

**Date: 9 March 2015**

**Item: National Fraud Initiative 2014 Update**

---

## **This paper will be considered in public**

### **1 Summary**

1.1 To brief the Committee on the National Fraud Initiative (NFI) exercise for 2014.

### **2 Recommendation**

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

### **3 Background**

3.1 The NFI is the Audit Commission's data matching exercise designed to detect fraud and erroneous payments.

3.2 The NFI began in 1996 to match payroll data in different public sector organisations to identify instances of individuals being paid twice. Over the years, the scope of the exercise has expanded considerably and now includes checks to visa records at the Home Office and financial data reviews looking for duplicate payments, erroneous VAT numbers and other potential indicators of fraud. Where matches are found, the public body incurring the greater potential loss through the fraud is tasked with the investigation, but the other body is required to assist where necessary. The NFI data matching exercise is now performed every two years and this allows sufficient time to clear the matches that are generated from each round.

3.3 The last NFI exercise in 2012 resulted in £160k of duplicate creditor payments being identified and 23 taxi drivers having their licences revoked due to them not being able to provide evidence of their right to work in the UK. In addition, 2,649 Congestion Charge accounts were closed as the account holder was deceased, thereby preventing the accounts being incorrectly classified as exempt from paying the charge.

3.4 The 2014 exercise started in October 2014 with the submission of the required data via the Audit Commission's secure online facility. It included submission by Crossrail and Tube Lines of their payroll and creditors data – those results are therefore also included in this report.

## 4 Data Submission

- 4.1 Data was required to be submitted by the Audit Commission deadline of 9 October 2014. TfL submitted all required data by this deadline with the exception of the creditor data sets for Tube Lines and TfL. Submission of these data sets was delayed until December 2014 with prior permission from the Audit Commission in order to ensure the accuracy of the data prior to submission. This will ensure the returned matches are more meaningful and efforts are only directed on clearing relevant matches. The delayed submission of these data sets was agreed in advance with the Audit Commission and the matches are expected to be released in late March 2015.
- 4.2 Where personal data was included in the submission, and in order to be compliant with the Data Protection Act, notices were sent to individuals to inform them that their personal data was being submitted as part of the NFI exercise.

## 5 Results

- 5.1 The results of the 2014 data matching exercise were released on 30 January 2015. The results highlighted 5,336 matches for the partial datasets, of which 11 were for Tube Lines, 880 were for Crossrail and 4,445 were for TfL. Detailed results are given in Appendix 1 but in summary they were broken down as follows:

| Area  | 2014 Total   | 2012 Total    | 2014 High Priority | 2012 High Priority |
|---|--------------|---------------|--------------------|--------------------|
| Payroll   | 70           | 103           | 22                 | 21                 |
| Pensions  | 678          | 1,005         | 165                | 199                |
| Creditors (see 5.2)                                     | 877          | 21,872        | 303                | 3,766              |
| Blue badge licence exemptions (for Congestion Charging) | 2,677        | 3,686         | N/A                | N/A                |
| Insurance   | 564          | 460           | 191                | 98                 |
| Taxi and Private Hire Vehicle Drivers                   | 351          | 242           | N/A                | N/A                |
| Amberhill Matches (see para 5.5)                        | 119          | N/A           | 53                 | N/A                |
| <b>Total</b>  | <b>5,336</b> | <b>27,368</b> | <b>734</b>         | <b>4,084</b>       |

- 5.2 A comparison of the numbers to the 2012 exercise shows the creditor matches to be much lower due to the 2014 results only including the Crossrail matches (see details of partial submission in 4.1).
- 5.3 Payroll and Pensions have both fallen compared to 2012 whilst Taxi Licences and Insurance have increased. Further work will be carried out on the matches to see if the eventual outcomes are significantly different to last time, see 3.3, as variations in the initial matches are often down to the quality of data submitted. It is important to remember however that these initial matches are not yet confirmed instances of fraud. It will require further work by the key contacts to confirm if there is an actual incidence of fraud or if there is an innocent explanation for the matches.

- 5.4 The Audit Commission applies filter criteria to identify matches of “high priority”, these are matches where based on the criteria applied there is likely to be a sufficient cost-benefit trade off if reviewed and concluded. Details of the filters applied to each of the match areas are shown in Appendix 1. As good practice and to demonstrate a high level of governance, TfL would be expected to investigate and clear all high priority matches. The remaining matches are reviewed on a sample basis to indicate if there is an underlying issue of fraud or error that will require further work. All initial review work is expected to be completed by the end of the 2015 calendar year.
- 5.5 As part of the main release of matches and in a new development this year, the Audit Commission has released the Amberhill Matches – a list of matches generated by matching TfL’s data sets (Payroll, Pensions, Taxi Licences, Blue Badge discounts) against the Metropolitan Police Units Amberhill data. The Amberhill data is a record of false identity data gathered in operations by the Metropolitan Police against false ID factories. As the matches have been included in the NFI exercise for the first time there is no 2012 comparator in the table above.
- 5.6 The 119 Amberhill matches above are therefore different to the other matches because as well as being an indication of potential fraud being committed against TfL, fraud by misrepresentation, the match could also be an indication that the person flagged in the report has been the victim of ID fraud. These matches therefore require special consideration and sensitivity when following up to avoid embarrassment to the individual whose identity is at the centre of the investigation. Because of this, Internal Audit will take the lead in following up these matches, since they have the specialist investigative skills.

