

# AP 267 FRAUD

## Background

The Division emphasizes an ethical and positive work environment which promotes honesty, integrity, respect, service excellence and accountability. The Division maintains adequate systems and controls to prevent and detect fraud and similar illegal acts, and maintains a zero tolerance policy toward fraud and similar illegal acts. Zero tolerance means the Division will investigate all suspected incidents of fraud or similar illegal acts and take appropriate disciplinary and legal action in all confirmed cases.

## Procedures

### Employee Responsibilities

1. Employees are required to act lawfully and in accordance with the directives and Administrative Procedures of the Division.
2. Employees with knowledge of a suspicious incident within the Division, which may involve a fraud or similar illegal act, should contact their immediate supervisor or principal. The supervisor will then contact the Chief Financial Officer of the Division. If there is reason to believe the supervisor or principal may be involved, the employee should directly contact Human Resources or the Chief Financial Officer.
  - 2.1 Employees should provide as much relevant, factual detail as possible in their report but should not undertake their own investigation to collect evidence or information.
  - 2.2 This includes incidents which involve an employee, a client, a supplier or other third party.
  - 2.3 Incidents involving students suspected of fraud or similar illegal acts should be reported to the principal. Students will be dealt with as per Administrative Procedures 667 - Damage to Property and 630 - Discipline.
3. Allegations made under this policy are serious. Employees are responsible for respecting the reputations of individuals. No employee who has acted in good faith shall be subject to any reprisal for reporting or proposing to report a suspected fraud or similar illegal act however any malicious unfounded reports will be reviewed and may be considered for appropriate discipline of the reporting employee.
4. Employees reporting suspicious incidents under this policy and supervisors or principals receiving these reports, should treat the matter as confidential and not discuss it with anyone other than those deemed by the Division responsible for investigating and dealing with the incident.

### Division Responsibilities

1. The Division is responsible to design and implement a system of internal controls in order to prevent and detect fraud and similar illegal acts. Specific controls may include:

- 1.1 Segregation of duties
  - 1.2 Regular and timely accounting reconciliations
  - 1.3 Physical safeguards over money and property (safes, locked cabinets, etc.)
  - 1.4 Effective supervision
  - 1.5 Effective information system security (Please see our Privacy and Data Administrative Procedures)
  - 1.6 Appropriate and current delegations of authority
2. The Senior Administrative Council will ensure these controls are in place and operating as intended. Controls will be monitored through such means as internal audits, review of variance and exception reports by management and general oversight within the Division. Deficiencies detected will be fixed and controls and/or processes modified as required.
  3. The Division is responsible to take reasonable steps, through training and other communication methods, to ensure that employees are aware of and understand the Division's zero-tolerance fraud policy and the requirement for employees to report suspicions of fraud or similar illegal acts.

### **Police Involvement**

1. The police will be notified if:
  - Criminal acts are suspected or deemed to have occurred
  - A police presence is a matter of urgency or where assistance is required to secure evidence, if the Division is advised to do so by its legal advisors
  - Losses resulting from fraud or other similar acts are over \$500 and the Division's legal advisors determine the police should be notified

### **Investigation**

1. The Division will investigate all reported incidents of suspected fraud or similar illegal acts.
2. The Chief Financial Officer will determine the next step for every reported allegation of wrong doing and may delegate the investigative process while exercising discretion, based on the nature and relative size of the incident, to determine the extent of the work to be undertaken.
3. All reported incidents of fraud or similar illegal acts will be investigated as objectively as possible, regardless of the relationship with a third party or the position, work record or length of service of an employee.
4. All investigations are to be kept confidential. Correspondence, reports and other documents related to suspected or actual cases of fraud are to be treated as confidential and kept in sealed envelopes in the employee's file. Any issues related to confidentiality should be discussed with the Division's legal advisors.
5. A record of the investigation will be maintained, including details of pertinent telephone conversations, meetings and interviews, as well as working papers and results of audits and similar reviews.
6. Where a preliminary investigation fails to substantiate that a fraud or similar illegal act has taken place, the conclusion will be documented and the Chief Financial Officer will ensure it is communicated to the parties involved in the investigation. No further action is required.

7. Where a preliminary investigation determines that there are reasonable grounds for an allegation, further work must be undertaken. Where an employee is involved, the employee may be suspended while the investigation is undertaken, depending on the circumstances.
8. Upon completion of the investigation, a written report will be prepared by the Chief Financial Officer or delegate, which includes information such as background (e.g. nature of incident and circumstances which permitted it, description and amount of any losses, etc.), a summary of the investigation (e.g. work performed, including audits, interviews, police involvement, etc.), the conclusion and recommended actions (e.g. discipline, prosecution, recoveries, changes to operating practices to mitigate risk, etc.). The content of this report will depend on the particular circumstances.
9. The Chief Financial Officer will distribute the report as per the particular circumstances and will report to the Ministry of Education in a timely manner when this is necessary as per Ministry of Education Policy.

### **Discipline & Loss Recovery**

1. The Division will comply with all applicable laws, policies, directives and other authorities when investigating, reporting and following up incidents.
2. Where the confirmed fraud or similar illegal act was perpetrated by a client, supplier or other third party, the Division may proceed with legal action against other parties as recommended by legal advisors and will pursue recovery of losses.
3. Where employee fraud or similar illegal activity is confirmed, disciplinary action, up to and including dismissal, shall be considered by the Division. All reasonable steps will be taken to recover any losses incurred.

### **Prevention of Future Incidents**

When incidents of fraud or similar illegal acts occur, the Division is responsible to take applicable steps

to help prevent a similar occurrence in the future. These steps may include, but are not limited to:

- Improvement of controls
- Reinforcement of existing policies and procedures
- Further employee training
- More careful supervision