

**DEFENCE
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CANADA**

INTEGRITY MANAGEMENT FRAMEWORK

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DEFENCE CONSTRUCTION CANADA
INTEGRITY MANAGEMENT FRAMEWORK

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1.0 Introduction

Defence Construction Canada (DCC) is committed to operating with the highest level of integrity and ethical standards in support of its business. DCC has zero tolerance for conflicts of interest, wrongdoings, corrupt conduct or fraudulent activities. As a result, DCC will adopt a structured governance framework and an integrated approach to the prevention, detection, monitoring, reporting and response to conflicts of interest, wrongdoings, corrupt conduct or fraudulent activities.

The Integrity Management Framework will provide DCC the outline of the principles, policy, guidelines and key processes for its effective integrity management.

This Framework should be reviewed at least every two years but a review can be undertaken at any time.

2.0 Ethical culture

DCC's expectations on ethical behaviour for employees are set out in the *Code of Business Conduct*. DCC employees are to conduct themselves in a professional manner at all times and strive to achieve the highest standards of behaviour and integrity while undertaking their work on behalf of DCC and its Client-Partners. DCC articulates its expectations on ethical behaviours from suppliers in its *Procurement Code of Conduct*. This document provides suppliers with a clear statement of expectations to ensure a basic understanding of their responsibilities during the procurement process as well as throughout the implementation of the work.

In addition to the legal provisions, the tenets of fairness, openness and transparency are amplified in DCC's *Code of Business Conduct* as well as DCC's procurement practices and procedures.

DCC offers ethics and integrity training to employees to assist in raising the general awareness of ethical behaviour and of how they should respond should conflicts of interest, wrongdoings, corrupt conduct or fraudulent activities be suspected or detected.

3.0 Prevention

Key aspects of preventing conflicts of interest, fraud, corruption, collusion, bid-rigging and wrongdoings include ensuring internal controls are in place to manage potential risks, identifying control weaknesses and implementing measures to address these weaknesses. Regular fraud risk assessments are vital in identifying potential risks, control weaknesses and appropriate treatments. DCC's fraud risk assessment, which forms part of DCC's corporate risk register, is updated on a quarterly basis as part of our risk management processes and is integrated into each impacted departmental or Service Line risk register.

3.1 Internal controls

Internal controls are often the first line of defence against conflicts of interest, wrongdoings, corrupt conduct or fraudulent activities. DCC maintains a strong internal control system and promotes and monitors the use of effective internal controls. Part X of the *Financial Administration Act (FAA)* sets out the governance requirements for Crown Corporations. DCC's Board of Directors approves the Corporation's *Code of Business Conduct* and receives regular reports on related activities from DCC's President and CEO. The Office of the Auditor General of Canada is DCC's auditor and reviews the results of the annual sign-off of the *Code of Business Conduct* by DCC employees.

Delegations

Delegation of authority within DCC sets out what positions are responsible for making decisions and taking actions on behalf of DCC. The Delegation of Authority Framework identifies requirements, roles and responsibilities in relation to delegating decisions, authority or power.

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DCC employees may exercise their delegation of authority through actions such as approving expenditure, signing requisitions or purchase orders, approving appointments or leave applications, or signing a contract that commits DCC to a significant expenditure. Each employee is communicated their delegated authority through the use of the DCL241, DCL241A or DCL241B.

DCC employees who administer payments to contractors and consultants must successfully complete the Department of National Defence (DND) Expenditure Management course before they are granted authority under section 33 or 34 of the FAA. DCC employees with delegated signing authorities for vendors (corporate accounts) who do not have DND's Expenditure Management certification are required to successfully complete DCC's Basic Financial Management course. DCC employees who approve the award of contracts must also complete mandatory training, which includes coaching on ethics and values in procurement.

Finance

DCC's Financial Management Policy and Process Manual (FMPPM) defines roles and responsibilities, provides guidance, and establishes a framework for the Corporation's financial management.

