



**LIVERPOOL  
CITY REGION**  
COMBINED AUTHORITY

**METROMAYOR**  
LIVERPOOL CITY REGION

# Fraud, Bribery and Corruption Policy



<b>Document Owner</b>	Head of Internal Audit
<b>Document Version</b>	v2.0
<b>Approved By</b>	LCRCA: Merseytravel:
<b>Created Date</b>	January 2016
<b>Reviewed Date</b>	October 2019
<b>Date of Next Review</b>	October 2020

**This document is the property of the Liverpool City Region Combined Authority (LCRCA). It may not be reproduced or used for any other purpose that that for which it is supplied without the written permission of LCRCA.**

**Uncontrolled when printed – for latest version, please check One Place**



# Contents

	Page
1. Introduction	2
2. Objectives	2
3. Policy Statement	2
4. Responsibilities	3
5. Managing the Risk of Fraud and Corruption	5
6. Appendices	
Appendix A – Defining Fraud Offences	11



## 1. Introduction

- 1.1 Fraud, bribery and corruption are not only damaging to the finances of the organisation, but they damage confidence in public services.
- 1.2 Liverpool City Region Combined Authority (LCRCA) is committed to ensuring that the risks of fraud, bribery and corruption are managed effectively, and that decisive action is taken where these offences are found to have been committed.
- 1.3 This Policy sets out the organisation's approach to managing the risk of fraud, bribery and corruption and how an anti-fraud culture is established and promoted.
- 1.4 This Policy covers all employees including agency and temporary workers, but also covers external individuals and organisations such as suppliers, contractors and customers in their dealings with the LCRCA.
- 1.5 This Policy will be reviewed and updated on an annual basis by the Head of Internal Audit. In the case of significant changes, the Policy will be presented for consideration to the LCRCA Audit and Governance Committee, Audit, Risk and Governance Board and Merseytravel. However, as a minimum, the Policy will be presented for re-approval every five years.

## 2. Objectives

- 2.1 The objectives of the Policy are to:
  - Embed an anti-fraud culture into the organisation
  - Promote an effective framework of control and governance relating to fraud risk
  - Confirm the key responsibilities of officers and members in managing the risk of fraud
  - Demonstrate how the organisation complies with the CIPFA best practice guidance *Managing the Risk of Fraud and Corruption in Local Government* (2015).

## 3. Policy Statement

- 3.1 The organisation is committed to combating fraud, bribery and corruption in all its activities.
- 3.2 The organisation is determined to identify any fraud, bribery and corruption carried out by employees who abuse their positions of trust, contractors who abuse their relationship or customers who try to obtain assets or services to which they are not entitled.



- 3.3 The organisation expects employees to demonstrate the highest standards of honesty and integrity at all times. Fraud, bribery and corruption are serious offences and employees will face disciplinary action if there is evidence that they have been involved in these activities. It is also expected that external individuals and organisations, including suppliers, contractors and customers will act with honesty and integrity in their dealings with LCRCA.
- 3.4 The organisation encourages employees to raise any concerns about fraud, bribery and corruption. Such concerns should be raised with the employee's manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice and if necessary, there are other ways for the employee to raise concerns. These are listed in the Confidential Reporting (Whistleblowing) Policy, which also contains further guidance for potential whistleblowers.
- 3.5 The organisation will investigate consistently any allegations or suspicions of fraud, bribery or corruption irrespective of whether it is perpetrated from inside the organisation (employees) or by external parties (suppliers, contractors or customers).
- 3.6 The organisation will refer to the appropriate authorities any person who commits fraud, bribery or corruption against them. This is an important way of deterring others from behaving in the same way.
- 3.7 The organisation considers the abuse by employees of financial or other benefits from the organisation or any other public organisation as potentially gross misconduct.
- 3.8 The organisation fully supports the Police and other external agencies in the fight against fraud, bribery and corruption within the public sector.

## 4. Responsibilities

### **Head of Paid Service**

The Head of Paid Service has overall responsibility for LCRCA's fraud management arrangements. This involves setting the tone of the organisation so that an anti-fraud culture is maintained, and ensuring that the system of internal controls to manage the risk of fraud, bribery and corruption is effective.

### **Directors and Heads of Service**

Directors and Heads of Service have responsibility for ensuring that there is an effective system of internal control in place so as to manage the risk of fraud, bribery and corruption in their services.



## **Managers**

Managers have a key role in maintaining effective systems of internal control in respect of their areas. They also have the responsibility of ensuring that their staff understand their role in behaving with honesty and integrity. Managers should also be aware that they may be asked to provide advice to staff and to receive reports of suspicions of fraud, bribery and corruption. Managers also need to be aware of the risk of fraud, bribery and corruption carried out by staff, and should understand the actions to take if they have such suspicions or receive reports of concerns.

