Audit and Assurance Committee

Date: **14 December 2017**

Item: **National Fraud Initiative Update**

This paper will be considered in public

1   Summary

1.1   To provide the Committee with an update on the National Fraud Initiative (NFI) exercises for 2016.

2   Recommendation

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

3   Background

3.1   TfL's interaction with the National Fraud Initiative is now well-established and working well, although progress on matches with participating counterparty organisations remains dictated by the response rate by other participants and not just the effort that TfL applies to the exercise. The requested data is submitted late in the year that starts each cycle – in this instance, November 2016 – and the results released back to participating organisations in the Spring of the following year. At the request of the Committee, this is first update since the current cycle started, with a final update due in 12 months time.

3.2   TfL's NFI coordinators held workshops to support the 2016 NFI exercise, which resolved the various queries raised during the 2014/15 process. For example, alternative departments have been identified as more appropriate to support specific queries – such as TfL Human Resources rather than Payroll now investigating visa and immigration issues. The workshops have also introduced those individuals new to the process on their remit, including data submission, key dates and their obligations to Fair Process Compliance.

3.3   All of the departments involved with the NFI and staff who handle personal data have complied with their statutory obligation and issued fair processing notifications to all of the individuals involved. All notifications were distributed prior to the 30 September 2016 deadline.

3.4   The TfL supporting data was uploaded in support of the 2016 NFI exercise prior to the 11 November 2016 deadline. The data complies with the datasets provided by the Cabinet Office.

3.5   The NFI co-ordinators have also introduced a clearer process in collecting and collating data and reducing the time taken to prepare the NFI reports.

3.6   The matches returned from the NFI have been reviewed and allocated to the various supporting departments. One new review has been included in the 2016 NFI report.

3.7   By convention, each exercise is referred to by the year in which the data was first submitted. Hence the 2015/16 exercise is referred to as "2016".

4   Progress Reporting

4.1   This is the first report to the Committee on the progress resolving the matches and potential issues resulting from the data submission supporting the current NFI cycle. The table below highlights the overall TfL progress on the recommended High Priority matches to October 2017. Overall, both the Total and High Priority responses are comparable to the 2014 cycle, with the exception of Insurance, where the NFI matching process now reflects the detailed understanding of TfL's outstanding Insurance claims, leading to a significant reduction in the number of issues raised.

Area	2016 Total	2016 High Priority	2016 High Priority cleared	2016 High Priority cleared (%)
Payroll	138	32	9	28.1%
Pensions	638	286	240	83.9%
Creditors	19,299	3,829	1,121	29.3%
Blue badge licence exemptions (for Congestion Charging)	3,360	3,098	3,090	99.7%
Insurance	76	-	-	-
Taxi and Private Hire Vehicle Drivers	545	-	-	-
Amberhill matches	257	211	13	6%
Total	**24,313**	**7,456**	**4,473**	

Results

4.2   This report sets out the initial progress made in clearing the high priority matches with further detail included in Appendix I.

Payroll

4.3   The NFI provide matches to identify cases where the employee might be in breach of their terms of employment and / or working illegally within the United Kingdom. See Appendix I for further detail.

Pensions

4.4 The Pensions team has identified three cases evidenced with death certificates, which confirm the demise of the pensioner. See Appendix 1 for further detail.

Taxi and Private Hire (TPH)

4.5 There were no high priority matches. See Appendix I for further detail.

Blue Badges

4.6 The NFI provided 3,360 cases where blue badge holders are advised as being deceased. The Road User Charging Team (RUCT) reviewed and completed 3,352 blue badge cases without issue. The results are discussed in more detail within Appendix I to this report.

Insurance

4.7 There were no high priority matches. See Appendix I for further detail.

Creditors Payments

4.8 The Data Management team reviewed and identified three historic cases where duplicate payments totalling £13,288 were made against two duplicate invoices. The matches also identified two cases where the TfL database had two different vendor ID's for the one vendor. Duplicate payments totalling £197,650 were noted, representing two payments made to Metroline. In all cited cases the monies have been subsequently recovered.

4.9 A further three cases identified £3,512 of duplicate payments which had already been corrected by TfL and which had been either corrected or money recovered from supplies. One review has noted an instance where the wrong VAT amount was paid in error. This has since been corrected. See Appendix I for further detail.

Creditors' Information (no recommendation by the NFI)

4.10 Matches supporting instances of vendor information appearing on more than one vendor on the TfL system continues to be reviewed by the Data Management team. While not considered high priority by the NFI, they can identify instances where fraudulent activity could occur.

Amberhill

4.11 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 due to the nature of these requests. The results are set out in Appendix 1.

List of appendices to this report:

Appendix I – 2015/16 NFI results

List of Background Papers:

None

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Payroll Results

Report	Progress
Payroll to Payroll Between Organisations	Payroll to Payroll matches identify instances 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. There are nine high priority matches, of which one match has been reviewed and closed during the period, with no issues being noted.
	Eight matches remain outstanding and will be followed up and discussed in future reports. All eight matches appear to indicate that the individual staff members are working for two employers. Based on work to date, one case appears to be valid but still requires confirmation that the individual's work conditions have not changed. The other cases are to be investigated further.
Payroll to In-Country Immigration	Payroll to In-Country Immigration matches identify instances where an employee of TfL potentially does not have the right to work or live in the UK. Of 14 matches noted as high priority, eight have been reviewed and closed with no issues being noted.
	The six remaining matches currently outstanding or under review will be followed up and discussed in future reports. Four cases were queried with TfL HR – two cases related to staff with valid passports i.e. one British and one Irish. Another relates to a casual worker who is not employed by TfL and therefore not a valid observation. The fourth is a permanent staff member, under review as there are no passport details scanned on the system, an anomaly to be followed up by HR. The other two cases have been referred back to Crossrail, who confirm that there are no issues with employment.
Payroll to Pensions	The matches identify cases where employees who have gone back into employment after drawing a pension that could result in an abatement of pension.
	36 non-recommended matches been identified, reviewed and closed with no issues noted.
Payroll to Creditors	Nine high priority matches have been identified where an employee on payroll is also linked to a creditor within the TfL system. This has the potential for both fraudulent and other erroneous payments being made.
	The matches are either currently outstanding (seven) or under review (two) and will be followed up and discussed in future reports.

