

## **SECTION E      ANTI FRAUD & CORRUPTION POLICY**

### **60      Policy Statement**

- 60.1      Transport for the North is committed to ensuring that people within its area can have complete confidence that the affairs of Transport for the North, its committees and joint committees are conducted in accordance with the highest standards of probity and accountability. Transport for the North is, consequently, committed to combating fraud and corruption wherever it may arise in relation to any of Transport for the North's activities or services and involving any Members of Transport for the North, its committees or joint committees, or officers of Transport for the North and its Constituent Authorities who provide services to Transport for the North, its committees or sub committees or members of the public or other third parties.
- 60.2      In this policy references to members of Transport for the North include references, where appropriate, to elected members, co-opted members and members of its committees and joint committees and, references to officers of Transport for the North include references where appropriate to officers of the Constituent Authorities who provide services to Transport for the North, its committees and joint committees.
- 60.3      Transport for the North expects Members and Officers to demonstrate the highest standards of honesty and integrity. This includes compliance with appropriate legislation, Member and Employee codes of conduct, Standing Orders, Financial Regulations, conditions of service, standards of appropriate professional bodies, and any other standards, guidelines or instructions which are relevant to the particular service or activity.
- 60.4      Transport for the North is committed to establishing and maintaining effective arrangements to prevent fraud and corruption. Transport for the North recognises, however, that fraud and/or corruption cannot always be prevented, and so effective arrangements have been established to detect and investigate all incidents or situations where fraud and/or corruption is suspected.
- 60.5      Transport for the North will not tolerate dishonesty on the part of any of the members or officers of Transport for the North or any persons or organisations involved in any way with Transport for the North. Where fraud or corruption is detected Transport for the North will rigorously pursue appropriate action against the persons concerned including legal and / or disciplinary action.
- 60.6      Transport for the North is committed to creating and maintaining an anti-fraud and corruption culture and this includes establishing arrangements which enable officers, or other persons, to express concerns and suspicions without fear or repercussions or intimidation and in the knowledge that the information will be treated confidentially and will be investigated fully and rigorously.
- 60.7      Transport for the North is committed to working constructively with the police and other relevant agencies in relation to combating fraud or corruption within Transport for the North or within the wider community.
- 60.8      Transport for the North will seek to ensure that its stance on anti-fraud and corruption is widely publicised. All Officers and Members of Transport for the North will be made

aware of this policy statement.

- 60.9 This policy statement is supported by guidance notes that set out the procedures for applying the policy.

## **61 Anti-Fraud and Corruption Procedures Introduction**

- 61.1 The Transport for the North is committed to the highest standards of probity and Accountability to safeguard public funds. It will not tolerate dishonesty on the part of Members, officers or others involved with Transport for the North. It expects that elected Members and officers at all levels will act in a manner that ensures adherence to statutory requirements and to the rules and procedures of Transport for the North.

- 61.2 The Anti-Fraud and Corruption Policy applies to all Members and officers of Transport for the North. It also applies as far as it can to any persons, companies or organisations in relation to their dealings with Transport for the North including partnership arrangements and developments involving 'arm's length' companies or organisations, contractors, consultants, suppliers and claimants.

- 61.3 Transport for the North's primary objective, through the Anti-Fraud and Corruption Policy, is to ensure that fraud and corruption does not occur within Transport for the North and if it does occur that it is detected and dealt with effectively.

- 61.4 These guidance notes are intended to advise all Members and officers of obligations and rights within this policy and to assist Chief Officers in dealing with any matters which arise in relation to the policy.

## **62 Definition of Fraud**

- 62.1 The legal definition of fraud contained within the Fraud Act 2006 includes; fraud by false representation; fraud by failing to disclose information and fraud by abuse of position. Fraud is typically associated with financial loss however this policy relates to acts of dishonesty whether or not financial loss is incurred. For the purposes of this guidance note fraud may include:

- a) The intentional distorting of statements or other records by persons internal or external to Transport for the North which is carried out to conceal the misappropriation of assets, evasion of liabilities or otherwise for gain;
- b) Unauthorised use of Transport for the North property; or
- c) Theft of monies or other Transport for the North property by persons internal to Transport for the North.

- 62.2 The theft of Transport for the North property carried out by persons external to Transport for the North through for example break-ins, burglary and opportunist theft falls outside the scope of the Anti-Fraud and Corruption Policy. Thefts of this nature should continue to be reported by Chief Officers directly to Internal Audit and the police in the normal way.

