

Date: 18 June 2014

Item 19: Half Yearly Fraud Report 2013/14

This paper will be considered in public

1 Summary

- 1.1 The purpose of the half yearly fraud report is to provide a summary of the work undertaken by the Fraud Team for the second half of 2013/14 (Periods 7 to 13).
- 1.2 Details of new and ongoing fraud cases investigated during the half year are included in the paper on Part 2 of the agenda.

2 Recommendation

- 2.1 **The Committee is asked to note the report.**

3 Anti-fraud and corruption activity

- 3.1 TfL has an Anti Fraud and Corruption Strategy that was shared with the Audit and Assurance Committee at its October 2013 meeting. Work carried out during the half year that contributes towards delivery of the strategy includes the following:
 - (a) we conducted a number of fraud awareness sessions during the half year including seven sessions to new Oyster Help Desk/Travel Information Centre staff and six as part of a pan TfL “Commercial team” training programme, including late night sessions for staff working the night shift. We have been asked to provide some more detailed anti-fraud training focused on procurement and contract management and will be taking that forward during 2014/15;
 - (b) we have completed fraud risk workshops with staff in the Crossrail Finance and Procurement teams, helping to raise awareness of fraud risks and understanding what controls are in place to mitigate those risks;
 - (c) development of a new online Fraud Awareness course has been completed and the course went live on the EZone on Source just before the year end. Launch publicity is being prepared in conjunction with the Internal Communications team; and

(d) we continue to publicise successful outcomes of fraud cases both externally in the media, and internally on Source. We also publish fraud alerts and notices warning staff of current and emerging risks in their work and personal life, including 'The Twelve Frauds of Christmas' in the run up to the festive period. However, in support of the Anti Fraud and Corruption Strategy, we believe it would be beneficial to increase the frequency of this activity, and are currently working with Internal Communications to develop a regular programme of fraud messages throughout the year.

3.2 We are currently developing a more detailed fraud prevention plan to support delivery of the Anti Fraud and Corruption Strategy. This will ensure that our fraud prevention activity is properly structured and targeted with clear, measurable outcomes.

External Counter Fraud Activity

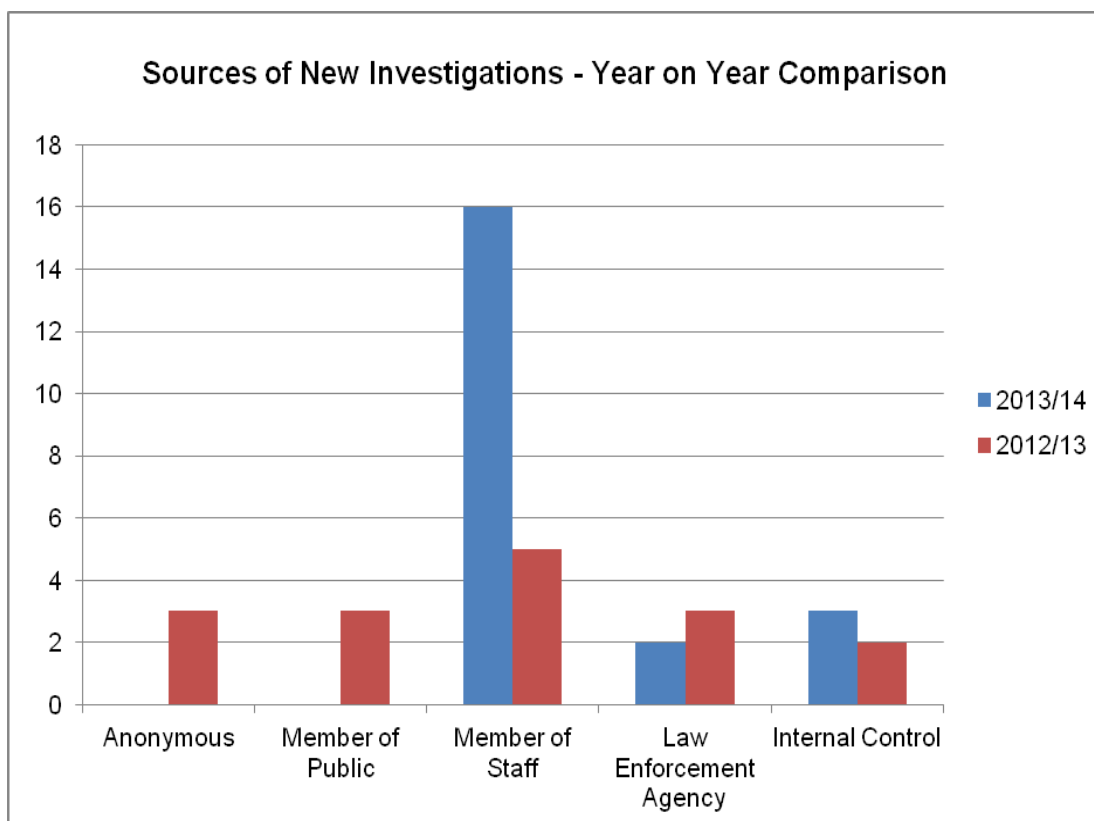
3.3 We continue to work with other organisations to ensure that TfL is at the leading edge with regards to fraud prevention, detection and investigation. This includes membership of fraud network groups such as the London Fraud Forum and Fraud Advisory Panel as well as continued close liaison with the National Fraud Intelligence Bureau.

