

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

Policy Type: Means

Policy No.: M-09

Effective Date: October 24, 2019

Review: October 2023

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**PURPOSE:** The purpose of the Fraud Policy and its accompanying Risk Management Plan is to establish a framework by which the London Public Library (“LPL” or “Library”) will practice the highest level of business integrity and stewardship. LPL will manage the risk of fraud through a three-pronged approach: prevention, detection, and response that will support the trust placed in the Library by its funders and the public at large and mitigate exposure to liability.

### **SCOPE:**

This policy applies to all London Public Library Board Members, Employees and Volunteers, all of whom have the responsibility to conduct themselves with the highest standards of ethical and business practices.

### **DEFINITIONS:**

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

**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.

**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.

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



## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

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---

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

**Forgery** means falsely making or copying a document in order to deceive people.

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

**Confidential Information** is information that is privileged information, classified information 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.

**Transparency** means a situation in which business and financial activities are done in an open way without secrets, so that people can trust that they are fair and honest.

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

**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:**

London Public 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:

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

Policy Type: Means

Policy No.: M-09

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Review: October 2023

---

- 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;
- 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;
- Using information technology equipment to manipulate programs or data dishonestly and the intentional misuse of computer time and resources;
- Sharing Library proprietary information with unauthorized personnel or those not part of the organization; and
- Engaging in bribery, forgery, or embezzlement.

LPL will have in place the Fraud Risk Management Plan (the “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.

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

Policy Type: Means

Policy No.: M-09

Effective Date: October 24, 2019

Review: October 2023

---

### **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 LPL Fraud Risk Management Plan are followed. All Board Members, Employees and Volunteers will sign a London Public Library Fraud Policy Disclosure Form upon completion of training to confirm in writing that they understand their rights and responsibilities and will comply with the Policy and Risk Management 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 the LPL Fraud Policy.

### **Conflict of Interest**

Board Members, Employees and Volunteers are responsible to conduct the affairs of the Library in an open, transparent and accountable manner and with personal integrity. LPL expects each individual to act in the Library's interest at all times and avoid situations in which his or her 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 his or her 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

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

Policy Type: Means

Policy No.: M-09

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Review: October 2023

---

connection with their duties as a Library Employee or Volunteer, he or she 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 he or she may have acquired with regard to LPL’s clients, systems, business, operations, material, contracts, or any other plans which are not public knowledge. He or she 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, he or she shall not disclose or use at any time either during or subsequent to his or her employment, any confidential information of the Library or its clients of which he or she becomes informed during the employment, except as required in his or her duties to the Library.

### **Monitoring Fraud Risk**

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

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

Policy Type: Means

Policy No.: M-09

Effective Date: October 24, 2019

Review: October 2023

---

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 quarterly and annual 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 the law 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 serious violation of this Policy and may be reported to the proper authorities.

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

Policy Type: Means

Policy No.: M-09

Effective Date: October 24, 2019

Review: October 2023

---

### 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 Human Resources 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 his or her 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.

### BACKGROUND:

### INQUIRIES:

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

### KEYWORDS:

embezzlement, forgery, fraud, integrity, misconduct, stewardship, theft, transparency, whistleblower

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

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Effective Date: October 24, 2019

Review: October 2023

---

### **RELATED DOCUMENTS:**

*Criminal Code of Canada*

*Municipal Conflict of Interest Act, R.S.O. 1990*

*Public Libraries Act, R.S.O. 1990*

*Executive Limitations Policy*

*Governance Processes Policy*

*Signing Authority Policy*

*Lending Services Policy*

*Travel and Expenses Policy*

*Procurement Policy*

*Credit Card Policy*

*Tangible Capital Assets Policy*

*Fund Development - Gift Acceptance Policy*

*Monetary Charges Policy*

*Collective Agreement between the London Public Library Board and the Canadian Union of Public Employees and its Local 217*

### **DOCUMENT CONTROL:**

Approved: September 24, 2014 (L14/48)

Reviewed: September 23, 2015 (L15/53.2)

Reviewed: September 22, 2016 (L16/44)

Reviewed: September 28, 2017 (L17/51.3)

Reviewed: October 24, 2019 (L19/51)

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

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Effective Date: October 24, 2019

Review: October 2023

---

### APPENDIX A: FRAUD RISK MANAGEMENT PLAN

#### Board Responsibilities

##### *Prevention*

#### 1. Leadership

- Demonstrate leadership by conducting themselves with the highest standards of ethical and responsible business practices 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 the Fraud Risk Management 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 LPL policies and procedures related to Library business transactions, including but not limited to library procurement, travel and expenses, use of credit cards (as assigned), and library-issued communications devices and other equipment.