## **6 Next Steps**

- 6.1 The 2014 results will now be investigated by the various key contacts in each area, which may involve working with other bodies to ascertain the required information. Progress of their investigations into the matches will be reported at future Audit and Assurance Committee meetings. In addition to clearing the TfL matches, the key contacts will also be responding to information requests from other bodies in order to help with their matches.

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

A paper containing further detailed information is included in Appendix 1

### **List of Background Papers:**

None

Contact Officer: Andrew Pollins, Interim Chief Finance Officer  
Number: 020 3054 8941  
Email: [AndrewPollins@tfl.gov.uk](mailto:AndrewPollins@tfl.gov.uk)

NFI 2014  
Payroll Results

Appendix 1

| <b>Report</b>                                   | <b>Total</b> | <b>High Priority</b> | <b>Purpose of Report</b>   | <b>High priority filter</b>   |
|---|--------------|----------------------|--|---|
| <b>Payroll to Payroll Between Organisations</b> | 56           | 9                    | <p>To identify individuals who may be committing employment fraud by failing to work their contracted hours because they are employed elsewhere, or are taking long-term sickness absence from one employer and working for another employer at the same time.</p> <p>The criteria for a match are a person having one full-time post plus at least one other post elsewhere, or more than two part-time posts with different employers.</p>           | Income over the period April-Sept 2014 exceeds £10,000 from either employment   |
| <b>Payroll to In-Country Immigration</b>        | 7            | 7                    | To identify employees who appear to no longer be entitled to reside in the UK having been refused asylum or are not entitled to work.  | Income over the period April-Sept 2014 exceeds £1,000. No filter applied on the UKBA side.  |
| <b>Payroll to UK Visas</b>                      | 7            | 6                    | To identify employees who appear to have no right to remain in the UK because their visa has expired/due to expire; or no right to work because of their visa conditions or their right to work is limited (e.g. they are in the UK to study).   | Income over the period April-Sept 2014 exceeds £1,000. No filter applied on the UKBA side.  |
| <b>Payroll to Creditors</b>                     | 0            | 0                    | <p>The match identifies instances where an employee and creditor are linked by the same bank account or the same address to identify employees with interests in companies with which the organisation is trading.</p> <p>This may indicate potential undeclared interests and possible procurement corruption or where a member of staff has set up a creditor with their own bank details in order to receive payments they are not entitled to.</p> | Income over the period April-Sept 2014 exceeds £1,000 <u>and</u> cumulative amount paid through creditors exceeds £1,000 as well. |
| <b>Total</b>                                    | <b>70</b>    | <b>22</b>            |  |   |

**NFI 2014  
Pension Results**

| <b><i>Match type</i></b>                     | <b>Total</b> | <b>High Priority</b> | <b><i>Purpose of Report</i></b>  | <b><i>High priority filter</i></b>   |
|--|--------------|----------------------|--|--|
| <b>Pensions to Deceased Persons</b>          | 361          | 81                   | The purpose of the match is to identify instances where an occupational pensioner has died but the pension is still being paid.  | Any matches where date of death is after the date of data submission, 9 October 2014.                                      |
| <b>Deferred Pensions to Deceased Persons</b> | 28           | 4                    | The purpose of the match is to identify instances where the former employee has passed away but payment of any widow/dependent entitlement may not have commenced.   | Any matches where date of death is after the date of data submission 9 October 2014.                                       |
| <b>Payroll Pensions to Payroll</b>           | 289          | 80                   | To identify pensioners who may have gone back into employment that could result in an abatement of their pension. Generally abatements apply in instances where the pay from the new employment plus the pension exceeds the level of pay at the time of retirement. | Pension over the period April-Sept 2014 exceeds £3,000 <u>and</u> income paid over the same period exceeds £3,000 as well. |
| <b>Total</b>                                 | <b>678</b>   | <b>165</b>           |  |  |