Compliance with the FMPPM is mandatory for all employees. Managers of non-finance operational units must be aware of the sections of this manual that affect their particular area of operation. All staff directing and undertaking financial operations must apprise themselves of the requirements of the FMPPM which are relevant to their operations.

Human Resources

DCC has an obligation to ensure that its human resources policies support national security requirements. DCC has established a job-related security clearance system for all employees. All prospective employees are advised of the level of security clearance required for a role in the job posting. All offers and acceptances of employment will be deemed conditional on the requisite level of security clearance being obtained.

Conflict of Interest

In order to minimize the risk of conflict of interest and to permit the resolution of such conflicts of interest, employees are required to make a Disclosure Report, as per the *Code of Business Conduct*, to the President regarding certain assets and liabilities.

Procurement

DCC has a strong framework in place to support accountability and integrity in its procurement operations. This includes policies, procedures and governance measures to ensure fairness, openness and transparency. DCC has put in place numerous measures that demonstrate its commitment to doing business with companies and individuals that respect the law and act with integrity.

The key elements of the framework are as follows:

- The Contract Services section of DCC's Operations Manual.
- DCC's *Code of Business Conduct*.
- DCC's *Procurement Code of Conduct*.
- Public Services and Procurement Canada's (PSPC) Integrity Regime—*Ineligibility and Suspension and Policy*.

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- DCC's due diligence verification on contractors, consultants and suppliers prior to awarding a contract. This verification serves to determine if the firm has been declared ineligible under PSPC's Integrity Regime—*Ineligibility and Suspension Policy*.
- A database of contractors, consultants and suppliers who have received a warning or whose bidding privileges have been suspended for failure to perform their contractual obligations. The database is also consulted prior to any contract award.
- In some rare circumstances, it may be in the public interest for DCC to do business with a bidder that has been declared ineligible. Such circumstances could include: a) only one person or company capable of providing the goods or services; b) emergency; c) national security; d) health and safety; and e) economic harm. In such cases, DCC would coordinate with PSPC as per the terms of our Memorandum of Understanding to ensure that the bidder enters into an administrative agreement as provided for in PSPC's Integrity Regime—*Ineligibility and Suspension Policy*.
- DCC employees involved in procurement operations must go through a coaching guide titled "Ethics and Accountability in Contract Procurement." This guide is required to be completed within the first six to 18 months of employment and is mandatory for the person to receive their delegated signing authority for contracting.

4.0 Detection

Despite prevention activities, conflicts of interest, fraud, corruption, collusion, bid-rigging and wrongdoings may still occur. Therefore, it is important that specific strategies are in place to detect conflicts of interest, wrongdoings, corrupt conduct or fraudulent activities as soon as possible if it has occurred.

4.1 Reporting

DCC employees

As noted in DCC's *Code of Business Conduct*, the *Public Servants Disclosure Protection Act* provides a means for employees to disclose information that they believe could show that a wrongdoing has been committed in the public sector or that they were asked to commit a wrongdoing. This is also referred to as "whistleblowing".

Contractors and consultants

Any suspected breach of the DCC *Procurement Code of Conduct* is to be reported to the appropriate Regional Service Line Leader (RSL), who will elevate the issue to DCC executive management.

In relation specifically to procurement activities, any suspected illegal or unethical business practices, such as bid-rigging or collusion, bribery, undisclosed conflicts of interest, extortion, involvement in organized crime and activities that are prohibited under DCC's *Procurement Code of Conduct* are to be reported by following the process published in the Contract Services section of DCC's Operations Manual.

4.2 Identification of early warning signs (red flags)

Identifying and acting on warning signs (red flags) assist in the early detection of conflicts of interest, wrongdoings, corrupt conduct or fraudulent activities. There are two types of red flags: behavioural and transactional. Transactional red flags refer to unusual or out of the ordinary exchanges related to common business activities or transactions. Behavioural red flags refer to unusual actions, behaviours or traits exhibited by a person. Within the Contract Services Service Line, employees must complete training for

detecting signs of fraud related to procurement activities prior to obtaining their delegated signing authority.

