

Fraud Prevention and Management

Administrative Procedure

Topic:	Fraud Prevention and Management
Status:	Active
Effective:	September 2020
Revision Date:	June 2023
Review Date:	June 2027
Responsibility:	Superintendent of Business Services and Treasurer; Superintendent of Human Resources

Intended Purpose

This Administrative Procedure provides a clear and consistent process for preventing, detecting, investigating and reporting on suspected or alleged incidents of fraud, as set out in the Fraud Prevention and Management Policy. This procedure is intended to increase awareness of key indicators of fraud, the diverse types of fraud and fraudulent schemes that may exist and the roles/responsibilities of all staff in fraud prevention, deterrence and detection. This procedure applies to Trustees, employees, volunteers, and third-party contractors / consultants of the Halton District School Board (the “HDSB” or “school board”). It also applies to other external parties who perpetrate fraud against the HDSB.

Definitions

Fraud

Fraud is a deliberate act of dishonesty or deception with knowledge that it may deprive another person of assets or economic benefit. An act of fraud may be perpetrated by one or more individuals.

Acts of fraudulent behaviour may include but are not limited to, the following:

- I. Forgery or alteration of cheques or other banking documents and records;
- II. Theft, embezzlement or misappropriation of funds, supplies and services, resources, other assets or time;

Fraud Prevention and Management

Administrative Procedure

- III. Any irregularity in the handling or reporting of money transactions, including the falsification, destruction or removal of corporate records;
- IV. Any computer related activity involving the alteration, destruction, forgery, manipulation, of data or unauthorized access for fraudulent purposes;
- V. Any claim for reimbursement of business expenses that is either intentionally inflated or not a bona fide business expense of the school board;
- VI. Any claim for compensation/pay (eg. inflated timesheets);
- VII. Any claim for reimbursement of benefit expenses under the HDSB benefit plans provided to employees that is either intentionally inflated or falsified;
- VIII. The unauthorized use of school board money, property, resources or authority for personal gain or other non-board related purposes;
- IX. Misuse or abuse of authority in the context of purchasing goods and services;
- X. False claims for grants, contributions or any program/service payments, including refunds and rebates;
- XI. Seeking or accepting anything of material value from vendors of the HDSB (bribes, commissions, etc.) in violation of the conflict of interest;
- XII. Making personal purchases on HDSB issued Corporate/Purchasing credit cards;
- XIII. Other financial misconduct.

Procedures

Roles and Responsibilities

- Senior Management is responsible for instituting and maintaining a system of internal controls to provide reasonable measures for the prevention and detection of fraud. These measures include appropriate segregation of duties, user access, manual and automated controls, senior authorization and audit functions.
- The Fraud Prevention and Management Policy and Administrative Procedure shall be communicated to all Trustees and permanent employees and form part of the on-boarding package. Fraud training shall be integrated into the annual financial training, as well as provided on an as needed basis.

Fraud Prevention and Management

Administrative Procedure

- External vendors, service providers and volunteers shall be required to comply with the Board's Fraud Prevention and Management Policy.

Duty to Report

- All individuals have a duty to report suspected fraud or financial misconduct.
- All employees and other parties of the HDSB are responsible to report immediately any suspected or detected fraud by notifying their immediate supervisor/manager. If the employee has reason to believe that such supervisory/manager may be involved, the employee shall immediately notify the responsible Supervisory Officer. If the employee has reason to believe that the Supervisory Officer may be involved, the employee shall then notify the Director of Education, Chair of the Audit Committee or Chair of the Board.
- Upon notification from an employee of a suspected fraud, the manager/supervisor shall immediately notify his/her Supervisory Officer, who shall notify the Director of Education and the Superintendent of Human Resources and/or Superintendent of Business Services, as appropriate. The manager/supervisor or the Supervisory Officer shall not attempt to investigate the suspected fraud nor discuss the matter except as required to facilitate with the investigation process or as required by law.
- Upon notification of suspected fraud of a material amount, the Director of Education and the Superintendent of Human Resources and/or Superintendent of Business Services shall inform the Chair of the Audit Committee of the alleged or suspected fraud and shall ensure that all instances of alleged or suspected fraud are appropriately investigated.
- The Director of Education, the Superintendent of Human Resources and/or Superintendent of Business Services, may, at their discretion, involve the services of the Regional Internal Audit Manager, the forensic consultants, external auditors and/or the HDSB legal counsel.

Fraud Prevention and Management

Administrative Procedure

Investigation of Suspicion of Allegations of Fraud

- Where there are reasonable grounds to suspect that a fraudulent act has occurred, the evidence must be secured, and action shall be taken to prevent the theft, alteration, or destruction of relevant records.
- The records must be adequately secured until they are required to begin the audit investigation. Continuity of evidence must be maintained throughout the investigation.
- Investigation of suspected or alleged acts of fraud shall be managed with appropriate HDSB staff, limiting the number of staff members involved in the investigation to the fullest extent possible. Investigations pertaining to employee misconduct will be conducted in accordance with the Workplace Investigation Process and Progressive Discipline Administrative Procedure.
- Employees are expected to fully cooperate with management and any others involved in the investigation.
- The Director of Education and the Superintendent of Human Resources and/or Superintendent of Business Services shall inform the Chair of the Audit Committee of an alleged act of material fraud, once the occurrence has been confirmed. The Chair of the Audit Committee shall inform the Board of Trustees of any alleged or suspected material fraud at the next scheduled Committee of the Whole meeting, in private session.
- Depending on the severity of the matter, the Chair of the Audit Committee may call a meeting of the Audit Committee to apprise them of the situation and seek further advice from them.
- At the conclusion of the investigation, the Director of Education, through the Superintendent of Human Resources and the Superintendent of Business Services shall present the Audit Committee with a report of findings, in collaboration with any subject matter experts involved. The Audit Committee Chair will provide the report of findings to the Board of Trustees at the next scheduled Committee of the Whole meeting, in private session.

