

Date: 8 October 2014

Item 18: National Fraud Initiative 2012/13 Update

This paper will be considered in public

1 Summary

- 1.1 To provide the Audit and Assurance Committee with an update on the National Fraud Initiative (NFI) exercise for 2012/13.
- 1.2 A detailed summary on all the fraudulent or potentially fraudulent activities is included in the Appendix of this paper.

2 Recommendation

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

3 Background

- 3.1 The 2012/13 NFI work is now drawing to a close and as well as reporting on the progress of the open matches from the last report, this report also summarises the overall results and impact of the 2012/13 NFI exercise.
- 3.2 The NFI, a nationwide programme currently run by the Audit Commission, aims to identify instances of potential fraud by cross-referencing the data held by Local Authorities and other public bodies in respect of payroll, pensions, payments to creditors and selected benefit and licensing entitlements to identify duplicate or potentially fraudulent payments or activity. Where payments or data generate duplicate matches as part of the NFI testing, details of these are passed back to the relevant authorities in order to take corrective action: in some instances, these actions are dependent on responses from other government bodies for their conclusion, most notably the UKBA.
- 3.3 The 2012/13 NFI exercise has resulted in just over £200k of forward savings for TfL which were achieved from the pension matches. In addition £160k of duplicate creditor payments were identified and 23 taxi drivers have had their licences revoked due to not being able to provide evidence of their right to work in the UK. Since the last report review of the Blue Badge Congestion Charge matches has been completed and this has resulted in 2,649 Congestion Charge accounts being closed as the account holder was deceased.

4 Progress Reporting

- 4.1 This report sets out the results of the 2012/13 NFI exercise and detailed results are included in Appendix 1 of this paper.

Summary of 2012/13 NFI Exercise

- 4.2 In the context of over 20,000 employees, 40,000 pensioners, 60,000 private hire drivers and 25,000 taxi drivers, the 2012/13 exercise has highlighted relatively few instances of fraud. Matches initially identified by the Audit Commission have been investigated and an innocent explanation has been found for the matches in most cases. Where fraud or error has been identified these are highlighted below and in the Appendix of this paper.
- 4.3 There were 2,668 Blue Badge Congestion Charge exemption accounts that were matched to deceased data and where the account was live with a nominated vehicle on the account as at January 2014. In order to prevent misuse of the accounts, appropriate letters have been sent to the registered address of the accounts requesting that proof of entitlement to the Congestion Charge (CC) exemption is provided by a given date, and failure to do so will result in the exemption account being closed. This resulted in 19 account holders providing evidence of their entitlement and these were checked for authenticity and therefore the accounts remain open. The remaining 2,649 accounts have been closed as no proof of entitlement has been provided so consequently final closure letters have been sent to these addresses.
- 4.4 The CC team relies on NFI as a control to check the eligibility of Blue Badge (BB) discount and in the context of over 110,000 BB exemption accounts the number of matches is relatively low at 2 per cent. The CC team continue to rigorously establish entitlement to the discount at the point of application and have taken on board recommendations made by Internal Audit to improve the application form.
- 4.4 This NFI exercise identified pension overpayments totalling £18k which is significantly down on the £126k identified from the 2010 exercise. The reduction is due to the Pension team now receiving matches on a monthly basis from the ATMOS data matching service that is used to complement the NFI service which returns matches every two years.
- 4.5 Based on a model that includes life expectancy amongst other variables, the Audit Commission have confirmed that the 2012 overpayments of £18k represent over £260k of forward savings for TfL. All attempts are made to recover any monies overpaid and so far over £10k of the £18k has been recovered.
- 4.6 The creditor duplicate payments matches have identified £160k of duplicate creditor payments that were not picked up through the routine duplicate payments audit. All efforts are made to recover the overpayments and to date £148k worth of overpayments have been recovered. In order to prevent the incidence of these overpayments the Financial Services Centre (FSC) is currently procuring some specialist software which will enhance the controls further in this area. There were no duplicate creditor payments identified for Crossrail or Tube Lines.

