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|  <p>The University of British Columbia Board of Governors</p> | <p>Policy No.: SC15</p> |
| <p>Long Title: Internal Audit, Financial Misconduct and Investigations Policy</p> | |
| <p>Short Title: Financial Investigations Policy</p> | |

Background & Purposes:

The University of British Columbia (“**UBC**”) administers large volumes of funds for research, teaching, operations, and other UBC related purposes. UBC is committed to maintaining sound, responsible, and ethical management of its financial and other resources, operating with integrity, transparency, and accountability. Financial Misconduct (as defined below) undermines these values, damages UBC’s reputation, and can severely impact UBC’s ability to carry out its mission. Therefore, UBC has established a robust system of internal controls, risk management, and checks and balances to safeguard its assets and ensure the responsible handling of funds entrusted to it.

The purposes of this Policy are to:

- a. outline the roles and responsibilities of UBC Members and key stakeholders, including Internal Assurance, in upholding ethical financial practices;
- b. define Financial Misconduct and establish the reporting duties and procedures UBC Members must follow when Financial Misconduct is known or suspected, ensuring that appropriate steps are taken to investigate and address allegations;
- c. reinforce UBC’s commitment to the prevention, detection, and management of Financial Misconduct;
- d. outline the process for establishing rules regarding the prevention and detection of Financial Misconduct; and
- e. provide clarity on the authority and scope of Internal Assurance in conducting audits and financial investigations, while promoting a culture of accountability and ethical conduct in all financial matters.

1. Scope

- 1.1 This Policy applies to all UBC students and learners (including persons registered in non-credit educational activities at UBC); all UBC employees and appointees, including staff members, student employees, faculty members, temporary or sessional instructors, clinical or honorary professors, and adjunct professors; all individuals holding UBC emeritus status; all volunteers engaged in a UBC activity; all service providers, contractors, or persons acting for or on behalf of UBC or under the auspices of UBC; and anyone contractually obligated to comply with this Policy (“**UBC Member**”).

2. Internal Assurance

- 2.1 Internal Assurance will operate in accordance with the UBC Board of Governor's approved Internal Assurance Charter.
- 2.2 Internal Assurance's investigation mandate is to investigate allegations of Financial Misconduct; provide effective reporting mechanisms for allegations of Financial Misconduct; and promote ethical financial conduct by UBC Members (the "**Internal Investigation Mandate**").
- 2.3 Internal Assurance's audit mandate is to assist in the prevention of Financial Misconduct and provide consulting services and an independent and objective assurance of UBC's operations by evaluating and improving the effectiveness of UBC's risk management, control, and governance processes (the "**Internal Audit Mandate**").

3. Financial Misconduct

- 3.1 UBC will not tolerate improper financial acts or omissions involving money, assets, or resources that belong to UBC or that are administered by UBC on behalf of third parties (such as research funds, student loans, and trust funds), whether or not those acts or omissions are expressly forbidden by one or more of UBC's policies and procedures or applicable laws ("**Financial Misconduct**"). In assessing whether a UBC Member has committed Financial Misconduct, the reasonable person test will be applied. The reasonable person test refers to an assessment of responsibility that takes into account what a reasonable person in the same circumstances would have experienced, known, or understood, as opposed to what the UBC Member actually experienced, knew, or understood. It is recognized that the line between incompetence, carelessness and negligence, on the one hand, and intentional misconduct, on the other, may be very narrow. Acts of Financial Misconduct may be committed with varying degrees of intent. The result is Financial Misconduct in any case, although the degree of intent may be a factor in determining the appropriate consequences.
- 3.2 Regardless of their position, past performance, or length of service, any UBC Member found to have been involved in Financial Misconduct may be subject to legal and/or disciplinary action, up to and including termination of employment or appointment, student discipline, or civil and/or criminal proceedings. Law enforcement may be contacted where criminal charges may be warranted.
- 3.3 Regardless of their rank, title, or position, all UBC Members have stewardship responsibilities with regards to UBC's funds and assets and will not, either directly or indirectly, permit or participate in Financial Misconduct.
- 3.4 All UBC Members have a duty to report known or suspected Financial Misconduct in accordance with the Procedures.

