

## Summary of policy

This policy documents the Open University's ('the University') requirements for establishing, maintaining and operating proportionate and effective measures to mitigate financial fraud risk. Financial fraud is an act of deception intended for personal gain that causes a financial loss or potential financial impact to the University's assets. A more detailed definition of Financial Fraud is at Appendix 1.

The University conducts itself in a legal and ethical manner, and is committed to minimising the risk of financial fraud by third parties (including suppliers, business partners and external criminals) and employees.

The policy does not cover misconduct in relation to academic and/or research activities. These are covered in the University's:

- Academic Conduct Policy;
- Code of Practice for Student Discipline;
- Code of Practice for Research at The Open University.;
- Conditions for Registration

Employees must act honestly and with integrity at all times and must safeguard the University's tangible and intangible assets (particularly its reputation) from the impacts of financial fraud.

For specific guidance on this policy staff should contact the Director of Treasury Services.

## Risks controlled by this policy

The main risks are:

- Financial loss to the University through failure to prevent, detect and take appropriate action in respect of fraud;
- Regulatory action against the University for failing to control financial fraud;
- Reputational damage and regulator loss of confidence/trust due to the association of the University or key employees with financial fraud;
- Consequent financial loss through lost revenue streams, fines, legal costs and/or costs of remedial action as a result of the University being a victim of fraud.

Version number: 2.0	Approved by: Audit Committee
Effective from: February 2023	Date for review: February 2026

## **Risk appetite**

The University has no tolerance for any exposure to material internal fraud against the University leading to uninsured financial loss and/or damage to the University's image as a well controlled, risk averse organisation.

The University also has no tolerance for any exposure to material external fraud against the University leading to uninsured financial loss and/or damage to the University's image as a well controlled, risk averse organisation. However, there is a proportionate approach to external fraud risk mitigation where it is considered that there is minimal risk of material loss or damage to reputation

## **Reporting suspected incidents of financial fraud**

Employees are required to report all suspected or actual incidents of financial fraud to the Director of Treasury Services (via email [Finance-Insurance@open.ac.uk](mailto:Finance-Insurance@open.ac.uk)). Where employees feel unable to report in this way, they should report this through The University's whistleblowing arrangements.

## **Summary of significant changes since last version**

This policy has been the subject of a substantial re-write following the University's Chief Financial Officer taking responsibility for the oversight of financial fraud. The University's standards for the mitigation of Bribery and Corruption Risk are now set out in The University's Anti Bribery and Corruption Policy.

## **Policies superseded by this document**

This policy document was introduced in February 2023 and replaced previous versions of the Anti-Fraud Policy and Anti-Bribery and Corruption Policy (last reviewed for minor housekeeping amendments in March 2019 and 2021).

## **Scope**

This policy applies to Open University officers and employees ('employees').

## **Related Documentation**

Refer to the following documentation in conjunction with this document:

- [Whistleblowing Policy](#)
- [Behaviours and Standards at Work Policy](#)
- [Conflict of Interest Policy](#)
- [Hospitality and Gifts Policy](#)

- [Procurement Policy](#)

---

## The Open University Student Charter Principles

This policy aligns with the following [Open University Student Charter](#) Principles:

- Principle 4: We work together to secure the University's mission and to promote the University's values

### Alternative format?

If you require this document in an alternative format, students can contact [Governance-Team@open.ac.uk](mailto:Governance-Team@open.ac.uk).

### Policy

#### 1. Purpose

This policy documents the University's requirements for establishing, maintaining and operating proportionate and effective measures to mitigate the risk of financial fraud.

#### 2. Responsibility for Financial Fraud Risk Mitigation

The University operates 3 lines of defence in relation to mitigating this risk:

Line 1

Senior Managers are responsible for implementing controls to mitigate financial fraud risks in their departments. Employees are expected to operate these controls effectively and diligently to help protect the University's financial assets.

Line 2

The Chief Financial Officer (CFO) is responsible for oversight of compliance with this policy. The CFO has set up an internal working group (The Financial Fraud Forum) to assist with the oversight process and any reporting to University Committees. From the policy advisory perspective and the receipt of reports of financial frauds/suspected frauds, the CFO delegates day to day oversight of this policy to the Director of Treasury Services.

Line 3

The University's Internal Audit function will be responsible for providing assurance that the University's risk mitigation strategy and the implementation of relevant controls are in place and functioning effectively.

#### 3. Identifying and Reporting Financial Fraud Risks

The University will document and maintain a financial fraud risk assessment and financial fraud risk register. The CFO will provide an annual report to the University's Audit Committee updating them on financial fraud risks and incidents.

#### 4. Controls

The University will implement an effective control framework to proportionately manage its identified financial fraud risks. This includes preventive and detective controls such as: pre-

employment due diligence, segregation of duties, manual/technical controls on payments/receipts and financial statements; and monitoring of student engagement to mitigate grant fraud.

