

Date: 14 March 2017

Item: National Fraud Initiative Update

This paper will be considered in public

1 Summary

1.1 To provide the Audit and Assurance Committee an update on the conclusion of the National Fraud Initiative (NFI) exercise.

2 Recommendation

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

3 Background

3.1 The 2014/15 NFI work has now closed. As a result, this report will discuss the progress of the open matches since the March 2016 report to the Committee and summarise the result and impact of the 2014/15 NFI exercise. The initial results of the recently started 2016/17 exercise are included in Appendix 2.

3.2 The NFI is the Cabinet Office's electronic data matching exercise designed to detect fraud and erroneous payments.

3.3 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 resolution.

3.4 The Cabinet Office presented the overall results of the 2014/15 Exercise in their report, "*NFI National Report 2016*", on the 4 November 2016. The Report discussed how, nationally, the 2014/15 NFI exercise helped identify £222m¹ (2012 - £229m) in fraud and errors – taking the total fraud identified since NFI began in 1996 to almost £1.39bn¹.

3.5 NFI continues to have a substantial impact in both the public and private sectors with over 1,300¹ organisations taking part in the 2014/15 exercise.

3.6 By convention, each exercise is referred to by the year in which the data was first submitted. Hence the 2014/15 exercise is referred to as "2014".

¹ Source NFI National Report 2016 (extract included in Appendix II to this report)

4 2014/15 Results

4.1 The table below highlights the work with on High Priority recommended 2014 matches.

Area	2014 Total	2014 High Priority	2014 High Priority cleared	2014 High Priority cleared (%)	Status February 2017
Payroll	89	34	27	79%	Closed
Pensions	692	169	164	97%	Closed
Creditors	18,811	3,265	3,265	100%	Closed
Blue badge licence exemptions (for Congestion Charging)	2,677	2,329	2,329	100%	Closed
Insurance	598	198	198	100%	Closed
Taxi and Private Hire Vehicle Drivers	361	N/A	N/A	N/A	Closed
Amberhill Matches	119	53	37	70%	Closed
Total	23,347	6,048	6,020		

Results

4.2 Appendix 1 provides an update on the matches which saw the progress made following the prior report along with key achievements from prior reports. All other matches are now closed and so previous reports should be referred to for their outcome.

Key results from the 2014 NFI Exercise

Pensions

4.3 There were 169 high priority matches and 692 matches in total returned by the NFI exercise. Of the total matches of 692, 361 related to instances where the pensioner had died but the pension was still being paid; 28 related to instances where the pensioner had died but payment had not commenced; and the remaining 303 related to cases where the pensioner was also in employment. As well as reviewing the high priority matches the Pension Office also review the remaining matches in order to ensure they are fulfilling their duty to the Trustees.

4.4 A review showed that 347 of the 361 matches, selected to identify instances where a pensioner has died but the pension is still being paid, had already been identified by the Pensions Office through their monthly checking with the General Register Office. One match with an overpayment of £15,074, and a further seven matches with overpayments totalling £25,434 led to death certificates being requested. Additionally, solicitors / next of kin contacted the

Fund Office in respect of four matches where overpayments totalling £17,087 were made, and a further two matches confirming the person in receipt of the pension is alive.

- 4.5 Of the total overpayments of £57,595, in respect of ten from the 12 pensioners who had died, TfL has recovered a total of £43,547 with £10,895 deemed to be irrecoverable and, as a result, written off.
- 4.6 Overpayments of £3,153, which relate to the remaining two (deceased) pensioners, are being investigated with a view to recovering the balance.
- 4.7 All 28 matches (24 being high priority) selected to identify where the former employee has passed away but payment of any entitlement may not have commenced, have been closed. The review notes that the Office had already been notified of the death of 17.
- 4.8 303 matches were initially identified where a person drawing on a pension was also in employment – and therefore in possible breach of their pension terms and conditions. A review into these matches identified 286 matches which did not have an ill health marker and therefore there was no need to be reviewed as there is no potential breach of terms and conditions. 17 matches did have an ill health marker and therefore TfL Pensions needed to review these further. In nine cases the individuals are aged 60 or over; and, in seven cases the annual pay/pension amount is below the notifiable amount. In accordance with the Trustees guidelines it is not necessary to review these members. The one remaining case is currently being reviewed in line with the Trustees guidelines.