4 Fraud Investigation

4.1 Twenty one referrals were reported to the Fraud Team for investigation during the second half of 2013/14, compared to 16 for the same period last year. These may be summarised as follows:

Periods 7 – 13	2013/14	2012/13
Fraud	17	13
Theft	3	2
Other	1	1
Total new investigations	21	16

4.2 The percentage of referrals reported by staff members has increased significantly compared to the same period last year. This may be an indication that our fraud awareness programme continues to work and staff are now more aware of what constitutes fraud and how to report it. The sources of the referrals, together with comparative figures for the same period of 2012/13 were as follows:



4.3 Twenty four cases were closed compared to 15 for the same period last year. Of these cases, 12 resulted in police/judicial action. There were 20 ongoing investigations at the end of the year, and in 10 of these there are suspects either on police bail (four) or awaiting trial at court (six). This again highlights not only the continued close cooperation we have with law enforcement agencies, but also the quality of case work being presented to the courts.

4.4 The outcomes of the closed cases, compared to the same period of 2012/13, are summarised as follows

Periods 7 – 13	2013/14	2012/13
No Crime Established	8	8
Disciplinary Action	4	1
Police/Judicial Action	12	6
Total Closed Cases	24	15

4.5 Significant closed cases in the half year include the following:

(a) **Theft from Safes**

A member of LU staff was stealing from drop down safes in station ticket offices, and was subsequently dismissed for ‘Gross Misconduct’. Following a British Transport Police (BTP) arrest operation the employee was charged with, and found guilty of, theft and sentenced to 30 months imprisonment. The Judge commented he was rightly convicted ‘on the plainest possible evidence’.

- (b) **Counterfeit Tickets**
A Romanian national, arrested by the BTP, was found to be in possession of a large quantity of genuine blank ticket stock and computer/printing equipment. The computers contained information and images necessary for producing counterfeit tickets. The blank ticket stock had a potential face value of £361,000. In September 2013 the suspect was convicted and sentenced to 30 months imprisonment for Possession/Control of Articles for Use in Fraud and the Making and Supplying of Articles for Use in Fraud.
- (c) **Skimming Devices Placed on LU Ticket Machines**
BTP contacted the Fraud Team in June 2013 and reported that they were carrying out surveillance at various LU stations that had previously been fitted with 'Skimming Devices' by individuals who are part of an organised criminal gang that has origins in Eastern Europe. As a result of joint working with the BTP, a total of five suspects were subsequently arrested and charged with placing and removing skimming devices at LU stations. All five pleaded guilty and received sentences ranging from a fine of £85 to 16 months imprisonment.
- (d) **Ticket Stop Agents**
The Fraud Team have been investigating a number of allegations concerning Ticket Stop Agents who were carrying out an unusually high proportion of "Void" transactions, indicating possible fraud. These investigations have led to four agents being prosecuted to date, and receiving sentences ranging from community service orders to 14 months' imprisonment.

In all such cases, the Ticket Stop Agents have their machines removed from the shop and their license to operate is terminated. In addition, the Fraud Team have been liaising with the Group Risk Manager from Camelot with regard to sharing data on those agents who have been found guilty of fraudulently using either Oyster or Lottery machines.

List of appendices to this report:

None

List of Background Papers:

None

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