

Audit and Assurance Committee

Date: 7 June 2018

Item: Half Yearly Fraud Report 2017/18

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 during the second half of 2017/18 (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 Subject to the decision of the Committee, this paper is exempt and is therefore not for publication to the public or press by virtue of paragraphs 5 and 7 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to ongoing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 paper and the supplemental information on Part 2 of the agenda.**

3 Anti-fraud and corruption activity

- 3.1 Work carried out during the half-year that contributed towards delivery of the Anti Fraud and Corruption Strategy included:
 - (a) we conducted eight fraud awareness sessions to over 100 employees, including presentations to Travel Information Centre staff, Customer Contact Centre staff, LU Renewals and Enhancements, Commercial Development staff and the Corporate Finance team;
 - (b) the Fraud Team, in conjunction with the Internal Communications team, continue to publicise the online EZone Fraud Awareness course and encourage staff to complete it. More than 2,500 employees have completed the course so far, an increase of 85 per cent over the year;
 - (c) International Fraud Awareness Week (IFAW) was marked with a number of activities. These included two articles on Source and a blog by the Director of Risk and Assurance on the LU intranet, publicised through modal newsletters and Yammer. Employees within the

Directorate were also asked to use a dedicated signature to highlight IFAW and the TfL fraud and corruption page on Source; and

- (d) we continue to publicise successful outcomes of fraud cases both externally in the media, and internally on Source. We also publish fraud alerts and notices warning staff of current and emerging risks in their work and personal life.

External Counter Fraud Activity

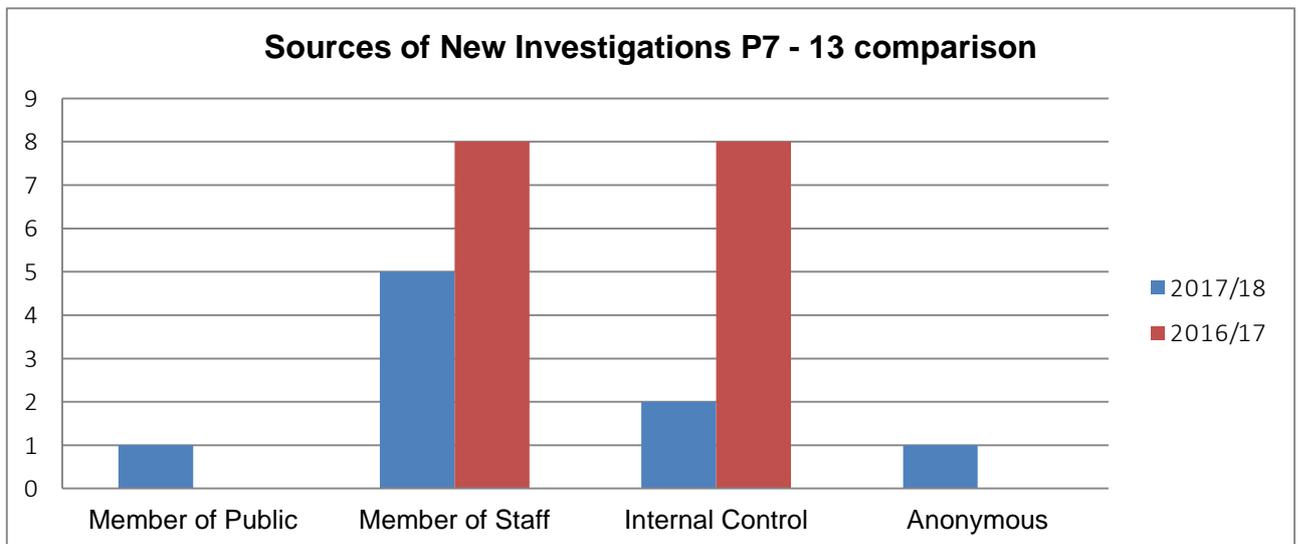
- 3.2 We continue to work with other organisations to ensure that TfL is at the leading edge with regards to fraud prevention, detection and investigation. This includes membership of fraud network groups such as the London Fraud Forum, Fraud Advisory Panel and CIPFA Counter Fraud Centre as well as continued close liaison with MPS Operation FALCON (Fraud and Linked Crime on Line) and Operation Amberhill (ID Fraud) in addition to the NFIB (National Fraud Intelligence Bureau).

