



## Reporting of Losses Policy

Issue Date: September 14, 2006

Revised Date: September 12, 2016

### Authority:

*The Crown Corporations Act, 1993*  
CIC Board Minute # 156/2006

### Applicability:

The policy applies to CIC and its subsidiary Crown corporations.

### Purpose:

The purpose of this policy is to:

- Ensure the implementation of practices that will enhance public accountability and that the Crown sector is governed by appropriate corporate, ethical and moral principles.

### Definitions:

**Employees** - Employees of the CIC Crown corporations include direct employees or other individuals such as consultants or contractors that are subject to corporate policies governing their behavior and actions. If the individual is not a direct employee of the Crown, judgment needs to be exercised in determining if they were subject to corporate policies governing their behavior and actions.

**Theft, Fraud and other Losses of Money or Property** - For the purposes of this policy, these are the incidents for which reporting must occur. Reporting should occur when a Crown asset is lost due to actions that were unlawful, unethical, or intentionally misleading.

### Policy Statements:

CIC and its subsidiary Crowns are responsible to establish systems of controls to mitigate the risk of and detect fraud or illegal activities, as well as to report instances to external Auditors, the Provincial Auditor, Boards of Directors, and Ministers responsible.

In the interest of public accountability, CIC and its subsidiary Crown corporations are required to report all incidents, perpetrated by employees of the corporations, of theft, fraud, or other losses of money or property over \$500 to their Boards of Directors, the CIC Board and the Minister responsible for the Crown as soon as is practical or in accordance with currently established internal policies. Crown corporations are also required to report all incidents over \$500 to the police.



Crown corporations are required to submit a report, on a quarterly basis, to the Crown and Central Agencies Committee for incidents of theft, fraud or other losses of money or property over \$500. For a more detailed description, refer to the "Reporting Requirement" section.

### **Background:**

In March 2006, CIC committed to further enhancing the Crown sector's goals of accountability and transparency by establishing a policy of regularly reporting incidents, perpetrated by employees of the corporations, of theft, fraud, or other losses of money or property over a certain dollar threshold to the Crown and Central Agencies Committee (the Committee). At the same time, Executive Government committed to introducing a similar policy of regularly reporting to its legislative committee or, the Standing Committee on Public Accounts.

The CIC Crown sector's business practices are governed by appropriate corporate, ethical and moral principles. Saskatchewan Crown corporations are under constant public scrutiny and the behavior of their employees must be beyond reproach. It is imperative that the image of the Crown sector be one of integrity, professionalism, impartiality and fairness in its business dealings. Considerable trust and confidence are placed in all Crown sector employees.

Crown sector employees carry out and perform a wide variety of services and functions. It is the duty of every employee to exercise proper care and judgment in the course of his/her employment as well as good faith in all transactions involving the Crowns, Crown property or when acting as a Crown representative.

There is no system of financial and management controls that can prevent all incidents of fraud or illegal activity. An effective system of controls will seek to mitigate the risk of these incidents.

All CIC Crown corporations are responsible to establish systems of controls to mitigate the risk of and detect fraud or illegal activities perpetrated by employees of the corporations, as well as to report instances to external auditors, the Provincial Auditor, Boards of Directors, and Ministers responsible. Crown corporations are also responsible to determine appropriate human resource policies that outline the actions that will be taken against those who have perpetrated fraud.

The Crown Corporations have formal systems of controls in place including:

- Internal audit functions;
- Audit and Finance Committees;
- Codes of Ethics and Conduct;
- Regular risk assessments; and
- Whistleblower policies and procedures.

The Policy is not intended to be exhaustive; the absence of specific reference to some issues, behaviors or actions should not be construed as approval for such behaviors or actions. Judgment is required by Crown corporations when assessing whether an incident has occurred and the appropriate time to report an incident (i.e. immediately or in the next quarterly report).



## General Provisions:

### Reporting Requirement

Incidents should be reported to the Committee when it has been determined that a loss has occurred and that it resulted from unlawful, unethical or intentionally misleading actions by an employee of CIC or its subsidiary Crown corporations. Crown corporations are responsible for using reasonable judgment in determining if there is sufficient, appropriate evidence that a fraudulent act has occurred prior to reporting the incident.

In the event that a loss is discovered, Crown corporations are required to:

- keep a record of the incident;
- notify the police for incidents over \$500;
- report losses greater than \$500 to their Board of Directors;
- notify the Crown and Central Agencies Committee on a quarterly basis for incidents over \$500; and
- make every reasonable effort to recover the loss.