## **All Employees**

All employees have responsibility for being aware of the risks of fraud, bribery and corruption, and acting with integrity and honesty in their work. They have a responsibility to report to management any concerns they may have.

## **Merseytravel Meeting**

This group has overall oversight of the internal control and governance arrangements for Merseytravel, and has responsibility for approving its fraud, bribery and corruption policies.

## **Merseytravel Audit, Risk and Governance Board LCRCA Audit and Governance Committee**

Both fora have responsibility for the monitoring and review of the effectiveness of internal control and governance arrangements and overseeing the continued development of these arrangements.

Both fora will monitor progress in addressing any fraud related issues reported to it, including those identified through Internal Audit reports.

## **Internal Audit**

The Chief Internal Auditor has a responsibility, under the Public Sector Internal Audit Standards, to review the organisation's arrangements for managing the risk of fraud, bribery and corruption, and evaluate their effectiveness in preventing and detecting fraud, bribery and corruption.

The role of Internal Audit in respect of fraud, bribery and corruption is to:

- Prepare and maintain a suite of relevant Counter-Fraud policies for the organisation
- Promote an anti-fraud culture by raising awareness of fraud issues amongst officers and members, including through the provision of counter-fraud training.
- Facilitate the identification of fraud risks and the subsequent management of these through service delivery areas
- Undertake proactive audit work to prevent and detect fraud, including the review of fraud controls in each audit review (where relevant)
- Undertake the investigation of frauds perpetrated against the organisation or emanating from within the organisation, where this is deemed appropriate, including the subsequent reporting of findings, conclusions and recommendations to senior management.

The Head of Internal Audit is also the designated Money Laundering Reporting Officer (MLRO), which entails acting as the main contact for receiving reports of suspected money laundering, and carrying out the associated reporting.

### **External Audit**

The external auditor has a responsibility, as part of their statutory duties, to ensure that the organisation has adequate arrangements in place for the prevention and detection of fraud, bribery and corruption.

## **5. Managing the Risk of Fraud and Corruption**

### **CIPFA Code of Practice on Managing the Risk of Fraud and Corruption in Local Government**

- 5.1 CIPFA published the *Code of Practice on Managing the Risk of Fraud and Corruption in Local Government* in 2015. The Code is not mandatory but it represents best practice, and compliance with the principles set out in the Code enables the organisation to demonstrate effective financial stewardship of public funds.
- 5.2 The principles are:
- Acknowledge the responsibility for countering fraud and corruption;
  - Identify the fraud and corruption risks;
  - Develop an appropriate counter fraud and corruption strategy;
  - Provide resources to implement the strategy; and
  - Take action in response to fraud and corruption.
- 5.3 The Head of Internal Audit undertakes a periodic self-assessment against the requirements of the Code of Practice. The outcomes of these assessments are presented to the Audit, Risk and Governance Board and Audit and Governance Committee, and any actions arising will be monitored through these fora. This process ensures that the implementation of this Policy is subject to regular monitoring, that the success of the Policy can be measured and that actions are clearly defined, with target dates of implementation and clear intended outcomes.
- 5.4 In demonstrating how the organisation meets the requirements of the Code of Practice, the key elements of the internal control framework are set out in the paragraphs that follow.

### **Corporate Policy Framework**

- 5.5 There is a comprehensive corporate policy framework in place, which details the requirements, considerations and key internal controls to prevent and detect fraud, bribery and corruption. The key policies are:
- Anti-Money Laundering Policy and procedure;

- Anti-Bribery Policy;
- Confidential Reporting (Whistleblowing) Policy;
- Surveillance Policy;
- Investigations Protocol;
- Information Management Policy Framework;
- Standing Orders and Financial Regulations;
- Guidelines on Cash Handling;
- Guidance on Travel and Expenses;
- Gifts and Hospitality Policy for Employees;
- Code of Conduct for Employees;
- Employee Ethics Policy; and
- Risk Management Policy.