4. Financial Misconduct Investigations

- 4.1 Internal Assurance has the authority to access any relevant UBC records or information to conduct investigations into Financial Misconduct. Internal Assurance also has the authority to interview UBC Members and other individuals as necessary to gather evidence. However, Internal Assurance's investigation powers are subject to UBC's legal and privacy obligations. In cases where access to information may be restricted by law or information is subject to legal privilege, Internal Assurance will seek direction from the Office of the University Counsel or, when an employee is involved, both the Office of the University Counsel and Human Resources.
- 4.2 During any investigation under this Policy or its Procedures, all UBC Members are expected to cooperate with Internal Assurance and/or the investigator and, subject to section 4.1 of this Policy, are expected to disclose any credible evidence of any Financial Misconduct. Discipline and/or adverse inferences may be drawn from a failure to cooperate.
- 4.3 UBC will not tolerate any retaliation, as defined in the Retaliation Policy (SC18), direct or indirect, against anyone making, or involved in, a report of or an investigation into Financial Misconduct. Allegations of retaliation will be addressed pursuant to the Retaliation Policy (SC18).
- 4.4 Any UBC Member found to have made a frivolous, vexatious, or bad faith allegation of Financial Misconduct may be subject to disciplinary action.

5. Rules

- 5.1 The Responsible Executive may issue and maintain mandatory rules ("Rules") regarding the subject matter of the Policy and its associated Procedures, provided that such Rules must not be inconsistent with the Policy or its associated Procedures. The creation of Rules is at the discretion of the Responsible Executive where the Responsible Executive believes there is benefit to enumerate detailed processes and requirements for the UBC community. The Rules may vary depending on the needs of different UBC units or types of financial activity. The Responsible Executive, Internal Assurance and the CARO do not require the existence of a Rule to exercise their authority with respect to the subject matter of the Policy and its associated Procedures.
- 5.2 Prior to creating or substantively revising the Rules, the Responsible Executive will establish an advisory committee which will consist of representatives from Internal Assurance, Finance, the Office of the University Counsel, Human Resources, and of persons from the applicable campus who are representative of the academic and administrative units responsible for the subject matter of the Rules and the primary UBC constituencies that would be impacted by the Rules. Any proposed new Rules or substantive amendments to existing Rules must be published publicly for a period of at least two weeks on a UBC website designated by the Responsible Executive with a request for feedback to the advisory committee. The advisory committee, upon receipt and consideration of such feedback, will provide advice to the Responsible Executive on the form and content of the new Rule or amended Rule.
- 5.3 Exceptions or variations to the Rules may be made in certain circumstances if the exception or variation is approved in writing by the Responsible Executive.

- 5.4 Each Administrative Head of Unit is responsible for ensuring compliance with the Rules within their respective areas of responsibility.
- 5.5 Internal Assurance will monitor compliance with the Rules and report on the status of their implementation to the Audit Committee of the Board of Governors.

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PROCEDURES ASSOCIATED WITH THE FINANCIAL INVESTIGATIONS POLICY

Pursuant to the Regulatory Framework Policy, the President may approve Procedures or the amendment or repeal of Procedures. Such approvals must be reported at the next meeting of the UBC Board of Governors or as soon thereafter as practicable.

Capitalized terms used in these Procedures that are not otherwise defined herein shall have the meanings given to such terms in the accompanying Policy, being the Financial Investigations Policy.

1. Definitions

- 1.1 "**Administrative Head of Unit**" means a Director of a service unit, a Head of an academic department, a Director of a centre, institute or school, a Principal of a college, a Dean, an Associate Vice-President, the Registrar, the University Librarian, a Vice-President, the President, or the equivalent.
- 1.2 "**Financial Misconduct**" is defined in section 3.1 of the Policy.

2. Examples of Financial Misconduct

- 2.1 Examples of Financial Misconduct include but are not limited to:
 - 2.1.1 Misappropriation, misapplication, or theft of UBC's funds, securities, supplies, inventory, furniture, fixtures, equipment, trade secrets, intellectual property, or services.
 - 2.1.2 Breach of a finance-related fiduciary duty or a finance-related obligation of confidentiality.
 - 2.1.3 Forgery, falsification, or alteration of finance-related documents (e.g., cheques, bank drafts, promissory notes, work/employment records, travel expense reports, contractor agreements, purchase orders, electronic files, etc.).
 - 2.1.4 The failure to follow UBC's policies for handling or reporting of money, cash equivalents, or financial transactions (e.g., personal use of procurement cards, duplicate reimbursements, and fictitious purchases).
 - 2.1.5 The failure to follow UBC's purchasing or supply management procedures (e.g., authorizing payments for goods/services not received).
 - 2.1.6 Giving or receiving unauthorized benefits, (e.g., bribery, kickbacks, or commissions).
 - 2.1.7 Payroll manipulation (e.g., claims for hours not worked, unauthorized pay rate changes, or fictitious employees).

