

**Date: 17 December 2014**

**Item: Half Yearly Fraud Report 2014/15**

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**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 during the first half of 2014/15 (Periods 1 to 6).
- 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 by virtue of paragraphs 5 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to on going fraud and criminal investigations and the disclosure of this information is likely to prejudice the prevention or detection of crime and the apprehension or prosecution of offenders.

**2 Recommendation**

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

**3 Anti-Fraud and Corruption Activity**

- 3.1 Work carried out during the half-year that contributes towards delivery of the Anti Fraud and Corruption Strategy includes:
  - (a) we conducted 14 fraud awareness sessions including presentations to new Oyster Help Desk/Travel Information Centre staff, the Asset Development Team within the LU Capital Programmes Directorate, Internal Audit staff, and Crossrail tier one contractors;
  - (b) we facilitated a fraud risk workshop with staff in the Crossrail commercial team, to raise awareness of fraud risks and help them understand the controls in place to mitigate those risks;
  - (c) the new online EZone Fraud Awareness course has been completed by over 200 members of staff since it went live at the beginning of 2014. The Fraud Team, in conjunction with the Internal Communications team, continue to publicise the course and encourage staff to complete it; 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. Recent notices have included malware/ spam advice and a warning of utilities fraud.

### External Counter Fraud Activity

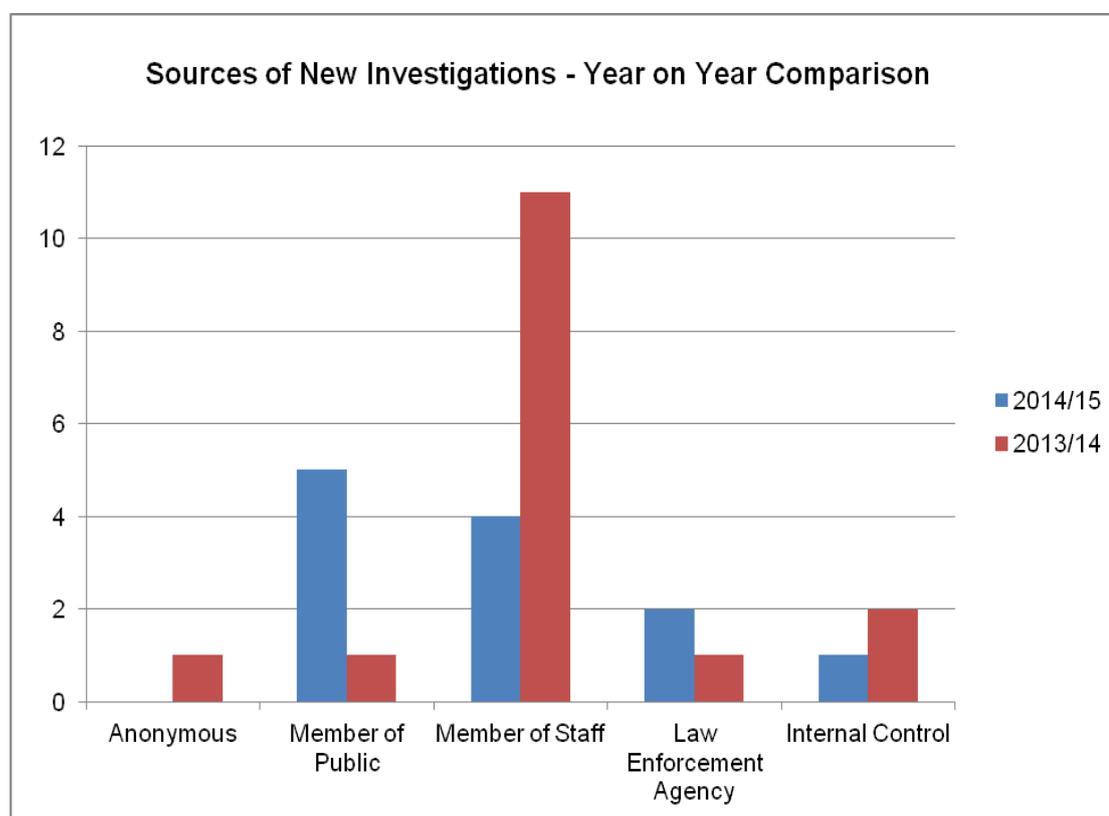
3.2 We continue to work with other organisations to ensure that TfL is at the leading edge with regards to fraud prevention, detection and investigation. This includes membership of fraud network groups such as the London Fraud Forum and Fraud Advisory Panel as well as continued close liaison with the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

