

Date: 13 July 2017

Item: Half Yearly Fraud Report 2016/17

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 for the second half of 2016/17 (Periods 7 to 13).
- 1.2 Details of new and ongoing fraud cases investigated during the half year are set out in the paper 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 Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraphs 5 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to ongoing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 report.**

3 Anti Fraud and Corruption Activity

- 3.1 Work carried out during the half-year that contributes towards delivery of the TfL Anti Fraud and Corruption Strategy included the following:
 - (a) A total of 22 fraud awareness sessions were delivered to TfL and Crossrail members of staff in the second half of the year, with 250 attendees, including the following:
 - (i) five sessions were delivered to teams within Commercial Development;
 - (ii) a session was held for the HR non-permanent labour (NPL) team, which included information on staff vetting and ID document checking;
 - (iii) two sessions were held for newly appointed contractors within the Station Works Improvement Programme (SWIP); and

- (iv) five sessions were provided to Crossrail Tier 2 contractors.
- (b) We have continued to promote the work of the Fraud Team, including highlighting successful prosecutions following fraud investigations through the use of 'Source' and weekly newsletters. Information published has also included alerts and information on current scams. At Christmas we published the 'Twelve Frauds of Christmas'. In February 2017 the Fraud Team appeared in UpFront magazine in a 'Meet the Fraud Team article'. The work of the Fraud Team has also been promoted externally during this period including attendance at the Fraud Advisory Panel's Fraud Prevention and Detection Interest Group.
- (c) Work has continued on promoting the online Fraud Awareness Course on Ezone. This has resulted in take up increasing, with nearly 1200 staff now having completed the course. A number of business areas have mandated completion of the course for their staff, particularly Station Works and Improvements Programme (SWIP), where 98 per cent of staff have completed the course; General Counsel (86 per cent completed); and Commercial Development (60 per cent completed). Most recently Finance (including Commercial) and HR have mandated all staff to complete the course by 31 August 2017. We will encourage further areas of the business to take up of the course.
- (d) The Fraud Team carried out a proactive exercise with managers from Commercial Development to assist them in identifying their fraud risks and ensuring effective, efficient and economic controls are in place to mitigate against the risks.
- (e) We have continued to assist HS2 and the Department for Transport fraud teams with their fraud risk work, at the request of the Cabinet Office. This has included ongoing support and advice regarding their respective fraud risks, attendance by representatives of HS2 at the Crossrail Fraud Risk Assurance Group (FRAG), and working with the DfT data analysts.
- (f) A fraud risk workshop was also held at Crossrail, aimed at Finance Directors and audit staff from Tier 1 and 2 contractors involved in the project. The workshop included external speakers focusing on fraud risks arising as the project approaches its conclusion.

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 Action Fraud, the National Fraud Intelligence Bureau and the Metropolitan Police initiative, FALCON (Fraud and Linked Crime Online).

