

Date: 16 June 2015

Item: National Fraud Initiative 2014

This paper will be considered in public

1 Summary

- 1.1 To brief the Audit and Assurance 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 a data matching exercise designed to detect fraud and erroneous payments. It was previously run by the Audit Commission but since its closure in April 2015 is now run by the Cabinet Office.
- 3.2 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.
- 3.3 Nationally, the 2012 NFI exercise helped identify £209m in fraud and error which takes the total fraud identified since NFI began in 1996 to almost £1.2bn.

4 Results

- 4.1 The previous report to the Committee highlighted the results that were released in February. Since then the creditor matches for TfL and Tube Lines have been released and there have been a small number of additional matches in the other areas as a result of TfL data being matched against late data submitted by other NFI participants.

- 4.2 The results shown in the February 2015 report have been updated in the table below for the additional releases. The high priority matches are those that meet the criteria set out by the Audit Commission and which were detailed in the last report.

Area	2014 Total	2012 Total	2014 High Priority	2012 High Priority
Payroll	89	103	34	21
Pensions	689	1,005	167	199
Creditors	18,811	21,872	3,265	3,766
Blue badge licence exemptions (for Congestion Charging)	2,677	3,686	N/A	N/A
Insurance	598	460	198	98
Taxi and Private Hire Vehicle Drivers	361	242	N/A	N/A
Amberhill Matches	119	N/A	53	N/A
Total	23,344	27,368	3,717	4,084

5 PROGRESS REPORTING

- 5.1 This report sets out the progress made in clearing the high priority matches and detailed results are included in Appendix 1.

Taxi and Private Hire

- 5.2 A review into the Taxi and Private Hire matches has been completed and this has not identified any issues. The Licensing team sample checked 10 per cent of the matches and all matches had evidence on file of the individuals' right to work and remain in the UK and therefore no further action needed to be taken. Based on the results of the sample checking the Licensing team will not be reviewing the remaining matches as the likelihood of finding a positive match is outweighed by the work involved in reviewing the matches.
- 5.3 This methodology of reviewing the matches differs from prior years when all matches were reviewed by the Licensing team, however this required significant amounts of work and did not directly yield any positive results. The licenses that were revoked in the prior years were done so as the individuals concerned did not provide the necessary information by the deadline and other than the NFI match there was no other indication of any wrong doing on file. As a result of the above, the NFI coordinator, TfL Licensing Manager and TfL Fraud Manager met in March and agreed the revised methodology that achieves the right balance between the level of resources required and covering any risk of non review.
- 5.4 The lack of confirmed matches on the taxi drivers is as a result of the poor quality data submitted by the Home Office. This has been noted previously

and continues to be an issue which the NFI team in the Cabinet Office have been informed of again this year.

Pensions

- 5.5 Review of the pension matches is substantially complete and overpayments of just under £58,000 have been identified. This is an increase on the previous round when £18,000 of overpayments were identified in total. However in terms of number of matches the overpayments translate into, the two years are similar and therefore this does not indicate any deterioration of controls.

Payroll

- 5.6 There were 10 high priority matches where individuals on the TfL payroll were matched to the payroll of another NFI participant. Seven of these matches have been cleared as detailed in the appendix and a review into the remaining three high priority matches is ongoing.

Blue Badge

- 5.6 The Congestion Charging team have carried out an analysis of all matches and have grouped the matches into eight risk groups. These will be reviewed in order of priority over the coming months with the initial efforts concentrated on the highest risk groups in terms of potential abuse of the account. Details of the risk assessment are included in the appendix.

Creditors

- 5.6 As noted in the last report the bulk of the creditor matches were not released in the initial wave of results in February 2015 but have been released subsequently during May. Work will now get underway in the coming weeks into reviewing these matches, and details of the matches that have been released are included in the appendix to this report.

List of appendices to this report:

Appendix 1 – 2014 NFI results

List of Background Papers:

None

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Report	Progress
Payroll to Payroll Between Organisations	<p>10 high priority matches were returned by NFI 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 if sick leave or other type of leave if being used as a guise to work elsewhere.</p> <p>Five of the matches have been reviewed and no issues have been noted, the individuals concerned had allowable employment outside of TfL as councillor (x2), special constable (x2) or retained fire fighter.</p> <p>In another two cases the individuals concerned changed employment between 2012 and 2014 and although their date of last payment at TfL and start of their new employment were within the same month, a review of records has shown there was no overlap of employment periods. Therefore there are no issues identified.</p> <p>The remaining three matches are currently being reviewed.</p>
Payroll to In-Country Immigration	<p>Seven high priority matches were identified where an employee of TfL potentially does not have the right to work or live in the UK. These matches are currently being reviewed and an update will be provided at the next meeting.</p>
Payroll to UK Visas	<p>Seven high priority matches were identified where an employee of TfL potentially does not have the right to work or live in the UK. These matches are currently being reviewed and an update will be provided at the next meeting.</p>
Payroll to Creditors	<p>10 high priority matches identified where an employee and creditor are linked by the same bank account or the same address to identify potential undeclared interests 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. Work on these matches is underway and progress will be reported in the next report.</p>

