

Audit and Assurance Committee

Date: 16 June 2015

Item: Half Yearly Fraud Report 2014/15

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 for the second half of 2014/15 (Periods 7 to 13).
- 1.2 Details of new and ongoing fraud cases investigated during the half year are included in the paper on Part 2 of the agenda.

2 Recommendation

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

3 Anti-fraud and corruption activity

- 3.1 Work carried out during the half-year that contributes towards delivery of the TfL Anti Fraud and Corruption Strategy included the following:
 - (a) we conducted 14 fraud awareness sessions for staff during the half-year including new Oyster Help Desk/Travel Information Centre staff, the Commercial Centre of Excellence, Internal Audit, and Crossrail Finance and Audit teams;
 - (b) we completed a programme of fraud risk awareness presentations with Crossrail Tier 1 contractors and have begun delivering sessions to Tier 2 contractors. In addition we undertook a fraud risk workshop with the Directors of Finance from the Tier 1 contractors, helping to raise their awareness of the fraud risks and understand what controls are in place to mitigate those risks; and
 - (c) we continue to publicise successful outcomes of fraud cases both externally in the media, and internally on the intranet. We also publish fraud alerts and notices warning staff of current and emerging risks in their work and personal life. In support of the Anti Fraud and Corruption Strategy, we have increased the frequency of this activity, and are in the process of developing a programme of regular fraud messages throughout the year.

- 3.2 We are developing a fraud prevention plan to support delivery of the Anti Fraud and Corruption Strategy. This will ensure that our fraud prevention activity is focused and targeted with clear, measurable outcomes.

External Counter Fraud Activity

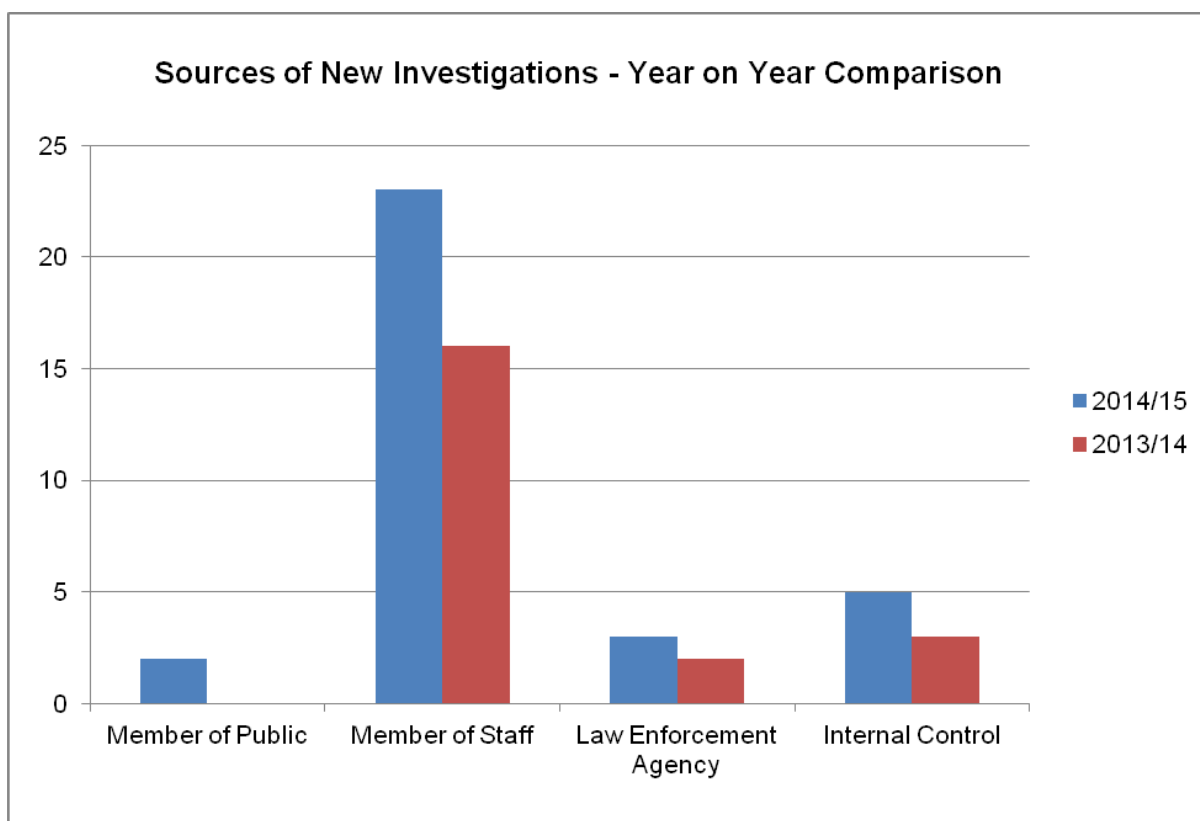
- 3.3 We continue to work with other organisations to ensure that TfL is at the leading edge with regards to fraud prevention, detection and investigation. This includes membership of fraud network groups such as the London Fraud Forum and Fraud Advisory Panel as well as continued close liaison with the National Fraud Intelligence Bureau and the new Metropolitan Police initiative, Fraud and Linked Crime Online.