- 2.1.8 Financial statement fraud (e.g., intentional falsification causing a misstatement of revenue, expenses, or balance sheet amounts).
- 2.1.9 Unauthorized use of UBC inventory or assets.
- 2.1.10 Theft of petty cash or cash from registers.
- 2.1.11 Unauthorized expense reimbursement, including personal items or prohibited purchases.
- 2.1.12 Corruption (e.g., misuse of influence or position to the detriment of UBC, including bribery, procurement fraud, and inappropriate hiring practices).
- 2.1.13 Procurement fraud (e.g. selecting unqualified vendors for personal gain, bid rigging, and colluding to inflate pricing).
- 2.1.14 Concealing or abetting any Financial Misconduct.
- 2.1.15 Violation of financial provisions in UBC's policies or applicable laws/regulations.
- 2.1.16 Providing false information for personal financial gain (e.g., falsifying financial need).
- 2.1.17 Misuse of research grants or funds.

3. Reporting Suspected Financial Misconduct

- 3.1 A UBC Member who is aware of, or who suspects, Financial Misconduct must promptly report such activity to either their Administrative Head of Unit or to Internal Assurance.
- 3.2 Administrative Heads of Units must promptly notify Internal Assurance of any suspected or known Financial Misconduct disclosed to them, and consult with Internal Assurance prior to conducting their own investigation or review in relation to the reported activity.
- 3.3 A person who reports an allegation of Financial Misconduct (the "**Discloser**") as set out below, may make their report as follows (the "**Disclosure**"):
 - 3.3.1 to Internal Assurance: by emailing financial.whistleblower@ubc.ca, by calling the whistleblower hotline at 604-827-1857, or by sending a letter to Room 105, Ponderosa Office Annex F, 2008 Lower Mall, Vancouver, BC V6T 1Z2; or
 - 3.3.2 to the Office of the University Counsel by emailing university.counsel@ubc.ca, or to such other person(s) as the University Counsel may specify in writing, if:
 - (a) the suspected Financial Misconduct involves the Chief Assurance and Risk Officer ("**CARO**") or the Responsible Executive; or
 - (b) the CARO has a Conflict of Interest (as defined in the COI Policy).

- 3.4 The Discloser should provide the following information, to the extent of their knowledge:

- 3.4.1 the details of the suspected Financial Misconduct and the suspected parties involved;
 - 3.4.2 the UBC policies, rules, or law alleged to have been breached by the suspected Financial Misconduct; and
 - 3.4.3 any other relevant information.
- 3.5 A Disclosure may come from various sources inside or outside the University. For example, a Disclosure may come from a UBC Member, a granting agency, a member of the general public, a media report, or an anonymous source.
- 3.6 UBC's ability to investigate an allegation may be hampered if it is from an anonymous source, or if an allegation is not made in writing, and in some cases UBC may be unable to proceed with an investigation.
- 3.7 Where an allegation has been reported to the Office of the University Counsel under section 3.3.2 of these Procedures, the Office of the University Counsel will assume responsibility for the investigation, with consideration of these Procedures.

4. Evaluation of Disclosures by Internal Assurance

- 4.1 All Disclosures to Internal Assurance will be seriously considered in an objective, timely, and fair manner, in accordance with these Procedures.
- 4.2 The CARO will assign a member from Internal Assurance to evaluate the Disclosure, based on criteria established by Internal Assurance. Internal Assurance's criteria are based on industry leading practices. Internal Assurance may request further information from the Discloser to assist in their evaluation of the Disclosure. Internal Assurance will make a recommendation to the CARO to determine whether the allegation of Financial Misconduct warrants an investigation.
- 4.3 The CARO will consider this recommendation and determine whether an investigation under the Financial Investigations Policy is required in a timely manner. In addition, the CARO may independently initiate an investigation without a Disclosure, based on findings or observations that indicate potential Financial Misconduct. In accordance with the Investigations Policy (SC8), the CARO will provide notification to Human Resources or the Office of the University Counsel prior to undertaking an investigation.

5. Investigations

- 5.1 If an investigation is required, Internal Assurance will conduct the investigation, unless the CARO and the relevant Administrative Head of Unit agree that the Administrative Head of Unit will conduct the investigation. Where an investigation is conducted by the Administrative Head of Unit, the Administrative Head of Unit is accountable to Internal Assurance for conducting the investigation in a timely and responsible manner and must provide Internal Assurance with regular updates throughout the investigation.

