

WILTSHIRE COUNCIL

WILTSHIRE PENSION FUND COMMITTEE

24 September 2020

Fraud risk mitigation prevention and mitigation measures

Purpose of the Report

1. A key component of ensuring the sound administration of the the Fund is to have appropriate anti-fraud and corruption policies in place. The purpose of this report is to explain the current safeguards that are in place and available to officers, the Pension Committee and the Pension Board to identify and manage fraud in the Wiltshire Pension Fund.

Background

2. Like other local authority LGPS administering authorities, Wiltshire Pension Fund has not implemented its own bespoke anti-fraud policy. Rather it is covered by the overriding Wiltshire Council Anti Fraud and Corruption Policy (as shown on the Council's intranet site).
3. This Strategy defines the Council's approach to managing the risk of fraud and corruption and ensuring best practice is embedded across all Council service areas. It seeks to reinforce a zero tolerance to fraud, encourage prevention through proactive measures to detection fraud and confirms the Council's commitment to using legal and disciplinary measures where necessary.
4. Additionally the Strategy reiterates the framework and controls already in place across the Council and which would apply to the Fund, including:
 - The Council Constitution and Financial Regulations;
 - Standards Committee;
 - Scheme of Delegation;
 - Registers of Interests;
 - Anti money laundering policy;
 - Whistle Blowing policy;
 - IT Security policy;
 - HR policies.
5. While all of the above Council policies and strategies apply to the Fund it also has a number of additional Fund specific safeguards in place to tackle fraud and these are summarised below.

Considerations for the Committee

Fraud detection and prevention in the Wiltshire Fund

6. The LGPS Regulations require the Fund to have certain policies in place, while others are adopted on the basis of best practice. While some will have specific anti-fraud elements included within them others will form part of an overarching approach to sound working practices which contribute to fraud detection and prevention. In addition the

Fund undertakes a number of regular tasks which are specifically aimed at identifying and preventing fraud.

7. The key tools used by the Fund to combat fraud and corruption include:

- **Governance Compliance Statement** – required by the LGPS Regulations, setting out amongst other things the extent to which any element of the administering authority functions are delegated to a committee, sub-committee or officer of the Council. Where delegations exist the Statement is also required to set out their terms of reference and operational procedures.
- **Scheme of Delegation** – This sets out the specific delegations that have been passed to the pension committee and officers, including authority to write off pension overpayments where they arise.
- **Breaches of the law policy** – [Pensions Regulator Code of Practice 14](#) sets out the framework for governance and administration of all public service pension schemes, including the duty for administering authorities, amongst others, to have procedures in place to identify, record and where necessary report any breach of the law (e.g. fraudulent behaviour by scheme members, employers, etc.). In order to address this the Fund has adopted a formal breaches of the law policy (as reviewed by the Board on 22 August 2019), setting out the roles and responsibilities of elected members, pension board members and officers where any breach of the law is suspected. Additionally this policy also covers the specific safeguards where whistleblowing may occur, which sits alongside the Council's overarching whistleblowing policy.
- **Follow national guidance related to Fraud/scams** – In particular, the Fund follows the tPR guidance and LGA standard letters and checks with HMRC, FCA as required, in relation to transfers out. The Fund also follows a checklist and trains staff to reduce the risk of the Fund paying a transfer out to a Scheme which is primarily set up to defraud members.
- **Mortality screening/National Fraud Initiative** – The Fund participates in the biennial national fraud initiative exercise run by the National Audit Commission. This involves comparing our deferred and pensioner records with the Department of Work and Pensions database, highlighting and cases that warrant further investigation.

Additionally the Fund undertakes monthly mortality screening exercises against our UK-based pensioner records to compliment the NFI exercise. The Fund uses a tracing agency, Target, who undertake these exercises on the Fund's behalf (along with our regular tracing exercises where we are looking to trace deferred or pensioner members). Approximately triennially (and, soon, annually), the Fund also undertakes a life existence exercise with overseas pensioners.

The Fund also participates in the Tell Us Once (TUO) initiative introduced by the Department of Work and Pensions. TUO allows the next of kin to inform central and local government services of the death of a relative at one time, rather than having to write, telephone or even attend each service individually. From the Fund's perspective it enables it to identify deaths of scheme members more quickly than might have been the case and prevent any payments continuing or being made in error. The Fund accesses TUO on a weekly basis, to identify any scheme member deaths which had not already been notified to it directly via another source.

