

# Transport for the North Audit & Governance Committee Meeting - Item 10.2

**Subject:** Corporate Governance Review – Monitoring of the Anti-Fraud and Corruption Policy

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**Sponsor:** Iain Craven, Finance Director

**Meeting Date:** Thursday 18 February 2021

## **1. Purpose of the Report:**

- 1.1 The purpose of this report is for Members to monitor the effectiveness of the Anti-Fraud and Corruption Policy.

## **2. Executive Summary:**

- 2.1 Under the Terms of Reference of the Audit and Governance Committee, the Committee has a responsibility to monitor the effectiveness of the Anti-Fraud and Corruption Policy.
- 2.2 This review looks at the controls that TfN has put in place to ensure the security of its financial operations, the robustness of its procurement procedures and the probity of its activities which together operate to underpin its Anti-Fraud and Corruption Policy. The review will also form part of Transport for the North's annual review of the effectiveness of its system of internal controls which it is required to carry out under Regulation 6(1) of the Accounts and Audit Regulations 2015.

## **3. Discussion:**

- 3.1 One of the responsibilities set out in the Terms of Reference of the Audit and Governance Committee is to monitor the Anti-Fraud Strategy.

TfN has adopted an Anti-Fraud and Corruption Policy in its Constitution which sets out our commitment to combatting fraud and corruption wherever it may arise in relation to any of TfN's activities. In order to achieve this, TfN has put in place a series of measures which together ensure the security of TfN's financial transactions and the probity and integrity of its operations. These include:

1. The roles of the Statutory Officers – the Finance Director as section 151 Officer and the Head of Legal as the Monitoring Officer
2. The Financial Regulations
3. The financial controls inherent in the financial system
4. The Contract Procurement Rules
5. The controls in the Procurement System
6. The Data Security Policy
7. Codes of Conduct for Members and Officers
8. The Gifts and Hospitality Policy
9. The Whistleblowing Policy
10. Internal Audit Reviews

3.2 The Constitution sets out the roles and responsibilities of the Finance Director, who is responsible for the proper administration of Transport for the North's financial affairs and compliance with the Accounts and Audit Regulations 2015. As Monitoring Officer the Head of Legal has a responsibility to report to the Transport for the North Board on any matter that is likely to, or has given rise to, any unlawfulness or maladministration in the affairs of Transport for the North. Neither the Finance Director nor the Monitoring Officer have needed to present a statutory report to the Board during 2020/21.

3.3 The Financial Regulations adopted as part of the Constitution set out rules in relation to accounting arrangements, budgetary control, control of expenditure and virements. Below this the Finance Director has established a framework of financial and accounting procedures to be operated by officers working for Transport for the North.

3.4 The Contract and Procurement Rules adopted as part of the Transport for the North's Constitution, set out the procedures to be followed by all officers undertaking procurement activities. The rules set out the way in which proposed contracts should be advertised, tendering arrangements, evaluation procedures, requirements around negotiations and award of contracts. These rules have been designed to ensure that all procurements comply with legal requirements as well as ensuring value for money through transparent and open competition.

3.5 A new electronic commissioning process in D365 was introduced in 2019/20 and was audited in 2020/21 when a "Substantial Assurance" audit opinion was received. The system incorporates the following controls which ensure that all procurement is carried out in accordance with the Contract and Procurement Rules. The approval workflows within the system reflect the scheme of delegation in that they:

- distinguish between programme and core activities,
- identify expenditure levels and relevant approvers, and
- waiver requirements.

3.6 Transport for the North's Financial Systems incorporate a number of financial processes and controls. The two main systems utilised by

Transport for the North are its ERP system (Microsoft Dynamics 365) and its banking system with Barclays.

- 3.7 Transaction processing through the ERP system is performed via a permanent system architecture. The transaction flow through this system involves appropriate segregation of duties and financial controls. These processes include:
- Invoice processing
  - Goods receipting
  - Invoice matching
  - Payment processing
  - Bulk BACS decision packs
  - Vendpay journal and import to Barclays
  - Approvers decision packs. These include a series of independent checks to confirm the processes above have been followed, eg every payment has an invoice, goods receipt, approved commissioning papers, purchase order and matches the bank details provided independently by the supplier.

- 3.8 Once the Vendpay journal has been imported into Barclays an independent system of financial control exists. These include:
- Biometric (i.e. finger-vein) identity verification technology to gain access.
  - An automated sort code, account number and name check. If these do not match system records for any payee, a warning message is raised.
  - The system flags any new banking settlement details, i.e. suppliers paid for the first time. This raises a warning flag to bring this to the awareness of the approver.
  - Dual approval, using biometric technology.

During 2020/21 a number of phishing attempts at raising unauthorised payments were identified and rejected based on officers' scrutiny.