- 5.2 The individual who conducts the investigation (the “**Investigator**”) will collaborate with relevant UBC units, such as Human Resources, the Office of the University Counsel, and Safety and Risk Services, and those units will provide advice and support as appropriate.
- 5.3 The Investigator may contact and interview any individuals that the Investigator determines are necessary for the purposes of the investigation, including those alleged to have engaged in the Financial Misconduct (the “**Respondents**”), and witnesses.
- 5.4 All investigations must be conducted in accordance with the following principles:
- 5.4.1 **Fairness:** Investigations must be conducted in accordance with the principles of procedural fairness in the university context and, where the Respondent is a UBC employee, in accordance with employment law and any applicable agreements with unions and employee associations. Respondents have a right to know the nature of the allegations against them, to have an opportunity to respond to those allegations, to have those allegations investigated in an unbiased manner, and to receive reasons for any decision that impacts their privileges, entitlements, rights, or obligations.
 - 5.4.2 **Timeliness:** Investigations must be concluded in a timely manner.
 - 5.4.3 **Confidentiality:** Investigations are confidential, and personal information must only be disclosed in accordance with these Procedures.
- 5.5 All UBC Members are required to cooperate with the Investigator. Respondents are expected to participate in the investigation outlined above in a timely manner. In cases where a Respondent fails to participate within a reasonable time without appropriate justification, the process may proceed without their participation and an adverse inference may be drawn as a result of their failure to participate, and may also be considered a further breach of the Financial Investigations Policy.
- 5.6 At the conclusion of an investigation, a written report will be prepared by the Investigator (“**Investigative Report**”) that will normally include the following information:
- 5.6.1 a summary of the evidence considered;
 - 5.6.2 any assessment of credibility that is required to render a determination; and
 - 5.6.3 the findings of facts, and a determination as to whether, on a balance of probabilities, Financial Misconduct has occurred.

6. Outcome and Disciplinary Measures

- 6.1 Internal Assurance does not determine the outcome or disciplinary measures to be imposed on a Respondent in response to a finding of Financial Misconduct.
- 6.2 The CARO will provide a copy of the Investigative Report to the appropriate UBC authority, or authorities if a Respondent has more than one relationship to UBC, responsible for making a final decision on outcome or disciplinary measures as follows:

- 6.2.1 in the case of a student Respondent, to the President;
 - 6.2.2 in the case of a registrant Respondent, to the Administrative Head of Unit in whose educational activity the Respondent is registered;
 - 6.2.3 in the case of a faculty member Respondent, to the faculty member's Dean or, in the case of a librarian, to the University Librarian;
 - 6.2.4 in the case of a staff member Respondent, to the staff member's Administrative Head of Unit or as set out in the applicable collective or employment agreement;
 - 6.2.5 in the case of an emeritus Respondent, to the appropriate Dean who will make a recommendation to the UBC Vancouver Senate Tributes Committee or the UBC Okanagan Learning and Research Committee, as appropriate. A final decision with respect to the emeritus appointment will be made by the relevant Senate;
 - 6.2.6 in the case of a Respondent who is serving on a UBC committee, to the chair of the committee.
- 6.3 Where there is a determination that an employee Respondent has engaged in Financial Misconduct, the appropriate UBC authority or authorities must consult with Human Resources before issuing a decision regarding the disciplinary or other measures to be imposed on the employee Respondent.
- 6.4 Once the appropriate UBC authority has made a decision regarding the disciplinary or other measures to be imposed on a Respondent, that decision will be communicated in writing to the Respondent. A copy of the decision will also be provided to Internal Assurance.
- 6.5 If the Investigative Report determines that Financial Misconduct has occurred, Internal Assurance will provide a copy of the Investigative Report to Administrative Heads of Unit whom the CARO determines ought to know under the circumstances, for example:
- 6.5.1 the UBC authority charged with addressing concerns under a Faculty's or school's standards of professional conduct, if the Respondent is a student subject to those standards;
 - 6.5.2 the Office of Vice-President, Research and Innovation, where there has been a misuse of research funds;
 - 6.5.3 Insurance & Loss Prevention, where there are insurance considerations; and
 - 6.5.4 Campus Security, where engagement with law enforcement is recommended or required.
- 6.6 Whether or not the Investigative Report includes a determination that Financial Misconduct has occurred, if the CARO is satisfied that an Investigative Report discloses other misconduct or information that UBC may need to act on under another UBC policy or process, the CARO may refer the Investigative Report, or the relevant portions of the Investigative Report, to the appropriate UBC authority.

- 6.7 Internal Assurance will conclude the investigatory process by ensuring all necessary communications are made to those responsible for implementing decisions, providing or adjusting support services and assistance, providing education, or conducting administrative transactions.

