

Date: 8 March 2016

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) exercises 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 errors, 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 on the high priority recommended matches to March 2016.

Area	2014 Total	2014 High Priority	2014 High Priority cleared	2014 High Priority cleared (%)
Payroll	89	34	17	50%
Pensions	692	169	166	98%
Creditors	18,811	3,265	3,265	100%
Insurance	598	198	66	33%
Blue badge licence exemptions (for Congestion Charging)	2,677	2,329	2,329	100%
Amberhill Matches	119	53	18	32%
Taxi and Private Hire Vehicle Drivers	361	N/A	N/A	N/A
Total	23,347	6,048	5,861	

- 4.2 This report sets out the progress made since the last report, dated 8 December 2015, in clearing the high priority matches and detailed results are included in Appendix 1.

Payroll

- 4.3 A total of 34 high priority cases were provided by the NFI where the employee might be in breach of their terms of employment and / or working illegally within the United Kingdom. To date, 17 cases have been cleared and work on the remaining 17 cases is in progress. Of the balance:

- (a) TfL Payroll is waiting on external parties for progress on seven cases where additional information is required, but is unable to request prioritisation of work;
- (b) Nine cases in the 'Payroll to Creditors' testing are being progressed following the receipt of additional information, and should be resolved shortly; and
- (c) one match is "under review" pending more extensive investigation.

Pensions

- 4.4 The process has resulted in the recovery of £43,547 of overpayments and £10,895 written off as TfL is not able to recoup the payment. A significant

number of cases that came up in the NFI report were already notified to the Fund Office, so did not require further investigation.

Creditors' Information (no recommendation by the NFI)

- 4.5 There are 2,779 matches supporting instances when vendor information appears on more than one vendor on the TfL system. 488 matches continue to be reviewed by the TfL FSC Data Control team as, while not considered high priority by the NFI, they can identify instances where fraudulent activity could occur.
- 4.6 TfL has achieved 86 per cent coverage of the 2,573 matches provided by the NFI. Specifics from these reviews have been discussed in earlier NFI Reports. The remaining 373 TfL matches will not be pursued as part of the NFI process but will be reviewed in accordance with the existing housekeeping of vendor details as conducted by the TfL Financial Services Centre Data Control team.
- 4.7 Crossrail has closed all seven matches without concerns being noted. The 108 Tubelines matches are currently under review.

Creditors Payments

- 4.8 The NFI report has cleared the 3,265 high priority cases that highlighted potential duplicate payments made by TfL to its vendors. The outstanding 297 high priority cases were closed following the NFI report to the last meeting.
- 4.9 One duplicate payment of £10,283 has been identified since the last NFI report and TfL will recoup this amount against future vendor billing. No other overpayments were identified other than those discussed in previous NFI Reports through the Accounts Payable reviews conducted.
- 4.10 Accounts Payable introduced additional controls from October 2015 to help mitigate the risk of duplicate payments using the "*First Strike*" software package. This was discussed in detail within the December Report.
- 4.11 Following the report to the last meeting, First Strike has identified potential further duplicate payments totalling £613k ensuring that they were not processed. This is in addition to some £240k of potential duplicate payments previously identified.

Insurance

- 4.12 198 instances have been noted where an insurance claimant was potentially submitting fraudulent claims based on multiple claims with the same claimant details.
- 4.13 13 cases of high priority claims were closed and discussed in December's Report. 53 cases have subsequently been reviewed and closed. The remaining 132 cases are being reviewed and will be discussed in future NFI reports. TfL Insurance reports that there have been no payments which are

related to the highlighted cases, and therefore the potential for loss is comparatively small. The pattern of cases flagged by the NFI data has proved in the past to be a mixture of inter-authority redirects and false positives, and the existing pattern is similar to previous cycles.

Blue Badges

- 4.14 The review of the 2,677 blue badge holders who are advised as being deceased was completed for the last report.
- 4.15 Road User Charging Team completed all 2,677 blue badge cases. The results were discussed in more detail within the last report.

Amberhill

- 4.16 Work on the data provided by the Metropolitan Police database is still under review 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) due to the nature of these requests, and progress is currently dependent on responses from the Metropolitan Police.
- 4.17 To date the review has highlighted one employee sentenced to a six month suspended sentence for the crime of fraud and obtaining property by deception, which resulted in his employment with TfL being terminated, which was discussed in detail at the meeting of 8 December 2015.