4 Fraud Investigation

- 4.1 Thirty three referrals were reported to the Fraud Team for investigation during the second half of 2014/15, compared to 21 for the same period last year. These may be summarised as follows:

Periods 7 – 13	2014/15	2013/14
Fraud	30	17
Theft	2	3
Other	1	1
Total new investigations	33	21

- 4.2 Almost 70 per cent of referrals during the second half of 2014/15 were reported by staff members. This may be an indication that our fraud awareness programme continues to work and staff are now more aware of what constitutes fraud and how to report it. The sources of the referrals, together with comparative figures for the same period of 2013/14, were as follows:



4.3 Twenty two cases were closed, compared to 24 for the same period last year. Of these cases, nine resulted in police/judicial action. There were 34 ongoing investigations at the end of the year, and in six of these there are suspects either on police bail (three) or awaiting trial at court (three). The Fraud Team continue to work closely with law enforcement agencies, ensuring high quality case work is presented to the courts.

4.4 The outcomes of the closed cases, compared to the same period of 2013/14, are summarised as follows

Periods 7 – 13	2014/15	2013/14
No Crime Established	10	8
Disciplinary Action	3	4
Police/Judicial Action	9	12
Total Closed Cases	22	24

4.5 Significant closed cases in the half year include the following:

(a) **Fraud by Misrepresentation**

A customer, an occasional user of his PAYG Oyster card, discovered that he was unable to use it, due to the fact that the funds on his card had been transferred onto Oyster cards attached to a registered online account. In total, funds of c£1,600 had been transferred from Oyster cards that were last used between September 2005 and August 2013. Five people were arrested, and one, Mr Ebenezer Dada, was charged with offences of Fraud. He pleaded guilty and was sentenced to 10

months imprisonment suspended for two years in addition to 200 hours Community Service. There was no further action against the other four who were arrested.

(b) **Oyster card sold on eBay previously loaded with prepay with cloned credit cards**

The Fraud Team carry out regular research, using an Online Brand Protection database 'Watchdog', to establish if any Oyster card products are being sold on internet sites such as eBay and Amazon. It was discovered that an eBay seller was selling numerous unregistered Oyster cards that had been loaded using counterfeit American Express credit cards. One seller, Ms Shelish Peters was tried at Isleworth Crown Court where she was found guilty and received a 12 months conditional discharge and was ordered to pay £1,000 costs. Another, Mr Warren Chung-Williams, pleaded guilty and received a two year suspended sentence, and was ordered to pay £500 compensation and £500 costs.

(c) **Fraud by Misrepresentation**

The Fraud Team investigated a case regarding a customer whose Oyster card was no longer working despite having sufficient funds. Inquiries showed that the card, together with a number of others, was attached to an online account which had assumed ownership of them. Inquiries led to a specific address and two individuals were arrested. One was given a formal caution and the other, Mr Paul Armstrong, was charged with Fraud by False Representation and was sentenced to nine months imprisonment when he appeared at Blackfriars Crown Court.