**NFI 2014  
Creditors Results**

| <b><i>Match type</i></b>                         | <b><i>Total</i></b> | <b><i>High Priority</i></b> | <b><i>Purpose of Report</i></b>   | <b><i>High priority filter</i></b> |
|--|---------------------|-----------------------------|---|------------------------------------|
| <b>Duplicate creditors by creditor reference</b> | 0                   | Not Applied                 | To identify instances where the same supplier has been set up more than one once on the system, thus increasing the potential for creditors to obscure fraudulent activity.   | No filter applied                  |
| <b>Duplicate creditors by creditor name</b>      | 7                   | Not Applied                 | To identify instances where the same supplier has been set up with more than one reference number on the system, thus increasing the potential for creditors to obscure fraudulent activity.  | No filter applied                  |
| <b>Duplicate creditors by address</b>            | 12                  | Not Applied                 | To identify multiple creditors operating at the same address. These may represent simple errors, where the same creditor may have been set up twice using a slightly different spelling e.g. LIMITED and LTD, or an attempt to obscure fraudulent activity.   | No filter applied                  |
| <b>Duplicate creditors by bank account</b>       | 2                   | Not Applied                 | This output shows where the same bank account details appear on more than one record. Of particular interest is 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. | No filter applied                  |

| <b>Match type</b>  | <b>Total</b> | <b>High Priority</b> | <b>Purpose of Report</b>   | <b>High priority filter</b>          |
|--|--------------|----------------------|--|--------------------------------------|
| <b>Duplicate Records by reference, amount and creditor reference</b>         | 102          | 53                   | This match highlights possible duplicate payments in excess of £500 that may have arisen as a result of poor controls or fraudulent activity by suppliers or staff.  | Invoice amount exceeds £10,000       |
| <b>Duplicate Records amount and creditor reference</b>                       | 733          | 243                  | This match highlights possible duplicate payments in excess of £1,000 that may have arisen as a result of poor controls, or fraudulent activity by suppliers or staff. There are likely to be more matches than the report mentioned above, as this report does not require the invoice reference field to match.                                      | Invoice amount exceeds £10,000       |
| <b>Duplicate Records identified via various other combination of factors</b> | 19           | 5                    | These matches highlight possible duplicate payments in excess of £500 that may have arisen as a result of poor controls, or fraudulent activity by suppliers or staff.   | Invoice amount exceeds £10,000       |
| <b>VAT overpaid</b>  | 2            | 2                    | This test identifies instances where VAT may have been overpaid. This is based on the information provided within the NFI invoice history data submission, and the output includes the level and scale of overpaid VAT. The VAT amount is compared to a calculated maximum VAT of 20%, the maximum VAT rate in the payment period covered by NFI 2014. | Amount of overpaid VAT exceeds £100. |
| <b>Total</b>   | <b>877</b>   | <b>303</b>           |  |                                      |

**NFI 2014  
Other Results**

| <b>Match type</b>  | <b>Total</b> | <b>High Priority</b> | <b>Purpose of Report</b>  | <b>High priority filter</b>   |
|--|--------------|----------------------|---|---|
| <b>Blue Badge Parking Permit to DWP deceased</b>                       | 2,677        | N/A                  | Individuals who hold a permit to be exempted from paying the Congestion Charge have been matched to deceased records. This will identify cases where a permit holder has died, but TfL may not have been notified.  | No filter applied.  |
| <b>Insurance Claimants</b>   | 564          | 191                  | This match involves matching insurance claimant details held by local authorities to identify serial claimants, either between or within local authorities.   | High priority defined as any claim that is currently in progress by TfL |
| <b>Taxi and Private Hire Vehicle Drivers to UK Visas</b>               | 118          | N/A                  | To identify instances where the person may not be entitled to a licence, as they appear to have no right to remain in the UK because their visa has expired/due to expire; or no right to work because of their visa conditions or their right to work is limited (e.g. they are in the UK to study). | No filter applied   |
| <b>Taxi and Private Hire Vehicle Drivers to In-Country Immigration</b> | 233          | N/A                  | To identify instances where the person may not be entitled to a licence, as they appear to no longer be entitled to reside in the UK having been refused asylum or are not entitled to work.  | No filter applied   |

| <b>Match type</b>        | <b>Total</b> | <b>High Priority</b> | <b>Purpose of Report</b>  | <b>High priority filter</b>  |
|--------------------------|--------------|----------------------|---|--|
| <b>Amberhill Matches</b> | 119          | 53                   | This is a list of matches generated by matching TfL's data (payroll, pensions, Blue Badge exemption, and taxi Licences) against the Metropolitan Police Fraudulent Identity (Amberhill) Data to help identify either potential fraud being perpetrated against TfL through the use of these false identities including fraud by false representation, or instances where a subject on the TfL database has been the victim of ID fraud. | The Amberhill data matches recommended filter matches indicate that the matched fraudulent identity document contains a photo. |
| <b>Total</b>             | <b>3,711</b> | <b>244</b>           |   |  |