



## Arab Open University Anti-Fraud Policy

Policy Title:	AOU Anti-Fraud Policy
Version Number	1
Approving Body	University Council # 74, Feb 2021
Executive Owner:	Assistant President Financial and Administrative Affairs
Policy Reviewer & Approval	Quality Assurance and Accreditation, Academic & Institutional Standards Committee
Policy Implementation:	Heads of all Departments at AOU HQ and Branches
Policy Monitoring and Compliance:	Internal monitoring and audit unit at HQ
Next Review Date	November 2026

***Note:** A policy can be reviewed before the designated review date should there be a need to.*

## Contents

Objective	4
Definition	4
Scope	5
Role and Responsibilities	5
Management	5
Employees	6
Actions Constituting Fraud	7
The Approach to Prevention, Detection and Responding to Fraud	9
Whistle-blowing	9
General Investigation	10
Investigation Documentation	11
Investigation Confidentiality	12
Investigation Authority	12
Reporting Fraud Cases	13
Anti- Fraud Responsibility Matrix (Guidance)	15

## Objective

The Anti-Fraud Policy (hereafter referred to as "the Policy" is established to promote consistent corporate integrity, honesty and ethical behavior with zero tolerance to fraud within Arab Open University (hereafter referred to as "the Organization"), by providing guidelines as to the management responsibility towards prevention, detection and responding to fraud. The policy is also established to protect the Organization's funds and other assets and protecting the reputation of the Organization and its employees.

Additionally, the policy is also intended to provide a framework for investigating all suspected cases of fraud. Accordingly, the policy establishes the roles and responsibilities of parties involved in the investigation, to assess whether the reported red flag/ suspected acts constitute fraud or not and the concerned management role in mitigating the detected risks. The President's office is responsible for administration, revision, interpretation, and application of this policy. The policy shall be revised as deemed needed.

## Definition

Fraud is any intentional act and/ or omission to act, committed to secure an unfair or unlawful gain or advantage. Fraud can take one of the following forms:

- ***Occupational Fraud:*** It is the use of someone's occupation and or authority for benefit other than that of the organization through the deliberate misuse or misapplication of the Organization's resources or assets. In this case, the Organization itself is usually the victim.
- ***Corporate Fraud:*** Fraud that is designed to benefit the Organization by exploiting an unfair or dishonest advantage (i.e., Intentional improper representation or valuation of assets, liabilities, or income, etc. for the purpose of increasing profits, or tax evasion etc.). Perpetrators of such frauds usually secure an indirect personal benefit (i.e., bonus, etc.). In that case, stakeholders, other employees or business partners are the victims.

## Scope

The policy applies to any fraud or suspected fraud within the Organization, involving directors, management, employees (both permanent and temporary), vendors (suppliers, contractors and sub-contractors), business partners, customers, distributors, employees of outside agencies doing business with the Organization, competitors and others.

## Role and Responsibilities

***Audit Committee:*** The Organization's Board of Trustees has established the Audit Committee to assist the Board in its oversight responsibilities. The role of the Audit Committee in the connection with the fraud includes, but not limited to.

- The Committee shall review the Organization's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.
- The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up actions.
- A report summarizing the incidents of fraud to be submitted to the Audit Committee.
- The Audit Committee will be informed by the President's Office immediately of any event of whistleblowing.

## Management

The Organization's management is responsible for the prevention, detection and responding to fraud, by setting the right "Tone at the Top" and mitigating the fraud risks as one of the business priorities. Tone at the Top refers to the ethical atmosphere that is created in the workplace by the Organization's Leadership. Whatever tone management sets will cascade on the

Organization's employees. If the tone set by management upholds ethics and integrity, employees will be more inclined to uphold those same values.