4.3 Data analysis

Data analysis is a particularly useful tool for detecting fraud and other improper behaviour. It is a process of uncovering patterns and relationships in datasets that appear unrelated and it can also highlight discrepancies which may indicate fraud and improper behaviour.

In relation to procurement activities, DCC has implemented a detailed process for detecting fraudulent activities using data analytics. On a regular basis, the Vice-President, Operations—Procurement will oversee the production of reports outlining the findings of the analysis performed. A summary of these reports will be presented to DCC's Executive Management Group. The general process for detecting fraudulent activities using data analytics is published in the Contract Services section of DCC's Operations Manual.

4.4 Post-incident review

DCC's Executive Management Group is responsible for establishing a review process following an incident. This process includes an assessment of the issue and putting into practice the feedback from lessons learned.

4.5 Internal verifications

As per the Corporate Performance Management Framework, DCC undergoes and conducts each year numerous internal and external audits as well as internal verifications to ensure compliance of the Corporation and staff with established policies, processes and performance targets.

4.6 Audits

Internal audits support management's efforts to establish a culture that embraces ethics, honesty and integrity. Internal audits may be used to assist management with the evaluation of internal controls used to detect or mitigate fraud. Therefore, the internal auditor may play a variety of consulting, assurance, advisory, and investigative roles in DCC's Integrity Management Framework.

DCC is also subject to special examinations by the Auditor General of Canada once every 10 years and the scope of these examinations may include such areas as business integrity.

5.0 Response

The process for the disclosure by DCC employees of wrongdoing is outlined in the *Code of Business Conduct*.

In addition, suspected conflicts of interest, fraud, corruption, collusion and bid-rigging by contractors, consultants or suppliers is to be reported immediately to the Regional Service Line Leader (RSL) or Regional Director. The RSL or Regional Director will engage the Executive Management Group who will decide how to best manage the issue.

As part of a review process, the Executive Management Group will work with relevant process owners to reassess the adequacy of the internal control environment (particularly those controls surrounding the fraud incident) and actively plan and implement improvements where required.

DCC is committed to quantifying fraud losses and maximising the recovery of losses incurred from fraud and corruption activities and will pursue every possible avenue in doing so.

5.1 Disciplinary action

DCC employees

Action taken in response to allegations of wrongdoing will be in accordance with relevant policies and legislation. It is a condition of employment that DCC employees adhere to the *Code of Business Conduct*. Also, the management of discipline in DCC is contained in the HR Policy and Process Manual. DCC will consider reasonable management and/or disciplinary action against staff resulting from substantiated allegations of wrongdoing. DCC may still undertake disciplinary action against the employee regardless of the outcome of criminal or civil court proceedings.

Contractors and consultants

Action taken in response to allegations of conflicts of interest, fraud, corruption, collusion, bid-rigging will be in accordance with the DCC *Procurement Code of Conduct* and appropriate contract clauses. Suspicious behaviour or suspicious submissions by contractors or consultants will be reported to the Competition Bureau or the Royal Canadian Mounted Police, as applicable.

**ANNEX 1: FOUR ESSENTIAL COMPONENTS
 OF DCC'S INTEGRITY MANAGEMENT FRAMEWORK**

TABLE 1-COMPONENTS

<p>Ethical Culture</p>	<p>Increasing levels of ethical awareness by embedding and implementing initiatives to deter and minimise the opportunities for conflicts of interest, wrongdoings, corrupt conduct or fraudulent activities.</p>
<p>Prevention</p>	<p>Preventing instances of conflicts of interest, wrongdoings, fraud, corruption, collusion and bid-rigging by strengthening the systems of control and risk management.</p>
<p>Detection</p>	<p>Implementing initiatives to detect conflicts of interest, wrongdoings, fraud, corruption, collusion and bid-rigging as soon as possible after it occurs.</p>
<p>Response, Outcomes and Recovery</p>	<p>Implementing initiatives to deal with detected or suspected conflicts of interest, wrongdoings, fraud, corruption, collusion and bid-rigging in accordance with relevant policies and legislation.</p> <p>Ensuring appropriate outcomes (disciplinary, civil, systemic or criminal justice system), thereby helping to deter and prevent occurrence.</p> <p>Recovery of losses maximised as far as possible, thereby limiting the financial impact and helping to deter and prevent reoccurrence.</p>

