

Date: 8 October 2015

Item: National Fraud Initiative 2014

This paper will be considered in public

1 Summary

1.1 To provide the Committee with an update on the National Fraud Initiative (NFI) exercise for 2014.

2 Recommendation

2.1 **The Committee is asked to note the paper.**

3 Background

3.1 The NFI is the Cabinet Office's data matching exercise designed to detect fraud and erroneous payments.

3.2 The last NFI exercise in 2012 resulted in £160k of duplicate creditor payments being identified and 23 taxi drivers having their licences revoked due to them not being able to provide evidence of their right to work in the UK. In addition, 2,649 Congestion Charge accounts were closed as the account holder was deceased, thereby preventing the accounts being incorrectly classified as exempt from paying the charge.

3.3 Nationally, the 2012 NFI exercise helped identify £209m in fraud and error, which takes the total fraud identified since NFI began in 1996 to almost £1.2bn.

4 Progress Reporting

4.1 The table below highlights the overall TfL progress made to October 2015.

Area	2014 Total	2014 High Priority	2014 High Priority cleared	2014 High Priority cleared (%)
Payroll	89	34	8	23%
Pensions	692*	169*	164	97%
Creditors	18,811	3,265	680	21%
Blue badge licence exemptions (for Congestion Charging)	2,677	N/A	N/A	N/A
Insurance	598	198	13	7%
Taxi and Private Hire Vehicle Drivers	361	N/A	N/A	N/A
Amberhill Matches	119	53	17	32%
Total	23,347	3,719	882	

* An additional three cases have been provided post the June deadline raising the high priority cases by two and the overall by cases by three.

4.2 This report sets out the progress made since the last report dated 15 June 2015 in clearing the high priority matches and detailed results included in Appendix 1.

Pensions

4.3 Overpayments of just over £57,594 have been identified and so far £39,657 of this has been recovered. A significant number of cases that came up on the NFI report were already notified to the fund office so did not require further investigation.

Creditors Payments

4.4 The NFI report has identified 3,265 high priority cases which highlight potential duplicate payments made by TfL to its vendors. Of the 3,265 High Priority cases, 680 have been closed with work continuing on the 2,585 outstanding records.

4.5 The closed instances include a case where the Accounts Payable review identified an instance whereby TfL had made a double payment of £48,927 to the vendor. The overpayment has subsequently been recovered from the vendor and repaid to TfL.

- 4.6 Further Work also highlighted an instance, already known to Accounts Payable (“AP”), of a £1,076 double payment. This specific instance had already been closed following the recovery of the monies from the supplier. A further five matches had been already recognised as duplicates and been dealt with via credit notes, refunds or reversals. No other overpayments which had not already been recovered were identified during the review.
- 4.7 AP is to employ additional controls from October 2015 which aim to mitigate the risk of duplicate payments using the “*First Strike*” software package. The software assesses payment runs prior to the cash transfer and identifies potential duplicate payments for review.

Creditors’ Information

- 4.8 There are 2,779 matches supporting instances when vendor information appears on more than one vendor on the TfL system. The matches continue to be reviewed by the AP team as, while not considered high priority by the NFI, they can identify instances where fraudulent activity might occur.
- 4.9 Of the 2,779 cases provided by the NFI, AP has reviewed and closed 566 instances with 2,213 still under review. The 566 cases reviewed have led to 72 duplicates being subsequently deleted from the TfL system with a further 21 instances identified as being legitimate vendor records. The final 473 cases have not caused concern as they reside as unique accounts within specific entities spanning the TfL organisation.

Insurance

- 4.10 198 instances have been noted whereby an insurance claimant was potentially submitting fraudulent claims based on there being multiple claims with the same claimant details.
- 4.11 Thirteen cases of high priority claims have been reviewed and closed with no issues identified. The remaining 185 cases will be discussed in future NFI reports.