(d) **Fraud by False Representation**

At the beginning of July 2012 Contact Centre Operations were made aware of an individual who had acquired details of in excess of 700 valid unregistered and unprotected Oyster cards. He created an online Oyster account and, electronically, assumed ownership of these cards, and claimed refunds on them, fraudulently obtaining in excess of £2,000. The individual, Mr Syed Abidi, was arrested, charged and found guilty of four offences of Fraud by False representation. He was sentenced to 18 months imprisonment and ordered to pay £120 victim surcharge.

(e) **Obtaining a Refund by False Representation**

Following information received from the Internal Fraud Manager, Abellio Greater Anglia, enquiries revealed a member of TfL staff, Mr Mark Hunter, who had obtained season ticket loans for the years 2012, 2013 and 2014 together with the 75 per cent Season Ticket Reimbursement. It was ascertained that a short while after obtaining the ticket he applied for a refund from Abellio but failed to inform TfL and therefore continued to receive the 75 per cent reimbursement in his monthly pay. Mr Hunter was arrested, interviewed and later charged with two counts of Fraud by False Representation and appeared at Westminster Magistrates Court. He pleaded guilty to both

charges and was sentenced to 200 hours unpaid work and ordered to pay £2,388 compensation. Mr Hunter had previously resigned from TfL.

(f) **Fraud by Misrepresentation**

An allegation was received that a London Underground (LU) Procurement Specialist in the Track Delivery Unit had submitted false invoices for payment. In early December 2013 the Commercial Manager, Track Delivery Unit was made aware of two invoices which contained details of a non-existent company, both of which had been processed by the same procurement agent. In both cases monies had been paid into an account of an individual residing at the same address as the purported supplier. The Fraud Team collated evidence relating to the payments, the companies and the individuals and passed it to the British Transport Police (BTP) who made three arrests - the employee, Mr Aaron Lane, his wife and his sister. The wife was not charged. Mr Lane and his sister appeared at Blackfriars Crown Court on 27 March 2015. Mr Lane pleaded guilty to two charges of theft and was sentenced to nine months imprisonment suspended for 12 months, ordered to undertake 200 hours of unpaid work and ordered to repay £18,000. On the basis of these pleas, no evidence was offered against the sister.

(g) **Theft of Cash by London Underground Employee**

Information was received from the Duty Station Manager, Westminster station that a Station Assistant Multi-Functional had received three positive test results from LU Field Testers. Each Field Tester reported irregularities in the adding of £5 Pre-Pay to their Oyster cards. BTP carried out controlled test purchases which resulted in two members of staff from Westminster being arrested. One member of staff, Mr Troy Mines, was charged and found guilty at a Court hearing of Fraud by Abuse of Position and was sentenced on 13 August 2014 to a twelve month Community Order, 250 hours Unpaid Work Requirement and ordered to pay £1,359 Compensation. He also resigned from LU prior to being disciplined. There was insufficient evidence to charge the other staff member, but he was summarily dismissed following a disciplinary hearing.

(h) **Fraudulent refund on Oyster Card**

Information was received from the TfL Payment and Fraud Analyst who reported fraudulent Pay As You Go transactions on 17 different Oyster cards totalling £1,505 made using an American bank card. Some were subsequently refunded back onto a Bank of Scotland and HSBC bank card that had been used on the TfL network. A joint operation was carried out by the BTP and TfL Fraud Team which resulted in two suspects being convicted of fraud. One, Mr Serkan Gomulu, received a 26 weeks custodial sentence suspended for two years, a Community Order (250 hours unpaid work), £80 Victim Surcharge and £85 Prosecution costs. The other, Mr Ozgun Emin, received a Community Order (200 hours unpaid work), £60 Victim Surcharge and £85 Prosecution costs.

List of appendices to this report:

None

List of Background Papers:

None

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