- **Internal controls** – the Fund, as part of the Council, has a number of internal controls in place covering the roles and responsibilities of the Committee, officers and the wider administration team in carrying out the day-to-day functions of the scheme.
- **Overpayments policy** – during the normal course of events overpayments of pension can occur and in the majority of cases this can be shown to be purely innocent. Cases of fraud can, however, be identified in the course of our investigations. The Fund is developing a formal pension overpayment policy (due to be completed by Autumn 2020), setting out its approach to dealing with the recovery or possible write off of any overpayments identified, either as a consequence of the national fraud initiative or our mortality screening exercises or as a part of normal day-to-day activities.
- **Risk Register** – The Fund has developed a comprehensive risk register covering all aspects of its management and administration, including the potential for fraud to occur. This document is kept under regular review, being updated to reflect new risks that have been identified or reflect any changes that have resulted where fraud has been identified and resolved.
- **Internal and external audit** – the fund is subject to regular internal and external audits. Audits consider the adequacy of areas such as contributions, benefits in payment, investments, core financial systems, risk management, governance arrangements and compliance with the Pensions Regulators code of practice 14. Such exercises are primarily to consider the controls the Fund has in place, provide assurance to the Committee, pension board and officers that they are appropriate and where necessary make recommendations to strengthen them where any weaknesses have been identified.
- **Staff responsibility and whistle blowing:** Responsibility for identifying potential fraud rests with all staff members engaged in the management and administration of the Fund, as well as members of the Pension Committee and Pension Board. Where necessary any escalation will be in accordance with the Council's Anti Fraud and Corruption Policy.

As well as having its own processes in place the Fund will also seek to ensure all providers and third parties it engages with have adequate anti-fraud and corruption policies in place and can evidence this to the Fund.

Specific areas of risks and their mitigation

8. The Fund considers the following areas to be some of the key areas of risk and next to each is a summary of the mitigations in place. The list is not exhaustive, and neither are the mitigations.
9. Risk of misappropriation of Funds by a Council employee (related to pension benefits payments): There are segregation of duties in place whereby members of the Benefits team process cases which result in payments, all (material) payments are checked by a peer and a hirer person (a manager) authorises the payment. The actual payments are made by another team based on authorisation. These processes are supplemented by data reconciliations between systems (which would highlight any 'fathom' members) and process and control checks internally and by internal and external audit.
10. Risk of fraud by a member or a beneficiary: Pension entitlements are mainly based on information provided by a third party (such as the employer or another Fund, for transfers in) which provides another segregation of duties. Where the Fund needs data from the

member, it asks for evidence of other supporting data such as date of birth or the existence of a spouse or civil partner, which will both effect what and when payments are made. Where the employer contact is also the Scheme member, the Fund asks for key instructions (such as retirement forms) to be counter-signed by another employer contact or a committee if the organisation is small.

11. Risk of overpayments to members or a beneficiary: On the death of a member, if the pension is not stopped there is a risk of an overpayment which can not be recovered. The Fund aims to reduce this risk by a mixture of NFI, TUO and mortality screening exercises.
12. Risk of misappropriation of Funds to third parties (e.g. other companies): All key contracts going through steps involving the procurement and legal teams to help ensure that appropriate and secure processes are followed and this risk is reduced. Spend on contract is measured against the budget and more stringent procurement requirements are in place for larger contracts.
Furthermore, in relation to transfers out, the Fund also takes a number of specific steps to help protect member benefits and reduce the risk of a challenge back to the Fund in the form of a complaint or seeking compensation.
13. Risk of misappropriate of Funds via investment transactions: All instructions set up on State Street (the Fund's global custodian) must be input and then checked and approved by a separate member of the team. Any changes in wire instructions for our investment managers are confirmed with known contacts to ensure changes are valid and correct.

Environmental Impact of the Proposal

14. Not applicable.

Financial Considerations & Risk Assessment

15. There are no specific financial and risk assessments resulting from this report although the report itself focuses on reducing financial risk.

Legal Implications

16. There are no material legal implications from this report.

Safeguarding Considerations/Public Health Implications/Equalities Impact

17. There are no known implications at this time.

Reasons for Proposals

18. To assist the Committee in its functions by providing it with information about the operation of the Fund and to give the Committee the opportunity to provide any scrutiny to these arrangements.

Proposals

19. The Committee is asked note the contents of this paper.

Andy Cunningham
Head of Pensions, Administration & Relations
& Jennifer Devine
Head of Pension Fund Investments

Report Author: Andy Cunningham & Jennifer Devine

Unpublished documents relied upon in the production of this report: NONE