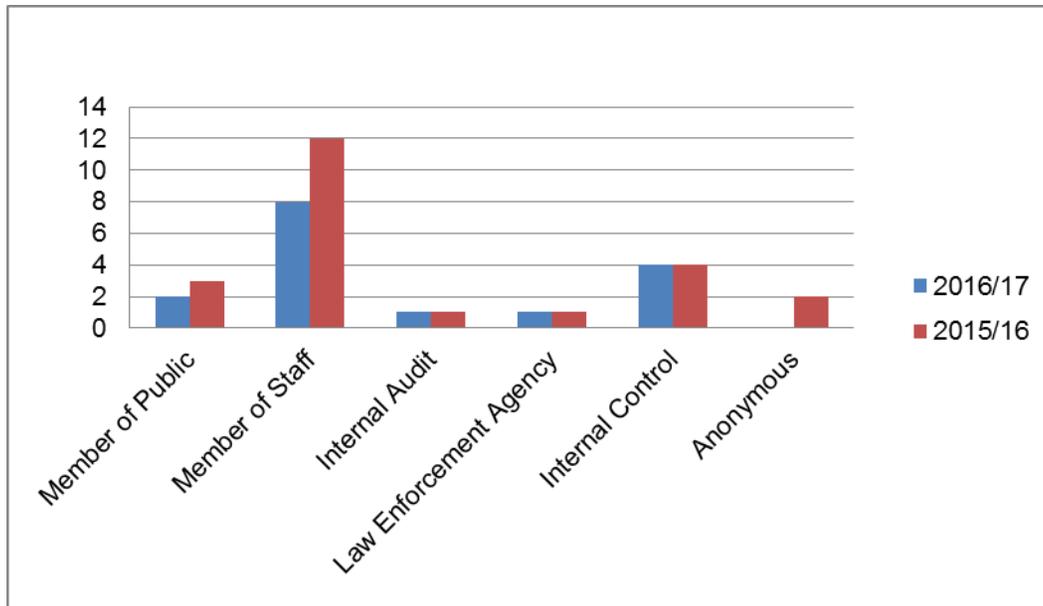
4 Fraud Investigation

4.1 Sixteen referrals were reported to the Fraud Team for investigation during the second half of 2016/17, these may be summarised as follows:

Periods 7 – 13	2016/17	2015/16
Fraud	14	23
Theft	2	0
Other	0	0
Total new investigations	16	23

4.2 The main source for reporting of cases continues to be TfL staff, indicating that our online fraud awareness programme is encouraging employees to report their concerns. The sources of the referrals, together with comparative figures for the same period of 2015/16, were as follows:

Sources of New Investigations – Year on Year Comparison



4.3 Fourteen cases were closed during the half year, five of which resulted in police/judicial action. There were 22 ongoing investigations at the end of the year, and in seven of these there are suspects either on police bail (two), awaiting trial at court (four) or awaiting sentencing (one). A further three cases are awaiting a charging decision. The Fraud Team continue to work closely with law enforcement agencies, ensuring high quality case work is presented to the courts.

4.4 The outcomes of the closed cases, compared to the same period of 2015/16, are summarised as follows

Periods 7 – 13	2016/17	2015/16
No Crime Established	8	11
Disciplinary Action	1	3
Police/Judicial Action	5	13
Total Closed Cases	14	27

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

(a) **Infringement of Intellectual Property Rights**

Following a request from the TfL Intellectual Property Manager, the Fraud Team engaged in proactive checks of traders in the Camden area and Oxford Street, making multiple test purchases and serving a total of 33 “Cease & Desist” notices which resulted in a positive reaction from traders and a marked reduction of counterfeit goods being offered for sale by London retailers.

(b) **Oyster Customer Service Centre Online Refund Fraud**

Following the discovery of fraudulent Oyster card transactions being carried out by a full time Oyster Helpdesk Customer Service Assistant, the suspect was arrested, subsequently admitted fraud with a value of £20,000, and was sentenced to 12 months imprisonment. The individual was also dismissed from service with TfL. Three members of the public were also charged with fraud and each received a fine of £1,000 and a 15 month Community Order.

(c) **Fraud by False Representation**

In July 2016 a customer was stopped after entering the gateline at Camden Road Station by a London Overground Revenue Protection Inspector (RPI) and was found to be in possession of a Metropolitan Police Service (MPS) Oyster card. The customer admitted that the card belonged to his girlfriend, a serving police officer, and was used without her knowledge. The customer agreed to a Formal Warning and made a payment of £350 to cover costs and avoided fares.

(d) **Staff member obtaining unauthorised Pre-Pay adjustment**

A Customer Service Manager in London Underground (LU) was found to have made Pre-Pay adjustments on his own personal Oyster card on at least 10 occasions, to cover his journey on Southeastern Railways to and from Abbey Wood station. The British Transport Police (BTP) didn't have resources available to investigate this case. However, following an investigation by the Fraud Team, a Company Disciplinary Interview (CDI) was arranged. Prior to the CDI taking place the employee submitted a letter of resignation. The letter of resignation was accepted and his contract of employment was terminated.

(e) **Suspected abuse of staff Oyster card**

An LU employee attempted to sell her TfL staff Oyster card for £5,000 on 'Facebook Market Place'. The employee was also issued with a TfL iPad Mini which she failed to return upon her dismissal. The employee was arrested and interviewed by BTP and subsequently charged with Fraud & Theft. On 10 March 2017, at Blackfriars Crown Court, she pleaded guilty to Fraud by False Representation. She received a Community order to undertake 80 hours community work, a fine of £1,000 to be paid within six months or receive 21 days imprisonment, and she was also ordered to pay £85 Victim Surcharge.

List of appendices to this report:

Supplementary information is included in Part 2 of the agenda

List of Background Papers:

None

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