

TRANSPORT FOR LONDON

BOARD

SUBJECT: ANTI-FRAUD AND CORRUPTION POLICY

DATE: 21 OCTOBER 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this paper is to request the Board to approve the amended Anti-Fraud and Corruption Policy.
- 1.2 The amendments to the policy were reviewed in detail by the Audit Committee at its meeting on 29 September 2009.

2 BACKGROUND

- 2.1 The Fraud Team in Internal Audit deal with prevention, detection and investigation of allegations of fraud and corruption as well as providing fraud awareness training. The work of the team is reported to the Audit Committee on a regular basis.
- 2.2 The types of fraud and corruption reported span a wide spectrum, including ticket frauds, contractor fraud, pensions, and fraudulent claims for refunds. Appropriate disciplinary, civil or criminal proceedings are instigated where crime is proven. Disciplinary action might follow where there is no crime.
- 2.3 A number of recently published surveys indicate the level of fraud committed at all levels is likely to increase in the current economic climate. It is important, therefore, that staff are aware of TfL's attitude to and policies on fraud and corruption.
- 2.4 The Audit Commission expects organisations to have an anti-fraud and corruption policy in place to demonstrate pro-activity in addressing fraud against the public purse. The existing policy was first established in 2003 and has not been updated since.
- 2.5 There are no substantive changes to the policy. The amendments made reflect the current format for policies, changes to job titles, reference to the Fraud Act, updated references to other policies and procedures and improved cross-referencing to the fraud protocol which sets out how investigations are undertaken.
- 2.6 The policy applies to the entire TfL group.

3 EQUALITIES

- 3.1 The policy applies to all staff, agency staff and contractors.

4 CRIME AND DISORDER IMPLICATIONS

- 4.1 The policy is specifically designed to address crime being committed against TfL and its staff.

5 RECOMMENDATION

- 5.1 The Board is asked to APPROVE the Anti-Fraud and Corruption Policy.

6 CONTACT

- 6.1 Contact: Mary Hardy, Director of Internal Audit
Email: MaryHardy@tfl.gov.uk
Phone: 020 7126 3022



Transport for London

ANTI-FRAUD AND CORRUPTION POLICY

Issue date: 22 October 2009

Effective: 22 October 2009

This supersedes any previous policy

Index

1.	Introduction.....	2
2.	Organisational Scope.....	2
3.	Definitions	2
4.	Managing the Risk of Fraud and Corruption.....	3
5.	Dealing with Suspected Fraud and Corruption	3
6.	Reporting	4
7.	Support and Advice.....	5
8.	Ownership.....	5
9.	Approval and amendments.....	5
10.	Related Documentation.....	5
11.	Custodian.....	5

1. Introduction

1.1 Transport for London is responsible for providing an integrated, safe, high quality and efficient transport system for London. To achieve this TfL expects the highest standards of conduct, performance and integrity from its employees. The standards required are set out in the Code of Conduct and Business Ethics policies which are published to all staff both permanent and temporary and equally apply to anyone engaged through a third party or otherwise working on TfL's behalf and on TfL premises.

1.2 Because of TfL's public sector status, there is also a constant requirement to ensure the appropriate use and safeguarding of public funds.

1.3 All TfL employees, consultants and agents must at all times safeguard the resources for which they are responsible. Fraud and corruption are ever present threats to these resources which may include material, property, plant, equipment, cash, staff time, software, confidential information and intellectual property.

1.4 The purpose of this policy is to outline the responsibilities of both senior management and staff for ensuring that appropriate actions are taken for the prevention and detection of fraud and corruption and to set out the procedures to be followed where fraud or corruption is detected or suspected.

2. Organisational scope

2.1 This policy applies to all bodies included in the TfL Group and

- To all TfL Board members and advisers
- To all TfL employees
- To all agency and consultancy staff and contractors not directly employed by TfL who undertake work on TfL's behalf.

3. Definitions

3.1 There is no standard definition of "Fraud". It is a general term used in this policy to refer to the use of deception with the intention of making a gain for oneself or others or causing loss or risk of loss to another. The gain or loss does not actually have to take place as long as the intention is there. The Fraud Act 2006 provides for a general offence of fraud with three ways of committing it, which are by false representation, by failing to disclose information and by abuse of position. It creates new offences of obtaining services dishonestly and of possessing, making and supplying articles for use in frauds.

3.2 “Corruption” is the seeking, receiving or agreeing to receive gifts, loans, fees, rewards or advantage as an inducement to or reward for any member of staff for themselves or another person in connection with the performance of their duty. It also includes the person giving, providing or offering the inducement or reward.

4. Managing the Risk of Fraud and Corruption

4.1 As with any risk faced by the organisation, it is the responsibility of managers to ensure that fraud risk is adequately considered when preparing risk assessments in support of business plans, projects and other activities. In making this assessment it is important to consider the risk of fraud occurring rather than the actual incidence of fraud having occurred in the past. Once the fraud risk has been evaluated appropriate action should be taken to mitigate those risks on an ongoing basis.

4.2 Any changes in operations or the business environment must also be assessed to ensure any impacts which might increase the risk or otherwise change the risk of fraud and corruption are properly taken into account.

