



# Administrative Procedure: Fraud Management (Whistleblower)

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## Purpose

To provide a clear and standard procedure for processing and addressing suspicion or allegations of fraud at the Superior North Catholic District School Board (“the Board”).

## Application and Scope

This process applies to all Trustees and employees of the Board. It may also apply to persons or organizations external to the Board who may perpetuate fraud against it.

## Definitions

**Fraud** is a deliberate act of deception, manipulation or trickery, with the specific intent of gaining an unfair or dishonest personal gain or advantage. It may be perpetrated by one individual or done in collusion with others. It involves willful misrepresentation or deliberate concealment of material facts.

Types of fraud may include, but are not limited to, the following:

- Forgery or alteration of cheques or other banking documents and records.
- Theft, embezzlement or misappropriation of funds, supplies and services, resources, other assets or time.
- Any irregularity in the handling or reporting of money transactions, including the falsification, unauthorized destruction or removal of corporate records, or financial statements.
- Questionable accounting practices.
- Any computer related activity involving the alteration, destruction, forgery, manipulation of data or unauthorized access for fraudulent purposes, in violation of Policy V133, Acceptable Use of Technology (Users).
- Any claim for reimbursement of business expenses that is either intentionally inflated or not a bonafide business expense of the Board.
- The unauthorized use of Board money, property, resources, or authority for personal gain or other non-Board related purposes.
- Misuse or abuse of authority in the context of purchasing goods or services.
- False claims for grants, contributions or any program/service payments, including refunds and rebates.
- Seeking or accepting anything of material value from vendors of the Board.
- Unlawful, illegal or inappropriate behaviour.

## Requirements

### Senior Management Responsibilities

1. Senior Management is responsible for instituting and maintaining a system of internal control to provide reasonable assurance for the prevention and detection of fraud.
2. Fraud awareness training shall be provided to all employees and Trustees.

### Duty to Report Suspicion of Fraud

1. Any act of fraud that is detected or suspected must be reported immediately.
2. Teachers must follow section 18 of the Teaching Profession Act, which states a teacher shall “on making an adverse report on another member, furnish him with a written statement of the report at the earliest possible time and not later than three days after making the report”. Professionalism would encourage other employees to act similarly.

3. Any employee who has knowledge of an occurrence of a fraud, or has reason to suspect that a fraud has occurred, shall immediately notify his/her Principal/ Vice-Principal/Supervisor/Manager. If the employee has reason to believe that the employee's Principal/Vice-Principal/Supervisor/Manager may be involved, the employee shall immediately notify their Superintendent.
4. If the employee has reason to believe their Superintendent may be involved, the employee shall immediately notify the Director of Education.
5. Where the Director of Education is suspected of fraud, the employee may notify the Chair of the Audit Committee or the Regional Internal Audit Manager directly.
6. Where a Trustee is suspected of fraud, the person may notify the Chair of the Board, Director of Education, Chair of the Audit Committee, or the Regional Internal Audit Manager directly.
7. Notification of a suspected fraud should be forwarded to the Superintendent and ultimately to the Director of Education, unless one or both are suspected of fraud.
8. Upon notification of a suspected fraud of a material amount, the Director of Education, or designate, 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.
9. The Director of Education, or designate, may at their discretion, involve the Regional Internal Audit Manager.
10. If requested to become involved in a suspected or alleged fraud, the Regional Internal Audit Manager will promptly investigate the fraud. The investigation may be in conjunction and in cooperation with Board forensic consultants and Board legal counsel, after consulting with Director of Education, and/or designate, Chair of the Audit Committee or Chair of the Board.

## 5.0 Security of Evidence

1. Where there are reasonable grounds to indicate that a fraud has occurred, the evidence must be secured.
2. Once a suspected fraud is reported, immediate action shall be taken to prevent the theft, alteration, or destruction of relevant records.
3. Such actions include, but are not necessarily limited to, removing the records and placing them in a secure location, limiting access to the location where the records currently exist, and preventing the individual suspected of committing the fraud from having access to the records.
4. Those authorized to investigate the allegations, including the Regional Internal Audit Manager, shall have unrestricted access to all necessary Board records and personnel.

