

# AVON MAITLAND DISTRICT SCHOOL BOARD

## ADMINISTRATIVE PROCEDURE

### NO. 501

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#### **SUBJECT: FINANCIAL INTEGRITY (Fraud Prevention and Management)**

Legal References: *Ontario Regulation 361/10*

Related References: *Administrative Procedure 138: Positive Workplace Environment: Preventing Workplace Harassment and Discrimination; AP 196: Records Management; AP 351: Code of Conduct; AP 515: Travel and Expense Claims; AP 513: School Generated Funds Procedures; AP 516: Purchasing Procedures and AP 517: Purchasing Authority.*

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#### **1.0 Purpose**

- 1.1 The intent of this Administrative Procedure is to foster and maintain a work environment based on the principle of financial integrity. In this procedure, the following references will apply:
- a) the “Board” or “AMDSB” means the district school board formed under the Education Act (Ontario) and known as Avon Maitland District School Board;
  - b) the “Board of Trustees” means the Board of Trustees of AMDSB as elected by the general;
  - c) “Trustee” means one of the Trustees;
  - d) the “Audit Committee” means the members of the Board of Trustees and the community members who are part of AMDSB’s Audit Committee;
  - e) “AMDSB Senior Administration” and “Administration” refer to the respective levels of administrative personnel of AMDSB;
  - f) Staff” or “employee” means any and all employees of AMDSB, regardless of role; and
  - g) “Public funds” refers to the monetary amounts received from the Federal and Provincial governments and associated organizations, along with funds donated or paid by members of the AMDSB community.
- 1.2 This procedure demonstrates AMDSB’s commitment to accountability, transparency, fairness, and the prudent use of public funds.
- 1.3 Fraud is defined as intentional deception committed by an individual with the intent of obtaining financial or personal gain, which includes, but is not limited to, the following actions:
- a) The theft or unauthorized use of an AMDSB asset (e.g. cash, financial funds, furniture, etc.) and/or proprietary information. An AMDSB asset is inclusive of equipment (e.g. computers and related peripherals, phones, vehicles, machinery, tools, etc.);
  - b) The submission of an inflated or non-work related claim of expenses in contravention of the Travel and Expense Claim Administrative Procedure;
  - c) The misrepresentation of financial information through alteration and/or forgery;
  - d) Falsified claims for leaves of absence and/or false reporting of the use of time and/or falsification of benefit claims; or

- e) Providing preferential treatment in the selection and/or retaining business with vendors in contravention of the Purchasing Administrative Procedures.

## **2.0 Fraud Prevention:**

- 2.1 AMDSB will institute and maintain a system of internal controls to ascertain reasonable assurance of prevention and detection of fraud. AMDSB's internal controls are subject to regular review to ensure continued integrity and relevance. Control deficiencies identified by staff and/or auditors shall be addressed in a timely manner.
- 2.2 The Audit Committee has the following duties:
  - 2.2.1 To ask AMDSB's Director of Education (or Secretary of the Board), Senior Business Official (or Treasurer of the Board), the internal auditor and the external auditor about significant risks and to review AMDSB's policies for risk assessment and risk management.
  - 2.2.2 To assess the steps the Director of Education and Senior Business Official have taken to manage such risks, including the adequacy of insurance for those risks.
  - 2.2.3 To perform other activities related to the oversight of risk management issues or financial matters, as requested by the Board of Trustees.
  - 2.2.4 To initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealing. O. Reg. 361/10, s.9 (6).
- 2.3 AMDSB shall provide suitable initial and ongoing training to staff to ensure that internal controls function effectively.
- 2.4 AMDSB shall ensure all staff and Trustees are aware of the details of this Administrative Procedure, and have the ability to report suspicions of fraud in an anonymous fashion.

## **3.0 Identification of Fraudulent Activities**

- 3.1 All employees and Trustees are asked to report reasonable suspicions of fraud or the detection of any acts of fraud. Reasonable suspicion is described as the existence of physical evidence or verbal testimony, which can be independently corroborated.
- 3.2 Where an employee or Trustee has knowledge or reasonable suspicions of fraud, there are two reporting options;
  - 3.2.1 Via the reporting framework in Appendix A, B or C. The individual reporting a suspected or detected fraud shall report to the first individual listed in either Appendix A, B or C, who is not part of the suspected fraud. Appendix A is to be followed for reporting by School Staff, Appendix B is to be followed for reporting by Board Office or other non-school Sites Staff and Appendix C is for reporting by Trustees.