## **Fraud, Bribery and Corruption Prevention**

5.6 One of the key elements of managing the risk of fraud, bribery and corruption is ensuring that there are preventative measures in place that make the offences more difficult to undertake. Prevention seeks to establish physical, logical and procedural barriers to discourage fraud, bribery and corruption, by implementing cost-effective countermeasures to prevent or reduce the identified fraud risk:

- Management at all levels within the organisation has a responsibility for the prevention of fraud and corruption. This is achieved by ensuring the operation of effective internal control systems. In addition, management is responsible for ensuring that their staff are aware of relevant policies and procedural documents, and that the requirements within these are being followed.
- Officers must follow the requirements set out in the organisation's policies and any local procedures implemented by management. This includes the requirements contained within the Conditions of Employment issued upon appointment to their role.
- Internal Audit plays an important preventative role in reviewing the controls in place within systems to prevent fraud, bribery and corruption and making recommendations to management where improvements in the design of, or compliance with, internal controls is required. Internal Audit develops and delivers an annual risk-based Internal Audit Plan that gives consideration of fraud and corruption risk, and makes provision for the investigation of allegations into irregularity. The Internal Audit Plan is informed by the organisation's risk registers, which include fraud risks.
- The system of internal control is the set of measures, financial and otherwise established in order to provide reasonable assurance of effective and efficient operations, reliability of internal financial control and reporting, and compliance with applicable laws and regulations. The effectiveness of the system of internal control in preventing and detecting fraud, bribery and corruption is reported upon in the Annual Governance Statement. This Statement is



supported by the Head of Internal Audit's Annual Opinion, expressed in the Annual Report.

- All the organisation's systems and processes should be fully documented, kept up to date, and made available to the staff operating those systems. A lack of systems documentation reduces control and creates the opportunity for unacceptable practices to occur without check, inevitably weakening the system's operation. It should be clear to all involved what the processes are to achieve the system's objectives. Documenting the system ensures that everybody involved is aware of the authorised process for undertaking the various stages of the system's operation. This awareness, together with the management authorisation of a documented system, establishes a culture of formality that assists the prevention of the introduction of informal changes. Documenting a system provides clarity of purpose and intent, both for the operator of a system and any interested third party.
- It is a prerequisite to sound control that duties involved in financial transactions are as separated as possible. Financial Regulations specifically state that the principle of "separation of duties" should be observed in the calculating, checking and recording of sums payable and receivable from the duties of collection and disbursing of such sums; and in other obvious areas of susceptibility. The separation of duties principle is an important preventative control over fraudulent and corrupt practices.
- Authorisation controls are there to ensure that approval has been granted to allow a particular course of action.
- The Director of Corporate Services has a duty to ensure the proper administration of the organisation's financial affairs. Accordingly, Financial Regulations have been developed and outline the systems, procedures and responsibilities of employees in relation to financial activity. These are available to all employees, contractors or agents via the organisation's intranet and website.
- The Director of Corporate Services may, from time to time, supplement the Financial Regulations by other documents, such as Financial Instructions relating to detailed procedures. These are considered as part of the Financial Regulations and have the same status and authority.
- Recruitment and selection of employees is a key preventative measure in the fight against fraud and corruption and it is important to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential employees, in terms of propriety and integrity. The recruitment of employees is therefore required to be in accordance with the organisation's Recruitment and Selection Policy. In particular, written references are sought directly from referees regarding known honesty and integrity of potential employees before employment offers are made.



- All employees should be aware of the organisation's Gifts and Hospitality Policy and associated guidance.
- Employees must ensure that they avoid situations where there is a potential for a conflict of interest. Effective role separation ensures that decisions made are based upon impartial advice, so as to avoid accusations of the improper disclosure of confidential information. There is a duty on employees to declare pecuniary and non-pecuniary interests by completing a Declaration of Interests form (if they have a declarable interest) on an annual basis.
- Fraud Awareness training is provided to all employees of the organisation in the form of e-learning, but employees should be made aware of all fraud risks pertinent to their role as part of on-the-job training. Staff are also required to read and acknowledge understanding of corporate policies, including those relating to conduct.

## **Fraud, Bribery and Corruption Deterrence**

5.7 There is a range of measures in place to deter employees from engaging in fraud, bribery or corruption:

- The organisation has a well-established and fully implemented disciplinary process. It is important in maintaining an anti-fraud culture within the organisation, that all offences are dealt with in a consistent manner and that minor unethical practices are not overlooked (such as petty theft or small scale expenses fraud) or dealt with in an unduly lenient manner.
- Where there is evidence of fraud, bribery or corruption, the matter will be referred to the Police for investigation, who in turn may refer the matter to the Crown Prosecution Service to consider prosecution. It is recognised that it may not always be in the public interest to refer cases for criminal proceedings.
- Where fraud and corruption is proved and a financial loss has been suffered, the organisation will seek to recover the full value of any loss from the perpetrators. This may involve civil proceedings being instigated through the courts.
- Where appropriate, the organisation will publicise successful actions it has taken against fraudsters.