List of appendices to this report:

Appendix 1: 2014/15 NFI results

List of Background Papers:

None

Contact Officer : Ian Nunn, Chief Finance Officer
Number: 020 3054 8941
Email: lanunn@tfl.gov.uk

<i>Report</i>	<i>Progress</i>
<p>Payroll to Payroll Between Organisations</p>	<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>Eight of the high priority matches have been cleared – examples being where a member held a part time post with the London Fire Department, which is acceptable to his terms of employment. Seven matches were discussed in the June Report.</p> <p>Of the two remaining matches – TfL has requested proof of birth date from the NFI for the first case. The second case is currently being reviewed, with information from third parties pending.</p>
<p>Payroll to In-Country Immigration</p>	<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>No changes have been noted since the last report.</p> <p>Five of the seven matches are currently being reviewed by TfL Human Resources and an update is expected on its findings shortly. A review is commencing on the remaining two matches.</p>
<p>Payroll to UK Visas</p>	<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 which were reviewed as part of the previous NFI sample and where TfL noted that the subjects' had the right to work in the UK. TfL has cleared the final seven high priority cases. Three of the matches note that the individual has indefinite leave to remain in the UK, a further two employees hold EU passports and one holds a UK passport. The final case relates to an employee who has limited leave to remain in the United Kingdom.</p> <p>No concerns were raised following the review of these cases.</p>

<i>Report</i>	<i>Progress</i>
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. This has the potential for both fraudulent and other erroneous payments being made.</p> <p>One such match has been closed with no issue noted. Work on reviewing the remaining nine high priority matches has commenced and TfL expect to have made significant progress for the next NFI Report.</p>

Pension Results

<i>Report</i>	<i>Progress</i>
Pensions to Deceased Persons	<p>The last report discussed the 361 matches where a pension was being drawn against a deceased pensioner. These cases had been closed prior to September 2015.</p> <p>347 of these cases had already been dealt with by the Fund Office through its monthly checking routine with the General Registrar Office.</p> <p>A total of ten cases identified overpayments and resulted in the successful recovery of £43,547. TfL is not able to recoup £10,895 of overpayments and these have been written off.</p> <p>Confirmation has been obtained from another two of the matches confirming that the pensioner was indeed still alive. Another two identified a total of £3,153 overpaid following the request/receipt of the death certificates. Investigations of these two cases are ongoing.</p>

<i>Report</i>	<i>Progress</i>
Deferred Pensions to Deceased Persons	Of the 28 matches noted in the NFI database, 26 were discussed in the last report. Investigations are ongoing with the remaining two non high priority cases.
Pensions to Payroll	TfL has closed 302 of the 303 cases noted and this was discussed in previous reports. All, bar one, high priority cases have been closed and this will be reviewed in line with the Trustees guidelines.

Creditor Results

<i>Report</i>	<i>Progress</i>
Duplicate creditors by creditor reference	The TfL matches have been reviewed and discussed in the report to the meeting of 8 October 2015. These accounts span multiple entities within the TfL organisation rather than reside as unique accounts within each entity. No concerns have been raised from our review and the matches have all been closed.

Report	Progress
Duplicate creditors by creditor name	<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>TfL Accounts Payable expects at least 25 per cent of the matches identified to be reviewed.</p> <p>To date 100 per cent of Crossrail and 33 per cent of all other TfL matches have been reviewed. The results from the review were discussed in previous NFI Reports.</p> <p>The remaining TfL matches will be reviewed as part of the ongoing housekeeping of vendor details by the TfL FSC Data Control team.</p> <p>Review of two high priority cases relating to Tubelines is ongoing and updates will be discussed in future NFI Reports.</p>
Duplicate creditors by address	<p>This concerns the review of 212 matches, where an address is used by more than one creditor.</p> <p>To date TfL has reviewed 32 of the matches (18 per cent). The remaining TfL matches will be reviewed as part of the ongoing housekeeping of vendor details by the TfL FSC Data Control team.</p> <p>18 high priority matches relating to Tubelines will be discussed in future NFI Reports.</p> <p>Crossrail has cleared 100 per cent of the matches identified by the NFI.</p>
Duplicate creditors by bank account number	<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>Crossrail have completed 100 per cent (two matches) and TfL has completed 97 per cent (1,693 matches). These were discussed in previous NFI reports. The remaining 65 TfL matches will be reviewed as part of the ongoing housekeeping of vendor details by the TfL FSC Data Control team.</p> <p>88 high priority matches relating to Tubelines will be discussed in future NFI Reports</p>