Taxi and Private Hire (TPH)

- 4.9 The review of the Taxi and Private Hire matches did not identify any issues following review from the TPH team. This report notes a reduced number of confirmed NFI matches in 2014/15 which can be attributed to the poor data quality of the data provided by the Cabinet Office.
- 4.10 Matches tested the right of taxi drivers to legally work in the UK.
- 4.11 The Licensing team checked the matches provided against existing evidence held on file which supported the individuals' right to work and remain in the UK. This review process covered 10 per cent of the sample and required a significant amount of work, yet did not directly yield any positive results.
- 4.12 As a result, an agreement was reached between the NFI coordinator, TfL Licensing Manager and TfL Fraud Manager to agree an appropriate percentage of testing and a revised methodology to achieve the right balance between the level of resources required and covering any risk of non-review.

Blue Badges

- 4.13 The review noted 2,677 blue badge holders who are advised as being deceased. Road User Charging Team (RUCT) completed all 2,677 blue badge cases in December 2016. The team identified 18 accounts where the accounts should remain open as there has been confirmation from the Issuing Authority that the customers are not deceased.
- 4.14 RUCT requested that a further seven cases, closed from a NFI perspective, remain open on the Congestion Charging Systems. Four of these seven cases were validated in 2014 where it was established that the customers were not deceased and were not to be re-investigated as this would lead to complaints. The remaining three cases have had their Blue Badge Discount terminated but the base account remains open on the Congestion Charging systems as there are other services on the account.

Insurance

- 4.15 Of the 198 High Priority cases TfL have reviewed 33 per cent (66) matches with no issues raised.
- 4.16 The remaining cases relate to insurance claims which are re-directed to the correct responsible authority. TfL Insurance are confident that, with reference to the historical findings and the nature of the high priority cases outstanding, review will not provide any issues of fraud or irregularity. Therefore, these cases are closed from a TfL Insurance point of view.

Payroll

- 4.17 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. Since the last report:
- (a) ten cases have been noted in the 'Payroll to Creditors' testing identified instances where an employee on payroll is also linked to a creditor within the TfL system. TfL employ stringent tests to new vendors to prevent cases where fraudulent activity might occur. Review of the matches has not highlighted any suggestion of improper acts by the employees. Examples include where an employee provides services supporting the supply of badges for London Transport Museum and a Tube driver who also operates as a freelance graphic designer to TfL; and
 - (b) 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.

Creditors Payments

- 4.18 Since the March 2016 Report, a further ten overpayments have been identified following review of matching invoice/amounts from the non-high

priority matches. This totalled £11,640 and has been recovered from the supplier – “Fusion People”.

- 4.19 Overall, the 2014/15 NFI exercise resulted in £71k (2012/13 - £160k) of duplicate creditor payments being identified and recovered – including £10k of internally-raised supplier credit notes to net against future supplier payments. A number of other duplicate payments were noted during the TfL Accounts Payable (AP) review, however these were already known and TfL AP had issued credit notes (internally) to recoup said overpayments.
- 4.20 No concerns were raised during the review of NFI VAT overpayments matches.
- 4.21 AP introduced additional controls from October 2015 to help mitigate the risk of duplicate payments using the “*First Strike*” software package. The software assesses payment runs prior to the cash transfer and identifies potential duplicate payments for review.
- 4.22 Following the inception, First Strike has prevented 259 of duplicate payments from being processed. The table below details the results to 5 February 2017.

Area	Volume	(£000)
Non-duplicate payment	388,285	6,197,924
Duplicates prevented	259	2,594
Duplicates paid	51	429
	388,595	6,200,947

The implementation of the First Strike software is expected to have a result on the volume of 2016 matches returned from the Cabinet Office.

Amberhill

- 4.23 The 2014 results were investigated by the various key contacts in each area, which involves working with other bodies to ascertain the required information. In addition to clearing the TfL matches, the key contacts also responded to information requests from other bodies to assist them with their matches.
- 4.24 Review of the 2014/15 payroll matches by Internal Audit Fraud Team (IAFT) identified one employee, Mr John Evanson, from the Amberhill payroll review. Mr Evanson was convicted of fraud and obtaining property by deception. As a result his employment with TfL was terminated and the Crown Court passed a six month suspended sentence. The Cabinet Office have noted the significance of this result and as such discussed the result in the “NFI National Report 2016”. A copy of this extract is included in Appendix 2 to this report.
- 4.25 Further, investigations surrounding taxi drivers by the IAFT identified three duplicate records whereby all three cases related to the same individual and two licenses which had already been cancelled by TPH (one due to a fraud conviction and one whose TPH license had expired).

