

Clwyd Pension Fund

Anti-Fraud and Corruption Strategy

March 2023



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Introduction

This is the Anti-Fraud and Corruption Strategy for the Clwyd Pension Fund ('the Fund'), which is managed by Flintshire County Council ('the Administering Authority').

This strategy outlines:

- our commitment to the prevention and detection of fraud
- our zero tolerance of acts of fraud and
- our response to fraud

It principally covers situations where the Fund is at risk of fraudulent activity in relation to its data or assets. However, whilst members have a responsibility to safeguard themselves against fraud, the Administering Authority has a role to play in ensuring its procedures and controls adhere to relevant legislation, guidance and best practice to protect its members and stakeholders from fraudulent activity relating to their pension benefits. This strategy therefore also covers situations where Fund members are at risk of being defrauded.

Strategy objectives

Flintshire County Council manages the Clwyd Pension Fund on behalf of its stakeholders which include:

- approximately 49,000 current and former members of the Fund, and their dependants
- around 50 employers within the Flintshire, Denbighshire and Wrexham Council areas
- the local taxpayers within those areas

The Clwyd Pension Fund's Mission Statement is:

- to be known as forward thinking, responsive, proactive and professional providing excellent customer focused, reputable and credible service to all customers.
- to have instilled a corporate culture of risk awareness, financial governance, and to provide the highest quality, distinctive services within the resource budget.
- to work effectively with partners, being solution focused with a 'can' - do approach.

The Fund has a number of objectives within its key strategies and policies. Objectives that are relevant to this Fraud and Corruption Policy include the following:

Governance Policy

- Act in the best interests of the Fund's members and employers
- Have robust government arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies

- Act with integrity and be accountable to our stakeholders for our decisions, ensuring they are robust and well based
- Understand and monitor risk
- Strive to ensure compliance with the appropriate legislation and statutory guidance, and to act in the spirit of other relevant guidelines and best practice guidance
- Ensure the confidentiality, integrity and accessibility of the Fund's data, systems and services is protected and preserved

Administration Strategy

- Administer the Fund in a cost effective and efficient manner utilising technology appropriately to obtain value for money
- Ensure the correct benefits are paid to, and the correct income collected from, the correct people at the correct time
- Maintain accurate records and ensure data is protected and has authorised use only.

Types of fraud covered by this strategy

This strategy covers the following types of (potential) fraud:

- Payment fraud (i.e. a payment being paid to an incorrect individual or the setting up of a bogus record)
- Overpayments of pension that are identified to be fraudulent (all types)
- False impersonation
- Receipt fraud (incoming monies are stolen or records of amounts owed are adjusted)
- Pension scams against members
- Unauthorised access to the Fund's bank account
- Bribery and collusion
- Money laundering

Further detail of the mitigations the Fund has in place to prevent fraud are covered in the Management of Fraud section.

Definitions

This strategy is based on the following definitions:

Fraud: where an individual has undertaken, or intends to undertake, actions in order to obtain gain for themselves or another, or cause loss to another, or expose another to risk of loss.

The Fraud Act 2006 (legislation.gov.uk) refers to a single offence of fraud which can be committed in three separate ways:

- Fraud by false representation;
- Fraud by failing to disclose information where there is a legal duty to do so; and
- Fraud by abuse of position.

Corruption: where an individual who has obtained advantage through means which are illegitimate, immoral and/or inconsistent with their responsibilities to the Administering Authority or the rights of others. Examples include bribery for financial or other advantage with the intention of inducing or rewarding the improper performance and seeking to influence others through the offering of, giving, soliciting or acceptance of an inducement or award.

Bribery: giving or receiving a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith as defined in the Bribery Act 2010.

Money Laundering: handling or possessing criminal property, including possessing the proceeds of one's own crime, and facilitating any handling or possession of criminal property as defined in the Proceeds of Crimes Act 2002 (POCA).

Where we refer to fraud in this strategy, where appropriate, this should be interpreted to cover corruption, bribery and money laundering which the Fund believes are inter-linked.

To whom this strategy applies

The strategy applies to:

- All members and former members of the Clwyd Pension Fund and their dependants
- Officers of the Fund
- Employers participating in the Fund
- The Clwyd Pension Fund Committee ("the Committee")
- Members of the Clwyd Pension Board
- Professional organisations that provide services to the Fund (e.g., Custodian, fund managers) and
- The Fund's professional advisors.