Report	Progress
Duplicate Records by reference, amount and creditor reference	<p>NFI provided a total of 1,093 matches of which 342 were high priority, where a vendor was identified with duplicate references on the TfL system and duplicate payments processed.</p> <p>Of the 54 high priority matches outstanding in the last report, one has since been confirmed as a duplicate payment of £10,283 and recouped via credit notes.</p> <p>The remaining 53 high priority matches have also been reviewed and closed which concludes the review of the high priority matches.</p> <p>In total 984 matches, including all of the high priority matches, have been reviewed to March 2016.</p>
Duplicate Records amount and creditor reference	<p>14,694 matches have been notified to TfL, of which the NFI have recommended TfL review 2,863 instances.</p> <p>A further 243 high priority matches have been reviewed since the last report, resulting in a total of 2,863 (100 per cent) recommended matches successfully reviewed.</p> <p>An additional 870 non-priority matches were also reviewed, with five noting overpayments which TfL had already dealt with via credit note. No further overpayments were noted. To date 3,321 matches have been cleared.</p> <p>One match, discussed in the report to the meeting of 8 October 2015, noted a £1,076 overpayment which had already been 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>

<i>Match type</i>	<i>Progress</i>
Duplicate Records identified via various other combination of factors	Of the 223 matches, 220 cases have been discussed and closed in the prior NFI Reports. This includes all 34 high priority cases.
VAT Overpaid	<p>The TfL review into VAT overpaid matches was completed and discussed in earlier NFI Reports. No issues were identified.</p> <p>In all cases, the matches arose as the invoices were related to mixed supply so did not attract a uniform 20 per cent VAT rate.</p>

Insurance

<i>Match type</i>	<i>Progress</i>
Insurance Claimants	<p>A thorough review of the NFI 'matches' was undertaken and no irregularities were found. As in previous years, all the 'matches' are re-directs between authorities where the claimant applied to the wrong Authority for compensation.</p> <p>Payments by TfL for "Insurance Claims" are based on Liability and are not means tested. Claims are rigorously assessed on their merits, insurance claims databases and internal records are interrogated before compensation based on liability is, if appropriate, paid.</p> <p>The insurance review has covered 33 per cent of the high priority cases.</p>

Blue Badge

<i>Match type</i>	<i>Progress</i>
Blue Badge Parking Permit to DWP deceased	<p>Blue Badge to DWP deceased was completed for the December 2015 review with all 2,677 matches successfully reviewed.</p> <p>The review was discussed in detail in the report to the last meeting.</p>

Amberhill

<i>Match type</i>	<i>Progress</i>
Taxi Drivers to Amberhill Data	<p>TfL notes 19 high priority 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>16 high priority matches are being reviewed and an update will be provided in future NFI reports.</p>
Payroll to Amberhill Data, Medium Priority, Between Bodies for Authority TRFL00.	<p>Nine matches (three being high priority) 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 (two being high priority) have been reviewed and no issues have been noted.</p>

<i>Match type</i>	<i>Progress</i>
Payroll to Amberhill Data, High Priority, Between Bodies for Authority	<p>There are two high priority matches.</p> <p>The TfL case has led to the individual being sentenced to imprisonment for six months. This matter was discussed at the last meeting.</p> <p>The second individual has provided a birth certificate and an Irish passport – but is adamant in his refusal to support the investigation with a copy of his drivers licence. TfL has contacted Amberhill to determine what action can be taken to update the NFI return.</p>
Blue Badges to Amberhill Data	<p>An update to the nine high priority matches will be provided in later NFI Reports.</p>
Taxi Drivers to Amberhill Data, High Priority, Between Bodies for Authority	<p>TfL was provided with 24 cases (18 being high priority) of which 16 have been reviewed with the following conclusions;</p> <p>Three of the cases were duplicates – being the same individual and thus not an issue.</p> <p>A further thirteen have also been closed – nine of which where review of the documents highlighted no issues, two closed by Taxi and Private Hire (TPH) and one where the TPH licence had expired (and the individual is no longer subject to TfL). The final one had his licence revoked by TPH following notification of a fraud conviction for ‘fraud by false representation’.</p> <p>For seven cases TfL has obtained and provided Amberhill with better quality documents and are awaiting an update from Amberhill.</p> <p>The final case remains open as the driver has (to date) ignored requests to supply TfL with any documentation as requested. TfL cannot insist as it has no legal power over the individual to enforce compliance with requests.</p>