### 3.9 **The Data Security Policy**

Transport for the North has adopted a comprehensive Data Protection Policy to ensure the security of its data assets; to preserve the confidentiality, integrity and availability of its data assets; and to protect them from inappropriate access, modification or manipulation. Transport for the North has put in place a series of system protections to prevent unauthorised access to its systems. Acceptable Use and Data Security are included in the induction training for all new members of staff and the Data Security Policy is available on the staff Intranet. The IT team are notified of any attempted unauthorised access to the Transport for the North's IT systems and the guidance requires employees to immediately disconnect their IT equipment. No breaches of Transport for the North's security systems have been identified. A Cyber Security audit was undertaken during 2020/21 and provided "reasonable assurance" in relation to these processes.

### 3.10 **Codes of Conduct for Members and Officers**

TfN has elected not to adopt its own Members' Code of Conduct and to rely on Board Members complying with the Code of Conduct of their home Authority. Those co-opted Members who are not elected Members are expected to comply with the Cabinet Office Code of Conduct for Board Members of Public Bodies. All Local Authority Members' Codes of Conduct and the Cabinet Code of Conduct contain anti-corruption provisions ensuring that Members do not accept inappropriate gifts or hospitality and act only in the public interest. During 2020/2021 no complaint of misconduct has been received against any Member of the TfN Board.

TfN has adopted a Code of Conduct for Officers. This is included in the TfN Constitution and sets out the behaviours that TfN expects from its employees. This is then supported by TfN's employment policies, its induction and training and ultimately its disciplinary policy. During 2020/21 there have been no disciplinary procedures brought against officers relating to breaches of financial controls.

3.11 Transport for the North has also adopted a Gifts and Hospitality Policy with which officers are expected to comply in relation to any gifts and hospitality offered to them. Officers are expected to decline all but token gifts and minimal hospitality and are required to record all offers of gifts or hospitality received whether or not they have been accepted. Transport for the North revised its Gifts and Hospitality Policy during 2019/20 and the Monitoring Officer has reviewed all records of gifts and hospitality received during 202/21 to ensure that no inappropriate gift or hospitality have been received.

3.12 During 2020/21 Transport for the North revised and adopted a new Whistleblowing Policy. The Policy asserts TfN's commitment to the highest possible standards of openness, probity and accountability in all its activities and its commitment to encouraging employees and other workers who have legitimate concerns about wrongdoing in any of the organisation's activities to voice those concerns. The Policy provides clear guidelines for officers on how to raise concerns and training for TfN employees has been rolled out on the Intranet Employee Development site and special training workshops have been run by the charity Protect. No concerns have been raised under the Policy during 2020/21.

### 3.13 Internal Audit

Internal Audit is undertaken by RMS who prepare an Annual Audit Plan, which is approved by the Audit & Governance Committee. Internal Audit report audit findings to the Committee for consideration. This Plan includes an audit of the major financial systems to ensure that the checks and controls outlined above are in place.

**4 Conclusion:**

- 4.1 Taken together the measures which TfN have put in place to support the Anti-Fraud and Corruption Policy should provide reasonable assurance to the Committee that TfN has put in place appropriate anti-fraud and corruption protection.

**5. Recommendation:**

- 5.1 It is recommended that the Audit and Governance Committee receive the report and approve the systems in place to support the Anti-fraud and Corruption Policy.

**6. Appendices:**

None

**List of Background Documents:**

The Anti-Fraud and Corruption Policy

## Required Considerations

### Equalities:

Age	No
Disability	No
Gender Reassignment	No
Pregnancy and Maternity	No
Race	No
Religion or Belief	No
Marriage and Civil Partnership	No
Sex	No
Sexual Orientation	No

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Equalities	A full Impact assessment has not been carried out because the report does not propose any new strategy or service provision	Deborah Dimock	Julie Openshaw

### Environment and Sustainability

Yes	No
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Sustainability / Environment – including considerations regarding Active Travel and Wellbeing	A full impact assessment has not been carried out because the report does not propose any new strategy or service provision	Deborah Dimock	Julie Openshaw

## **Legal**

Yes

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Legal	There are no new legal implications as a result of this report	Deborah Dimock	Julie Openshaw

## **Finance**

No

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Finance	TfN Finance Team has confirmed there are no new financial implications.	Paul Kelly	Iain Craven

## **Resource**

No

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Resource	TfN HR Team has confirmed there are no new resource implications.	Stephen Hipwell	Dawn Madin

## **Risk**

No

<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Risk	There are no new risks identified as a result of this report.	Haddy Njie	Iain Craven

## **Consultation**

Yes
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<b>Consideration</b>	<b>Comment</b>	<b>Responsible Officer</b>	<b>Director</b>
Consultation	No consultation has been carried since no new policies are being proposed.	Deborah Dimock	Julie Openshaw