Actions by management to reinforce tone at the top shall include:

- Be familiar with the types of fraud facing the organization as a whole and the ones that might occur in their area and be alert to them.
- Establish and implement adequate internal controls to prevent and detect fraud.
- Convey the anti-fraud culture to the organization's employees through words and actions.
- Create a culture where it is clear that fraud is not tolerated, and that any such behavior is dealt with swiftly and decisively.
- Support the employee's right to report and suspected and actual fraud, and that confidential disclosures will not suffer retribution
- Exercise third party due to diligence prior to dealing with such parties, and pre-employment screening to identify any issues of financial health, ownership, reputation, and integrity that may represent an unacceptable risk to the Organization.

## Employees

The Organization employees should be familiar with the types of fraud within their scope of responsibilities and should be alert to the fraud red flags. Red flags refer to set of circumstances that are unusual in nature or vary from the normal activity. It is a signal that something is out of the ordinary and may need to be investigated further. All levels of employees shall:

- Understand their roles within the internal control framework and how their job procedures are designed to manage fraud and corruption risks and that non-compliance may create an opportunity for fraud to occur or go undetected.
- Participate in the process of creating a strong control environment, designing, and implementing fraud control activities, as well as participate in monitoring such activities.

- Be held responsible for reporting any actual or suspected fraud that might arise within/ outside their functions. Accordingly, any employee who intentionally neglects and/ or events reporting such fraud and corruption acts may be subjected to disciplinary actions as per the Human Resources Department Guidelines.
- Acting with priority in the use of the organization's resources and in the handling and use of funds whether they are involved in cash, payment and receipt systems in dealing with vendors (suppliers, contractors and subcontractors), business partners, customers, distributors, employees of outside agencies doing business with the Organization, competitors and others.
- Report immediately using the whistle-blowing channel, as described later in this policy, if they suspect or believe that fraud may have been committed.

All the Organization's management and employees, both permanent and temporary, should have access and become familiar with this policy.

### **Actions Constituting Fraud**

Any act which is considered fraud under the laws and regulations governing local authorities at the University branch/campus. Actions constituting fraud can be broadly divided into, however not limited to, three main categories:

#### ***A) Fraudulent Financial and Operating Reporting:***

Fraudulent Financial and Operating Reporting involves intentional disclosure of false or concealment of correct information or data in any portion of the financial or operational reports to deceive internal or external users. Examples include:

- Improperly reporting financial and operational transactions, statements and reports.
- Violating the Accounting Standards or other applicable standards, and other governing laws and regulations for reporting.
- Earnings-management and improper revenue recognition.

- Accelerated and bogus revenues.
- Tax-evasion.

### ***B) Misappropriation of Assets:***

Schemes in which a fraudster steals and/ or misuses the Organization's resources. Examples include:

- Skimming cash receipts and any scheme in which cash is stolen from the Organization before it is recorded in the Organization's books and records.
- Any scheme in which a person causes her(is) employer to issue a payment by submitting invoices for fictitious goods or services, inflated invoices or invoices for personal purchases or making a claim for reimbursement of fictitious or inflated business expenses, or falsifying expense reports.
- Intentional destruction, removal or inappropriate use of electronic and paper data, records for personal unlawful benefit.
- Insider securities trading or profiting on insider knowledge of the Organization's activities.
- External or internal embezzlement or theft of funds, supplies or other assets through extortion, blackmail, manipulation, forgery, counterfeiting, alteration or any other manner.
- Fraud committed against employees or third parties by avoiding financial liabilities or overstating receivables for the organization's benefit, such as overhanging customers, tax fraud, payroll and benefits abuse, falsifying compliance data provided to regulators and governing bodies and deceptive sales practices.

### ***C) Corruption:***

Schemes where an employee uses his/her influence in business transactions in a way that violates his/her duties to the Organization to obtain a benefit for him/her self or someone else. This includes the misuse of public office or power for private gain and the misuse of private power in relation to commercial dealings not involving government.

Examples of corruption include:

- Offer, promise or payment of bribery, illegal commissions or other improper payment schemes (active bribery).
- Soliciting, demanding, acceptance, agreement to receipt, or receipt of kickbacks or anything of value or benefit, otherwise exceeding the amount stated in Code of Conduct (passive bribery).