- 4.26 One case has been noted since the March 2016 report, where an individual refused to provide valid documentation to IAFT. This has been transferred to the police as IAFT were unable to progress with the investigation. This report is unable to update the reader with the outcome as IAFT are not privy to the outcome of the police investigation.
- 4.27 This report sets out the progress made since the last report in clearing the high priority matches and detailed results included in Appendix I.

2016 NFI Exercise

- 5.1 The NFI coordinators have held workshops to support the 2016 NFI exercise. The workshops have answered various queries raised during the 2014/15 process, for example by extending specific matching queries to other, more relevant, departments. The workshops have also introduced those new to the process on the key requirements to the NFI process; including data submission, key dates and their obligations to Fair Process Compliance.
- 5.2 All the departments involved with the NFI 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.
- 5.3 Data was uploaded in support of the 2016 NFI exercise prior to the 11 October 2016 deadline. The data complies with the datasets provided by the Cabinet Office.
- 5.4 The Cabinet Office provided the matches for the 2016 exercise. The results are included in Appendix 3 to this report.
- 5.5 The 2016 Matching exercise has already started and progress will be discussed in future NFI reports.

List of appendices to this report:

Appendix I – 2014/15 NFI results
Appendix 2 – National Fraud Initiative 2016 extract
Appendix 3 – 2016 NFI data matches vs 2014 NFI data matches

List of Background Papers:

None

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Payroll Results

<i>Report</i>	<i>Progress</i>
Payroll to Payroll Between Organisations	<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 cases have been cleared. Of the two remaining matches - TfL have requested proof of birth date from the NFI for the first case. The other case is currently being reviewed with information from third parties pending.</p>
Payroll to In-Country Immigration	<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 March 2016 Report.</p> <p>Five of the seven matches are currently being reviewed by (TfL) Human Resources, with ongoing review with the remaining two matches.</p>
Payroll to UK Visas	<p>Seven high priority cases have been identified, where an employee of TfL potentially does not have the right to work or live in the UK.</p> <p>All cases have been reviewed and cleared without issue. The results from the review have been discussed in previous NFI Reports.</p>
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>No concerns have been raised following review of the matches.</p>

Pension Results

Report	Progress
Pensions to Deceased Persons	<p>The 361 matches – investigating whether a pension was being drawn against a deceased pensioner - were closed prior to the September 2015 report.</p> <p>Two remaining cases are ongoing following the receipt/request of death certificates - further overpayments to two pensioners of £3,153 have been identified prompting an ongoing investigation.</p>
Deferred Pensions to Deceased Persons	<p>Of the 28 matches noted in the NFI database, 24 of which were high priority,</p> <p>The cases have all been closed without issue following review by TfL and were discussed within previous NFI reports.</p>
Pensions to Payroll	<p>One high-priority case, carried over from the previous report is being reviewed in line with the Trustees guidelines. The remaining 302 cases have been closed following review by TfL and were discussed within previous NFI reports.</p>

Creditor Results

Report	Progress
<p>Duplicate creditors by creditor reference</p>	<p>The TfL matches have been reviewed and discussed in the October 2015 report.</p> <p>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.</p>
<p>Duplicate creditors by creditor name</p>	<p>The NFI has supplied details which note those 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 team has completed 33 per cent coverage of the matches provided by the NFI. This exceeds the 25 per cent target. The results from the review were discussed in previous NFI Reports.</p> <p>The remaining matches will be reviewed as part of the ongoing housekeeping of vendor details and is conducted by the (TfL FSC) Data Control team.</p>
<p>Duplicate creditors by address</p>	<p>This concerns the review of 212 matches, where an address is used by more than one creditor.</p> <p>To date TfL have reviewed 45 of the matches (21 per cent).The review has not highlighted any issues and 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>Duplicate creditors by bank account number</p>	<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 are examples 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>In total 92 per cent of the matches have been reviewed and discussed in previous NFI reports. The remaining 65 TfL and 88 Tubelines matches will be reviewed as part of the ongoing housekeeping of vendor details which is conducted by the (TfL FSC) Data Control team.</p>
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Report	Progress
<p>Duplicate Records by reference, amount and creditor reference</p>	<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>In total 984 matches including all 342 of the high priority matches were completed by March 2016.</p> <p>Review of the (non-high priority) matches following the March report notes duplicate payments of ten transactions (to Fusion People) at £11,640 – all of which have been refunded from the supplier in respect of this duplicate payment.</p>
<p>Duplicate Records amount and creditor reference</p>	<p>14,694 matches have been notified to TfL, of which the NFI have recommended TfL review 2,863 instances. This report notes that of the 2,863 high priority matches 100% have been successfully reviewed and closed.</p> <p>To date a total of 3,321 matches have been reviewed. The results identified duplicate payments which had already been identified and the issue resolved by way of supplier credit notes and instances where three were other valid reasons for the matches – for example some suppliers had multiple (separate) invoices for the same amount.</p>
<p>Duplicate Records identified via various other combination of</p>	<p>This review saw 220 cases from the 223 matches provided by the NFI, discussed and closed in prior NFI Reports. All 34 High Priority cases have been closed.</p>

