

# Ministry of Education Policy

<b>Name of Policy:</b>
Reporting of School Division Losses
<b>Authority :</b>
The Education Act, 1995, Clauses 3(2)(a) and (b), and Section 282
<b>Intent:</b>
The objective of this policy is to outline reporting requirements for incidents involving theft, fraud, and other losses of money or property occurring within school divisions.
<b>Applicability:</b>
<p>This policy applies to situations of suspected or confirmed incidents of fraud or similar illegal acts:</p> <ul style="list-style-type: none"><li>• by school division employees;</li><li>• by individuals employed by the school division on personal service or fee-for-service contracts;</li><li>• by suppliers or contractors of the school division.</li></ul> <p>This policy does not apply to acts of negligence or poor performance by employees, which should be addressed through normal human resource management processes.</p>
<b>Policy Statement:</b>
<b>School Division Policy</b>
<p>.01 It is expected that each school division has a policy in place related to incidents of fraud or similar illegal acts. At a minimum, this policy should set out the following:</p> <ul style="list-style-type: none"><li>• Employees responsibility to report, and a mechanism for them to report, the possible existence of a fraud or illegal act to management</li><li>• The school division’s responsibility, including applicable processes, to:<ul style="list-style-type: none"><li>○ Prevent and detect instances of fraud or similar illegal acts</li><li>○ Investigate incidents that are detected</li><li>○ Alert applicable authorities as necessary</li><li>○ Take disciplinary action</li><li>○ Recover losses</li><li>○ Prevent future losses</li></ul></li></ul>
<p>.02 Appendix A contains applicable sections and wording that a school division may want to consider incorporating into their policy.</p>

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## Reporting to Ministry

.03 All losses of trust money, public money, or property over \$500 that are due to fraud or similar illegal acts by employees, suppliers, or contractors of the school division must be reported to the Director of Financial Analysis and Reporting, Education Funding Branch, Ministry of Education (Ministry).

When reporting the incident, the following information should be provided:

- the nature of the incident, including when and how the incident was detected and the time period over which the incident occurred;
- if employees were involved, any disciplinary action was taken;
- the amount of the loss;
- the action that management is taking to correct any deficiencies in internal controls;
- insurance claims/recoveries; and
- the reporting to law enforcement.

.04 Losses reported to the ministry should be the actual or estimated direct costs attributable to the incident excluding any costs related to the investigation, reporting and follow-up. Property damage or loss should be valued at the estimated cost to restore or replace the property to a pre-incident condition. All losses should be reported gross of any recoveries, including insurance claims.

.05 School divisions will provide the information to the ministry in the format outlined in Table 1.

.06 Ideally, the losses will be reported to the Ministry at the point in time when the incident has been confirmed and all applicable information outlined above has been gathered.

.07 At a minimum, the losses will be reported to the Ministry at least quarterly. The Ministry had adopted a process to ensure that school divisions are aware of the quarterly reporting and notify school divisions regarding deadline dates for the receipt of the quarterly reporting.

## Report to the Standing Committee on Public Accounts

.08 Losses of trust money, public money and property over \$500 that have been reported to the Ministry by school divisions, and that are due to fraud or similar illegal acts by employees, suppliers, or contractors of the school division, will be reported quarterly by the Ministry to the Standing Committee on Public Accounts (PAC). Information related to other incidents may also be reported to PAC where the ministry deems that it would be in the public interest to do so.

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## Public Reporting

- .09 All items that are reported to PAC will also be reported publically through a quarterly news release. The news release and copy of Table 1 will be posted to the Government website.
- .10 The ministry will advise impacted school divisions the date of a news release and work with them, as applicable, to prepare for the release.

## Further Guidance

- .11 School divisions may contact the Education Funding Branch, Ministry of Education, if further guidance is required.

## Definitions:

In this policy, fraud is defined as the use of deception with the intent of obtaining an advantage, avoiding an obligation or causing a loss to another party. The term is used to describe such acts as theft, false representation, misappropriation, bribery and corruption.

## Examples of Fraud and Similar Illegal Activity

Fraud or similar illegal acts may not necessarily result in an actual loss.

## Employee Examples

Some examples of employee fraud or similar illegal acts are:

- falsification or alteration of financial records;
- misuse of a purchase card;
- theft of money or property;
- unauthorized use of public resources;
- misuse or corruption of files or data;
- claiming non-legitimate expenses or unworked hours;
- intentional damage of school division property; and,
- accepting bribes or kickbacks.

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## Suppliers or Contractors of the school division

Some examples of external third party fraud or similar illegal acts are:

- misuse or corruption of school divisions files or data;
- deliberate short-shipment by a supplier;
- deliberate substitution of inferior quality or defective goods by a supplier;
- intentional damage of school divisions property;
- bid-rigging, price fixing, or kickbacks in the contracting process; and,
- fraudulent claims for social benefits, grants or other program payments, including refunds and rebates.

**Table 1: Quarterly Report on Losses of Public Money**

Date of Occurrence	School Division	Description	Amount	Action Taken

\*Includes losses of money or property greater than \$500 that have been reported by school divisions that are due to fraud or similar illegal acts by employees, suppliers, or contractors of the school division

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## Appendix A: Example Wording to Include in School Division Policy

### Policy Statement

- The school division emphasizes an ethical and positive work environment which promotes honesty, integrity, respect, service excellence and accountability.
- The school division maintains adequate systems and controls to prevent and detect fraud and similar illegal acts.
- The school division maintains a zero tolerance policy towards fraud and similar illegal acts. Zero tolerance means the school division will investigate all suspected incidents of fraud or similar illegal acts and take appropriate disciplinary and legal action in all confirmed cases.
- Any employee who has knowledge of a suspicious incident within the school division, which may involve a fraud or similar illegal act, shall report it immediately. This includes incidents which involve an employee, a client, a supplier, a contractor or other third party.
- 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.
- The school division is to report incidents of fraud and similar illegal acts to the proper authorities (i.e. law enforcement).