## **5. Fraud Reporting and Escalation**

All known or suspected fraud incidents that involve a financial loss or potential loss should be initially reported to the Director of Treasury Services (DTS) (via email Finance-Insurance@open.ac.uk). The DTS will review the reported incident and, if it falls within the following criteria, the issue will be escalated as set out below:

- Any financial fraud that involves a loss of £25k or over will be escalated to the CFO, the University Secretary for determination whether or not the issue is required to be reported to the Office for Students (OfS) (note – by informing the OfS The Open University will be fulfilling its duty to report serious financial fraud incidents to the Charity Commission). The issue will also be reported to the Audit Committee chair for information;
- Any financial fraud involving a loss over £10k but less than £25k and/or raises a material integrity issue and/or identifies a material fraud risk not previously identified will be reported to the next available Audit Committee.

## **6. Fraud Incident Response Plan**

The University will document and maintain a Fraud Incident Response Plan detailing how major fraud incidents will be managed, investigated and reported. This includes clear lines of accountability and responsibility for the management and investigation incidents of fraud as well as responsibility for internal reporting of fraud losses and risks/controls issues.

## **7. Investigations**

The University will ensure that financial fraud events and/or suspicions of financial fraud are investigated thoroughly by appropriately skilled individuals. The University's internal investigative resource sits within Internal Audit. In the event of an internal financial fraud requiring investigation, the DTS will agree with the Chief Internal Auditor (CIA) objectives, parameters and reporting lines for the investigation. If external resource is required, this will be agreed between DTS and CIA.

## **8. External Fraud Reporting**

All new financial fraud incidents will be reported to Action Fraud (the UK's national reporting centre for fraud and cyber crime). In addition, internal financial fraud incidents should be reported to local law enforcement though there will be circumstances (for instance, extremely minor instances of fraud) where this is not appropriate. DTS will determine whether or not a case should be reported to local law enforcement and the timing of such a report.

## **9. Employee Training and Awareness**

The University has established the following base standards to ensure that its employees are (and remain) aware of their anti-financial fraud responsibilities:

- The University will provide targeted anti-fraud training to relevant employees within areas of Finance and Business Services with exposure to financial fraud risk. For

relevant employees within the Treasury Services Directorate and Academic Services (dealing with grants/fees) awareness training will be provided on an annual basis;

- For the rest of the University fraud awareness raising will not be required unless:
  - there is a critical integrity issue that needs to be brought to the attention of the University's employees;
  - There is a specific control issue that has ramifications beyond Finance and Business Services and impacts a significant part of the University;
  - A University employee has gone beyond regular duty to prevent a fraud and this is deemed worth celebrating as part of the University's wider efforts to mark achievements.
- Any such initiative will be agreed jointly by the CFO and Director of People Services.

## **10. Recovering Fraud Losses**

Recovery of money lost due to fraud will be pursued in all cases where cost effective to do so, using available legal means if necessary.

## **11. Insurance**

The University will put in place appropriate insurance arrangements to ensure that it does not suffer catastrophic losses in the event of a major financial fraud. In order to keep the University's insurers informed regarding financial fraud incidents within the University, DTS must be promptly informed of all such incidents for onward reporting.

## **12. Independent Assurance**

As section 2 above, Internal Audit are responsible for independent assurance regarding the effectiveness of financial fraud risk management including the effective operation of relevant controls. In addition to the requirements for escalation in section 5 above, Internal Audit will (as part of its ongoing obligation to provide a regular key risks update to each Audit Committee) inform the Committee regarding ongoing internal fraud investigations including:

- a description of the incident, including the value of any loss, the people involved, and the means of perpetrating the fraud
- the measures taken to prevent a recurrence
- any action needed to strengthen future responses to fraud, with a follow-up report on whether the actions have been taken.

## **Appendix 1 Definition of Financial Fraud**

Financial fraud is an act of deception intended for personal gain that causes a financial loss or potential financial impact to the University's assets. This includes any form of dishonesty, deceit, breach of confidence or misrepresentation allowing an individual, group of individuals or organisation to attempt and/or to gain unfair or dishonest benefit or advantage to which they are not entitled.

The Fraud Act 2006 defines three class of fraud:

- False representation: a person commits fraud by intentionally and dishonestly making a false representation. A false representation includes intentionally giving a misleading or untrue statement.
- Failing to disclose information: a person commits a fraud if they dishonestly fail to disclose information.
- Abuse of position: a person commits a fraud if they dishonestly abuse their position.

To have committed a fraud a person must have acted dishonestly, and with the intent to:

- make a gain for themselves or anyone else; and/or
- cause loss to anyone else, or expose anyone else to a risk of loss.

### **Examples of Fraud**

#### **Payment Fraud**

Where the University makes a payment to a person, supplier, business partner or other organisation where the payee's account details have been fraudulently altered so that the payment goes to another account not controlled by the true payee. The fraudulent alteration might occur as a result of amendments to payment instructions made:

- internally by an employee or an individual who has gained access to University systems/premises;
- internally by an employee clicking on a link with malware attached which then is used to access University payment systems;
- externally by an employee or other at the supplier, business partner or other organisation;
- externally via an email hack whereby the University receives an email purportedly from the supplier, business partner or organisation.

#### **Application Fraud**

Where students (including employees studying with the University) apply for grants they provided by the University or other organisations providing false information knowing that they are not entitled to such grants. These frauds might be one offs or in multiples; the latter potentially using widespread identity theft to perpetrate the fraud.

**Expenses/Overtime Fraud**

Where an employee knowingly inputs false information into an expense or overtime claim in order to gain financial advantage.

**Payroll Fraud**

Internal fraud where fictitious employees are added to the University payroll.