- 3.2.2 In an anonymous fashion, via the Fraud Reporting Service. This reporting service is monitored by an external organization. Reports received through the Fraud Reporting Service will be provided to both the Director of Education and the Senior Business Official. As well, an annual report will be made to the Audit Committee regarding the frequency and subject matter of the calls received by the Service. Employees and Trustees using the service should be aware that in some cases, investigations may be difficult to perform without full disclosure of details. Matters of a non-financial nature (e.g. harassment, workplace safety, programming, student transportation, etc.) are not within the purview of the Fraud Reporting Service.
- 3.3 In instances where there are reasonable suspicions that the Director of Education is suspected of fraud, the Chair of the Audit Committee shall be notified.
- 3.4 In instances where there are reasonable suspicions that a Superintendent or the Senior Business Official is suspected of fraud, the Director of Education shall be notified.
- 3.5 Non-employees are encouraged to report any detected or reasonable suspicions of fraud per the same process prescribed for employees.
- 3.6 The Director of Education or the Senior Business Official shall report detected or reasonable suspicions of fraud to the Chair of the Audit Committee and the Audit Committee within 10 business days.
- 3.7 The Chair of the Audit Committee and the Director of Education shall inform the Trustees of any substantiated fraud at the next scheduled in-camera Board of Trustees meeting or may call a special meeting, depending on the urgency of the situation. The Chair of the Audit Committee and the Director of Education shall keep the Board of Trustees apprised on any significant developments during the course of the investigation.
- 3.8 As determined by the Director of Education, legal counsel may be contacted by an appointed member of AMDSB Senior Administration. In the event that the alleged fraud involves the Director of Education, legal counsel must be contacted by the Chair of the Audit Committee.

#### **4.0 Privacy and Whistleblower Protection**

- 4.1 Any employee who reports a detected or reasonable suspicion of fraud, shall be protected from discrimination, harassment and dismissal. An employee must have reasonable grounds to make an allegation and have no false or malicious intent. AMDSB shall protect the anonymity of the individual who is providing a good faith report, to the fullest extent possible during the course of a fraud investigation.

## **5.0 Investigation**

- 5.1 The investigation of detected or suspected fraud shall be undertaken with due care and shall begin within 10 business days. The investigation shall be managed by AMDSB Senior Administration or a delegate, with the assistance of appropriate AMDSB staff. In instances where the Director of Education is suspected of fraud, the Chair of the Audit Committee shall manage the investigation.
- 5.2 At minimum, at least one of the external, internal or third party auditor shall be involved in the fraud investigation, as determined by the Senior Business Official.
- 5.3 The appointed investigative team shall have unrestricted access to all necessary AMDSB documentation and personnel required to complete the investigation.
- 5.4 All employees and Trustees shall fully cooperate with the investigation.
- 5.5 The Director of Education and the Senior Business Official, based on the advice of AMDSB's Human Resource Services personnel, forensic and legal advisors, shall consider whether to notify the jurisdictional police department where the alleged fraud took place. In instances where the alleged fraud involves the Director of Education, the Chair of the Audit Committee, based on the advice of legal advisors, shall consider whether to notify the jurisdictional police department where the alleged fraud took place.
- 5.6 The Audit Committee shall receive ongoing updates on active investigations.

## **6.0 Evidence Security**

- 6.1 When there is a suspicion of fraud, the leader of the investigation shall ensure that all evidence, manual and electronic, be secured to prevent the theft, alteration or destruction of the evidence.
- 6.2 All electronic information related to the fraud shall be encrypted and backed up.
- 6.3 All actions taken by the investigative team shall be comprehensively documented.

## **7.0 Confidentiality**

All participants in a fraud investigation shall keep all aspects of the investigation confidential. A confidentiality agreement shall be signed by all participants involved in the investigation and shall be retained by the leader of the investigation.

