

## **Audit and Assurance Committee**

**Date: 8 December 2015**

**Item: Half Yearly Fraud Report 2015/16**

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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 2015/16 (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.
- 1.3 A paper is included on Part 2 of the agenda which contains exempt supplemental information and documentation. Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraphs 5 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to ongoing 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 paper and the related supplemental information on Part 2 of the agenda.**

#### **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 10 fraud awareness sessions including presentations to Travel Information Centre staff, Customer Contact Centre staff, Customer Experience, the Station Works Improvement Programme, and Crossrail tier two contractors;
  - (b) an article was published in 'On the Move' magazine, highlighting the work of the fraud team and their contact details;
  - (c) we also facilitated a fraud risk workshop with Heads of Finance and Audit from Crossrail tier one contractors, to raise awareness of fraud risks, help them understand the controls in place to mitigate those risks and share best practice;

- (d) the Fraud Team, in conjunction with the Internal Communications team, continue to publicise the online EZone Fraud Awareness course and encourage staff to complete it; and
- (e) 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 covered malware/ spam advice.

**External Counter Fraud Activity**

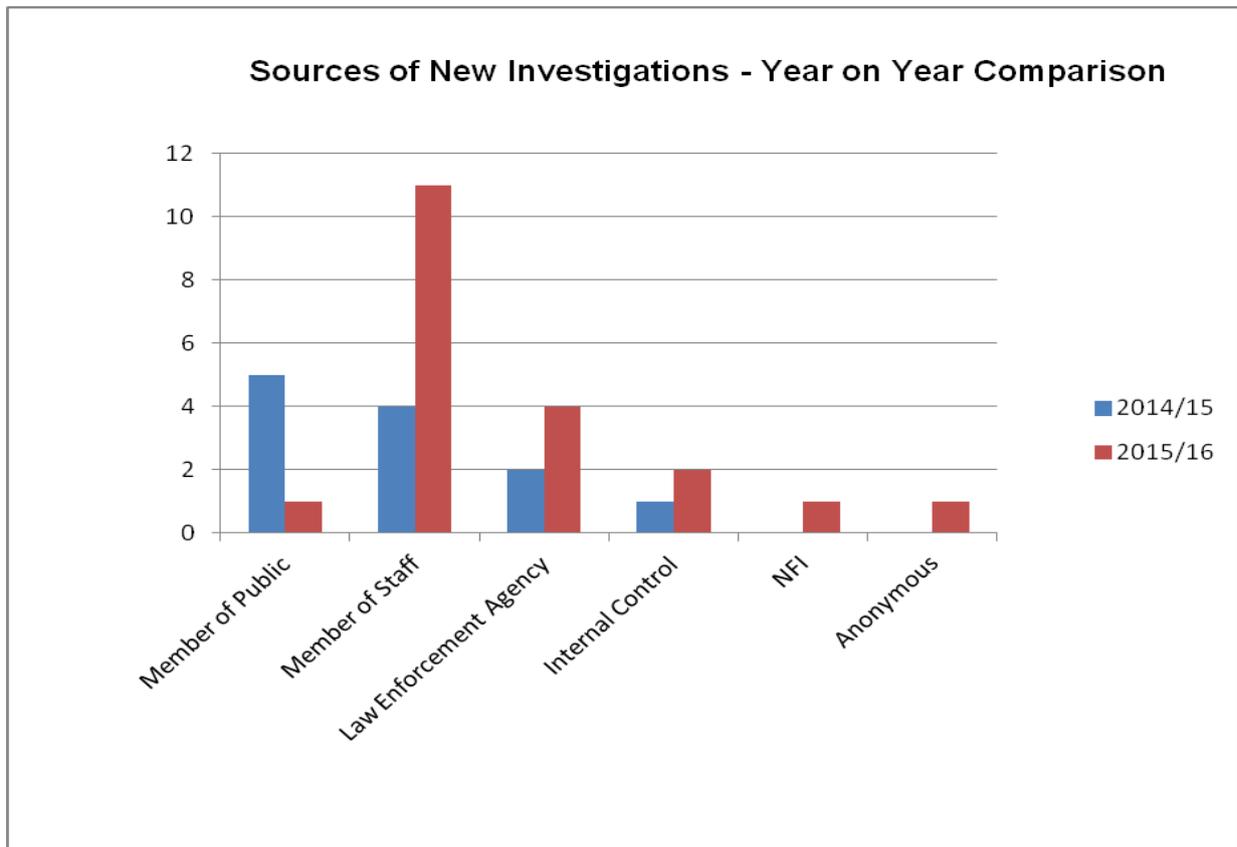
3.2 TfL continues to work with other organisations to ensure that it is at the leading edge with regards to fraud prevention, detection and investigation. This includes membership of fraud network groups such as the London Fraud Forum, Fraud Advisory Panel and the newly developed CIPFA Counter Fraud Centre as well as continued close liaison with Metropolitan Police Service Operation FALCON (Fraud And Linked Crime ONline) and Operation Amberhill (ID Fraud) in addition to the NFIB (National Fraud Intelligence Bureau).

