

**Date: 8 December 2015**

**Item: National Fraud Initiative 2014**

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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) exercises for 2014.

**2 Recommendation**

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

**3 Background**

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

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 errors which take the total fraud identified since NFI began in 1996 to almost £1.2bn.

## 4 Progress Reporting

- 4.1 The table below highlights the overall TfL progress on the High Priority recommended matches to December 2015.

Area	2014 Total	2014 High Priority	2014 High Priority cleared	2014 High Priority cleared (%)
Payroll	89	34	8	23
Pensions	692	169	164	97
Creditors	18,811	3,265	2,968	91
Blue badge licence exemptions (for Congestion Charging)	2,677	2,329	2,329	100
Insurance	598	198	13	7
Taxi and Private Hire Vehicle Drivers	361	N/A	N/A	N/A
Amberhill Matches	119	53	17	32
<b>Total</b>	<b>23,347</b>	<b>6,048</b>	<b>5,499</b>	

- 4.2 This report sets out the progress made since the last report dated 8 October 2015 in clearing the high priority matches and detailed results included in Appendix 1.

### Payroll

- 4.3 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. To date, eight cases have been cleared and work on the remaining 26 cases is in progress.

### Pensions

- 4.4 Overpayments of just over £57,594 have been identified and so far £34,171 of this has been recovered – with £8,048 written off as TfL are not able to recoup the payment. A significant number of cases that came up on the NFI report were already notified to the fund office, and so did not require further investigation.

### Creditors Payments

- 4.5 The NFI report has identified 3,265 high priority cases which highlight potential duplicate payments made by TfL to its vendors. Of the 3,265 high priority cases, 2,968 have been closed, with work continuing on the 297 outstanding records.

- 4.6 No overpayments, other than those discussed in previous NFI Reports, were identified during the reviews conducted.
- 4.7 Accounts Payable (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. To date First Strike has prevented c. £240k of duplicate payments from being processed.

#### **Creditors’ Information (no recommendation by the NFI)**

- 4.8 There are 2,779 matches supporting instances when vendor information appears on more than one vendor on the TfL system. The matches continue to be reviewed by the AP team as, while not considered high priority by the NFI, they can identify instances where fraudulent activity could occur.
- 4.9 Of the 2,779 cases provided by the NFI, AP has reviewed and closed 2,291 instances with 488 still under review. The 2,291 cases reviewed led to 75 duplicates being subsequently deleted from the TfL system - where the instances were identified as being legitimate vendor records and a further 1,695 remain awaiting deletion. The review noted 20 cases where the address is used for parent and subsidiary entities 473 cases have not caused concern as they reside as unique accounts within specific entities spanning the TfL organisation and the final 28 matches were closed with no concerns raised from the review.

#### **Insurance**

- 4.10 198 instances have been noted whereby an insurance claimant was potentially submitting fraudulent claims, based on there being multiple claims with the same claimant details.
- 4.11 13 cases of high priority claims were closed and discussed in October’s report. The remaining 185 cases are still being reviewed and the outcome will be reported in future NFI reports.

#### **Blue Badges**

- 4.12 The review of the 2,677 blue badge holders who were advised as being deceased has been completed.
- 4.13 Road User Charging Team (RUCT) completed all 2,677 blue badge cases. The RUCT 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. RUCT have further requested that seven cases, closed from a NFI perspective, remain open on the Congestion Charging Systems. Four of the seven cases were validated in 2014, and it was established that the customers were not deceased. RUCT opted not to re-investigate as this would lead to complaints. The other three 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.

### **Amberhill**

- 4.14 Work on the data provided by the Metropolitan Police database is still under review since the last report. The Amberhill database holds information which, when queried with other organisations, can support ongoing criminal investigations. The TfL matches are being reviewed by the TfL Internal Audit Fraud Team due to the nature of these requests.
- 4.15 The previous report discussed one employee, Mr John Evanson, who was awaiting sentencing for fraud. The Crown Court sentenced the individual to a six month suspended sentence for the crime of fraud and obtaining property by deception and his employment with TfL was terminated.