Pension Results

Report	Progress
Pensions to Deceased Persons	The Pensions to Deceased Persons matches investigates occurrences whether a pension was being drawn against a deceased pensioner.
	169 high priority matches have been reviewed with 150 being closed with no issues to note. The matches closed to date confirmed the pensioner as deceased through the notification of change in circumstance. This was received before the NFI match was received.
	In addition, 159 non-recommended matches were reviewed and closed with no issues being noted.
	19 recommend matches are currently under review and will be followed up and discussed in future reports.
Deferred Pensions to Deceased Persons	The Deferred Pensions to Deceased Persons matches investigates whether a pension was being drawn against a deceased pensioner.
	Of the 30 high priority matches noted in the NFI database, six have been reviewed and closed with no issues to note.
	24 high priority matches are currently under review and will be followed up and discussed in future reports.
Pensions to Payroll	The Pensions to Payroll review identifies instances where a person drawing on a pension might also be in employment and therefore in possible breach of their pension terms and conditions.
	Of the 87 high priority matches noted, 84 have been reviewed and closed with no issues to note.
	Three high priority matches are currently under review and will be followed up and discussed in future reports.

Creditor results

Report	Progress
Duplicate creditors by creditor reference	There are no high priority matches and 225 non-recommended matches to review. The matches are currently outstanding and will be followed up and discussed in future reports.
Duplicate creditors by creditor name	There are no high priority matches and 276 non-recommended matches to review. The matches are currently outstanding and will be followed up and discussed in future reports.
Duplicate creditors by address	There are no high priority matches and 233 non-recommended matches to review. Eight matches are currently being reviewed and 225 are outstanding and will be followed up and discussed in future reports.
Duplicate creditors by bank account number	There are no high priority matches and 145 non-recommended matches to review. The matches are currently outstanding and will be followed up and discussed in future reports.

Creditors results (cont.)

Report	Progress
Duplicate Records by reference, amount and creditor reference	NFI provided a total of 327 high priority matches of which 187 were reviewed and closed, 83 currently under review and 57 remaining to be reviewed. The cases identify instances where a vendor identified has duplicate references on the TfL system and duplicate payments processed. The outstanding matches will be followed up and discussed in future reports.
Duplicate Records amount and creditor reference	17,196 matches have been notified to TfL, of which the NFI have recommended TfL review 3,460 instances. This report notes that 913 high priority matches have been successfully reviewed and closed. The outstanding high priority matches (2,547) will be followed up and discussed in future reports.
Duplicate Records identified via various other combination of factors	This review noted 33 high priority cases of which 15 have been reviewed and closed. Two cases (totalling £197,649.60) were historic duplicate payments and the money has since been recovered. A further three (totalling £3,511.91) were historic duplicate payments which had already been corrected/money recovered from the suppliers. Three non-recommended matches reviewed and closed were historic duplicate payments totalling £13,287.60. All monies have since been recovered and no further action required. The outstanding high priority matches (18) will be followed up and discussed in future reports.
VAT Overpaid	There are nine high priority matches of which six matches which have been closed. One review has noted an instance where the wrong VAT amount was paid in error. This had since been corrected. The other matches will be followed up and discussed in future reports.

Blue Badge

Report	Progress
Blue Badge Parking Permit to DWP deceased	The Blue Badge Parking to DWP Deceased review seeks to identify instances when the blue badge has not been recalled following the legitimate badge holders demise. There are 3,098 high priority matches, of which 3,090 have been reviewed and closed. To date, 3,352 Blue Badge discounts have been cancelled. There are eight high priority matches open as the Blue badge holder is not deceased pending further enquiries.

Insurance

Match type	Progress
Insurance Claimants	There are no high priority matches. There are 76 non-recommended matches for review, of which 17 have been reviewed and closed. The remaining 59 matches are currently outstanding and will be followed up and discussed in future reports.

Taxi and Private Hire

Match type	Progress
Taxi and Private Hire Vehicle Drivers to In-Country Immigration	There are no high priority matches. There are 545 non-recommended matches, all of which have been reviewed and closed with no issues noted.

Amberhill

Match type	Progress
Taxi Drivers to Amberhill Data	TfL were provided with 207 high priority cases of which nine have been reviewed and closed. The NFI 2016 data notes one image is found on 43 different identities using one UK drivers licence, mainly of Sri Lankan origin. Amberhill examined the copy documents provided by TfL and found no evidence of forgery. The remaining high priority matches are currently outstanding and will be followed up and discussed in future reports.
Deferred Pensions to Amberhill Data	There is one high priority match, which has been reviewed and closed. There is one non-recommended match which relates to a former member of staff found guilty of fraud in 2015 – a passport, used to gain employment with TfL, had been obtained fraudulently using a fake birth certificate. This has been queried with Pensions Team regarding whether the individual should be in receipt of deferred pension.
Payroll to Amberhill Data	There are three high priority matches which have all been closed. One case shows document on Amberhill database is a counterfeit UK driver's licence – a member of staff would not provide driving licence when requested. The matter has been reported to police for them to act if they wish.