administration	Number:	4101
Section:	Treasury Board's Risk Management Policies	Date:	2021-02-10
Subsection:	Other Risk Management Policies	Page:	4 of 9
Policy:	Incidents of Suspected Fraud or Similar Illegal Acts		

- include termination and legal action;
- proceed with legal action against other parties as recommended by legal advisors;
- pursue recovery of losses; and
- implement corrective action to reduce the likelihood of similar future incidents.

.15 Ministries must comply with all applicable laws, policies, directives and other authorities when investigating, reporting and following up incidents.

Examples of Fraud and Similar Illegal Activity

.16 Fraud or similar illegal acts may not necessarily result in an actual loss.

Employee Examples

Some examples of employee fraud or similar illegal acts are:

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

Third Party Examples

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

- theft of government money or property;
- misuse or 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.

Investigation

.17 The permanent head or delegate for the ministry shall determine the next step for every reported allegation of wrongdoing.

Part: **Financial Management and Administration**
 Section: **Treasury Board's Risk Management Policies**
 Subsection: **Other Risk Management Policies**
 Policy: **Incidents of Suspected Fraud or Similar Illegal Acts**

Number: **4101**
 Date: **2021-02-10**
 Page: **5 of 9**

- .18 All incidents involving losses of money or property greater than \$500 must be reported promptly to the Provincial Comptroller. This does not include incidents related to high volume programs of a universal nature that are assessed and managed within the program area, unless there is employee, supplier or contractor involvement. See [Section 4105 Reporting Incidents of Fraud or Similar Illegal Acts](#). Early consultation with ministry legal advisors and/or human resources personnel is also recommended but will depend on the particular circumstances.
- .19 Ministries may consider contacting Risk and Support Services, Ministry of SaskBuilds and Procurement, which offers investigative services and security evaluations.
- .20 Except in situations involving criminal acts where it is clear that the police should be notified, ministries should consult with ministry legal advisors to determine whether the police should be notified for any loss over \$500 which may have resulted from fraud or similar illegal acts. Ministries should consider contacting law enforcement authorities immediately if a police presence is a matter of urgency (such as incidents involving a theft or break-in) or where assistance is required to secure evidence.
- .21 All allegations must be investigated to determine if a fraud or similar illegal act has occurred. Ministries should exercise discretion, based on the nature and relative size of the incident, to determine the extent of the work to be undertaken.
- .22 Ministries must ensure responsibility for investigations is clear. This is typically done by assigning responsibility to an individual or an oversight committee. Investigations must be objective, regardless of the relationship with a third party or the position, work record or length of service of an employee.
- .23 All participants in investigations are to keep the details confidential. Correspondence, reports and other documents related to suspected or actual cases of fraud are to be treated as confidential and kept in secure confidential files. Any issues related to confidentiality should be discussed with ministry legal advisors.

Part:	Financial Management and Administration	Number:	4101
Section:	Treasury Board's Risk Management Policies	Date:	2021-02-10
Subsection:	Other Risk Management Policies	Page:	6 of 9
Policy:	Incidents of Suspected Fraud or Similar Illegal Acts		

- .24 A record of the investigation should be maintained, including details of pertinent telephone conversations, meetings and interviews, as well as working papers and results of audits and similar reviews.
- .25 Where a preliminary investigation fails to substantiate that a fraud or similar illegal act has taken place, the conclusion should be documented and the permanent head or delegate should ensure it is communicated to the parties involved in the investigation (e.g., internal auditors, human resources, etc.). No further action is required.
- .26 Where a preliminary investigation determines that there are reasonable grounds for an allegation, further work must be undertaken. Where an employee is involved, it may also be appropriate to consider suspending the employee against whom an allegation has been made. This may be with or without pay depending on the circumstances, and should only be done after consultation with appropriate human resources personnel.
- .27 Upon completion of the investigation, a written report should be prepared which includes information such as background (e.g., nature of incident and circumstances which permitted it, description and amount of any losses, etc.), a summary of the investigation (e.g., work performed, including audits, interviews, police involvement, etc.), the conclusion and recommended actions (e.g., discipline, prosecution, recoveries, changes to operating practices to mitigate risk, etc.). The content of this report will depend on the particular circumstances.
- .28 The report should be provided to the permanent head or delegate who will determine additional distribution. A copy of this report should be provided to the Provincial Comptroller if the investigation concludes that a fraud or similar illegal act has been committed.
- .29 Ministries may establish a standard investigation and reporting process for third party incidents of a more frequent nature related to the ministry's normal operations. Ministries are still expected to ensure appropriate controls are in place to mitigate the risk of these kinds of losses.