4.3 Good corporate governance procedures are a strong safeguard against fraud and corruption. Adequate supervision, scrutiny and healthy scepticism must not be seen as distrust but simply as good management practice shaping attitudes and creating an environment opposed to fraudulent activity.

4.4 Directors and management must set an example by refusing to endorse improper behaviour or “sharp practice” and are expected to deal swiftly and robustly with those who defraud the organisation or who are corrupt.

5. Dealing with Suspected Fraud and Corruption

5.1 Every member of staff has a responsibility to report details immediately to their employing manager if they suspect that fraud or corruption has been, is being or may be committed.

5.2 In exceptional circumstances staff members may not consider it appropriate to communicate concerns through normal management reporting channels. In such cases the individual should make their concerns known to a level of management above those to whom they would normally report. In circumstances where for a particular reason members of staff believe that they are unable to report their concerns even to the highest level of line management they should contact another member of the senior management team, the Chief Finance Officer or the Director of Internal Audit. Staff members can also report concerns confidentially using the processes outlined in the TfL “Whistleblowing” policy under which they are provided with certain protections.

Deleted: ¶
¶

Deleted: ¶
¶
¶

5.3 Directors and management may become aware of the possibility of fraud or corruption or attempted fraud or corruption through the incidence of unusual events or transactions as a result of specific management checks, or through notification from a third party. Where a manager becomes aware of evidence or suspicion of fraud or corruption from whatever source he or she must immediately inform the manager to whom he or she directly reports and the relevant Managing Director must be made aware of the situation.

5.4 Under no circumstances should any member of management or staff attempt to deal with the suspected fraud themselves. Nor should they attempt to interview implicated staff as this may jeopardise collection of evidence and subsequent opportunities for prosecution or recovery of assets. Once sufficient facts have been gathered to confirm the concern is valid, an immediate report must be made to either the Director of Internal Audit or the Senior Audit & Investigations Manager – Fraud & Security. An investigation will then be conducted by the Fraud Team in Internal Audit to investigate.

5.5 It is recognised that, on occasions, suspicions of fraud or corruption may be groundless due to misunderstanding or circumstances. Accordingly initial inquiries carried out by the Fraud Team will be on a discreet basis. Conversely should the suspicions be justified then this approach will help to minimise the risk of loss of evidence. In any case the number of individuals who have knowledge of the circumstances will be kept to the minimum on a need to know basis.

5.6 Where investigations reveal evidence of fraudulent or dishonest behaviour, corrupt practice or other culpable acts, TfL will take appropriate steps which may include disciplinary and/or legal action whether the persons are members of staff or external to TfL. Steps will also be taken to recover losses resulting from the fraud and a civil action against the perpetrator may be appropriate. Investigations will also consider whether there has been any culpable failure of supervision. Where this has occurred appropriate disciplinary action will be taken against those responsible.

5.7 The Fraud Team, Internal Audit will report the facts revealed during their investigations to management. It is, however, management's decision and responsibility to determine whether disciplinary action or criminal or civil proceedings should be initiated. Support in making this decision will be provided by HR and TfL Legal and guidelines for the referral of cases to the police are contained in TfL's Fraud Protocol.

6. Reporting

6.1 At the conclusion of the investigation, the Fraud Team will produce a report for the management who were closely involved with the incident and this will be copied to their Managing Director. This report will give as much detail as possible surrounding the incident, in particular focussing on how the fraud occurred and what improvements need to be made to the control environment.

Any significant failure of supervision or breakdown of stipulated controls must be rectified promptly. Any lessons learnt that have a wider applicability to other parts of TfL will be communicated to the Commissioner and Managing Directors by the Director of Internal Audit in order to mitigate the risk of similar occurrences elsewhere.

6.2 The Senior Audit & Investigations Manager – Fraud & Security will prepare a periodic report for the Director of Internal Audit summarising investigation activity. The Director of Internal Audit will in turn periodically report to the Commissioner, Managing Directors, Chief Finance Officer and the Audit Committee.

6.3 Throughout this reporting process, confidentiality will be paramount and most reporting will be at a summary level only.

7. Support and Advice

7.1 Support and advice can be obtained through speaking to your manager or by emailing fraud@tfl.gov.uk. Alternatively contact the TfL Fraud Team (Auto: 63020)

8. Ownership

8.1 The Anti Fraud & Corruption policy owner is General Counsel.

9. Approval and amendments

9.1 This policy was approved by the Board on 3 December 2003 and updated on 21 October 2009. Any amendments to this policy must be approved by the Board following review by the Audit Committee.

9.2 The policy will be reviewed twelve months after approval..

10. Related Documentation

TfL Code of Conduct
TfL Business Ethics Policy
TfL Whistleblowing Policy
TfL Internal Audit Charter
TfL Fraud Protocol

Deleted: ¶
¶

Deleted: ¶

11. Custodian

11.1 All queries in relation to this policy should be directed to the Senior Audit & Investigations Manager – Fraud & Security, Internal Audit, 7th floor Windsor House, (Auto: 63018).

DRAFT