

**Date: 1 October 2013**

**Item 12: Anti Fraud and Corruption Strategy and Policy**

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**This paper will be considered in public**

**1 Summary**

- 1.1 The purpose of this paper is to present to the Audit and Assurance Committee the TfL Anti Fraud and Corruption Strategy and proposed amendments to the Anti Fraud and Corruption Policy.

**2 Recommendation**

- 2.1 The Committee is asked to approve the Strategy and to recommend that the Board approve the amended Policy.**

**3 Background**

*Anti Fraud and Corruption Strategy*

- 3.1 TfL has a number of processes in place aimed at minimising the risk of fraud. It has a whistle blowing policy supported by a confidential telephone number through which people can raise concerns whilst maintaining their anonymity. The Internal Audit Fraud Team conduct fraud awareness sessions, fraud risk workshops and proactive fraud detection work as well as investigating all allegations of fraud. Internal Audit also identifies areas of fraud risk through its regular audit work and suggests corrective action.
- 3.2 An Internal Audit report on Fraud Risk Management in 2012 identified, however, that there was no corporate approach to fraud risk management or strategic overview of the risk. To address this issue the attached Anti Fraud and Corruption Strategy has been developed by a group consisting of key risk representatives from across TfL supported by Internal Audit, and reporting to the Chief Finance Officer.
- 3.3 The Strategy in Appendix 1 sets out TfL's approach to the management of fraud and corruption risk across the organisation, with the aim of minimising the losses, or risk of losses to TfL as a result of fraud or corruption.

*Anti Fraud and Corruption Policy*

- 3.4 The Strategy will complement the existing TfL Anti Fraud & Corruption Policy, which was first published in 2003 and last updated in October 2009.
- 3.5 Proposed amendments to the Policy are noted with tracked changes in Appendix 2. These include a change to the definition of 'corruption' to bring this in line with the Bribery Act 2010.

3.6 The most significant amendment to the Policy is the inclusion of a statement that whenever initial fraud investigations identify evidence of criminality the matter will be reported to the relevant law enforcement agency. The previous version of the Policy left the decision as to whether to involve law enforcement agencies to the discretion of management.

**List of appendices to this report:**

Appendix 1 – Anti Fraud and Corruption Strategy

Appendix 2 – Anti Fraud and Corruption Policy (with tracked changes)

**List of Background Papers:**

None

Contact Officer: David Goldstone, Chief Finance Officer  
Number: 020 7126 4871  
Email: [DavidGoldstone@tfl.gov.uk](mailto:DavidGoldstone@tfl.gov.uk)



# TfL Anti Fraud and Corruption Strategy

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# Anti Fraud and Corruption Strategy

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## 1. Introduction and background

- 1.1 Transport for London (TfL) is responsible for the appropriate use and safeguarding of public funds. It also has a legal responsibility under the Accounts and Audit (England) Regulations 2011 for ensuring that the financial management of TfL is adequate and effective and that TfL has a sound system of internal control which facilitates the effective exercise of TfL functions which includes arrangements for the management of risk.
- 1.2 TfL is committed to the prevention and detection of all forms of fraud and corruption committed against it both internally and externally.
- 1.3 TfL has an Anti Fraud and Corruption Policy, which sets out the responsibilities of senior management and staff for ensuring that appropriate actions are taken for the prevention and detection of fraud and corruption, and the procedures to be followed where fraud or corruption is detected or suspected.
- 1.4 In accordance with the Anti Fraud and Corruption Policy all fraud and corruption investigation work is carried out by the Fraud Team in Internal Audit, in liaison with the Police where appropriate. A Fraud Protocol has been established that sets out how investigations will be conducted. The Fraud Team also carries out fraud awareness activity including publicity and presentations, fraud risk workshops on an ad hoc basis and prevention work through pro-active data mining exercises.
- 1.5 There is a fraud risk management process in place at Crossrail that is managed by a Fraud Risk Advisory Group (FRAG) chaired by the Finance Director. A Fraud Risk register has been produced and a fraud awareness programme is being implemented.
- 1.6 The purpose of this document is to set out TfL's strategy for developing a structured approach to the management of fraud and corruption risk across the organisation, with the aim of minimising the losses, or risk of losses to TfL as a result of fraud or corruption.