## **8.0 Media**

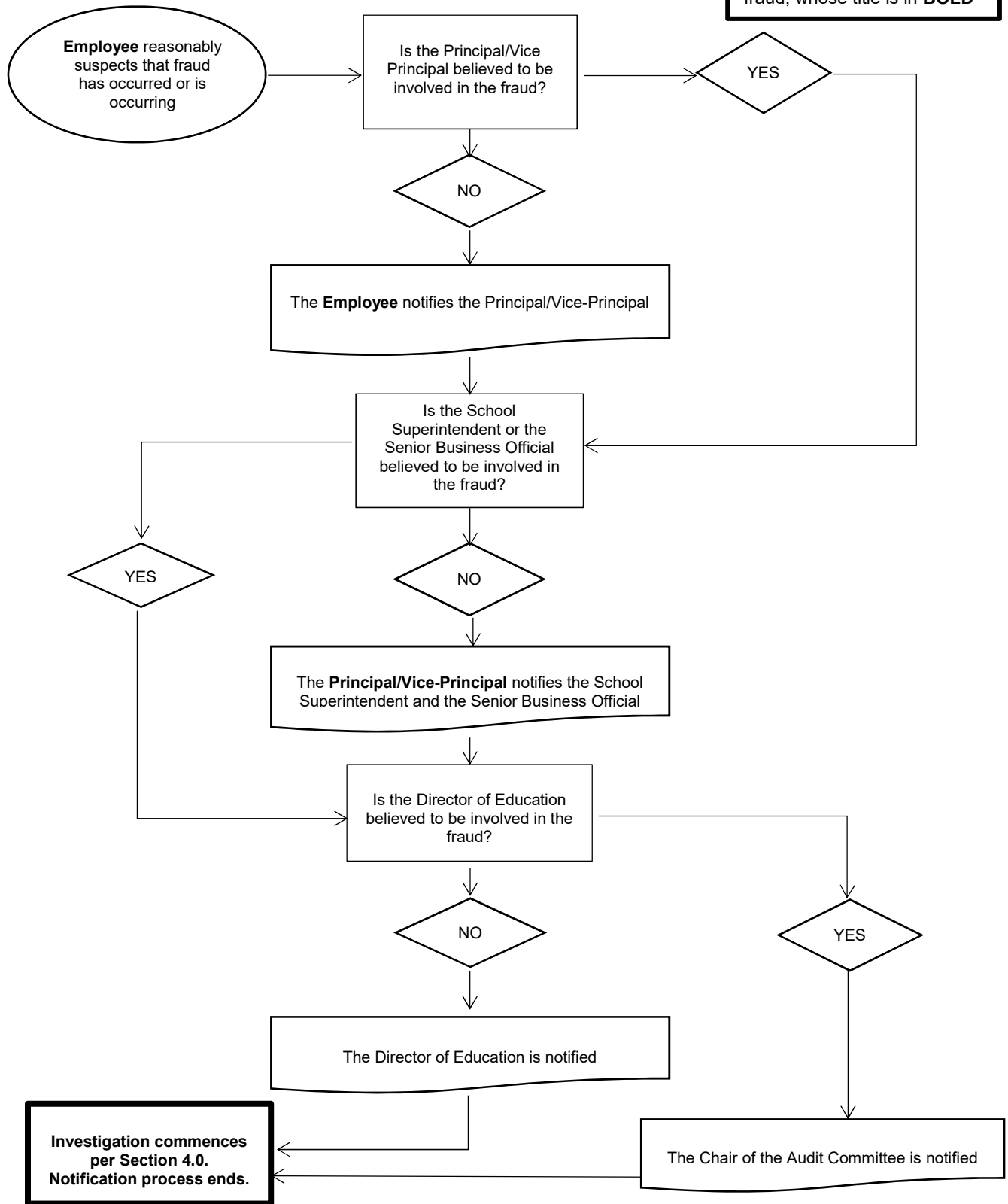
Any employee or Trustee contacted by the media shall refer the media to the Director of Education or the Manager of Communications. The Director of Education shall determine the official spokesperson for AMDSB.

## 9.0 Concluding Activities

- 9.1 When the investigation concludes, the results are to be reported to the Director of Education, the Senior Business Official and the Audit Committee, contingent that each individual being reported to is not involved in the fraud. The Chair of the Audit Committee and the Director of Education shall report to the Board of Trustees.
- 9.2 Should the fraud investigation demonstrate that fraud has occurred, the Human Resource Services Department will initiate disciplinary action per their normal practice. Where appropriate, AMDSB shall seek restitution to recover the losses incurred in the fraud.
- 9.3 When the investigation, legal and personnel actions have concluded, all pertinent evidentiary documentation shall be retained for the time period, and by the appropriate department, as defined in Administrative Procedure 196: *Records Management*. All original documentation will be returned to the original owners of the information.
- 9.4 All information relating to investigations undertaken under this Administrative Procedure will be reported to the Managing Partner of the board's external audit firm, to allow them to discharge their statutory responsibilities.
- 9.5 When the investigation concludes, AMDSB Administration shall conduct a risk assessment of any control deficiencies identified through the investigation. If it is deemed necessary, appropriate corrective action shall be taken to reduce the probability of a recurrence of the fraud.