Fraud Prevention and Management

Administrative Procedure

Special Investigations

- Where the Superintendent of Business Services is suspected of fraud, the employee or other party of the school board will contact the Director of Education directly. The Director of Education will notify the Chair of the Audit Committee. The Director of Education may request the Regional Internal Audit Manager or forensic consultants to conduct an initial review and report the results to the Director of Education and the Chair of the Audit Committee.
- Where the Director of Education is suspected of fraud, the employee or other party of the school board will contact the Chair of the Audit Committee or the Chair of the Board directly. The Chair of the Audit Committee may request the Regional Internal Audit Manager or forensic consultant to conduct an initial review and report the results directly back to the Chair of the Board and the Chair of the Audit Committee.
- Where a Trustee is suspected of fraud, the employee or other party of the school board will contact the Director of Education. The Director of Education may request the Regional Internal Audit Manager or forensic consultants to conduct an initial review and report the results back to the Director of Education and/or the Superintendent of Business Services, and/or the Chair of the Audit Committee.

Confidentiality

- Except as required by law, all participants in a fraud investigation shall keep the details and results of the investigation confidential, shall not discuss the matter with anyone other than those involved in the investigation, and shall sign confidentiality agreements to that effect.

Whistle Blower Protection

- A Trustee, employee, or other party of the HDSB, making an allegation in good faith of a suspected act of fraud or financial misconduct will be protected from reprisal, discipline or dismissal.
- The HDSB will not tolerate any retaliation directly or indirectly against anyone who, in good faith, makes an allegation of wrongdoing.

Fraud Prevention and Management

Administrative Procedure

- Except as required by law, the HDSB will not reveal the identity of any person who makes a good faith allegation and who asks that their identity remain confidential. To the fullest extent possible, the anonymity of the person providing the information will be maintained.

Follow-up Actions

- Unless exceptional circumstances exist, an employee or other party under investigation for fraud or financial misconduct shall be given notice in writing of the essential particulars of the allegations following the conclusion of the investigation, and before any final disciplinary action is taken. Employee misconduct investigations are conducted in accordance with the Workplace Investigation Process and the Progressive Discipline Administrative Procedure.
- When fraud or financial misconduct is substantiated by the investigation, appropriate disciplinary action shall be taken, up to and including dismissal.
- Where there are reasonable grounds to indicate that criminal misconduct has occurred, the Director of Education, Superintendent of Human Resources and the Superintendent of Business Services in consultation with appointed forensic consultants and HDSB legal counsel, as appropriate, will notify the Halton Regional Police Services.
- Nothing in this procedure shall limit the school board's ability to seek guidance from or report a matter to the Halton Regional Police Services.
- The HDSB shall make every reasonable effort to seek restitution and obtain recovery of any and all losses from the offender(s), or other appropriate sources, including the school board's insurers.

Media

- Matters related to an alleged fraud, financial misconduct or audit investigation shall not be discussed with the media. Any staff person or Trustee contacted by the media with respect to an investigation shall refer the inquiry from the media to the Manager, Communications Services or designate.

Fraud Prevention and Management

Administrative Procedure

False and Malicious Allegations

- It is expected Trustees, employees and other parties of the HDSB will report any suspected or detected acts of fraud or financial misconduct in good faith, with reasonable grounds for believing there has been a breach of the Code of Ethics and/or Code of Conduct, or questionable financial practices. Deliberate frivolous, malicious or false allegations are serious acts of misconduct and the HDSB may impose disciplinary measures up to, and including dismissal, or take other legal action, as appropriate.

Post Implementation

Reporting

- Upon conclusion of the investigation where material fraud is verified, the results shall be reported to the Chair of the Audit Committee. Where the Regional Internal Audit Manager or the forensic consultants were involved in the investigation, the results will first be reported to the Director of Education, and the Superintendent of Business Services, as appropriate.
- The Chair of the Audit Committee shall provide a report to the Board of Trustees, at the next scheduled Committee of the Whole meeting, in private session.
- All information relating to investigations undertaken under this policy will be reported to the external auditors, so as to allow them to discharge their statutory responsibilities.
- On an annual basis, the Director of Education, through the Superintendent of Human Resources and the Superintendent of Business Services will provide a report to the Audit Committee, on the implementation of this Administrative Procedure, including information on any investigations conducted during the year and any related findings. The Chair of the Audit Committee will provide the annual report to the Board of Trustees, at the next scheduled Committee of the Whole meeting, in private session.

Fraud Prevention and Management

Administrative Procedure

Risk Assessment

- Upon completion of any fraud investigation, the HDSB will conduct a risk assessment of the incident and ensure, to the fullest extent possible, that corrective and preventative measures are put in place to reduce the chance of recurrence or similar behaviour occurring elsewhere in the school board.

Fraud Prevention and Management

Administrative Procedure

Reference number: Pending

Cross-Reference:

Legislation

Education Act

Ontario Regulation 361/10: Audit Committees

Ministry Policy & Program Memoranda

Ontario Public Sector Travel, Meal and Hospitality Expenses Directive

Board Policies, Procedures & Protocols

Code of Ethics

Trustee Code of Conduct

Audit Committee Governance Procedure

Progressive Discipline

Workplace Investigation Process

Trustee Expenses

Travel and Expense Reimbursement

Purchasing

Corporate Purchasing Card Program

School Fundraising

School Generated Funds

Hospitality

Revision History

- June 2023