Responsible Officers

Under Flintshire County Council's Constitution, the Governance and Audit Committee is responsible for overseeing the Council's arrangements for the prevention and detection of fraud and the Chief Finance Officer has responsibility for ensuring an effective internal audit

function is resourced and maintained. Further responsibilities relating to fraud prevention, detection and response are then delegated to Chief Officers (e, f and g of clause 4.3 and e) 5.1 of the Constitution) which includes the Chief Finance Officer (Section 151 Officer for the Fund) and the Head of the Clwyd Pension Fund.

The ultimate responsibility for the management of the Clwyd Pension Fund lies with the Pension Fund Committee. However, the Head of Clwyd Pension Fund is responsible for ensuring the requirements of this strategy are met. The exercise of any discretions or decisions required under this strategy is also the responsibility of the Head of Clwyd Pension Fund, taking expert legal advice where appropriate, unless otherwise provided in this strategy or the Council's Constitution.

Principles underpinning this strategy

The approach adopted by the Fund is in line with Flintshire County Council's Anti-Fraud and Corruption Strategy and involves a three-stage process as follows:

- Deter: by having a culture within the Fund which deters the committing of fraud
- Prevent: by having measures in place to help prevent fraud occurring
- Detect: by having measures in place to detect fraud, should it occur

Further detail on these key stages is set out in the Management of Fraud section below.

This strategy also has regard to CIPFA's: Managing the risk of fraud and corruption guidance which outlines five key elements that organisations should follow to avoid fraud as follows:

- Acknowledge the responsibility of the governing body for countering fraud and corruption
- Identify the fraud and corruption risks
- Develop an appropriate counter fraud and corruption strategy
- Provide resources to implement the strategy
- Take action in response to fraud and corruption

Other relevant Council and Fund policies which support this strategy are listed in the appendix.

Management of Fraud

Deter: Embedding a culture of deterring fraud

The Fund adopts an approach in line with the broader strategy of Flintshire County Council which:

- publicises its counter fraud measures using all available means

- aims to enforce/increase awareness that fraud and corruption are serious offences through this publicised information along with the implementation and publication of its Anti-Fraud and Corruption Strategy.
- recognises that disciplinary action, in accordance with the Council's Anti-fraud and Corruption Strategy may be necessary should there be sufficient evidence of involvement in fraudulent activities.

Pension Fund Committee members and Pension Board members receive reports on any fraudulent activities related to the Fund as part of the Fund's risk management processes. These include information about any investigations into allegations of fraud or irregularity along with preventative actions taken to mitigate the chances of a repeat occurrence as appropriate.

Fraud and the importance of deterring fraudulent or related activity is also considered as appropriate at Committee, Board and officer training events.

Prevent: Fraud prevention measures

All Fund officers have a responsibility to help prevent fraud, corruption and related criminal activity. The CPF Management Team will ensure appropriate training takes place for all Fund officers and that sufficient levels of internal controls are maintained within the Fund's systems and procedures.

The Fund's fraud prevention measures include the following:

1. Measures to reduce the risk that pension payments continue after a member has died, through a deliberate failure to advise the Fund
 - a. Participation in the National Fraud Initiative (NFI), a bi-annual exercise conducted by the Wales Audit office which compares the Fund's data on pensioners and deferred members with the Department for Work and Pensions' database of the deceased and highlights matches for investigation in order to identify (and hence prevent) potential overpayments to the Fund's UK pensioners.
 - b. Participation in the government's Tell Us Once service. This service allows individuals to report a death to most government organisations in one go and reduces the risk of the Fund not being advised of a member's death.
 - c. Monthly mortality screening in relation to UK pensioners, carried out by the Fund's appointed mortality screening provider.
 - d. Triennial existence checks in relation to the Fund's overseas pensioners.
2. Regular reviews of tier 3 ill-health pensions in payment to reduce the risk that an incorrect payment is made to members who are in gainful employment.
3. Annual reviews of children's pensions in payment to establish education status or incapacity as appropriate, and as required by the scheme regulations to determine continuing eligibility for payment and minimise the risk of incorrect payments.
4. Ensuring appropriate security is in place for self-serve facilities where members can make changes to some of their pension details online.