Blue Badges

- 4.12 The review of the 2,677 blue badge holders who are advised as being deceased is ongoing.
- 4.13 To date the Road User Charging Team (RUCT) closed 1,193 cases - 590 of which has seen the Blue Badge account closed with the remaining 603 cases closed without issue.
- 4.14 A further 1,464 accounts are in the process of being closed by the service provider. Of the remaining, 20 cases still are under review. The RUCT report 15 cases are waiting confirmation from the NFI that the badge holder is indeed deceased and the final five accounts are awaiting a response from the issuing Authority.

Amberhill

- 4.15 Work on the data provided by the Metropolitan Police database has progressed since the last report. The Amberhill database holds information which, when queried with other organisations, can support ongoing criminal investigations. The TfL matches are being reviewed by the TfL Internal Audit Fraud Team (IAFT) team due to the nature of the requests.
- 4.16 The IAFT review of matches identified one employee from the Amberhill payroll review who pleaded guilty to fraud following their arrest. Sentencing from the Crown Court is to be delivered shortly. The arrest instigated disciplinary proceedings from TfL against this employee as he had no right to work in the UK.
- 4.17 IAFT has made progress on the Amberhill Taxi matches and have identified three duplicate records whereby all three cases related to the same individual. A further 10 matches were closed – two of which were closed by Taxi Private Hire.
- 4.18 From the 24 matches identified by the NFI 11 remain open, of which nine have been delayed by poor quality of the documentation and the IAFT are awaiting responses from the driver, and two awaiting a reply from Amberhill.

List of appendices to this report:

Appendix 1: 2014/15 NFI results

List of Background Papers:

None

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Report	Progress
Payroll to Payroll Between Organisations	<p>Ten high priority matches were identified where the individual is on the TfL payroll as well as another organisation's payroll. This may potentially be against the terms of employment or an act of fraud.</p> <p>Seven of the high priority matches have previously been cleared. An example being where a member held a part time post with the London Fire Department – acceptable to his terms of employment. These seven matches were discussed in the previous report.</p> <p>TfL has requested proof of birth date from the NFI for one match and the final match is currently is being reviewed, with information from third parties pending. All three remaining matches will be discussed in future NFI reports.</p>
Payroll to In-Country Immigration	<p>Seven matches have been identified where an employee of TfL potentially does not have the right to work or live in the UK, of which one is high priority.</p> <p>Five cases are currently under review and a further two are outstanding. The findings of these cases will be discussed in later NFI reports.</p>
Payroll to UK Visas	<p>Of the eight cases identified, where an employee of TfL potentially does not have the right to work or live in the UK, seven are high priority cases and included in the previous NFI sample when TfL concluded the subjects' ability to work in the UK.</p> <p>The cases are being reviewed and will be discussed in later NFI Reports.</p>
Payroll to Creditors	<p>Ten high priority matches have been identified where an employee on payroll is also linked to a creditor within the TfL system which has the potential of receiving payments that they are not entitled to.</p> <p>One such match has been closed with no issue noted. TfL has started to review the remaining nine matches and this will be reported in future NFI Reports.</p>

Report	Progress
Pensions to Deceased Persons	<p>A total of 361 cases were identified, of which 81 are high priority, where a pensioner was deceased but a pension was still being drawn in respect of these individuals.</p> <p>Two cases had already been notified to the TfL Pensions team, or investigations have obtained signed declarations confirming the subjects are in fact alive.</p> <p>There were five cases where death certificates have been requested or obtained to confirm subjects' status. Overpayments totalling £12,232 have been made in respect of these individuals.</p> <p>Overpayments were made to two individuals totalling £27,425 and both have been recovered in full. Recovery of the remaining five overpayments totalling £17,937.18 is in progress.</p> <p>The remaining 347 cases were already dealt with by the Fund Office having been informed through their monthly checking with the General Register Office.</p>
Deferred Pensions to Deceased Persons	<p>28 cases were identified, of which four are high priority, where a person who had deferred their pension had deceased, of which:</p> <ul style="list-style-type: none"> • Two cases identified the subject as being alive. • 15 cases have already been identified and the Fund Office already notified of the death. • A further five cases where reviews are ongoing to trace next of kin. <p>The Fund Office is investigating the remaining six cases which were not deemed as high risk by the Cabinet Office.</p>