5. The records must be adequately secured until they are required to begin the audit investigation. Security of evidence must be maintained throughout the investigation.

## Investigation of Suspicions or Allegations of Fraud

1. Any suspected or alleged act of fraud that is reported, must be promptly investigated. Responsibility for ensuring all reported allegations of fraud are investigated rests with the Director of Education, or designate. The investigation may be conducted through one of the Superintendents, Principals/Vice-Principals, Managers or Supervisors, or Regional Internal Audit Manager or other outside investigator(s), as appropriate.
2. Investigation of suspected or alleged acts of fraud shall be managed with appropriate Board staff, limiting the number of staff members involved in the investigation to the fullest extent possible.
3. All participants in a fraud investigation shall keep the details and results of the investigation confidential, and shall not discuss the matter with anyone other than those involved in the investigation.
4. Employees are expected to fully cooperate with management and any others involved in the investigation and make all reasonable efforts to be available to assist during the course of the investigation.
5. The Director of Education, or designate may, in consultation with Board forensic consultants and Board legal counsel, involve the services of the Regional Internal Audit Manager. The Regional Internal Audit Manager may assume primary responsibility for the investigation of all activity as defined under Special Investigations (Section 7).
6. If a material amount is involved, the Director of Education, or designate, 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. Throughout the investigation these officials should be kept informed of pertinent investigative findings.
7. 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, including possible involvement of the police. This action is in accordance with the Audit Committee Regulation (361/10) to the Education Act, Section 9, Subsection (6) (see Appendix 'C').

8. A person may make an anonymous report. However, it should be understood that any investigation may be hampered or be impracticable if the person cannot be identified and questioned about the allegations and related facts.

## Special Investigations

1. Where the Manager of Finance is suspected of fraud, the employee or Trustee may contact the Director of Education directly. The Director of Education will notify the Regional Internal Audit Manager and the Chair of the Audit Committee. The Regional Internal Audit Manager will conduct an initial review and report the results to the Director of Education and the Chair of the Audit Committee.
2. Where the Director of Education is suspected of fraud, the employee or Trustee may notify the Chair of the Audit Committee or the Regional Internal Audit Manager directly. If the Regional Internal Audit Manager is contacted directly he/she will then notify the Chair of the Audit Committee; will conduct an initial review; and will report the results directly back to the Chair of the Audit Committee.
3. Where a Trustee is suspected of fraud, the employee or Trustee may notify the Chair of the Board, Director of Education, Chair of the Audit Committee, or the Regional Internal Audit Manager directly. The Regional Internal Audit Manager and the Chair of the Audit Committee will be contacted. If requested to become involved, the Regional Internal Audit Manager will conduct an initial review and report the results back to the Director of Education, or designate, as well as the Chair of the Audit Committee.
4. Where a member of Senior Staff is suspected of fraud, the employee or Trustee may notify the Director of Education directly.
5. The Director of Education, or designate, may in consultation with forensic consultants and legal counsel, involve the services of the Regional Internal Audit Manager.
6. If contacted, the Regional Internal Audit Manager may assume primary responsibility for the investigation of all activity as defined in this policy under Special Investigations. The Regional Internal Audit Manager may also involve the police.

## Confidentiality

1. 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

1. This policy prohibits reprisals against individuals acting in good faith, who report incidents of suspected fraud, or who act as witnesses in any subsequent investigation. The Board shall make every effort to ensure that an individual, who in good faith reports under this policy, is protected from harassment, retaliation or adverse employment consequences. Anyone who retaliates against someone who has reported in good faith is subject to discipline up to and including dismissal.
2. In making a report, an individual must be acting in good faith with reasonable grounds for believing that there is a breach of a code of conduct, questionable financial practices, or fraudulent or illegal act. An individual who makes an unsubstantiated report, which is knowingly false or made with vexatious or malicious intent, will be subject to discipline up to and including dismissal.
3. The Board will not tolerate any retaliation directly or indirectly against anyone who in good faith, makes an allegation of wrongdoing.
4. The Board 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.
5. Nothing in this policy shall be deemed to diminish or impair the rights of the Board to manage its employees under any policy or collective agreement, or to prohibit any personnel action which otherwise would have been taken regardless of the reporting of information.