5. Investigating returned post (including pensioner payslips) which suggests the member no longer resides at the address held by the Fund to prevent further information being sent to that address which could lead to fraudulent activity.
6. Investigating pension payments returned by banks and building societies, to protect the Fund's money and highlight where the Fund may not have been informed of a pensioner's death.
7. Ensuring pay and other data affecting pension benefits is only accepted from authorised contacts at the Fund's employers (and that employer contacts cannot submit data on behalf of themselves). Data validation checks are also carried out within a specified tolerance and in accordance with internal procedures to prevent data being submitted that could fraudulently inflate a member's benefits.
8. Ensuring that appropriate due diligence is carried out when dealing with and onboarding new admission bodies to reduce the risk of the Fund being used for money laundering or other fraudulent purposes.
9. Ensuring that employee and employer contributions are reconciled on a monthly basis in accordance with statutory timeframes and investigating any irregularities between payments, the accompanying remittance advice and member data submissions to reduce the risk of contributions not being fully paid to the Fund.
10. Ensuring separation of duties and restrictions of system access so that individuals cannot request and authorise the same payments.
11. Ensuring all non-contribution income received by the Fund, such as transfer in payments from third parties and member payments to buy additional benefits, is appropriately verified and appropriate controls are in place to reduce the risk of the Fund being used for money laundering purposes. This includes monthly monitoring and appropriate ledger coding of all income including monies initially coded as miscellaneous on receipt.
12. Implementing robust procedures for changing bank account details for pensioners/dependants when requests are made in writing or via online self-service. The Fund's policy is to only pay pensions into bank accounts in the name of the pensioner unless there is formal authorisation to do otherwise.
13. Ensuring internal processes prevent pensions officers from accessing their own pension record and restricting access to the records of their spouses/partners to reduce the likelihood of internal fraud and corruption. The Fund's pension administration software system is able to identify all changes/deletions on member records and the risk of detection is a key disincentive to commit fraud.
14. Internal verification processes relating to verbal requests from members asking for information on their pension. For certain types of requests three security questions must be passed by the caller before updates can be made to a member record.
15. Transfer out processes which adhere to the Pension Regulator's 2021 pension scams guidance and take into account the Pension Scams industry Group (PSIG) Code of Good Practice to protect scheme members.
16. Implementing appropriate controls relating to the transfers of funds between investment managers via the use of the Fund's Custodian and by appointing transition managers where appropriate, to minimise the risk of fraud or related activity.

17. Ensuring that all outgoing payments from the Fund's bank account are subject to appropriate checking and approvals (based on the Council's approval limits) and officers have a dedicated authorisation number within the finance system to help prevent fraud by ensuring payments are not approved and paid beyond individual authorisation limits.
18. Enforcing the Fund's Conflicts of Interest policy to support robust decision making and the proper management of the Fund, including reducing the risk of fraud and related activity.
19. Adhering to the Council's procurement policy in relation to the appointment of suppliers to reduce the risk of inappropriate awarding of contracts and potential allegations of bribery or collusion
20. Annual audit reviews are carried out by Flintshire County Council's internal audit team across selected areas of Fund activity which can play a vital preventative role in ensuring that systems, procedures and controls are in place to prevent and detect fraud and corruption
21. Annual independent external audit of the Fund's financial accounts to provide a further safeguard to prevent and detect fraud and corruption. In signing off the financial accounts the auditor's responsibilities including obtaining reasonable assurance that the Fund's financial statements are free from material misstatement whether due to fraud or error. Furthermore, the Chief Finance Officer and Chair of the Pension Fund Committee are required to sign a letter of representation declaring that they have fulfilled their responsibilities in the design, implementation, maintenance and review of internal controls to prevent and detect fraud and error.

Detect: Detection, Investigation and reporting of fraud

One of the biggest fraud risks to the Fund relates to unauthorised access to the Fund's bank account. Key detections the Administering Authority operates include:

- reconciling of the opening and closing positions in the Fund's bank account against all incoming and outgoing payments on a monthly basis to ensure all payments are received as expected, and creditors are verified against the vendor number
- weekly checks of entries in the bank account to identify any suspicious payments out.

All those covered by this strategy should report suspected cases of fraud and corruption relation in accordance with the Council's Anti-fraud and Corruption Strategy. Those who are not subject to the Council's policy and procedures, (including external advisers and Pension Board members) should report suspected cases to the Head of Clwyd Pension Fund who will then ensure the Council's policies and procedures are followed as far as possible.