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## 2. Overview of strategy

- 2.1 This Strategy is designed to prevent losses due to fraud and corruption by:
  - Maintaining a 'zero-tolerance' culture to fraud and corruption;
  - Maintain a stance of providing a strong deterrent;
  - Ensuring a good level of awareness of fraud risk across the organisation;
  - Ensuring that effective mechanisms to prevent and detect fraud and corruption are incorporated into policies and systems;
  - Maintaining an effective fraud prevention, detection and investigation function.
  - Working with IM to develop the TfL Cyber Security Strategy.

2.2 The Strategy is structured around activities under the following key headings:

- Awareness and training;
- Prevention, including deterrence and detection;
- Investigation;
- Identification of systemic issues and lesson learnt
- Sanction; and
- Recovery of losses.

2.3 The following paragraphs set out TfL's planned activities in each of these areas. All activities will be carried out in accordance with the requirements of TfL's Anti-Fraud and Corruption Policy.

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### **3. Awareness and Training**

3.1 TfL is committed to ensuring all staff are aware of their responsibilities with regard to preventing fraud and corruption, and will ensure that there is an on-going training and awareness programme for staff regarding measures to minimise the risk of fraud and corruption. TfL also recognise that the organisation is exposed to risk from external partners and suppliers and will ensure there is an on-going programme of awareness to ensure external partners and suppliers understand TfL's commitment to protect its funds against fraud and corruption.

3.2 To this end TfL will:

- (a) Include reference to fraud awareness in all induction courses for new employees in all business areas from November 2013.
- (b) Ensure existing employees, where relevant, have either completed the online fraud awareness course or attended a fraud awareness presentation by the end of 2014/15.
- (c) Develop an ongoing fraud awareness programme to ensure relevant staff are reminded at least annually of fraud and corruption risk and their responsibilities.
- (d) Ensure all external partners and suppliers are aware of their counter fraud responsibilities and TfL's commitment to protect its funds against fraud and corruption.
- (e) Publicise regular awareness messages concerning emerging fraud risks that affect TfL and employees.

### **4. Prevention, including Deterrence and Detection**

4.1 TfL recognises the importance of protecting its assets through a planned programme of work directed at deterring fraud.

- 4.2 Internal Audit will consider fraud risk, where relevant, in all of the audits it undertakes, as well as carrying out an ongoing programme of audits in spend and revenue areas which, whilst not necessarily high value, are particularly susceptible to fraud risk. In addition, the Fraud Team will develop an annual Fraud Prevention Plan, including targeted prevention, deterrence, detection and fraud risk assessment activity.
- 4.3 One element of the Fraud Prevention Plan will be an ongoing series of fraud risk workshops targeted at higher risk business areas, aimed at documenting fraud risks and key mitigating controls. It is planned that fraud risk workshops will have been held in all higher risk areas by the end of 2013/14. Business areas are responsible for ensuring that fraud risks are effectively managed and will provide annual confirmation that the key controls are operating effectively through the existing Control Risk Self Assessment (CRSA) reporting process. CRSA is the process whereby management review the operation of controls over key business activities and provide an annual sign-off to confirm that the controls are effective.
- 4.4 All new projects and programmes will need to ensure that the fraud risks have been considered, and this will be incorporated into the TfL Pathway process by December 2013. Where the fraud risk is considered to be substantial, fraud risk workshops will be held with the support of the Fraud Team to ensure the risks are clearly identified and mitigated.
- 4.5 Fraud does not occur in a closed environment. Breaches of cyber security can be closely linked to fraud activities and, as such, this strategy will integrate, where sensible, with the developing TfL Cyber Security strategy.
- 4.6 Wherever possible, the results of fraud investigations, including any judicial action taken, will be publicised both internally and externally as part of the deterrence process.