## Follow Up Actions

1. Unless exceptional circumstances exist, an employee under investigation for fraud shall be given notice in writing of the essential particulars of the allegations following the conclusion of the investigation, and prior to final disciplinary action being taken.
2. When such notice has been given, the employee or Trustee, against whom allegations have been made, will be given the opportunity to respond in writing within five (5) business days. This requirement is subject to any collective agreement provisions respecting the rights of employees during disciplinary proceedings.
3. Where there are reasonable grounds to indicate that criminal misconduct has occurred, the Director of Education, or designate, subject to the advice of Board

forensic consultants and/or Board legal counsel, will notify local Police Services, as appropriate.

4. When a fraud is substantiated by the investigation, appropriate disciplinary action shall be taken up to and including dismissal.
5. The Board 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 Board's insurers.

## Media

1. Matters related to an alleged fraud or audit investigation shall not be discussed with the media. Any employee or elected official contacted by the media with respect to an investigation shall refer the media to the Director of Education, or designate.

## Post Investigation

### Documentation:

1. Upon completion of the investigation including all legal and personnel actions, any records, documents and other evidentiary material will be returned to the appropriate department.

### Reporting:

1. Upon conclusion of the investigation, the outcome shall be reported to the Chair of the Audit Committee. Where the Regional Internal Audit Manager was involved, the results will first be reported to the Director of Education, or designate, as appropriate.
2. The Chair of the Audit Committee shall provide a report to the Board of Trustees, at the commencement and conclusion of any investigation under this policy and shall keep the Board of Trustees apprised of any significant developments that unfold during the course of the investigation.
3. 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.
4. At the request of the Chair of the Audit Committee, a status report on investigations conducted during the year, and any previous investigations that remain open will be provided to the Audit Committee. This report will be prepared



by the Director of Education, or designate, or the Regional Internal Audit Manager, where he/she was involved in the investigation.

5. Notwithstanding 12.5 above, an annual summary of actions taken under this policy shall be submitted to the Board, in a closed meeting. The summary will include reports received and acted upon during the fiscal year, September 1st to August 31st.

### Risk Assessment:

1. Upon completion of any fraud investigation, the Board 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 and consider the possibility of the same type of incident having occurred elsewhere in the Board and the potential need for further investigation.
2. The Director of Education, or designate, will request the Regional Internal Audit Manager to conduct a risk assessment of the incident and make recommendations to the Audit Committee.

## Appendix A - Fraud Management Notification Process

Employee suspects that fraud has or is occurring:

- employee contacts his/her immediate supervisor/manager **unless** the supervisor/manager believed to be involved in the fraud
- employee contacts the superintendent if the employee could not inform the immediate supervisor, **unless** the Superintendent is believed to be involved in the fraud
- employee contacts the Director of Education if the employee could not inform the superintendent, **unless** the Director of Education is believed to be involved in the fraud
- employee contacts The Chair of the Audit Committee and the Regional Internal Audit Manager all previous people were believed to be involved in the fraud.

## Appendix B - Contact Information

### Regional Internal Audit Manager

#### Terry Bortolin

Regional Internal Audit Manager  
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### Chair of the Audit Committee

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## Appendix C - Audit Committee Duties

### Excerpt from Regulation 361/10

Audit Committee Regulation (361/10) to the Education Act, Section 9, Subsection (6), which states that (**emphasis added**):

“An audit committee of a board has the following duties related to the board’s risk management:

1. To ask the board’s director of education, a senior business official, the internal auditor and the external auditor about significant risks, to review the board’s

policies for risk assessment and risk management and to assess the steps the director of education and a senior business official have taken to manage such risks, including the adequacy of insurance for those risks.

2. To perform other activities related to the oversight of the board's risk management issues or financial matters, as requested by the board.
3. **To initiate and oversee investigations into auditing matters, internal financial controls and allegations of inappropriate or illegal financial dealing."**