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

Appendix 1: 2014/15 NFI results

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

None

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<b>Report</b>	<b>Progress</b>
<b>Payroll to Payroll Between Organisations</b>	<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>No changes have been noted since the previous report.</p> <p>Seven of the high priority matches were previously cleared. An example being where a member held a part time post with the London Fire Department – acceptable to his terms of employment. These seven matches were discussed in the report to the 16 June 2015 meeting.</p> <p>TfL has requested proof of birth date from the NFI for one match and the final match is currently being reviewed, with information from third parties pending. The outcome of all three remaining matches will be reported in future NFI reports.</p>
<b>Payroll to In-Country Immigration</b>	<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 previous report.</p> <p>Of the seven matches, five cases are currently being reviewed and two remain outstanding. The findings of these cases will be reported in future NFI reports.</p>
<b>Payroll to UK Visas</b>	<p>Of the eight cases identified, where an employee of TfL potentially does not have the right to work or live in the UK, seven are high priority cases and included in the previous NFI sample when TfL concluded the subjects' ability to work in the UK.</p> <p>No changes have been noted since the report previous report.</p> <p>The seven high priority cases are being reviewed and will be reported in future NFI reports.</p>

<b>Report</b>	<b>Progress</b>
<b>Payroll to Creditors</b>	<p>Ten high priority matches have been identified where an employee on payroll is also linked to a creditor within the TfL system. This highlights a potential for the employee to receive payments that they would not be entitled to.</p> <p>No additional matches have been closed since the last report.</p> <p>TfL is reviewing nine matches and these will be reported in future NFI reports. The remaining match highlighted no issue and was discussed in the previous report.</p>
<b>Pensions to Deceased Persons</b>	<p>All 361 cases identified by the NFI were closed by September 2015, of which 81 are high priority, where a pensioner was deceased but a pension was still being drawn in respect of these individuals.</p> <p>Two cases had already been notified to the TfL Pensions team, or investigations have obtained signed declarations confirming the subjects are in fact alive.</p> <p>There were four cases where death certificates were requested or obtained to confirm subjects' status. In total overpayments of £11,677 have been identified in respect of these individuals. The investigation is ongoing on these four cases.</p> <p>Overpayments were made to six individuals totalling £42,219 of which £34,171 has been recovered and the remaining £8,048 has been written off.</p> <p>Two cases saw solicitors/next of kin make contact with the Fund office where £3,697 of overpayments had been identified. An update will be provided in future reports on the success in recouping these monies.</p> <p>The remaining 347 cases were already dealt with by the Fund Office through their monthly checking with the General Register Office.</p>

<b><i>Report</i></b>	<b><i>Progress</i></b>
<b>Deferred Pensions to Deceased Persons</b>	<p>28 cases were identified, of which four are high priority, where a person who had deferred their pension had deceased, of which:</p> <ul style="list-style-type: none"> <li>• Two cases identified the subject as being alive.</li> <li>• 15 cases have already been identified and the Fund Office already notified of the death.</li> <li>• Eight cases where the next of kin have been traced.</li> <li>• One instance where the next of kin cannot be traced with benefits paid to an unclaimed benefits account.</li> </ul> <p>The final two cases, neither high priority, are currently being investigated and updates will be reported in future NFI reports.</p>
<b>Pensions to Payroll</b>	<p>TfL has closed 302 of the 303 cases noted and this was discussed in pervious reports. All High Priority cases have been closed.</p> <p>One case carried over from the previous report is being reviewed in line with the Trustees guidelines and an update on this will be reported in a future NFI report.</p>

### **Creditor Results**

<b><i>Report</i></b>	<b><i>Progress</i></b>
<b>Duplicate creditors by creditor reference</b>	<p>The TfL matches have been reviewed and discussed in the previous 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>

<b>Report</b>	<b>Progress</b>
<b>Duplicate creditors by creditor name</b>	<p>TfL AP aim to review at least 25 per cent of the TfL matches identified.</p> <p>The NFI has supplied details which note suppliers who report under more than one reference number on the TfL system – increasing the potential for creditors to obscure fraudulent activity.</p> <p>At the previous meeting we reported that, of the 246 TfL matches identified, 72 had been deleted and seven closed as they were verified as being duplicates and seven closed with no issues noted.</p> <p>Further matches are to be reviewed and updated for the future NFI reports.</p>
<b>Duplicate creditors by address</b>	<p>Review of the 212 matches, where an address is used by more than one creditor, noted the following results;</p> <ul style="list-style-type: none"> <li>• 24 matches have cleared - three of which were subsequently deleted from SAP.</li> <li>• 20 matches were reviewed which are deemed not to be duplicate - examples being where the address is used for parent and subsidiary entities, for example G4S Cash and G4S Aviation.</li> </ul> <p>Further matches are to be reviewed and reported in future NFI reports.</p>
<b>Duplicate creditors by bank account number</b>	<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 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.</p> <p>1,695 matches have been reviewed and these have been identified as duplicate matches and will be deleted. The review has highlighted two matches which were closed without issue and progress is continuing on the remaining matches.</p>