**4 Fraud Investigation**

4.1 Twenty referrals were reported to the Fraud Team for investigation during the first half of 2015/16, compared to 12 for the same period last year. These may be summarised as:

<b>Periods 1 – 6</b>	<b>2015/16</b>	<b>2014/15</b>
Fraud	19	12
Theft	1	0
Other	0	0
Total new investigations	20	12

4.2 The sources of the referrals, together with comparative figures for the same period of 2014/15 were:



4.3 Twenty three cases were closed during the first half of 2015/16, of which 10 resulted in police/judicial action. There were 31 ongoing investigations at the end of Period 6, and in 13 of these there are suspects either on police bail (seven) 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 2014/15, are summarised as:

Periods 1 – 6	2015/16	2014/15
No Crime Established	12	4
Disciplinary Action	1	1
Police/Judicial Action	10	5
Total Closed Cases	23	10

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

- (a) **Train Company Oyster Card Refund Fraud**  
 Following a request from British Transport Police (BTP) for assistance in relation to Oyster card fraud being carried out by ticket office staff employed by South West Trains, 21 suspects received custodial sentences totalling 128 months, suspended sentences totalling 25

months and unpaid work in excess of 150 hours. One suspect received a conditional discharge and three were found not guilty.

(b) **Mandate Fraud**

In September 2013, the Financial Services Centre received a letter purporting to have been sent from ABB Limited informing TfL of a change of bank account details. The letter was allegedly signed by a Director of ABB Limited requesting that all future payments be made into a new bank account at a branch of the Nat West Bank in Hornchurch, Essex. Despite an agreed process for the independent verification of requests for changes of bank details, the procedure was not followed, the details were changed and a payment of £550K was paid into the new account. The fraud was discovered when ABB Limited contacted TfL asking when their payment was likely to be made. TfL subsequently recovered most of the payment. Action has been taken to reiterate the importance of following the agreed process.

(c) **Fraud by Misrepresentation**

The Commercial Manager, Track Delivery Unit, London Underground, was made aware of two invoices which contained details of a non-existent company, both of which had been processed by the same procurement agent. The Fraud Team collated the evidence relating to the payments, the companies and the individuals, and passed it to the BTP who made three arrests: Aaron Lane, the employee; his wife; and his sister. The wife was not charged. Mr Lane and his sister appeared at Blackfriars Crown Court. Mr Lane pleaded guilty to two charges of theft and, on the basis of these pleas, no evidence was offered against his sister. He was sentenced to nine months imprisonment suspended for 12 months, ordered to undertake 200 hours of unpaid work and to repay £18,000.

(d) **Suspicion Regarding Fraudulent Death in Service Claim**

The Fraud Team was asked by the Train Operations Manager (TOM), Earls Court to verify the death of a train driver who was purported to have died in Zimbabwe, while on annual leave. The TOM received information from a third party, Legal & General Assurance Society Ltd, claiming that the train driver was still alive. Legal & General decided not to pay out a death in service payment or a widow's pension on the grounds that the death certificate was a forged document and notified TfL. The train driver's next of kin would have been eligible for a death in service payment from the TfL Pension Fund which is automatically considered on notification of death. As such, both were arrested and subsequently Clever Busumani was sentenced to 16 months imprisonment and Cynthia Chirairo was sentenced to 12 months imprisonment. As Mr Busumani failed to attend his trial and is believed to be abroad, the BTP has informed UK Borders Agency that should he enter the UK he should be arrested.

(e) **Lost Property Office Theft**

The Fraud Team were contacted by the Property Section Manager with concerns that mobile phones handed in at the Lost Property Office were going missing from the secure cages that they were stored in. Additionally, while undertaking the initial investigation, it became apparent that cash had also gone missing. The Fraud Team carried out a joint investigation with the BTP. This led to the arrest of a third party security guard based at the Baker Street Complex on suspicion of theft. He was subsequently charged and sentenced to a 12 month community order, fined, and dismissed by the security company.

**List of appendices to this report:**

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

**List of Background Papers:**

None

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