- 62.3 Fraud is a deliberate act of commission or omission by an individual or group of individuals. Fraud can occur in a number of ways including:
- a) Fraud perpetrated against Transport for the North by members of the public or other third parties;

- b) Fraud perpetrated against Transport for the North by Members or Officers of Transport for the North;
- c) Fraud perpetrated jointly by members of the public or other third parties in collusion with Officers or Members of Transport for the North.

62.4 Areas which may be most at risk in respect of fraud include, but are not exclusively related to, the following:

- a) Payroll – falsification of records (time sheets, overtime claims); creation of fictitious employees;
- b) Creditor payments – payments for work not completed or not in accordance with the specification, or for goods not supplied or not in accordance with the original order;
- c) Expenses claims – over claiming of expenses;
- d) False, fictitious or contrived claims. The unauthorised setting up or amendment of claims by officers (including payments to self, family, friends etc.). Officers aiding or abetting third parties in the completion or submission of false claims;
- e) Bank accounts and imprest accounts – use of accounts for unauthorised purposes;
- f) Equipment and vehicles – unauthorised personal use.

### **63 Corruption**

63.1 Corruption is defined as the offering, giving soliciting or acceptance of an inducement or reward that may influence the action of any person.

63.2 The main law relating to corruption in public bodies is the Bribery Act 2010 supplemented by the Local Government Act 1972. The law specifies that it is sufficient to prove that the money or consideration has been given or received and will presume that the money or consideration has been given or received corruptly unless the contrary is proved. This represents a reversal of the usual presumption of guilt and innocence.

63.3 Corruption occurs if a person offers gifts or consideration as an inducement or acts in collusion with others that is with two or more persons acting together. This could involve Members or officers of the Authority, members of the public or other third parties.

63.4 Areas which may be most at risk in respect of corruption include, but are not exclusively related to, the following:

- a) Tendering and award of contracts;
- b) Settlement of contractors claims for loss and expense, compensation, additional payments, or work not done or substandard;
- c) Disposal of assets.

### **64 Anti-Fraud Culture and Key Principles**

64.1 Transport for the North aims to ensure that Members and officers exercise proper stewardship of public money and that effective controls and procedures are embedded into all working practices which will prevent and detect fraud and corruption. Members and officers should be aware of their roles in preventing and detecting fraud and managers should ensure they lead by example in compliance with rules and regulations.

64.2 Legislation regulates local authorities and, amongst other things, sets out the framework that ensures that local authorities adopt effective control and governance arrangements.

Within this framework, Transport for the North has adopted a Constitution containing instructions, regulations and procedures which are designed to ensure high standards of probity in the conduct of the affairs of Transport for the North of which this policy forms a part.

- 64.3 The primary defence against fraud and corruption is the establishment of sound practices, procedures, and systems, incorporating effective controls, which are subject to effective monitoring, supervisory and managerial arrangements. It is the duty of every manager and supervisor to operate the systems and controls in their area of responsibility, necessary to prevent and detect fraud and corruption. Failure to do so, especially where such failure results in fraud, corruption, or theft, may result in disciplinary action.
- 64.4 These control arrangements need to apply within an overall culture, within Transport for the North, which positively promotes the highest standards of probity and which makes it absolutely clear that Transport for the North will not tolerate dishonesty on the part of any of the officers or Members of Transport for the North or any persons or organisations involved in any way with Transport for the North.
- 64.5 Compliance with all the rules and statutes referred to above involves the implementation and maintenance of effective management arrangements, systems, controls, procedures, working practices, standards of good practice and monitoring arrangements. This combination of measures, allied to a culture that promotes the highest standards of probity, represents Transport for the North's primary defence against fraud and corruption.
- 64.6 Where Transport for the North Members or Officers are involved, or where any person acts on or as an agent of Transport for the North, or where initiatives or schemes involve funding through Transport for the North, the principles outlined in the Anti- Fraud and Corruption Policy must be applied.

## **65 Roles and Responsibilities of Members**

- 65.1 All Members have a duty to act to prevent fraud and corruption. Every Member has a role to play in maintaining the standards of probity and integrity that the public is entitled to expect. This includes compliance with relevant rules and procedures, the Code of Conduct for Members, which elected Members have adopted in their Constituent Authorities, and the Code of Conduct for Board Members of Public Bodies, which co-opted members are expected to adhere, to address standards and expectations.