### 3 Fraud Investigation

4.1 Twelve referrals were reported to the Fraud Team for investigation during the first half of 2014/15, compared to 16 for the same period last year. These may be summarised as follows:

Periods 1 – 6	2014/15	2013/14
Fraud	12	12
Theft	0	3
Other	0	1
Total new investigations	12	16

3.2 The sources of the referrals, together with comparative figures for the same period of 2013/14 were as follows:



3.3 Ten cases were closed during the first half of 2014/15 of which five resulted in police/ judicial action. There were 23 ongoing investigations at the end of

Period 6, and in 9 of these there are suspects either on police bail (five) or awaiting trial at court (four). 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.

- 3.4 The outcomes of the closed cases, compared to the same period of 2013/14, are summarised as follows:

<b>Periods 1 – 6</b>	<b>2014/15</b>	<b>2013/14</b>
No Crime Established	4	0
Disciplinary Action	1	4
Police/Judicial Action	5	13
Total Closed Cases	10	17

- 3.5 Significant closed cases in the half year include the following:

- (a) **Allegations of Ghost Working and Theft of Steel**  
 An anonymous email to the Crossrail helpdesk made allegations of bullying and harassment in addition to corrupt behaviour against a Works Manager at a Crossrail contractor. This included allegations that he was arranging for steel to be stolen from the site and turning a blind eye to staff signing in for each other. Investigations with the contractor and security company found no evidence to substantiate the fraud allegations. The contractor separately pursued the allegations of harassment and bullying.
- (b) **Money Laundering of Stolen Dye Stained £20 Notes Through LOROL Ticket Machines**  
 Having received information that stolen, dye stained £20 notes were being money laundered through ticket machines on the LOROL network, the Fraud Team assisted the British Transport Police (BTP) with its investigation. This resulted in the arrest and successful conviction of an identified suspect.
- (c) **Allegation of Ghost CVs Submitted by Consultancy Firm**  
 In August 2010 the Fraud Team received a report from a “Whistleblower” that an un-named consultancy firm was involved in a “ghost employee” fraud against Crossrail. The consultancy had been allegedly submitting curricula vitae (CVs) for approval by Crossrail for individuals it did not actually employ. The consultancy then submitted timesheets for work completed by these ghost employees. Three suspects were arrested, including a company director and his Personal Assistant, and charged with False Accounting. The judicial process was significantly delayed due to the illness of a significant witness, but the three suspects were sentenced on 8 August 2014, having entered guilty pleas and received sentences as follows:
- (i) 100 hours Community Work Order; 12 months custodial suspended for one year;

- (ii) 80 Hours Community Work Order; 5 months custodial suspended for one year; and
  - (iii) 150 hours Community Work Order.
- (d) **Oyster Machine Installation Fraud / Attempted Fraud**

Following information received from Oyster Sales Services, a suspect was arrested for Fraud by False Representation having convinced shopkeepers waiting to have Oyster and Camelot Terminals installed that he would facilitate it within ten days for £450 - £750. Having defrauded shopkeepers of £11,450 he was charged and subsequently given a 27 month custodial sentence on 18 August 2014 at Southwark Crown Court.
- (e) **Alleged offering of financial incentive in return for the award of a tender**

A Managing Director of a company tendering for a piece of work within the Station Works and Improvements Programme (SWIP) within CPD informed TfL that he had been approached by a member of staff who explained that he could influence the tender and could give him the contract in exchange for a financial incentive. The Fraud Team worked with the BTP Commercial Fraud Team, leading to the arrest of two members of staff. Both were dismissed from TfL. Following a lengthy joint investigation with BTP, the Crown Prosecution Service decided not to progress the case and both suspects were released without charge.

**List of appendices to this report:**

Exempt supplemental information is included in a paper on Part 2 of the agenda.

**List of Background Papers:**

None

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