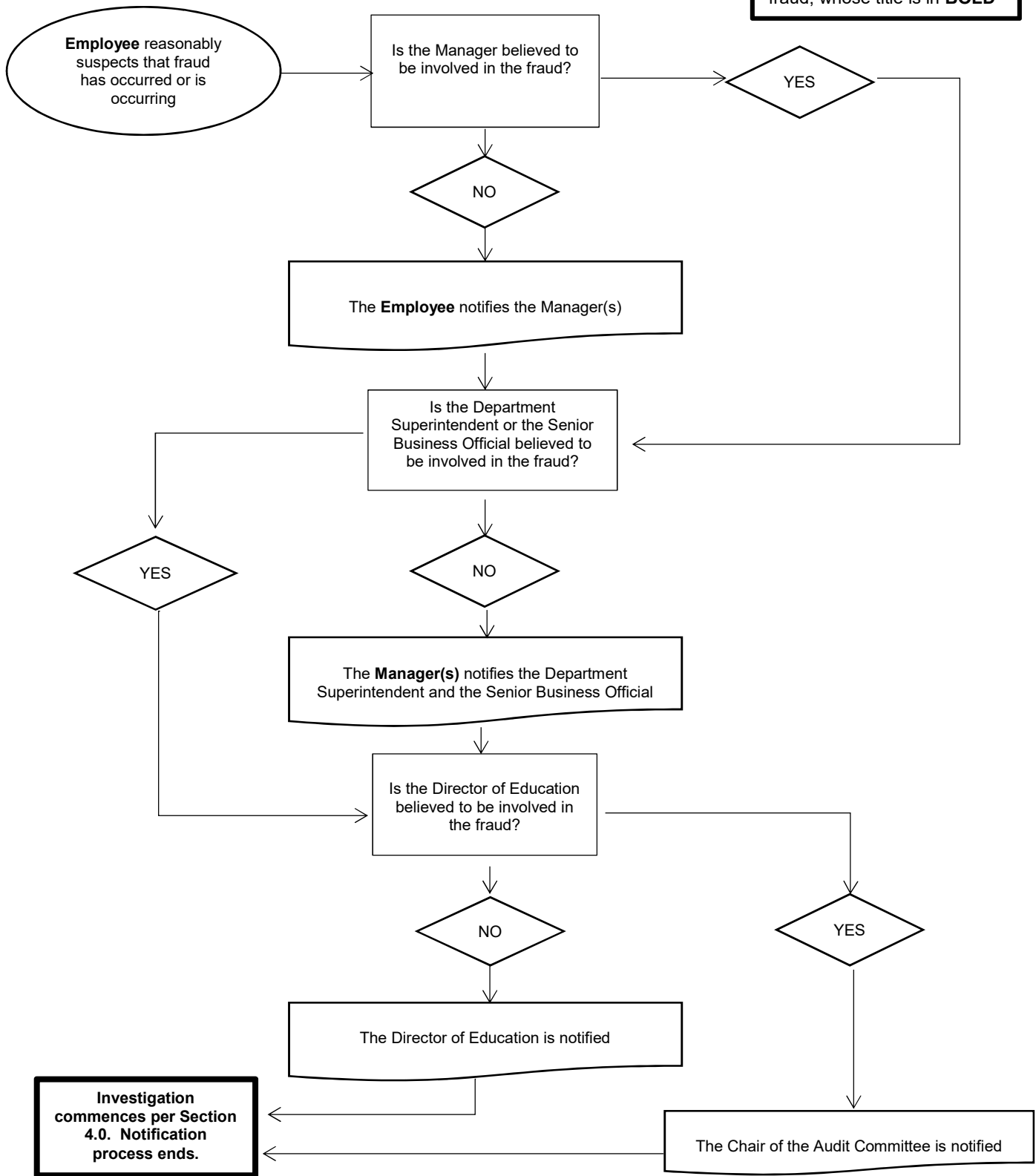
Appendix A: Notification Process for a Suspected School Fraud  
 Contact the Fraud Reporting Service, otherwise follow the notification process outlined below

Note: Notifications of the successive positions listed is performed by the preceding level not involved in the fraud, whose title is in **BOLD**



Appendix B: Notification Process for a Suspected Board Office Fraud  
*Contact the Fraud Reporting Service, otherwise follow the notification process outlined below*

Note: Notifications of the successive positions listed is performed by the preceding level not involved in the fraud, whose title is in **BOLD**



Appendix C: Notification Process for a Suspected Trustee Fraud  
 Contact the Fraud Reporting Service, otherwise follow the  
 notification process outlined below

Note: Notifications of the successive positions listed is performed by the preceding level not involved in the fraud, whose title is in **BOLD**