## **Fraud, Bribery and Corruption Detection**

5.8 The organisation actively seeks to detect any incidents of fraud, bribery and corruption, to allow it to respond openly, promptly and responsibly to any suspected cases. All officers, suppliers, contractors and our customers have an important role to play in the detection and reporting of fraud:



- The organisation encourages anyone who knows or suspects any inappropriate behaviour to report it. The Confidential Reporting (Whistleblowing) Policy provides advice and guidance on how specific matters of concern may be raised and aims to give employees the confidence to raise concerns internally. The Policy is regularly reviewed to ensure it is compatible with current legislation and to assess its effectiveness. Employees are expected to act responsibly when using the whistleblowing process. If it is proven that an allegation is made frivolously, maliciously or for personal gain, this will be regarded as serious or gross misconduct.
- Heads of Service must act in accordance with the Confidential Reporting (Whistleblowing) Policy to support any members of staff who have ‘blown the whistle’. They must instigate appropriate disciplinary procedures should the result of any investigation identify evidence of fraud, bribery or corruption.
- Budgetary control is important in identifying fraudulent activity at significant levels. Heads of Service, Managers, Budget Holders and Business Accountants have a responsibility to be aware of the transactions affecting budget lines under their control. They should ensure that all transactions correspond to expectations.
- Whilst it is management's responsibility to prevent and detect fraudulent and corrupt activity, Internal Audit conducts a programme of audits designed to test for signs of inappropriate activity. Internal Audit utilises fraud detection techniques and data analytics to extend the audit coverage. In particular, use is made of Computer Assisted Audit Techniques (CAATs) such as IDEA to undertake targeted testing on high risk areas and transactions, such as payroll, creditors and debtors.
- Where appropriate, the organisation engages in data sharing initiatives to facilitate fraud detection, such as the National Fraud Initiative (NFI) and “Tell Us Once” schemes. Such initiatives are carried out in accordance with the Data Protection Act, and other relevant legislation.
- For the purposes of the prevention and detection of fraud and corruption, the organisations will work jointly with other agencies and will share intelligence data with these agencies as appropriate. These agencies include, but not limited to Merseyside Police, HM Revenue and Customs and other Local Authorities.

## **Investigation of Allegations of Fraud, Bribery and Corruption**

- 5.9 The aim of any investigation is to establish the facts surrounding the allegation that has been made, so as to establish whether there is evidence of fraud, bribery or corruption.

- 5.10 Cases for investigation must be referred to Internal Audit, in accordance with the Investigation Protocol. The Head of Internal Audit will liaise with Heads of Service to determine the investigative action required and to establish the best route for the investigation to take, for example Head of Service, Internal Audit, or the Police.
- 5.11 The Head of Internal Audit will ensure that all investigations it carries out comply with the Investigation Protocol, other relevant organisational directives and the law.
- 5.12 Following the conclusion of an investigation, Internal Audit will report the findings to the relevant Head of Service and / or Director(s). The report will reflect any matters arising from the investigation and make recommendations to improve internal controls and minimise the risk of fraud, bribery and corruption.
- 5.13 Where it appears that a criminal offence may have been committed, the organisation will ordinarily inform the Police (the final decision of referral to the Police will be a matter for the Director of Resources), so that they can carry out a criminal investigation that they may refer to the Crown Prosecution Service to determine whether a prosecution will be pursued.

# Appendices

## APPENDIX A

### Defining Fraud Offences

#### Fraud

Section 1 of the Fraud Act 2006 defined a general offence of fraud and three ways in which it may be committed:

- Fraud by false representation;
- Fraud by failing to disclose information; and
- Fraud by abuse of position.

Fraud by false representation requires:

- Dishonesty;
- An intent to make gain or cause loss; and
- The person makes the representation knowing that it is or might be false or misleading.

Fraud by failing to disclose information requires:

- Dishonesty;
- An intent to make gain or cause loss; and
- Failure to disclose information where there is a legal duty to disclose.

Fraud by abuse of position requires:

- Dishonesty;
- An intent to make gain or cause loss; and
- Abuse of a position where one is expected to safeguard another person's financial interests.

#### Corruption

The Bribery Act 2010 has defined the following offences:

- Offering, promising or giving a bribe;
- Requesting or agreeing to receive a bribe;
- Bribery of a foreign public official; and
- The corporate offence of failing to prevent a bribe.

It will be a defence against the corporate offence if an organisation has "adequate procedures" in place to prevent bribery.

## **Theft**

A person is guilty of theft if he/she dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

It is immaterial whether the appropriation is made with a view to gain, or is made for the thief's own benefit.

## **Criminal Financing**

The Criminal Finances Act (2017) defines two corporate offences of failure to prevent facilitation of tax evasion as follows:

- Failure to prevent facilitation of UK tax evasion; and
- Failure to prevent facilitation of overseas tax evasion.

The organisations could be criminally liable if it fails to prevent those who act for, or on their behalf, from criminally facilitating tax evasion, whether in the UK or overseas.