



Appendix B

Metro Anti-Fraud and Anti-Corruption Policy / Strategy

1. Definitions

For the purpose of this document fraud and corruption are defined as follows:

Fraud: 'The intentional distortion of financial statements or other records by persons internal or external to Metro, which is carried out to conceal the misappropriation of assets or otherwise for gain'

Fraud is a deliberate act by an individual or group of individuals. Fraud is therefore always intentional and dishonest.

Corruption: 'The offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of any other person'.

2. Policy Statement

Metro is firmly resolved to protect itself against the perpetration of fraud and corruption from both internal and external sources, through:

- High standards of propriety and accountability together with an expectation that all staff will strictly adhere to regulations, procedures and practices and act at all times in the best interest of Metro.
- Ensuring that all individuals and organisations who conduct business with Metro do so with integrity and without intent to act fraudulently or corruptly in any way.
- Ensuring that all staff act lawfully and in an ethical manner, as expected of employees of a public organisation, at all times.
- Commitment to an effective Anti-Fraud and Anti-Corruption Strategy to encourage and communicate prevention, to promote detection and identify a clear course of action for investigation and remedial action.
- The promotion of an anti-fraud culture with strong commitment to openness and fairness in all matters of business in pursuance of corporate aims and objectives.
- The exchange of information and co-operation with external bodies on all matters pertaining to combating fraud and corrupt practices.

Metro will in all cases request the Police to undertake a criminal enquiry where the results of an audit investigation provide evidence of fraudulent activity.

1. Strategy Statement

Metro will deliver the policy statement by maintaining and enhancing, as appropriate, an Anti-Fraud and Corruption Framework. The key components of the framework are set out below.

3.1 Culture

3.1.1 - Environment

Metro is committed to creating an environment that is based on the prevention of fraud and corruption. This is achieved by promoting openness and honesty in all its activities.

Metro requires all individuals and organisations associated in whatever way with the Executive and the Authority to act with integrity and that members and employees, at all levels, will lead by example in these matters.

Employees play an important part in creating, maintaining and promoting culture. They are encouraged to voice any serious concerns about any aspect of Metro's activities. The 'whistle-blowing' policy allows any concerns raised to be properly investigated in a professional and confidential manner.

3.1.2 – Corporate governance – Nolan Principles

Metro is committed to sound corporate governance, and supports the general principles:

- Selflessness
- Honesty and Integrity
- Objectivity
- Accountability
- Openness
- Personal judgement
- Respect for others
- Duty to Uphold the law
- Stewardship
- Leadership

3.1.3 – Types of misconduct

Concerns must be raised when employees, reasonably believe that one or more of the following has occurred, is in the process of occurring, or is likely to occur:

- A criminal offence
- A failure to comply with statutory or legal obligation
- Improper unauthorised use of public or other funds
- A miscarriage of justice

- Maladministration, misconduct or malpractice
- Endangering of an individuals health and safety
- Damage to the environment
- Deliberate concealment of any of the above

3.1.4 - Addressing misconduct

Metro will ensure that any allegations received will be taken seriously and investigated in an appropriate manner.

Metro will deal firmly with those who defraud the Executive or the Authority, or are corrupt, or where there has been financial malpractice. There is a need to ensure that any investigation process is not misused and, therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary manner.

If fraud or corruption has occurred due to a breakdown in Metro's systems or procedures, management will ensure that appropriate improvements in systems of control are implemented in order to prevent a re-occurrence.

3.2 - Prevention

3.2.1 - The role of Employees

Metro recognises that a key preventative measure in the fight against fraud and corruption is to employ staff who have high standards of propriety and integrity. Metro will strive to achieve this through effective recruitment policies and procedures which include:

- Obtaining written references prior to appointing staff, including those employed on a temporary or contract basis.

Upon appointment all staff are issued with a Code of Conduct. The Code prescribes general guidelines and ethical standards which all employees are expected to adhere to at all times.

The Code of Conduct may be amended from time to time and employees are expected to comply with the amended requirements from the date they are introduced.

Separate arrangements are in place for Members of the Transport Authority.

Metro have a Gifts and Hospitality Policy which includes guidance concerning the acceptance of meals and hospitality offered by outside bodies and the maintenance of records relating to these activities.