- 4.7 The Home Office immigration to taxi driver licence matches has seen a large reduction in the number of returned matches compared to the 2010/11 NFI exercise. 242 Private Hire drivers were initially identified as not being eligible for a licence as they did not appear to have a right to work or live in the UK. After carrying out the necessary checks with the UKBA, 23 drivers had their licences revoked. The number of initial matches returned by the exercise is significantly down on the 2010/11 exercise when over 1,200 were returned. The reduction is due to improvements in data matching techniques that have been made after the key contact and the Licensing Manager met with the Audit Commission at the end of the last exercise to highlight possible improvements that could be made to the data matching exercise.
- 4.8 There is one payroll to UKBA match that is still under review as a reply is still being awaited from the Home Office on the individual's eligibility to work in the UK.
- 4.9 As part of the wash up for the 2012/13 NFI exercise the key contact will meet with the different areas in TfL to discuss amongst other things, any improvements that could be made in the data matching and will relay these to the Audit Commission.
- 4.10 Responsibility for NFI will transfer to the Cabinet Office in April 2015 upon the winding up of the Audit Commission and NFI continues to have a substantial impact in the public sector. The 2012 exercise has uncovered over £203m of fraud across the public sector and the scope of NFI is ever increasing with private sector companies now also taking part. The data requirements for the 2014 NFI have already been released and the key contact has worked with the different areas in TfL and Crossrail to ensure these are understood and data submission deadline of 6 October 2014 is not compromised.

List of appendices to this report:

A paper containing further detailed information is included in the attached Appendix

List of Background Papers:

None

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Sections where all work has been completed have been greyed out in the table

Payroll Results

Report	Progress
<p>Payroll to Payroll Between Organisations</p> <p>REVIEW COMPLETED</p>	<p>The one remaining match for TfL has been cleared as reported previously.</p>
<p>Payroll to In-Country Immigration</p>	<p>There is one outstanding case that is still being reviewed as confirmation is being awaited from the Home Office on the individual's right to work in the UK. This will be taken forward as part of the 2014 NFI exercise.</p> <p>All other cases reviewed and cleared as reported previously.</p>
<p>Payroll to UK Visas</p> <p>REVIEW COMPLETED</p>	<p>All three cases have been cleared as reported previously.</p>
<p>Payroll to Creditors</p> <p>REVIEW COMPLETED</p>	<p>A review of the seven high priority TfL matches has taken place and all have been cleared. Six matches arose due to a match between an employee's and company's address. A review of the companies' background highlighted they were consultancy services provided by another individual residing at the same address as the employee, such as a family member. Possible conflicts of interest have been looked at and ruled out in all six cases. The other match arose as it related to an individual who became an employee of the organisation <i>after</i> a period of contracting on a Ltd company basis and therefore being paid through the creditor system.</p> <p>Tube Lines and Crossrail have reviewed their two and one matches respectively. All have been cleared as they related to individuals who became employees of the organisation <i>after</i> a period of contracting on a Ltd company basis and therefore being paid through the creditor system.</p>

**NFI 2012/13
Pension Results**

<i>Match type</i>	<i>Progress</i>
Pensions to Deceased Persons	Out of 516 matches, nine overpayments totalling £18,173 identified. Recovery of these amounts is detailed in paragraph 4.5 of the paper.
Deferred Pensions to Deceased Persons	The initial review to confirm that the deceased and deferred pension account holders are the same person has been completed as noted previously. This identified 28 deceased deferred pensioners. Since the last report one additional next of kin has been traced for beneficiaries of deferred pensions. In total, 22 next of kin have now been traced and four accounts have had funds paid back to the benefit account as no next of kin could be traced. This leaves two matches where efforts to trace next of kin will continue.
Payroll Pensions to Payroll REVIEW COMPLETED	219 matches have been investigated and all cases either involve individuals who are over 60, or the annual pension amount is below the notifiable amount. In either case the pension does not need to be reviewed in line with the Trustees guidelines. The remaining 240 matches were already known to the fund office so no further action was required.