## **5. Investigation**

- 5.1 TfL is committed to investigating all suspected occurrences of fraud and corruption. The Fraud Team, in liaison with the Police where appropriate, will undertake all such investigations in accordance with the Anti-Fraud and Corruption Policy and Fraud Protocol. Regular updates on fraud investigation work will be provided to the Commissioner, Chief Officers, the Chief Finance Officer, and the TfL Audit and Assurance Committee.

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## **6 Identification of systemic issues and lesson learnt**

- 6.1 Internal Audit will ensure that control and/or systemic issues identified during investigations are reported to the business in order that similar occurrences are prevented in the future and any lessons learnt are effectively managed.

## **7. Sanctions**

- 7.1 TfL is committed to pursuing all possible sanctions for proven cases of fraud and/or corruption. TfL will pursue internal disciplinary, criminal and civil

sanctions where there is evidence to support the occurrence of fraud and/or corruption.

## **8. Recovery of losses**

- 8.1 TfL is committed to seeking to minimise any potential loss due to fraud and/or corruption. In all cases of suspected fraud TfL will take action to minimise the risk of further loss. In all cases of proven fraud and/or corruption TfL will take action where it is available to seek to recover any funds lost due to fraud.

## **9. Measuring the Strategy's effectiveness**

- 9.1 The effectiveness of this strategy and the counter fraud culture within TfL will be measured. This will be via the CRSA process as well as other activities such as surveys and feedback. This will be an ongoing and dynamic process, the results of which will be reported on a regular basis to the Commissioner, Chief Officers and the TfL Audit and Assurance Committee.

## **10. Conclusion**

- 10.1 TfL expects staff at all levels to lead by example in ensuring adherence to legal requirements, rules, policy and practices. TfL also expects that individuals and organisations with whom it deals, will act towards TfL with integrity and without thought or actions involving fraud and corruption.
- 10.2 TfL has put in place a framework to assist in the fight against fraud and corruption. These arrangements will be kept under review to ensure that all opportunities to take advantage of developments in techniques for preventing and detecting fraudulent or corrupt activity are maximised. This Strategy fully supports TfL's desire to maintain a culture of openness, fairness, trust and dignity; free from fraud and corruption.
- 10.3 This Strategy will be subject to regular review as necessary.



### ANTI FRAUD AND CORRUPTION POLICY

| Issue date: [6 November 2013]

Deleted: 22 October 2009

| Effective: [6 November 2013]

Deleted: 22 October 2009

This supersedes any previous policy

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| Version 3 [6 November 2013]

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## 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 TfL is responsible for the appropriate use and safeguarding of public funds. It also has a legal responsibility under the Accounts and Audit (England) Regulations 2011 for ensuring that the financial management of TfL is adequate and effective and that TfL has a sound system of internal control which facilitates the effective exercise of TfL functions which includes arrangements for the management of risk. TfL is committed to the prevention and detection of all forms of fraud and corruption committed against it both internally and externally.

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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 promise or giving a financial or other advantage to another person with the intention to induce a person to perform improperly a relevant function or activity, or to reward a person for the improper performance of such a function or activity. The Bribery Act 2010 creates a new offence which can be committed by commercial organisations which fail to put in place adequate procedures to prevent bribery and corruption.

**Deleted:** "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 TfL “Whistleblowing” policy.

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. Where initial investigations identify evidence of criminality, the matter will be reported to the relevant law enforcement agency.

## 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

**Deleted:** 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. ¶

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 and Assurance 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 alternatively contact the TfL Fraud Team (email [fraud@tfl.gov.uk](mailto:fraud@tfl.gov.uk) or Auto: 81881)

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## 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 was last updated on [6 November 2013]. Any amendments to this policy must be approved by the Board following review by the Audit and Assurance 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  
[TfL Anti Fraud & Corruption Strategy](#)

## 11. Custodian

11.1 All queries in relation to this policy should be directed to the Senior Audit & Investigations Manager – Fraud & Security, Internal Audit, 8<sup>th</sup> floor Windsor House, (Auto: 81564).

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