<i>Report</i>	<i>Progress</i>
Pensions to Payroll	<p>Of the 303 cases noted, 300 were discussed in the previous report. The three additional cases have been provided by authorities since the last meeting.</p> <p>The 84 high priority cases identify where a person drawing on a pension was also in employment and therefore in possible breach of their pension terms and conditions.</p> <p>The three new matches do not have an ill health marker and therefore do not need to be reviewed as there is no breach of terms and conditions.</p> <p>One case carried over from the previous report is being reviewed in line with the Trustees guidelines and an update on this will be provided at the next meeting.</p>

Creditor Results

<i>Report</i>	<i>Progress</i>
Duplicate creditors by creditor reference	<p>The 473 TfL high priority matches have been reviewed and represent creditor accounts on SAP.</p> <p>These accounts span multiple entities within the TfL organisation rather than reside as unique accounts within each entity. No concerns have been raised from the sample reviewed.</p>

Report	Progress
<p>Duplicate creditors by creditor name</p>	<p>TfL AP aim to review at least 25 per cent of the TfL matches identified.</p> <p>The NFI has supplied details which note suppliers who report under more than one reference number on the TfL system – increasing the potential for creditors to obscure fraudulent activity.</p> <p>Of the 246 TfL matches identified, 72 have been deleted as they were verified as being duplicates, with a further 44 under review, and seven closed with no issues noted.</p> <p>Additional matches are to be reviewed and updated for the next NFI report.</p>
<p>Duplicate creditors by address</p>	<p>Work has commenced on the 200 TfL matches where an address is used by more than one creditor and an update will be provided in the next report.</p> <p>12 matches have been reviewed and cleared with no issues noted.</p>
<p>Duplicate creditors by bank account number</p>	<p>A total of 1,848 matches have been identified where the same bank account details appear on more than one record. Of particular interest is where the same bank details are shown against suppliers with different names. These may indicate where a supplier has changed trading name but the standing data has not been updated to reflect this, or there are links between companies with different trading names.</p> <p>To date, two have been reviewed and cleared with no concerns raised. AP will be reviewing the 1,846 matches and an update will be provided in the next report.</p>

Report	Progress
<p>Duplicate Records by reference, amount and creditor reference</p>	<p>There were a total of 1,093 matches – 342 being high priority - where a vendor has been identified with duplicate references on the TfL system and duplicate payments processed.</p> <p>One duplicate payment has been identified, as a result of the review, totalling £48,927. This has subsequently been recovered.</p> <p>34 matches were already known to TfL and 612 have been closed with no issues noted.</p> <p>An update will be provided on the remaining 446 matches in future NFI Reports.</p>
<p>Duplicate Records amount and creditor reference</p>	<p>14,694 matches have been made for TfL, of which the NFI have recommended TfL review 2,863 instances.</p> <p>To date 2,071 matches have been reviewed and no unexpected duplicate payments have been identified. One match was already of the known to TfL with the £1,076.10 overpayment already recovered by way of supplier credit note. The remainder of those investigated highlighted a valid reason for the matches – for example some suppliers had multiple (separate) invoices for the same amount.</p> <p>TfL will update the NFI on the remaining cases in the next report.</p>

