

TRANSPORT FOR LONDON

AUDIT COMMITTEE

SUBJECT: PROTECTING THE PUBLIC PURSE

DATE: 16 DECEMBER 2009

1 PURPOSE AND DECISION REQUIRED

- 1.1 The purpose of this report is to provide an update on TfL's compliance with the Audit Commission's checklist contained within its 'Protecting the Public Purse' report. A report was presented to the September meeting of the Audit Committee highlighting the Audit Commission's findings. The Committee is asked to note the contents of this report.

2 BACKGROUND

- 2.1 In the 1990s, the Audit Commission published a series of reports entitled 'Protecting the Public Purse'. At that time, it published separate reports for local government and health. The latest report published in September 2009, focuses on local government. It considers the key fraud risks and pressures facing councils and related bodies and identifies good practice. Although the report is primarily aimed at councils in England, many of the issues raised have relevance across the wider public and private sectors.
- 2.2 The report covers major and emerging risks and actions local authorities and public bodies can take to reduce the risk of fraud. The report includes a self-assessment checklist for those responsible for governance. A completed checklist is attached as Appendix 1 from which it can be seen that TfL either already complies with the checklist or is taking additional action where necessary.
- 2.3 The report highlights that in March 2009, the government's National Fraud Authority (NFA) published the first National Fraud Strategy for the UK. This sets out a framework and activity programme through which the public, private and voluntary sectors can work together in partnership to reduce the harm caused by fraud. The report states that local authorities should align their counter-fraud strategies with the National Fraud Strategy and consider the contribution that they can make to ensure its success. TfL worked closely with the NFA as part of its stakeholder group, both during the Authority's formation and during production of the Strategy, and continues to do so now.
- 2.4 TfL is currently developing its own Counter Fraud Strategy to align with the National Fraud Strategy.

3 RECOMMENDATION

3.1 The Committee is asked to NOTE this report.

4 CONTACT

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Checklist for those responsible for governance

	Yes	No	Action
General			
1. Have we committed ourselves to zero tolerance against fraud?	X		The Anti Fraud & Corruption Policy states that every member of staff has a responsibility to report details immediately if they suspect that fraud or corruption has been, is being or may be committed. All allegations will be investigated by the Internal Audit Fraud Team.
2. Do we have appropriate strategies, policies and plans?		X	TfL has appropriate policies and plans and a draft strategy has been produced for consultation.
3. Do we have dedicated counter-fraud resources?	X		TfL has a dedicated fraud prevention, detection and investigation team.
4. Do the resources cover all of the activities of our organisation?	X		The TfL Fraud Team covers all modes including Crossrail.
5. Do we receive regular reports on fraud risks, plans and outcomes?	X		The Audit Committee receives quarterly fraud reports covering the fraud risk.
6. Have we assessed our management of counter fraud resources against good practice?	X		The TfL Internal Audit department (including the Fraud Team) is assessed by KPMG as part of their 'Key Lines of Enquiry' process on an annual basis and then every three years as part of a formal effectiveness review.
7. Do we raise awareness of fraud risks with: a. new staff (including agency staff)? b. existing staff? c. members?	X		Fraud awareness training is available to all staff but we are aware that there is a need to include such awareness in the TfL induction process. This is being addressed.
8. Do we join in appropriately with national, regional and local networks and partnerships to ensure we are up to date with current fraud risks and issues?	X		TfL is a member of the London Public Sector Counter Fraud Partnership (LPSCFP), the Fraud Advisory Panel and TfL chairs the London Fraud Forum and vice chairs the National Federation of Fraud Fora.

	Yes	No	Action
General			
9. Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud?	X		In addition to chairing and attending the Fraud Fora mentioned above, we participate in the LPSCFP annual survey as well as the National Fraud Initiative.
10. Do we identify areas where internal controls may not be performing as intended?	X		Our fraud reports highlight areas where there have been control failures or unaddressed fraud risks and either include management agreed actions or recommend additional internal audit work. Our normal internal audit work also highlights where controls are not operating and issues are referred to the Fraud Team for further investigation if deemed necessary.
11. Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on outcomes?	X		TfL is a mandatory participant in the NFI. All 'matches' reported to us are reviewed and followed up and produce regular reports for the Audit Commission and the Audit Committee.
Fighting fraud in the recession			
12. Have we reassessed our fraud risks because of the recession?	X		We are conducting fraud risk workshops that include emerging risks.
13. Have we amended our counter-fraud action plan as a result?	X		The TfL counter fraud plan (consisting of the Anti Fraud & Corruption Policy and the Fraud Protocol) covers emerging risks and are regularly reviewed. The policy has recently been updated and the protocol is currently being updated.
14. Have we reallocated staffing as a result?		X	Not required.

	Yes	No	Action
Some current risks and issues			
15. Do we take effective action to ensure that social housing is allocated only to those in need?			n/a
16. Do we take effective action to ensure that social housing is occupied by those to whom it is allocated?			n/a
17. Are we satisfied that payment controls are working as intended?	X		Audits of Financial Shared Services (FSC) and SAP have been undertaken and further work is to be carried out as part of the 2010/11 audit plan. In addition, a fraud risk workshop has been held with FSC to review the fraud risks, and identify any fraud prevention and detection work necessary.
18. Have we reviewed our contract letting procedures against the good practice guidance issued by the Office of Fair Trading to reduce the risk of illegal practices such as cartels?	X		An audit of the issues highlighted in the OFT report has been conducted and management actions are currently being implemented (IA_09_361 refers).
19. Are we satisfied that our recruitment procedures are: a. preventing employment of people working under false identities? b. validating employment references effectively? c. ensuring applicants are eligible to work in the UK?	X		TfL has reviewed its pre-employment screening process and a new system is now in place to minimise the risks articulated in the Audit Commission report. In addition, we have audited and reviewed the pre-employment screening process employed by some of our agency contractors. We are also working closely with the United Kingdom Border Agency (UKBA) on the risk posed by illegal workers on the transport network and the UKBA are very pleased with the work TfL has completed to date.

	Yes	No	Action
Some current risks and issues			
20. Where we are moving to direct payments (for example, social care) have we introduced suitable and proportionate control arrangements in line with recommended practice?			n/a
21. Are we effectively controlling the discounts and allowances we give to council taxpayers?			n/a
22. Are we satisfied that we are doing all that we can to tackle housing and council tax benefit fraud?			n/a
23. Do we have a reporting mechanism that encourages our staff to raise their concerns of money laundering?	X		The process for reporting any concerns of fraud (including money laundering) is detailed in the Anti-Fraud & Corruption Policy and TfL has a confidential reporting line called Safeline.