ANNEX 2: DEFINITIONS AND CONCEPTS

The most important definitions and concepts used in this document are as follows:

Integrity - Integrity is a concept of consistency of actions, values, methods, measures, principles, expectations, and outcomes. In ethics, integrity is regarded as the honesty and truthfulness of one's actions or adherence to a strict moral or ethical code or standards or set of values.

Wrongdoing – Wrongdoing is the act or an instance of doing something immoral or illegal referred to in section 8 of the *Public Servants Disclosure Protection Act* (PSDPA):

- (a) a contravention of any Act of Parliament or of the legislature of a province, or of any regulations made under any such Act, other than a contravention of section 19 of the PSDPA;
- (b) a misuse of public funds or a public asset;
- (c) a gross mismanagement in the public sector;
- (d) an act or omission that creates a substantial and specific danger to the life, health or safety of persons, or to the environment, other than a danger that is inherent in the performance of the duties or functions of a public servant;
- (e) a serious breach of a code of conduct established under section 5 or 6 of the PSDPA; and
- (f) knowingly directing or counseling a person to commit a wrongdoing set out in any of paragraphs (a) to (e).

Corruption - Corruption is defined as dishonest activity in which a director, executive, manager, employee or contractor of an entity acts contrary to the interests of the entity and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity. Subsection 3(1) of the *Corruption of Foreign Public Officials Act* provides that:

3 (1) Every person commits an offence who, in order to obtain or retain an advantage in the course of business, directly or indirectly gives, offers or agrees to give or offer a loan, reward, advantage or benefit of any kind to a foreign public official or to any person for the benefit of a foreign public official

- (a) as consideration for an act or omission by the official in connection with the performance of the official's duties or functions; or
- (b) to induce the official to use his or her position to influence any acts or decisions of the foreign state or public international organization for which the official performs duties or functions.

Fraud - Fraud is a criminal deception involving the use of false representation with the specific intent of gaining an unfair or dishonest advantage. Fraud ordinarily involves either wilful misrepresentation or deliberate concealment of material facts for the purpose of inducing another person to either part with cash or something else of value or to surrender a legal right.

Collusion – Collusion occurs when two persons (or business entities through their officers or other employees) enter into a deceitful agreement, usually secret, to defraud and/or gain an unfair advantage over a third party, competitors, consumers or those with whom they are negotiating.

Bid-rigging - Bid-rigging occurs when two or more persons agree that, in response to a call for bids or tenders, one or more of them will: not submit a bid; withdraw a bid; or submit a bid arrived at by agreement. Bid-rigging typically involves competitors agreeing to artificially increase the prices of goods and/or services offered in bids to potential customers.

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ANNEX 3: RELATED DOCUMENTS AND LEGISLATION

- [*Code of Business Conduct*](#)
- [*Values and Ethics Code for the Public Sector*](#)
- [*Procurement Code of Conduct*](#)
- [*Corporate Risk Management Framework*](#)
- [*Public Servants Disclosure Protection Act*](#)
- [*Criminal Code*](#)
- [*Corruption of Foreign Public Officials Act*](#)
- [*Security Policy*](#)
- [*Contract Services section of the Operations Manual*](#)
- [*Financial Management Policy and Process Manual*](#)
- [*Financial Administration Act*](#)
- [*Delegation of Authority Framework*](#)
- [*PSPC's Ineligibility and Suspension Policy*](#)