factors	
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 mixed supply so did not attract a uniform 20 per cent VAT rate.</p>

Blue Badge

<i>Report</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 December 2015 NFI Report.</p>

Insurance

<i>Match type</i>	<i>Progress</i>
Insurance Claimants	The review has been completed and the results discussed in earlier reports. No issues were identified

Taxi and Private Hire

<i>Match type</i>	<i>Progress</i>
Taxi and Private Hire Vehicle	The review has been completed and the results discussed in earlier reports. No issues were identified.

Drivers to UK Visas	
Taxi and Private Hire Vehicle Drivers to In-Country Immigration	The review has been completed and the results discussed in earlier reports No issues were identified.

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>The remaining matches have not been pursued as they are not high priority matches.</p>
Payroll to Amberhill Data, Medium Priority, Between Bodies for Authority	<p>Nine matches (three being high priority) have been noted.</p> <p>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> <p>The remaining seven matches have been pursued as far as possible.</p>
Deferred Pensions to Amberhill Data	All four TfL cases have been reviewed and no issues have been noted.
Payroll to Amberhill Data,	<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</p>

High Priority, Between Bodies for Authority	discussed in the December 2015 NFI Report. 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. Fraud is therefore suspected and the matter has been reported to the Police. No further action can be taken.
Blue Badges to Amberhill Data	All investigations into the nine high priority matches are still ongoing.

Amberhil

<i>Match type</i>	<i>Progress</i>
Taxi Drivers to Amberhill Data, High Priority, Between Bodies for Authority	<p>TfL were provided with 24 cases 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 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>One case where the driver has (to date) ignored requests to supply TfL with any documentation is not being pursued. It should be noted that TfL cannot insist as they have no legal power over the individual to enforce compliance with requests.</p> <p>The remaining six cases were pursued as far as possible however these are unlikely to be resolved and therefore are not being pursued.</p>

Extract from the NFI 2016 report

Case study 8: Amberhill false identity

A payroll to the Met Police Amberhill false identity data match identified a 47 year old employee of Transport for London who had gained employment in 2007 after producing a genuine UK passport which had previously been fraudulently obtained using a fraudulent birth certificate.

The match led to investigations in which the Amberhill team confirmed the employee's identity as genuine but the passport as being a fraudulently obtained genuine document. The employee had no right still to be in the UK, having overstayed his student visa, or to work in the UK.

The employee pleaded guilty in court to the two fraud offences he was charged with (obtaining the passport by deception and fraud by false representation) and was sentenced to six months imprisonment suspended for two years and was also ordered to pay a court charge of £180 and a victim surcharge of £80. Transport for London dismissed the employee and are now looking to recover monies paid into the pension fund. His status in the UK is being reviewed by the authorities.

Source: National Fraud Initiative 2016 section 111

www.gov.uk/government/uploads/system/uploads/attachment_data/file/565216/nfi_national_report_2016.pdf

2016 NFI Match**Appendix 3**

Area	2014 Total	2016 High Priority
Payroll	120	23
Pensions	627	283
Creditors	19,299	3,829
Blue badge licence exemptions (for Congestion Charging)	3,360	3,098
Insurance	71	-
Taxi and Private Hire Vehicle Drivers	545	-
Amberhill Matches	263	211
Total	24,285	7,444