On a quarterly basis, or sooner in the case of a material fraud, Crown corporations are required to submit a report to the Committee (through CIC as indicated below) detailing any incidents of theft, fraud or other losses of money or property over \$500 that have been discovered during the previous three months. The report should include a description of the loss along with a general description of the relationship of the perpetrator with the Crown corporation (i.e. contractor). In accordance with privacy laws, specific names of employees or companies, or any other information that might reveal the identity of the individual should not be used. The report should also describe the immediate action that was taken by the Crown corporation, the value of the lost asset, the date of occurrence, and any preventative or corrective measures that will be or have been taken in order to minimize the risk of similar occurrences in the future.

Incidents should continue to be reported in each quarterly report until:

- all related actions are complete and all reasonable attempts to recover the loss have been made;
- the police notify the Crown corporation that the incident is no longer under investigation; or
- the Crown corporation has followed up with the police, determined (based on the follow up conversation) that the loss is not likely to be investigated in the near-term, and consider the incident to be closed.

When CIC or its subsidiary Crown corporations have determined that a material fraud has occurred, the incident may be reported immediately rather than in the next quarterly report. Materiality is to be determined by each Crown corporation in reference to its own financial and operational parameters.

CIC is responsible to submit a summary report to the Committee on behalf of the Crown sector within 60 days of each quarter end, consistent with the release of other public quarterly reports.

### Exclusions

This policy does not apply to incidents that occur due to unintentional mistakes or where items have been innocently misplaced. Employee education regarding corporate policies will help reduce the occurrence of these incidents.

Crown corporations are excluded from reporting incidents related to clients, customers, or unrelated third parties (i.e. a fraudulent insurance claim by an SGI client or acts of vandalism by unrelated third parties



need not be reported). A loss occurring as a result of unlawful or intentionally misleading actions by a related third party may be reportable where the related third party is required to comply with corporate policies (e.g. an IT consultant retained on a mid to long-term basis to help develop and implement a new system). If the individual is not a direct employee of the Crown, judgment needs to be exercised in determining if they were subject to corporate policies governing their behavior and actions.

A sample report has been included in Appendix A for reference purposes.

#### **Administrative Information:**

CIC will compile and provide a report to the committee on behalf of the Crown sector on a quarterly basis. Subsidiary Crown corporation reports should be submitted to the Vice President, Finance and Administration Division of CIC within a time frame consistent with the performance management quarterly reports in order to meet the 60 day deadline.

In the event that an incident that represents a material fraud is detected, the affected Crown corporation may contact the Vice President, Finance and Administration Division of CIC immediately and provide the appropriate information as set out in Appendix A and any additional information that may be required. A special report will be provided to the Committee by CIC in advance of the next quarterly report.

Contact: Corporate Controller, Finance and Administration, CIC, (306) 787-7264

Reviewed: September 12, 2016



Appendix A

Sample Report and Cover Letter

Date

Name  
Vice President and Chief Financial Officer  
Crown Investments Corporation  
400-2400 College Avenue  
S4P 1C8

Dear \_\_\_\_\_

**RE: Q1 20XX-XX Report on losses**

Please find attached SaskCrown's report on losses that occurred during the first quarter of 20XX and ongoing investigation from previous quarters. If you have any further questions about any of the losses please contact \_\_\_\_\_ at \_\_\_\_\_.

Yours sincerely,

Name  
Title, CIC Crown



**Example**

Crown Losses over \$500 discovered during the \_\_\_\_\_ Quarter, 20\_\_

Date of Occurrence	Description	Value	Action Taken	Corrective Measures
June 20XX - Feb. 20XX	An employee initiated and approved payments to vendors for goods and services which were not received by SaskCrown.	\$10,000	The police were notified and the employee has been terminated.	An internal audit effectively revealed the misconduct.
January, 20XX	Employee forged letter and Manager's signature to bank in order to personally benefit.	\$5,000	The police were notified and the employee has been terminated. Legal action is being taken in order to recover the funds.	An internal audit effectively revealed the misconduct.

**EXAMPLE -- Update on Incidents Reported in Previous Quarters**

Date of Occurrence	Description	Value	Status
November 10, 20XX	\$520 was reported missing from petty cash	\$520	The police were notified and produced a report for their records. They informed SaskCrown that there was insufficient evidence to proceed any further with an investigation and have informed SaskCrown that the investigation is no longer active. This will be the last report to the Committee for this incident unless additional information becomes available at a later date.