**NFI 2014
Pension Results**

<i>Match type</i>	<i>Progress</i>
Pensions to Deceased Persons	<p>There were 81 high priority matches and 361 matches in total returned by the NFI exercise. 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.</p> <p>A review of the 361 matches showed that 347 were already dealt with by the office as they were informed through their monthly checking with the General Register Office. This left 14 matches that the Pension Office needed to review. The status of the these 14 matches is as follows:</p> <ul style="list-style-type: none"> • Review completed into one match and an overpayment of £15,074 has been recovered in full. • Solicitors / next of kin have contacted the Fund Office in four matches and overpayments totalling £17,087 were made in respect of these members. Investigations are ongoing to recover the overpayments. • For seven matches death certificates have been requested and/or received. Overpayments totalling £25,434 were made in respect of these members and investigations are ongoing to contact solicitors / next of kin. • Signed declarations have been received for two matches confirming the person in receipt of the pension is alive. Therefore no further action needs to be taken.
Deferred Pensions to Deceased Persons	<p>28 cases were identified where a person who had deferred their pension had deceased, of which:</p> <ul style="list-style-type: none"> • 17 cases were cleared as in all these cases the office had already been notified of the death, • Nine cases where investigations are ongoing to trace next of kin and, • Two cases where next of kin have been traced and efforts are underway to ascertain if benefits can be transferred to these individuals.
Payroll Pensions to Payroll	<p>300 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 has shown 283 matches did not have an ill health marker and therefore do not need to be reviewed as there is no breach of terms and conditions.</p> <p>17 matches did have an ill health marker and therefore need to be reviewed further and the status of these matches is as follows:</p> <ul style="list-style-type: none"> • In nine cases the individuals are aged 60 or over, • In seven cases the annual pay/pension amount is below the notifiable amount and therefore in accordance with the Trustees guidelines it is not necessary to review these members, and • One case is currently being reviewed in line with the Trustees guidelines and an update on this will be provided in future reports.

**NFI 2014
Creditors Results**

<i>Match type</i>	<i>Total</i>	<i>High Priority</i>	<i>Purpose of Report</i>	<i>High priority filter</i>
Duplicate creditors by creditor reference	473	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
Duplicate creditors by creditor name	246	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
Duplicate creditors by address	212	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
Duplicate creditors by bank account	1,848	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

<i>Match type</i>	<i>Total</i>	<i>High Priority</i>	<i>Purpose of Report</i>	<i>High priority filter</i>
Duplicate Records by reference, amount and creditor reference	1,093	342	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
Duplicate Records amount and creditor reference	14,694	2,863	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
Duplicate Records identified via various other combination of factors	223	48	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
VAT overpaid	22	12	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.
Total	18,811	3,265		

**NFI 2014
Other Results**

<i>Match type</i>	<i>Progress</i>
Blue Badge Parking Permit to DWP deceased	<p>The Congestion Charging team have carried out an analysis of all 2,677 matches and have grouped the matches into eight risk groups. The two highest risk groups, where there is a strong possibility that the account is being abused, is where a vehicle was nominated on the account after date of death or the discount was reapplied for after death. There were 61 matches that met these criteria. These matches will be looked at first over the coming months with the initial effort aimed at establishing if the deceased individual is the same as the Congestion Charge exemption account holder. If this proves to be the case steps will then be taken to close the accounts and details of this will be included in future reports.</p> <p>On the remaining 2,616 matches there is no suspicious activity on the account but to ensure that the accounts are not used unintentionally the matches will be reviewed over the coming months and the accounts closed if it is deemed the account holders have deceased.</p>
Insurance Claimants	Work is yet to commence on the 198 high priority matches.
Taxi and Private Hire Vehicle Drivers to UK Visas	Review completed and no issues identified as noted in the main body of the report.
Taxi and Private Hire Vehicle Drivers to In- Country Immigration	Review completed and no issues identified as noted in the main body of the report.