Part: **Financial Management and Administration**
 Section: **Treasury Board's Risk Management Policies**
 Subsection: **Other Risk Management Policies**
 Policy: **Incidents of Suspected Fraud or Similar Illegal Acts**

Number: **4101**
 Date: **2021-02-10**
 Page: **7 of 9**

- Discipline** .30 Where employee fraud or similar illegal activity is confirmed, disciplinary action, up to and including dismissal, shall be considered by management, in consultation with appropriate human resources personnel. Action should be taken promptly, as any undue delay may adversely affect the right to impose discipline.
- Legal Action** .31 The Government's general policy is to take appropriate legal action in all cases of illegal conduct. Legal action should be taken only after consultation with and approval from the Ministry of Justice. Where an employee is involved, the timing of the legal action need not coincide with internal disciplinary action.
- Recovery of Losses** .32 If a fraud or similar illegal act has been committed, all reasonable steps, including legal action, should be taken to recover any losses incurred by the Government.
- .33 Where an employee is involved, ministries should also pursue recovery under the Government's Fidelity Bond. See [Section 4115 Fidelity Bond](#).
- .34 Ministries should consider if any loss is recoverable through a set-off under section 42 of [The Financial Administration Act, 1993](#). Advice from legal counsel should be obtained when making this determination.
- Prevention of Future Incidents** .35 When incidents of fraud or similar illegal acts occur, the ministry is responsible for taking steps to help prevent a similar occurrence in the future. These steps include, but are not limited to, improvement of controls, reinforcement of existing policies and procedures, employee training and more careful supervision.
- Communications** .36 Any communications related to an allegation or investigation should be sensitive to any police investigation, and be in compliance with the privacy provisions of [The Freedom of Information and Protection of Privacy Act](#). Ministries should consult with their legal advisors where there are questions.
- .37 Media inquiries should be handled by ministry personnel as determined by the permanent head. Ministries should coordinate any external communications with Communications Counselling with Executive Council.

Part: **Financial Management and Administration**
 Section: **Treasury Board's Risk Management Policies**
 Subsection: **Other Risk Management Policies**
 Policy: **Incidents of Suspected Fraud or Similar Illegal Acts**

Number: **4101**
 Date: **2021-02-10**
 Page: **8 of 9**

- .38 Ministries are required to disclose illegal acts and certain fraud information to the Provincial Auditor. Ministries should refer to their audit planning memorandum and consult with the Provincial Comptroller's Office if they have questions.
- .39 Ministries are responsible for communicating this policy to all employees and ensuring a current copy is available for their reference.

References

- [4100 Other Risk Management Policies](#)
[4102 Employee Onus to Report Suspected Fraud or Similar Illegal Acts](#)
[4105 Reporting Incidents of Fraud or Similar Illegal Acts](#)
[4110 Compensation for Loss Payments](#)
[4115 Fidelity Bond](#)
[4120 Employee Liability Protection](#)
[4125 Insurance](#)
[4210 Personal Service Contracts](#)

[Appendix F Summary of Delegations](#)

[The Collective Bargaining Agreement between The Government of Saskatchewan and Saskatchewan Government and General Employees' Union](#)

[The Union Management Agreement between The Government of Saskatchewan and The Canadian Union of Public Employees, Local 600-3](#)

[Saskatchewan Public Service Commission Human Resource Manual, PS 803 Corrective Discipline Policy, PS 816 Criminal Records Check Policy, PS 1103 Information Technology - Acceptable Usage](#)

[The Financial Administration Act, 1993](#)

[The Freedom of Information and Protection of Privacy Act](#)

[The Public Interest Disclosure Act](#)

[The Public Interest Disclosure Regulations](#)

[The Public Service Regulations, 1999, including Oath or Declaration of Office](#)

Part:	Financial Management and Administration	Number:	4101
Section:	Treasury Board's Risk Management Policies	Date:	2021-02-10
Subsection:	Other Risk Management Policies	Page:	9 of 9
Policy:	Incidents of Suspected Fraud or Similar Illegal Acts		

Website: Information Technology Office – Security

<https://taskroom.sp.saskatchewan.ca/Pages/IT-Security-Services.aspx>

[Fraud Awareness Training](#)