### **The Approach to Prevention, Detection and Responding to Fraud**

Internal Audit Function supports management's efforts to establish a culture that embraces the anti-fraud environment through the following:

- Investigation of reported actual or suspected fraud.
- Provide appropriate mechanisms for employees and other parties to voice their genuine concerns.
- Assessment of fraud risk, design and implementation of controls and programs to prevent it where possible and make it visible should it occur.

Examples of some of the most important fraud controls include:

- Segregation of duties which means that more than one employee is involved in key tasks.
- Authorization levels are set and enforced appropriately.
- Declaration of conflicts of interest so they are appropriately managed.
- Conducting independent monitoring and checking of data and documentation (especially where related to financial records and transactions)
- Assurance of key business processes from a fraud risk perspective.

### **Whistle- blowing**

The Organization has in place a channel to receive whistle-blowing from any director, management, employee (both permanent and temporary), vendor (supplier, contractor and sub-contractor), business partner, customers, distributor, employee of outside agency doing business with the Organization, competitor and others.

All parties referred to above are encouraged to report suspicious activity through the anonymous a whistle-blowing channel to be determined by the top management and informed to all staff and employees. Whistle-blowing is received and investigated by channels determined by top management of the Organization in cooperation with the Internal Audit Function.

The following should be noted when using the whistle-blowing channel:

- The whistle-blower shall not be threatened in any way nor be subjected to any form of discrimination or any other adverse measure unless the facts of the case were knowingly wrong when reported.
- Whistleblowing should be done used proper language and not based on hearsay or false allegation that is not supported or actual fraud.
- Since this is anonymous whistle-blowing channel, all whistle-blowers shall provide evidence to reported suspected or actual fraud.
- Any employee who decides to disclose her(is) identity, intentionally provide falsified information/ evidence for fouling other parties' reputation aiming for personal gains shall be subjected to disciplinary actions as per the Human Resources Department Guidelines.

### **General Investigation**

When fraud is suspected; all involved employees are assumed innocent until otherwise investigations prove them guilty. The purpose of any investigation is not only to establish guilt, but also to prove innocent.

All suspected fraud acts within the Organization will be investigated by channels assigned by the President office to be mainly in charge and supported by the internal audit function, which will be assisted by the concerned manager of relevant departments for the purpose of gathering

information, documents or otherwise establish facts around the case under investigation.

Fraud investigation starts by gathering and validating facts and documents around the actual or suspected fraud acts if the investigation concludes that fraud has occurred, control weakness was present, and/ or wrong practices were exercised, then the Internal Audit Function will report on such investigation as stated later in this policy.

The Human resource department, the legal counselor, the concerned manager as will assist a channel which will be assigned by the president's office to investigate all cases of suspected fraud and establish facts around the case under investigation. The Human Resources Department is responsible for the disciplinary actions as per the Human Resources Department Guidelines, against wrongdoers. Any investigation activity required will be conducted without regard to suspected wrongdoer's length of service, position/title, or relationship to the Organization.

The President's office has the authority to set the scope of any actual or suspected fraud investigation, based on the available information at the time of investigation. Later on, the President's office may modify such scope based on newly revealed information as the investigation progress.

Decisions to refer the investigation and interrogation results to the appropriate law enforcement and/ or regulatory agencies for independent investigation will be also made by Legal Councilor in conjunction with a channel to be determined by the President's office, as well the final decision on disposition of the case.

### **Investigation Documentation**

Evidence must be protected by the appropriate custodian so that it is not destroyed and so that it is admissible in legal proceedings. All fraud acts

investigation documentation shall be maintained by President's office. Other functions that may be involved in investigations shall maintain the relevant documents as per their governing policies and processes.

### **Investigation Confidentiality**

Great care must be taken in the investigation of actual or suspected fraud so as to avoid mistaken accusations or altering suspected parties that investigation is under way. Under no circumstance should any individual, other than authorized parties stated earlier, attempt to personally conduct investigations, interviews, confrontation or interrogations of the alleged wrongdoers or further discussion related to any actual or suspected fraud or corruption, with any party.