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

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Policy No.: M-09

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Review: October 2023

---

### *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 with the highest standards of ethical and responsible business practices in all actions and communications to staff and the public.
- Champion an anti-fraud culture in which all Employees and Volunteers understand and live LPL ethical values on a daily basis and understand their right and responsibility to report, free from recrimination, suspected fraudulent activities.
- Oversee the implementation of the LPL Fraud Policy and Risk Management 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 LPL policies and procedures related to Library business transactions, including but not limited to monetary charges (i.e. fines, fees, meeting space rental, art display, etc.), cash handling, travel and

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

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Policy No.: M-09

Effective Date: October 24, 2019

Review: October 2023

---

expenses, use of credit cards, library-issued communications devices and other equipment, and library procurement (e.g. dealing with contractors or suppliers).

- Ensure that all Employees and Volunteers are aware of and understand the Fraud Policy and Risk Management Plan and their rights and responsibilities.

### 2. Risk Assessment/Management

- Conduct an annual review of the Fraud Policy and Risk Management 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 the Fraud Policy and Risk Management 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 his or her area of responsibility and will identify and bring forward any recommendations for changes or additions to controls.
- Use due diligence, in accordance with the LPL 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 LPL 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 control deficiencies identified by the external auditor as a result of the annual audit.

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

Policy Type: Means

Policy No.: M-09

Effective Date: October 24, 2019

Review: October 2023

---

- 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 Human Resources 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 LPL 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.

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

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Policy No.: M-09

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---

- 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 with the highest standards of ethical and responsible business practices in all actions and communications to staff and the public.
- Participate in and supervise the daily application of the LPL Fraud Policy and Risk Management Plan and related processes, procedures and controls.
- Support an anti-fraud culture by ensuring all direct reports understand and live LPL values on a daily basis and realize their right and responsibility to report, free from recrimination, suspected fraudulent activities.
- Follow LPL policies and procedures related to Library business transactions, including but not limited to monetary charges (i.e. fines, fees, meeting space rental, art display, etc.), cash handling, travel and expenses, use of credit cards, library-issued communications devices and other equipment, and library procurement (e.g. dealing with contractors or suppliers).
- Ensure that direct reports participate in the training for the Fraud Policy and Risk Management 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.

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

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---

- 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 a potentially 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.

## **Employee and Volunteer Responsibilities**

### *Prevention*

- Conduct themselves with the highest standards of ethical and responsible business practices in all actions.
- Ensure that they understand and comply with LPL Fraud Policy and Risk Management Plan and related processes, procedures and controls.
- Follow LPL policies and procedures related to Library business transactions, including but not limited to monetary charges (i.e. fines, fees, meeting space rental, art display, etc.), cash handling, travel and expenses, use of credit cards,

## LONDON PUBLIC LIBRARY POLICY

Title of Policy: Fraud Policy and Risk Management Plan

Policy Type: Means

Policy No.: M-09

Effective Date: October 24, 2019

Review: October 2023

---

library-issued communications devices and other equipment, and library procurement (e.g. dealing with contractors or suppliers).

### *Detection*

- Immediately notify his or her immediate Director/Manager/Supervisor if he or she knows or has reason to believe that a fraud has occurred; or, if the Employee or Volunteer has reason to believe that his or her immediate supervisor may be involved, he or she shall notify the CEO, Director, Financial Services and/or Human Resources Manager.
- Maintain strict confidentiality concerning a reported fraud at all times.

### *Response*

- Cooperate fully in any investigation involving fraud, maintaining confidentiality of information.