The normal presumption is that acceptance of offers of gifts and various forms of hospitality should be avoided. However, it is realised to apply that as an absolute

rule could impede the conduct of normal business relationships and could adversely affect the interests of Metro.

The Executive's and Authority's Standing Orders and Financial Regulations are pivotal to the control framework as they prescribe the rules and measures by which the Executive and the Authority seeks to protect both itself and its employees in conducting day to day business.

Metro's disciplinary procedures which will be used where the outcome of an investigation indicates improper behaviour by staff.

3.2.2 - The role of Management and responsibility of ownership to systems

Senior managers are responsible for successful implementation of controls designed to prevent and detect fraud within their area of responsibility.

Management at all levels are responsible for ensuring that their staff are aware of the following:

- Standing Orders and Financial Regulations
- Code of Conduct
- Anti-Fraud and Corruption Strategy
- Whistleblowing Policy
- Gifts and Hospitality Policy
- Complaints and Disciplinary Procedures
- Service specific procedure manuals
- Health and Safety Policy

It is the responsibility of Directors and Managers to operate internal systems to ensure these standards are applied and bring these systems to the attention of their employees. Procedures are operated throughout Metro to ensure:

- An adequate separation in duties (more than one employee involved in key tasks).
- Proper authorisation procedures (transactions must be approved).
- Independent monitoring and checking of data and documentation (checks and balances).

Metro operates a rigorous internal and external audit process that monitors compliance with internal regulations and undertakes a rolling programme of checks to detect, deter and prevent fraud and corruption. However, it is for managers to determine the extent of internal control in their systems and they are responsible for providing an environment that ensures that resources are properly applied, value for money is secured, fraud and other losses prevented, and compliance with Standing Orders and Financial Regulations.

Managers should consider whether their procedures are sufficient to prevent fraud and ensure that audit recommendations are implemented promptly.

3.2.3 - Working with others

Arrangements are in place and continue to be developed to encourage the exchange of information between Metro and other agencies on national and local fraud and corruption activity. These include:

- Audit Commission
- CIPFA
- Institute of Internal Auditors
- Police
- Operators of public transport services
- Suppliers of goods and services

3.2.4 - The role of Internal Audit

The role of Internal Audit is to deliver an opinion to Metro, on risk management, control and governance arrangements.

This responsibility includes the examination of the adequacy of arrangements for managing the risk of fraud and ensuring that the Metro actively promotes an anti-fraud culture, and that all employees are aware of the Anti Fraud and Corruption policy and of their responsibilities in relation to combating fraud.

In addition, Internal Audit assists in deterring fraud by examining and evaluating the effectiveness of control, commensurate with the risk, throughout Metro's operations.

Internal Audit will investigate all cases of suspected financial irregularity, fraud or corruption in accordance with agreed procedures and in compliance with relevant legislation and professional standards. These arrangements include;

- Dealing with the matter promptly.
- Recording all evidence received, ensuring that it is sound and adequately supported.
- Consulting with the Police as appropriate.
- Notifying the relevant officers.
- Assisting the relevant Director / Assistant Director and Human Resources Manager in implementing any disciplinary procedures where appropriate.
- Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in the future.

Internal audit independently review the adequacy, efficiency and effectiveness of internal controls within Metro's systems by undertaking a comprehensive programme of work targeted at key risk areas.

Any weaknesses in internal control are reported to management. It is the responsibility of management to ensure that corrective action is taken. The independent review of systems and the implementation of agreed recommendations contribute to the prevention and detection of fraud and corruption.

Internal audit's responsibilities for detecting fraud is to:

- Have sufficient knowledge of fraud to be able to identify indicators that fraud might be committed.
- Be alert to opportunities, such as control weaknesses, that could allow fraud.
- Evaluate the indicators that fraud might have been committed and decide whether any further action is necessary or whether an investigation should be recommended.
- Notify the Police if a suspected fraud is identified.

3.2.5 - The role of External Audit

External Audit has an essential role to play in relation to the stewardship of public funds. The role is delivered through carrying out of specific reviews that are designed to test (amongst other things) the adequacy of financial systems, and arrangements for preventing and detecting fraud and corruption.

It is not the External Auditor's function to prevent fraud and irregularities however, External Audit have a responsibility to review Metro's arrangements for preventing and detecting fraud irregularities, and arrangements designed to limit the opportunity for corrupt practices.