## **66 Audit and Governance Committee**

- 66.1 The Audit and Governance Committee will regularly review the Anti-Fraud and Corruption Policy and will ensure that any matters arising from the implementation of the policy are properly investigated. Internal Audit will report to the Audit Committee on significant matters arising from investigations of fraud and corruption.

## **67 The Finance Director**

- 67.1 The Finance Director is responsible for ensuring that suspected financial irregularity is reported and investigated. The Finance Director is responsible for deciding what

investigation action is to be taken and ensuring it is completed.

## **68 Monitoring Officer**

68.1 Any concerns related to Member compliance with the Code of Conduct would be referred back to the Member's appointing Authority for consideration/investigation. Transport for the North will co-operate fully with any such investigation and will provide all necessary information/evidence.

## **69 Internal Audit**

69.1 Internal Audit acts on behalf of the Finance Director in relation to the investigation of reports of financial or other irregularity and can offer advice and support to managers during this process.

69.2 The Internal Audit also provide advice on appropriate controls to help prevent and detect fraud and corruption and will work with Chief Officers to provide assurance that controls are working as intended and to improve internal control where necessary.

## **70 Management**

70.1 Chief Officers have a specific responsibility to publicise the anti-fraud and corruption policy to all officers and to ensure that they are aware of their responsibilities as outlined in this policy and of sanctions that can be levied.

70.2 Managers are responsible for actively dealing with suspected cases of fraud in a reasonable timeframe.

70.3 Responsibility for maintaining effective systems, procedures, and controls to prevent fraud and corruption rests with the Chief Officer and their managers responsible for relevant systems or particular areas of service.

## **71 Officers**

71.1 All officers have an obligation to be vigilant to the risk of fraud and corruption. They are expected and positively encouraged to raise concerns relating to potential fraud and corruption when they become aware of it. Employees should report matters of concern as soon as possible. Reports raised in good faith will be treated in a confidential manner and investigated.

71.2 The Employees Code of Conduct addresses Transport for the North's standards and expectations of personal conduct. Breaches of conduct will be addressed through disciplinary procedures.

## **72 Reporting Irregularities - Members**

72.1 Where Members wish to report alleged irregularities, the normal reporting route should be through the Chief Executive or the Finance Director.

72.2 The Chief Executive and Monitoring Officer must be informed where alleged irregularities involve Members. If allegations involve a breach of the Code of Conduct this will be

referred to the Member's appointing Authority.

### **73 Reporting Irregularities - Officers**

- 73.1 As indications of suspected irregularities could arise in many different ways it is possible that any of Transport for the North's officers could be the first to become alerted to a potential situation involving fraud or corruption.
- 73.2 Any officer, becoming aware of a potential financial irregularity must, under normal circumstances, report the situation to his/her line manager as soon as possible. The manager in turn should also report through the management structure and to Internal Audit as soon as possible.
- 73.3 At the appropriate management level, which is normally the Director, the situation must be reported to the Finance Director who will decide on a course of action.
- 73.4 Internal Audit will advise on and instigate such action as considered necessary for investigating the alleged irregularity. This will take into account whether the alleged financial irregularity warrants investigation by Internal Audit, whether the Police should be referred to immediately or whether Transport for the North should conduct its own investigation.
- 73.5 Where an allegation or suspicion of fraud concerns an officer of Transport for the North and is considered sufficiently serious to be investigated, then an Investigating Officer will be appointed. As appropriate and agreed Internal Audit will investigate fraud involving accounting and other records, evaluate systems and internal control and collate evidence providing an opinion on allegations made. This will be reported to the Investigating Officer who will have overall responsibility in taking the investigation forward for disciplinary purposes and reported to the Finance Director where system weaknesses and control issues are involved.

### **74 Reporting Directly to Internal Audit or the Statutory Officers of Transport for the North**

- 74.1 If an officer feels it would not be appropriate to report alleged or suspected irregularities through the normal line management structure, then the officer may report their concerns under Transport for the North's Whistleblowing Policy which is set out in the next part of this Constitution.

### **75 Monitoring**

- 75.1 The Finance Director is responsible for monitoring the effectiveness of the procedures for investigation of irregularities outlined in the guidance note and for amending the procedures as necessary. Internal Audit will review the effectiveness of the internal control environment and reports will be made to the Audit and Governance Committee where appropriate on the number, type and outcome of investigation matters as appropriate.