The investigation and actions required are likely to vary based on the nature and type of incident but include situations where member benefits may be overpaid, or pension fund money may be obtained due to a fraudulent act.

The general principles which will be applied in relation to incidents of fraud:

The Fund will always seek to recover monies from those individuals who defraud the Fund. All cases of suspected or actual fraud will be documented and investigated. An appropriate recovery action and/or criminal proceedings will be initiated to recover lost monies where actual fraud is identified, liaising with the Council's Internal audit team, where appropriate and in accordance with the Council's Fraud and Irregularity response plan. If the fraudulent act has resulted in an overpayment being made, then the Fund's Over and Underpayment Policy will also be followed.

The settlement of overpayments may be resolved through appropriate civil or criminal legal process which may include contacting the Police.

Where an act of fraud or wrong-doing is discovered by anyone covered by this strategy that does not relate to monies (e.g. an act of non-financial-bribery or the falsifying of data), the Fund officers will ensure the evidence is documented and follow the actions within the Council's response plan (which depend on who has committed the suspected fraud). Internal audit is likely to be involved and the investigative action required, and outcomes are likely to vary depending on the nature and type of fraud and who has committed it. In the case of a fraudulent incident relating to the Fund which is not covered by the Council's response plan, advice from internal audit will be obtained and legal advice obtained if this is deemed appropriate.

In dealing with all suspected and actual fraudulent incidents the Fund will also follow the principles set out in the Fund's Procedure for Recording and Reporting Breaches of the Law, as well as Flintshire County Council's Corporate Anti-Fraud and Corruption Strategy and Fraud and Irregularity Response Plan.

Further information relating to Pension Scams

One of the biggest risks of potential fraud relating to scheme members relates to member requests to transfer their benefits out. Industry wide pension scams are on the increase and the Pensions Regulator takes regular measures to update its scams guidance. The guidance includes options for pension schemes to refuse a transfer or to refer members to MoneyHelper based on certain circumstances.

The Fund takes this risk and its commitment to safeguard its members very seriously. The Fund's policy is to ensure that any updates are promptly made to its internal procedures in line with the Regulator's requirements. This is intended to reduce the risk of a potential scam being successful and hence protect the member, and the Fund from the risk of this type of fraud.

As part of continued good practice the Fund has taken 'the pledge' to combat pension scams. This involves pledging commitment to a series of steps relating to pension scams.

Strategy adoption and review

This Anti-Fraud and Corruption Strategy was approved by the Clwyd Pension Fund Committee on 29 March 2023.

The Committee will review this strategy as required in the light of future changes to LGPS or other relevant legislation. It will also be reviewed at least every three years and updated as necessary. Updates will be approved by the Clwyd Pension Fund Committee and the revised strategy published as a public document following approval.

Further information

If you require further information about anything in or related to this Strategy, please contact:

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Appendix: Related documents

Flintshire County Council documents:

- Anti-fraud and corruption strategy (including fraud response plan)
- Recording and reporting breaches of the law
- Anti-Money Laundering policy
- Whistleblowing policy
- Codes of Conduct
- Information Security policy
- Gifts and hospitality policy and register
- Risk Policy and register
- Pecuniary interest and conflicts of interest policies and register

Clwyd Pension Fund related policies and strategies:

- Cyber Strategy and supporting cyber hygiene guidelines and Incident Response Plan
- Over and underpayments policy
- Administration Strategy
- Communication Strategy

Further useful websites:

The Fraud Act 2006: Fraud Act 2006 (legislation.gov.uk)

CIPFA Code of Practice: Code of practice on managing the risk of fraud and corruption: CIPFA

The National Fraud initiative: National Fraud Initiative: GOV.UK (www.gov.uk)

The Pensions Regulators Scams guidance: Our strategy to combat pension scams: The Pensions Regulator



clwydpensionfund.org.uk

Clwyd Pension Fund, County Hall, Mold, Flintshire, CH7 6NA

Please note that Flintshire County Council is the administrative authority of the Clwyd Pension Fund and we use your personal data in accordance with Data Protection legislation to provide you with a pension administration service. For more information about how we use your data, who we share it with and what rights you have in relation to your data, please visit the Privacy Notice on our website.