Report	Progress
<p>Duplicate Records identified via various other combination of factors</p>	<p>In total 223 cases (of which 48 are considered high priority) have been identified where vendor details appear to be duplicated within the SAP system. Duplicate bank accounts, addresses, references and/or names increase the potential for creditors to obscure fraudulent activity.</p> <p>The review highlighted that 54 of the instances surrounded vendors holding individual accounts unique to specific TfL Group entities, and one case has been closed after the AP team concluded it was not a duplicate record.</p> <p>A further 68 matches had been already recognised by the Accounts Payable team as duplicates and been dealt with via credit notes, refunds or reversals and a further 97 cases closed with no concerns raised.</p> <p>The remaining three cases will be discussed in future NFI reports.</p>
<p>VAT Overpaid</p>	<p>TfL have successfully reviewed all 22 (of which 12 are high priority) matches into VAT overpaid and noted eight were already identified and corrected. The remainder of the sample of 14 had valid reasons for being flagged.</p> <p>In all 14 cases the matches arose as the invoices were mixed supply so did not attract a uniform 20 per cent VAT rate.</p>

<i>Match type</i>	<i>Progress</i>
Blue Badge Parking Permit to DWP deceased	<p>From the 2,677 matches identified for TfL, 603 were found to have already been closed and only the base account had to be closed. 15 cases have been passed to the NFI following confirmation that the subjects were not deceased and five cases are currently awaiting response from the Issuing Authority</p> <p>590 cases have been closed following the receipt of the NFI data and subsequent TfL review and the remaining 1,464 cases are in process of being closed. An update will be provided in the next NFI review.</p>
Insurance Claimants	<p>In total, 198 matches were noted, of which TfL has successfully reviewed and closed the 13 high priority matches, concluding that they were redirects to/from another authority. The review is ongoing and will be updated in the next NFI report.</p>
Taxi and Private Hire Vehicle Drivers to UK Visas	<p>The review has been completed and no issues were identified.</p>
Taxi and Private Hire Vehicle Drivers to In- Country Immigration	<p>The review has been completed and no issues were identified.</p>

Amberhill

<i>Match type</i>	<i>Progress</i>
Taxi Drivers to Amberhill Data, High Quality, Between Bodies for Authority	<p>TfL notes 47 matches of which three have been closed. One of the three individuals was no longer licensed and the case closed, and the remaining two matches held the same data (duplicates), with the individual holding a valid passport.</p> <p>44 matches are being reviewed and an update will be provided in future NFI reports.</p>
Payroll to Amberhill Data, Medium Quality, Between Bodies for Authority TRFL00.	<p>Nine matches have been noted.</p> <p>TfL is in the process of reviewing seven matches and an update will be provided in future reports.</p> <p>The remaining two matches identified by the NFI relate to the same individual whose case has been closed following the satisfactory review by Amberhill of the (copy) passport supplied by TfL.</p>
Deferred Pensions to Amberhill Data	<p>All four TfL cases have been reviewed and no issues have been noted</p>
Payroll to Amberhill Data, High Quality, Between Bodies for Authority	<p>There are two high priority matches for TfL.</p> <p>With one case, the individual pleaded guilty to fraud and is awaiting sentencing from the Crown Court. TfL has started disciplinary proceedings against this individual as a result.</p> <p>The other match is under review and awaiting copies of documentation to allow TfL to proceed with their investigation. An update will be provided in future NFI reports.</p>

Blue Badges to Amberhill Data	An update to the nine High Priority matches will be provided in later NFI Reports.
Taxi Drivers to Amberhill Data	<p>TfL has commenced the review of all 24 (18 of which are high priority) matches identified by the NFI relating to the Taxi Drivers. To date, the review has identified eight cases which Amberhill have determined are not issues, and one case where the driver is noted as holding a valid UK Passport.</p> <p>The review also notes one instance where the driver was no longer licensed as a taxi driver. TfL has also identified three drivers who appear within the 24 instances twice.</p> <p>From the matches discussed, TfL has not had to revoke taxi licenses or take any further action against the drivers.</p> <p>Of the eleven open cases, nine await documentation, which has been requested from the respective drivers, and one case is currently under review by NFI Amberhill. The final open case is potentially an issue and Amberhill has requested a better quality (colour) copy of the driver's passport, which TfL is seeking to obtain.</p> <p>An update to the eleven outstanding cases will be provided in later NFI Reports.</p>