

Date: 18 June 2014

Item 20: National Fraud Initiative 2012/13 Update

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**This paper will be considered in public**

## **1 Summary**

- 1.1 To provide the 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 as an appendix.

## **2 Recommendation**

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

## **3 Background**

- 3.1 The 2012/13 NFI exercise has returned just over 27,000 matches which is in line with the 2010/11 exercise. Previous reports to this Committee have detailed the work that has been carried out in reviewing and clearing the above matches with significant progress noted in all areas. So far through this NFI exercise, £160k has been identified in duplicate creditor payments, pension overpayments of £18k have been discovered and 23 taxi drivers have had their licences revoked. The only area where initial work to review matches is still in progress is the Blue Badge Congestion Charge matches. Due to the volume of matches a staggered risk based approach is being adopted to clear them. All other reports have been reviewed.

## **4 Progress Reporting**

- 4.1 This report sets out the progress made since the last report in clearing the high priority matches and detailed results are included in Appendix 1 of the paper.

### **Blue Badge Congestion Charge Exemption**

- 4.2 As at 22 January 2014 there were 2,668 accounts where the exemption account is live and there is a nominated vehicle on the account. There were 115 accounts that were deemed high priority as discount or vehicle were nominated after date of death and these were therefore reviewed first. This identified 75 accounts that have been closed as work confirmed the discount holder was deceased and 37 accounts have been passed to the Internal Audit Fraud Team to review further and advise if the account should be closed. Three accounts have remained open

as further work has confirmed that the discount holder and the deceased are not the same individual.

- 4.3 2,553 accounts have been or are in the process of being written to, in order to highlight that the account will be closed if proof of entitlement cannot be produced. To date, 487 accounts have been sent final closure letters with the underlying accounts being closed as there was no response to the final letters. A further 516 accounts have had the final closure letters sent and closure of the accounts will follow once the deadline for responding has expired. The remainder, 1,550 initial contact letters, will be sent out in the next three months followed by the final closure letters as necessary.

#### **Pensions**

- 4.4 Recovery of pension overpayments has continued with £10k of the total overpayment of £18k having been recovered to date. A further £4k has been written off as all steps to recover the monies have been exhausted and recovery of the remaining £4k is in progress. Since the last report one additional next of kin has been traced for beneficiaries of deferred pensions and two deferred pensions have been written to the unclaimed benefits account as all steps to trace next of kin have been exhausted. Work is continuing to trace the next of kin in the other three cases.

#### **Creditors**

- 4.5 Recovery of TfL duplicate payments has continued and since the last report an additional £12k has been recovered. This brings total recovery to £148k out of total duplicate payments of £160k. Recovery of the remaining £12k is ongoing. The Financial Services Centre (FSC) is currently procuring some specialist software which will enhance the controls further in this area and reduce the incidence of duplicate payments going forwards.

#### **Payroll**

- 4.6 There is one payroll to the UK Border Agency 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.

#### **List of appendices to this report:**

Further detailed information is included in the 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**

<b>Report</b>	<b>Progress</b>
<b>Payroll to Payroll Between Organisations REVIEW COMPLETED</b>	The one remaining match for TfL has been cleared as detailed in the main body of the report.
<b>Payroll to In-Country Immigration</b>	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.  All other cases reviewed and cleared as reported previously.
<b>Payroll to UK Visas REVIEW COMPLETED</b>	All three cases have been cleared as reported previously.
<b>Payroll to Creditors REVIEW COMPLETED</b>	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 Limited company basis and therefore being paid through the creditor system.  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.

**NFI 2012/13  
Pension Results**

<b><i>Match type</i></b>	<b><i>Progress</i></b>
<b>Pensions to Deceased Persons</b>	Out of 516 matches, nine overpayments totalling £18,173 identified. Recovery of these amounts is detailed in the main report.
<b>Deferred Pensions to Deceased Persons</b>	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 and two deferred pensions have been written back to the unclaimed benefits account as all steps to trace next of kin have been exhausted. In total 25 next of kin have now been traced.
<b>Payroll Pensions to Payroll REVIEW COMPLETED</b>	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 remainder 240 matches were already known to the fund office so no further action was required.

**NFI 2012/13 Creditors Results continued**

<b>Match type</b>	<b>Progress</b>
<b>Duplicate creditors by creditor reference REVIEW COMPLETED</b>	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 say 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.
<b>Duplicate creditors by creditor name</b>	<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>
<b>Duplicate creditors by address</b>	<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>
<b>Duplicate creditors by bank account</b>	<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**

<b><i>Match type</i></b>	<b><i>Progress</i></b>
<b>Duplicate Records by reference, amount and creditor reference</b>	<p>The TfL review of duplicate payments has been completed as detailed in the last report. This identified £50,982 of duplicate payments, and £38,582 of this has been recovered to date while recovery of the remainder is in progress.</p> <p>Crossrail has reviewed 50 potential duplicate payments. All have been cleared as reported previously.</p>
<b>Duplicate Records amount and creditor reference REVIEW COMPLETED</b>	<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 has sample checked 35 high value matches, and no duplicate payments have been identified as the matches were periodic payments to the same supplier.</p>
<b>Duplicate Records identified via various other combination of factors</b>	<p>The TfL review of duplicate payments has been completed as detailed in the last report. This identified £109,213 of duplicate payments and £109,543 of this has been recovered to date, whilst recovery of the remainder is in progress.</p> <p>Crossrail and Tubelines have sample checked their matches and no duplicate payments have been identified as reported previously.</p>
<b>VAT overpaid REVIEW COMPLETED</b>	<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**

<b><i>Match type</i></b>	<b><i>Progress</i></b>
<b>Blue Badge Parking Permit to DWP deceased</b>	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 the main part of the report.
<b>Insurance Claimants REVIEW COMPLETED</b>	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.
<b>Taxi and Private Hire Vehicle Drivers to UK Visas REVIEW COMPLETED</b>	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.
<b>Taxi and Private Hire Vehicle Drivers to In- Country Immigration REVIEW COMPLETED</b>	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.