3.2.6 - Disciplinary Action

Theft, fraud and corruption are serious offences perpetrated against Metro and will be regarded as gross misconduct. Employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken in addition to, or instead of, criminal proceedings depending on the circumstances of each case and on the advice of the Police.

3.2.7 – Publicity

All anti-fraud and corruption activities, including the review of this policy and the issue fraud bulletins and warnings, will be publicised to make employees and the public aware of Metro's commitment to taking action on fraud and corruption, when it occurs.

In all cases where financial loss has occurred Metro will seek to recover any loss and consider making the public aware of this through the media.

3.3 Detection and Investigation

3.3.1 - Protocol for employees and members of the public

There are numerous system controls in place to deter fraud and corruption but it is often the vigilance of employees and members of the public that aids detection.

In implementing this strategy all employees will be made aware of what action to take if fraud or corruption is suspected. Guidance will also be placed on the internet to allow members of the public to report any fraud or corruption suspected of any employees, operators or suppliers.

3.3.2 – Role of internal audit in fraud detection and investigation

Internal Audit plays an important role in the detection of fraud and corruption. Included in their annual plan are reviews of system financial controls and risks associated with the relevant section.

The array of preventative systems, particularly internal control systems within Metro help to provide indicators of, and help to deter, any fraudulent activity. Where fraudulent activity is suspected, this will normally be investigated by Internal Audit. It is not Internal Audit's responsibility to detect fraud; the role of Internal Audit is to check the adequacy of the controls within systems. However, the assessment of risk of fraud is routinely taken into account in planning all internal audits.

3.3.3 - Reporting

Metro's 'whistle-blowing policy' allows employees to raise any concerns they may have in confidence and anonymously.

The whistle-blowing policy fully recognises the underlying principles of the Public Interest Disclosure Act 1998, the purpose of which is to protect any employee reporting suspicions in good faith from victimisation.

All suspected irregularities should be reported to the Internal Audit Manager. This is essential to the strategy and:

- Ensures the consistent treatment of information regarding fraud and corruption; and
- Facilitates a proper and thorough investigation by Internal Audit.

3.3.4 - Fraud response plan

The Internal Audit Manager will work closely with Director of Corporate Services to ensure that all allegations are thoroughly investigated and reported upon. A Fraud Response Plan has been developed to assist in this process.

Any decision to refer a matter to the Police will be taken by the Internal Audit Manager in consultation with the Director of Corporate Services. The Director of Corporate Services shall then inform the relevant member of the Board and the Director General of the referral decision and reasons for it.

3.3.5 - Data Matching

Arrangements are in place, and will continue to be developed, which encourage the exchange of information between Metro and other agencies on national and local fraud and corruption activity. This includes participation in the National Fraud Initiative (NFI), co-ordinated by the Audit Commission. All such arrangements will adhere to data protection legislation.

3.3.6 - Insured losses

Metro will normally seek to recover the losses incurred as result of fraud or corruption. The Legal section should be informed as soon as possible of any potential loss.

3.3.7 – Police and Criminal Evidence Act 1998

If it is suspected that a criminal act has taken place, then all interviews with the suspect(s) should be carried out by the Police in order to ensure that the requirements of the Police and Criminal Evidence Act (PACE) are met.

3.3.8 – Computer Fraud - Computer Misuse Act 1990

Computer fraud is defined in the Computer Misuse Act 1990. Such fraud arises where information technology equipment has been used to manipulate programs or data dishonestly (for example, by altering substituting or destroying records, or creating spurious records) or where the use of an IT system was a material factor in the perpetration of fraud. Theft or fraudulent use of computer time and resources is included in this definition.

3.4 Awareness and Training

Metro recognises that the continuing success of this strategy will depend in part on the effectiveness of training and awareness on the part of its employees.

Management will be responsible for ensuring that all staff are properly trained in the procedures that they should follow when undertaking their duties. It is important that all employees involved in the operation of internal control systems are fully aware of their responsibilities.

Metro will seek to foster and maintain employee awareness of all key components of the Anti-Fraud and Corruption Framework.
The Audit Commission's fraud awareness bulletins will be distributed to the relevant employees within Metro.

3.5 Commitment

Metro has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in both prevention and detection techniques.

This policy/strategy has been approved by the Executive Board. All Directors are fully supportive of this policy and are committed to ensuring that all staff within their respective functions conduct themselves at all times in accordance with the guidance provided.