4 Fraud Investigation

- 4.1 Nine referrals were reported to the Fraud Team for investigation during the second half of 2017/18, compared to 16 for the same period last year. These may be summarised as follows:

Periods 7 – 13	2017/18	2016/17
Fraud	8	14
Theft	1	2
Other	0	0
Total new investigations	9	16

- 4.2 The sources of the referrals, together with comparative figures for the same period of 2016/17 were as follows:



- 4.3 Twelve cases were closed during the second half of 2017/18 of which three resulted in police/ judicial action. There are 15 ongoing investigations at the end of Period 13. In two of these cases there were suspects on police bail; in two cases suspects are awaiting trial and in one case the suspects are awaiting sentencing. A further two cases are awaiting a charging decision from the CPS.
- 4.4 The outcomes of the closed cases, compared to the same period of 2016/17, are summarised as follows:

Periods 7 – 13	2017/18	2016/17
No Crime Established	7	8
Disciplinary Action	2	1
Police/Judicial Action	3	5
Total Closed Cases	12	14

- 4.5 Significant closed cases in the half year include the following:
- (a) **Fraudulent refunds on Oyster card.** Following initial information received from the Infrastructure Service Delivery Manager a significant fraud was identified involving the cloning of Oyster cards and refunding of the PAYG balance and deposit from these cloned cards. From early January 2016 to the middle of August 2016 a total of 38 Oyster cards were cloned, multiple times, by fraudsters with a loss to TfL of £374,401. A total of 32 suspects were identified as participating in the fraud, resulting in 28 arrests. Twenty one suspects were subsequently charged. The majority of these, who were considered to have played a minor role in the overall fraud, were convicted of either Fraud by False Representation or Possession of Articles Intended for Use in Fraud, and received sentences, including conditional discharge, community orders, referral orders and fines. The remaining seven suspects, who were considered to be the ringleaders, were charged with Conspiracy to Defraud. Of those, five (Nathan Jeffrey–Payne, Prince Henry, Jahmai Turner, Oliver Kassrongo, and Brandon Massia) pleaded guilty at Court and one (Remy Rankin) was found guilty following a trial, with sentences ranging from 18 months to seven years imprisonment. The other suspect was found not guilty following a trial.
- (b) **Online Refund Fraud Delay Compensation Claims.** An internal audit of refunds highlighted multiple suspicious magnetic ticket refund claims by an individual named Manish Patel in relation to falsified delayed journeys. Patel used multiple online accounts linked to six different bank accounts to make 3,000 different claims resulting in TfL paying out £15k in respect of those claims. The Fraud Team, with the assistance of the compliance analyst, compiled the evidence and passed it to the BTP who arrested Mr Patel and charged him with fraud by false representation. Mr Patel appeared at Crown Court and pleaded guilty, he was sentenced to two years in prison suspended for two years, 200 hours unpaid work and ordered to pay compensation of £15,000 to TfL.

- (c) **Discounted Oyster Application Fraud.** The Fraud Team was made aware of Parmitpal Singh who submitted fraudulent applications to obtain discounted Oyster photocard. One of the applications was for a 60+ discounted Oyster photocard, he made online. This was detected by Novacraft, TfL's Agent responsible for creating online application discounted Oyster photocards, and was subsequently rejected. Mr Singh then applied again, this time using the Post Office validation process and this application was successful. The Birth Certificates Mr Singh provided to validate the applications had been altered. He appeared at Westminster Magistrates Court where he entered a guilty plea and was sentenced to 36 weeks imprisonment.

List of appendices to this report:

Supplemental information is included on Part 2 of the agenda.

List of Background Papers:

None

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