NFI 2012/13Creditors Results continued

Match type	Progress
Duplicate creditors by creditor reference REVIEW COMPLETED	<p>Sample checking on the Tube Lines matches has been completed and this did not identify any issues. All matches arose because, when the data was downloaded for submission to NFI, the system created separate creditor records for every purchase order that was open. Therefore if there was a creditor with, for example, four open purchase orders the report listed that creditor four times and the NFI returned this as a duplicate creditor. This is clearly an error and when the data is downloaded for the next round of the NFI exercise the field which picks up the open purchase orders will be left blank. There were no matches for TfL or Crossrail.</p>
Duplicate creditors by creditor name	<p>There were 447 matches for TfL. Results of sample checking on the 447 matches, reported previously, identified a number of duplicate creditors in the system. As a result of this the FSC is carrying out a complete vendor validation exercise that will be completed by the end of the calendar year and will aim to identify and delete or block all duplicate vendors.</p> <p>There were six matches for Crossrail and two for Tube Lines and all have been reviewed and cleared as reported previously.</p>
Duplicate creditors by address	<p>There were 273 matches for TfL. Results of sample checking on the 273 matches, reported previously, identified a number of duplicate creditors in the system. As a result of this the FSC is carrying out a complete vendor validation exercise that will be completed by the end of the calendar year and will aim to identify and delete or block all duplicate vendors.</p> <p>There were 13 and 21 matches for Crossrail and Tube Lines respectively, all have been reviewed and cleared as reported previously.</p>
Duplicate creditors by bank account	<p>There were 1,518 matches for TfL and after data cleansing there remained 133 matches to review. Results of sample checking on the 133 matches, reported previously, identified a number of duplicate creditors in the system. As a result of this the FSC is carrying out a complete vendor validation exercise that will be completed by the end of the calendar year and will aim to identify and delete or block all duplicate vendors.</p> <p>There were 188 matches for Tube Lines and one match for Crossrail, all have been reviewed and cleared as reported previously.</p>

NFI 2012/13

Creditors Results continued

<i>Match type</i>	<i>Progress</i>
Duplicate Records by reference, amount and creditor reference	<p>The TfL review of duplicate payments has been completed as detailed in the last report. This identified £50,982 of duplicate payments, and £38,912 of this has been recovered to date while recovery of the remainder is in progress.</p> <p>Crossrail have reviewed 50 potential duplicate payments. All have been cleared as reported previously.</p>
Duplicate Records amount and creditor reference REVIEW COMPLETED	<p>The TfL and Tube Lines review of duplicate payments has been completed as detailed in the last report and no duplicate payments have been found.</p> <p>Crossrail have sample checked 35 high value matches, and no duplicate payments have been identified as the matches were periodic payments to the same supplier.</p>
Duplicate Records identified via various other combination of factors REVIEW COMPLETED	<p>The TfL review of duplicate payments has been completed as detailed in the last report. This identified £109,213 of duplicate payments which has since been recovered.</p> <p>Crossrail and Tubelines have sample checked their matches and no duplicate payments have been identified as reported previously.</p>
VAT overpaid REVIEW COMPLETED	<p>TfL review into VAT overpaid matches has been completed as detailed in the previous report, and no issues were identified.</p> <p>Tube Lines and Crossrail have completed their review into seven and eight high priority matches respectively and in all cases the matches arose as the invoices were mixed supply so did not attract a uniform 20 per cent VAT rate.</p>

**NFI 2012/13
Other Results**

<i>Match type</i>	<i>Progress</i>
Blue Badge Parking Permit to DWP deceased	3,686 matches were identified where there is a Congestion Charge exemption account, but where the holder of the Blue Badge could be deceased. A review into the matches has shown 2,668 accounts where the exemption account is live and there is a nominated vehicle on the account as at 22 January 2014. Progress in reviewing the matches is noted in paragraph 4.3 of the paper.
Insurance Claimants REVIEW COMPLETED	A review into the 88 high priority matches did not identify any instances of possible fraud. The matches arose due to either the claimant sending the claim to the wrong body who recorded it and then passed it on to TfL or the claimant making a claim against TfL for both personal injury and property damage.
Taxi and Private Hire Vehicle Drivers to UK Visas REVIEW COMPLETED	As detailed in the previous report a review has been completed into all 69 matches, which has resulted in seven drivers having their licence revoked. An additional two drivers have had their license re-issued so that the expiry date is in line with the expiry date of their right to work in the UK.
Taxi and Private Hire Vehicle Drivers to In-Country Immigration REVIEW COMPLETED	As detailed in the previous report a review has been completed into all 173 matches, which has resulted in 16 drivers having their licence revoked.