All legal inquiries concerning the actual or suspected fraud acts under investigation from suspected parties or any other inquirer should be directed to the Legal counselor. Under no circumstances other than those circumstances mandated by the legal requirements, should any information concerning the status of an investigation be given out.

Investigation results will not be disclosed or discussed with anyone other than those who have legitimate need to know. This is important in order to avoid damaging the reputation of suspected parties but subsequently found innocent and to protect the Organization from potential civil legal liability.

Violators of confidentiality terms stated in this policy will be subject to disciplinary actions as per the Human Resources Department Guidelines.

### **Investigation Authority**

Only within the scope of the fraud investigation, investigation parties will have unrestricted access to all the Organization's records and premises, whether owned or rented. They have the authority to examine, copy, and/or remove all or portion of the content's files, desks, cabinets, and other storage facilities (including electronic) on the premises without prior knowledge or consent of any par ho might use or have custody of any such items or facilities.

The investigation parties (determined by president's office) shall have the right, after consultation with the Human Resource Department and concerned management to deny to fraud-suspected employee(s) from accessing their offices, files, desks, cabinets and other storage facilities (including electronic). The investigation shall not be initiated without prior approval of the President's Office.

### Reporting Fraud Cases

Measuring the cost of materialized fraud is an important, yet incredibly challenging endeavor. Arguably, the true cost, in many cases, is incalculable. Nonetheless, determining such an approximation is critical to illustrate the magnitude of the fraud.

The channel assigned by the president's office taking over the investigation shall report to the concerned Senior Management, the deficiencies identified during the investigation conducted. Management's response to the reported findings shall be provided to the assigned investigation channel *within a period not to exceed 15 working days from the date on which the findings were formally communicated*. Management response shall include dated corrective action plans and an explanation for any corrective action will not be implemented. In case of management failed to respond to the reported finding within the time frame stated above, the investigating channel will consider that management accepted the risks associated with such findings.

The Internal Audit Function issues a final detailed report describing the deficiencies identified during the investigation conducted and the management corrective action plans together with specific completion dates, to the President, Human Resource department and the concerned Senior Management.

When the Head of Internal Audit believes that Senior Management has accepted a level of residual risk that may be unacceptable to the Organization,

the Head of Internal Audit shall discuss the matter with senior management. If the decision regarding the residual risk is not resolved, the Head of Internal Audit shall, based on risk rating and impact, report the matter to the Audit Committee for resolution.

The Internal Audit function is responsible for reporting fraud findings to the audit Committee which provides it with level of independence and objectivity necessary to undertake investigations of a sensitive nature. This includes a summary of the whistle-blowing and investigated fraud cases along with the financial impact and action plans. If the investigation conducted did not establish fraud, the Audit committee receives a summary of findings, if any. The reported findings shall include those which senior Management either accepts their related residual risks or the corrective action plans to which are not feasible for/ delayed in implementation.

## Anti- Fraud Responsibility Matrix (Guidance)

The anti-fraud responsibility matrix specifically spells the Organization's responsibility to handle fraud related matters under different circumstances.

The responsibility is divided to:

A: Mainly in charge

B: Supporting Staff

	Concerned Manager	University Staff	Audit Dept.	President's Office	HR Dept.	Finance Dept.	Legal Consultant
<i>Pre Incident</i>							
Establish reporting channel				Specify A			
Fraud awareness			B	Specify A			
Identify areas with fraud vulnerability		B	B				
Identify controls to prevent fraud	A	B	B				
Pro-active fraud auditing			A				
<i>During Incident</i>							
Report fraud/suspected fraud acts		A					
Receive the claims from the whistleblowing channel				Specify A & B			

Establish facts related to the fraud or suspect fraud act	B			Specify A			
Fraud investigation	B			Specify A	B		B
Referrals to law enforcement				Specify A			B
<i>Post Incident</i>							
Recovery of asset subject to fraud in/out of court				Specify A & B	B	B	B
Recommendations of control	B	B	A				
Applying corrective actions and recommendations to prevent fraud recurrences	A						
Reporting to the Audit Committee		A	B				