7. Notification to Third Parties Outside of UBC

- 7.1 If, at any time, the CARO becomes aware of activity or losses that may be covered under UBC's insurance policies, the CARO will notify UBC Risk Management Services immediately. UBC Risk Management Services will notify UBC's insurers as appropriate.
- 7.2 If the Office of Vice-President, Research and Innovation has received an Investigation Report that finds there has been Financial Misconduct relating to research funds, the Office of Vice-President and Innovation will notify relevant external parties as required, such as funding agencies, the Secretariat on Responsible Conduct of Research, affected research partners, and affected donors.
- 7.3 If, at any time, the CARO believes that an activity should be reported to law enforcement, as it may constitute an offence under the *Criminal Code of Canada*, the CARO will consult with the Office of the University Counsel and, if an employee is involved, with Human Resources. The CARO will prepare a recommendation for the Responsible Executive. If the Responsible Executive agrees that law enforcement should be notified, they will appoint a designated individual to act as UBC's representative in liaising with law enforcement agencies, through or in consultation with Campus Security.
- 7.4 In the event that Financial Misconduct leads to an insurance claim or involves legal proceedings or law enforcement, Internal Assurance must be informed of the results.
- 7.5 The Office of the University Counsel should be consulted where appropriate regarding any privacy considerations with respect to third party notifications.

8. Confidentiality and Privacy in Investigations

- 8.1 In order to protect the integrity, fairness, and effectiveness of the process under the Policy and Procedures and to ensure compliance with the *Freedom of Information and Protection of Privacy Act* ("FIPPA"), all participants in the investigation must act in accordance with the requirements set out below.
- 8.2 Individuals who have obtained information about an identifiable individual ("**Personal Information**") through their participation in the investigation must not disclose this information to anybody except their own personal advisors or representatives, or as required by law. However, this section does not prevent any participants in the process from disclosing information about themselves, or information they have obtained outside the investigation.
- 8.3 UBC will not disclose any Personal Information related to an investigation except to the extent such disclosure is:

- 8.3.1 expressly authorized by the affected individual;

- 8.3.2 to a UBC employee, contractor, or volunteer, if necessary for the performance of that individual's duties;
 - 8.3.3 to a Respondent, witness, or other participant in the investigation, if necessary for the conduct of the investigation;
 - 8.3.4 to a Respondent in accordance with section 8.4;
 - 8.3.5 authorized by the University Counsel for compelling health or safety reasons;
 - 8.3.6 authorized by the University Counsel to correct misleading or inaccurate information if necessary to protect the integrity of the investigation or UBC's investigatory processes;
 - 8.3.7 authorized or required under law; or
 - 8.3.8 in accordance with any applicable agreements with unions and employee associations.
- 8.4 To maintain the integrity of the investigation process, UBC must ensure that Respondents know the investigation findings and the evidence upon which these findings are based. Respondents are entitled to a copy of the Investigation Report. FIPPA may require UBC to remove Personal Information that is irrelevant to the investigation findings, or that identifies third parties. If there are multiple Respondents, each will only receive the portions of the Investigation Report that are relevant to them. The Office of the University Counsel should be consulted on necessary redactions to the Investigation Report.
- 8.5 Disclosers and witnesses are not entitled to know the investigation findings or outcomes, unless otherwise provided under these Procedures.
- 8.6 Section 8.2 does not prevent Respondents from disclosing the information received under section 8.4. However, Respondents who choose to disclose such information should keep in mind that the disclosure of such information may result in a legal claim being made against them by other parties or other individuals (including, for example, a defamation or breach of privacy claim), and may wish to seek advice before doing so.

9. Internal Controls Report

- 9.1 Following an investigation, the CARO may make written recommendations as deemed appropriate in the circumstances (the "**Internal Controls Report**"). Such recommendations may include, but are not limited to, the following:
- 9.1.1 Remedial measures to address the effects of Financial Misconduct and restore affected units to effective functioning;
 - 9.1.2 Steps to strengthen internal controls and prevent future Financial Misconduct, such as policy revisions, enhanced oversight, or staff training; and

- 9.1.3 Suggestions for improving internal processes to resolve any systemic issues identified during the investigation.
- 9.2 The Internal Controls Report may include anonymized information about any Financial Misconduct that has been investigated, but will not include Personal Information related to investigations.
- 9.3 The Internal Controls Report will be shared with any UBC Members as deemed appropriate by the CARO.
- 9.4 The CARO will at least annually provide a summary of Disclosures, Investigative Reports, and Internal Controls Reports to the Audit Committee of the Board of Governors.

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