<b>Report</b>	<b>Progress</b>
<b>Duplicate Records by reference, amount and creditor reference</b>	<p>There were 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>The last report discussed how the review resulted in one duplicate payment of £48,927 being identified and subsequently recovered.</p> <p>In total, 49 matches were already known to TfL with monies recouped using supplier credit notes and refunds and 880 have been closed with no issues noted.</p> <p>Further matches are to be reviewed and reported in future NFI reports.</p>
<b>Duplicate Records amount and creditor reference</b>	<p>14,694 matches have been made for TfL, of which the NFI have recommended TfL review 2,863 instances.</p> <p>To date 5,071 matches (including non-priority) have been reviewed and no unexpected duplicate payments have been identified. One match discussed in the October Report, noted a £1,076.10 overpayment which had already been recovered by way of supplier credit note. The remainder of those investigated highlighted a valid reason for the matches – for example some suppliers had multiple (separate) invoices for the same amount.</p> <p>Further matches are to be reviewed and reported in future NFI reports.</p>
<b>Duplicate Records identified via various other combination of factors</b>	<p>This review saw 220 cases from the 223 matches provided by the NFI, discussed and closed in the October report. All 34 High Priority cases have been closed.</p>
<b>VAT Overpaid</b>	<p>The TfL review into VAT overpaid matches was completed and discussed in earlier reports. No issues were identified.</p> <p>In all cases the matches arose as the invoices were mixed supply, and so did not attract a uniform 20 per cent VAT rate.</p>

<b>Match type</b>	<b>Progress</b>
<b>Blue Badge Parking Permit to DWP deceased</b>	<p>Blue Badge to DWP deceased was completed for the current review.</p> <p>Of the 2,677 matches identified for TfL - a total of 2,531 matches have been closed following the receipt of the NFI data and TfL's subsequent review.</p> <p>TfL noted 18 cases where the Blue Badge holders were alive and therefore these NFI matches were incorrect and the cases were closed.</p> <p>A further 121 cases were already closed without intervention from TfL - for example when the discount period expired leaving only the base account to close.</p> <p>TfL have requested that seven accounts remain open - albeit the work is "closed" from an NFI perspective;</p> <ul style="list-style-type: none"> <li>• four of these were validated in late 2014 and we determined that they were valid and not deceased - validating them again is likely to result in complaints.</li> <li>• three have other services/discounts on the account. The Blue Badge service is closed but the customer still has an account with us that we will review outside of the NFI process.</li> </ul> <p>No instances of fraud were uncovered during the review of NFI matches.</p>
<b>Insurance Claimants</b>	<p>There have been no changes to the Insurance Claims review since the October report - in total, 198 matches were noted, of which TfL has successfully reviewed and closed 13 high priority matches, concluding that they were redirects to/from another authority and two closed without issue.</p> <p>Further matches are to be reviewed and reported in future NFI reports.</p>
<b>Taxi and Private Hire Vehicle Drivers to UK Visas</b>	<p>The review has been completed and the results discussed in earlier reports - where no issues were identified.</p>

<i>Match type</i>	<i>Progress</i>
<b>Taxi and Private Hire Vehicle Drivers to In-Country Immigration</b>	The review has been completed and the results discussed in earlier reports - where no issues were identified.

### Amberhill

<i>Match type</i>	<i>Progress</i>
<b>Taxi Drivers to Amberhill Data</b>	<p>TfL noted 47 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>44 matches are being reviewed and an update will be reported in future NFI reports.</p>
<b>Payroll to Amberhill Data, Medium Priority, Between Bodies for Authority TRFL00.</b>	<p>Nine matches have been noted.</p> <p>TfL is in the process of reviewing seven matches and an update will be provided in future reports.</p> <p>The remaining 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>
<b>Deferred Pensions to Amberhill Data</b>	All four TfL cases have been reviewed and no issues have been noted.

<b><i>Match type</i></b>	<b><i>Progress</i></b>
<b>Payroll to Amberhill Data, High Priority, Between Bodies for Authority</b>	<p>There are two high priority matches for TfL.</p> <p>The one case has led to the individual being sentenced to imprisonment for six months - suspended for two years. The individual has been dismissed by TfL and is currently under investigation with the immigration authorities.</p> <p>TfL Human Resources are chasing the second employee to provide copies of documentation to allow TfL to proceed with their investigation of the second match. An update will be provided in future NFI reports.</p>
<b>Blue Badges to Amberhill Data</b>	<p>An update to the nine High Priority matches will be provided in future NFI reports.</p>
<b>Taxi Drivers to Amberhill Data, High Priority, Between Bodies for Authority</b>	<p>Of the 24 cases, 13 cases were discussed in the previous report.</p> <p>From the matches discussed in the previous report TfL has not had to revoke taxi licenses or take any further action against the drivers.</p> <p>Of the eleven open cases, nine await documentation, which has been requested from the respective drivers, and one case is currently under review by NFI Amberhill. Another open case is potentially an issue and Amberhill has requested a better quality (colour) copy of the driver's passport, which TfL is seeking to obtain.</p> <p>An update to the eleven outstanding cases will be reported in future NFI reports.</p>