### Employee Responsibilities

- Employees are required to act lawfully and in accordance with school division policies and directives.
- Employees with knowledge of a suspicious incident within the school division, which may involve a fraud or similar illegal act, should contact their immediate supervisor. The supervisor will then contact XXX (e.g. Director of Education, Chief Financial Officer) for the school division. Where there is reason to believe an employee's supervisor may be involved, the employee should directly contact XXX, a delegate or XXX.
- Employees should provide as much relevant, factual detail as possible in their reports but should not undertake their own investigation to collect evidence or information.

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- Allegations made under this policy are serious. Employees are responsible for respecting the reputations of individuals. Any malicious unfounded reports will be reviewed and considered for appropriate discipline of the reporting employee.
- Employees reporting suspicious incidents under this policy should treat the matter as confidential and not discuss it with anyone other than their immediate supervisor, XXX, or XXX.

## School Division Responsibilities

- The school division is responsible to prevent and detect fraud and similar illegal acts.
- The school division is responsible to design a system of internal controls to fit its programs and operations. The system should consider the principal risks, the costs to implement controls and existing legislations, policies and directives. Specific controls which are important to the prevention and detection of fraud include:
  - segregation of duties;
  - regular and timely accounting reconciliations (e.g., bank reconciliations);
  - physical safeguards over money and property (e.g., safes and locked cabinets, restricted access to inventories);
  - effective supervision;
  - effective information system security (e.g., passwords, encryption, console logs, network security controls, backup, physical access to data centers); and,
  - appropriate and current delegations of authority.
- The school division will ensure these controls are in place and operating as intended. Controls should be monitored through such means as internal audits, review of variance and exception reports by management and general oversight by the board of education. Deficiencies detected should be fixed and controls and processes modified as required.
- The school division is responsible to take reasonable steps, through training and other communication methods, to ensure that employees are aware of and understand the policies which affect them. Particular emphasis should be placed on fraud awareness training, the school division's zero-tolerance fraud policy and the policy requirement for employees to report suspicions of fraud or similar illegal acts.
- When incidents of suspected fraud or similar illegal acts are identified, the school division is responsible for investigating all incidents. The school division will:

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- take disciplinary action against employees, which may include termination and legal action;
  - proceed with legal action against other parties as recommended by legal advisors;
  - pursue recovery of losses; and,
  - implement corrective action to reduce the likelihood of similar future incidents.
- The school division will comply with all applicable laws, policies, directives and other authorities when investigating, reporting and following up incidents.

## Police Involvement

- Except in situations involving criminal acts where it is clear that the police should be notified, the school division will consult with legal advisors to determine whether the police should be notified for any loss over \$500 which may have resulted from fraud or similar illegal acts. The school division will consider contacting law enforcement authorities immediately if a police presence is a matter of urgency (such as incidents involving a theft or break-in) or where assistance is required to secure evidence.

## Investigation

- The XXX (e.g. Director of Education, Chief Financial Officer) for the school division shall determine the next step for every reported allegation of wrong doing.
- All allegations will be investigated to determine if a fraud or similar illegal act has occurred. The school division will exercise discretion, based on the nature and relative size of the incident, to determine the extent of the work to be undertaken.
- The school division will ensure responsibility for investigations is clear. This is typically done by assigning responsibility to an individual or an oversight committee. Investigations must be objective, regardless of the relationship with a third party or the position, work record or length of service of an employee.
- All participants in investigations are to keep the details confidential. Correspondence, reports and other documents related to suspected or actual cases of fraud are to be treated as confidential and kept in secure confidential files. Any issues related to confidentiality should be discussed with school division legal advisors.
- 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.

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- Where a preliminary investigation fails to substantiate that a fraud or similar illegal act has taken place, the conclusion should be documented and XXX will ensure it is communicated to the parties involved in the investigation (e.g., internal auditors, human resources, etc.). No further action is required.
- Where a preliminary investigation determines that there are reasonable grounds for an allegation, further work must be undertaken. Where an employee is involved, it may also be appropriate to consider suspending the employee against whom an allegation has been made. This may be with or without pay depending on the circumstances, and should only be done after consultation with appropriate human resources personnel.
- Upon completion of the investigation, a written report will be prepared 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.
- The report should be provided to XXX who will determine additional distribution, including timely reporting to the Ministry of Education.

## Discipline

- Where employee fraud or similar illegal activity is confirmed, disciplinary action, up to and including dismissal, shall be considered by management, in consultation with appropriate human resources personnel. Action should be taken promptly, as any undue delay may adversely affect the right to impose discipline.

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## Recovery of Losses

- If a fraud or similar illegal act has been committed, all reasonable steps, including legal action, should be taken to recover any losses incurred.
- Where an employee is involved, the school division will also pursue recovery.

## Prevention of Future Incidents

- When incidents of fraud or similar illegal acts occur, the school division is responsible to take applicable steps to help prevent a similar occurrence in the future. These steps include, but are not limited to, improvement of controls, reinforcement of existing policies and procedures, employee training and more careful supervision.