

# Pensions Audit Sub Committee

2.00 p.m., Tuesday, 29 September 2015

## Fraud Prevention

Item number	5.7
Report number	
Executive/routine	
Wards	All

### Executive summary

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The purpose of this report is to allow the Pensions Audit Sub-Committee to understand and scrutinise the work undertaken by Lothian Pension Fund to prevent fraud. The report provides details of participation in fraud prevention initiatives as an integral part of the control environment and the overall management of risk.

Pensioner existence is one of the biggest fraud risks. Participating in the National Fraud Initiative (NFI) and matching of records with the General Registrar's Office ensures un-notified deaths are dealt with quickly. The Fund also used Western Union's "Existence" service to verify that overseas pensioners are alive. The Local Government Association (LGA) is currently working towards developing a service that will allow all Local Government Pension Funds access to "Tell us Once", a national application of registering a birth or death.

The Fund is about to undertake a trial period with CallValidate to confirm bank account details for new pensioner payments.

### Links

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Coalition pledges

Council outcomes [CO26](#)

Single Outcome Agreement

## Fraud Prevention

### Recommendations

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- 1.1 That Committee invites the Pension Board to raise any relevant matters or concerns which the Committee should consider.
- 1.2 Note the report and highlight any points it would like to raise at the Pensions Committee on 30 September 2015.

### Background

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- 2.1 In previous years, Pensions Audit Sub Committee has noted reports on ongoing fraud prevention measures by Lothian Pension Fund. An update of progress is now provided on an annual basis.

### Main report

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- 3.1 The Fund is participating in The National Fraud Initiative (NFI) in Scotland 2014/15. From April 2015, the Cabinet Office took over responsibility for running NFI. In preparation for data submission to the NFI web application on 6 October 2015, the Fund is currently reviewing and investigating matches (where required). The 2014/15 NFI report will be published in June 2016.
- 3.2 The Department for Work and Pensions (DWP) has now confirmed the extension of the Tell Us Once service to public service pension schemes. To assist in the administration of the scheme, the Local Government Association (LGA) on behalf of all Local Government Pension Scheme (LGPS) administering authorities has been developing a central database, known as the “National Insurance (NI) database”. Should a match between an NI Number on the LGPS NI database occur, the relevant LGPS Fund will be notified that data relating to a death of one of their members is available for it to access. The Fund has confirmed its commitment to take part in the extension of the Tell Us Once facility and also the LGA NI database. These services are planned to go-live in the coming months. In the meantime, on a quarterly basis, we continue to match our records to the General Registrar’s Office for Scotland (GRO).
- 3.3 The Fund also recently undertook an overseas pensioner existence check. Traditionally, this has been done by issuing a paper life certificate for completion and return. However, in partnership with Western Union and its network of agents, the Fund’s overseas pensioners had to verify that they were alive by

means of a face-to-face meeting at which they had to produce a valid form of identification, such as a passport or driving licence. One deceased pensioner was identified and payments to four others have been suspended until they contact us.

- 3.4 As Committee is aware, the pension administration team deliver administration services to members using Altair, a browser based pension software system. In March 2015, an immediate payment module was added to Altair that allows the Fund to process one-off payments to members and nominated third parties, such as solicitors and dependents. Controls have been put in place in to ensure that payments are made to authorised recipients only and that all payments are authorised in line with the Scheme of Delegation. On a monthly basis, all member movements, for example active member to pensioner member status, are reconciled against financial transactions.
- 3.5 The Fund continues to exercise its discretion as to whether to approve transfers in order to prevent “pension liberation” scams. Over the period 1 September 2014 – 31 August 2015 we had concerns about paying a transfer for 6 cases. Payment of the transfers has been withheld and all of the case has been reported to Action Fraud.
- 3.6 The Fund is about to undertake a trial period with CallValidate. CallValidate is an identity verification and fraud prevention solution provided by Callcredit Information Group. CallValidate will allow the Fund to validate bank details for new pensioners. This should avoid any failed payments and ensure that bank accounts are in the name of the intended recipient.

## Measures of success

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- 4.1 Lothian Pension Fund is committed to deter and ultimately prevent fraud. Suitable controls are in place and subject to regular scrutiny. Should any fraud be detected, however, immediate action is taken to prevent further losses and recover any overpayment.

## Financial impact

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- 5.1 The Lothian Pension Fund budget includes expenditure for fraud prevention. Staff resource is met within the existing budget for pension administration employee costs.

## Risk, policy, compliance and governance impact

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- 6.1 There are no adverse risk, policy, compliance or governance impacts arising from this report.

## Equalities impact

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7.1 There are no adverse equalities impacts rising from this report.

## Sustainability impact

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8.1 There are no adverse sustainability impacts arising from this report.

## Consultation and engagement

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9.1 The Pension Board, comprising employer and member representatives, is integral to the governance of the Funds.

## Background reading/external references

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Deputy Chief Executive

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## Links

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### **Coalition pledges**

**Council outcomes** CO26 - The Council engages with stakeholders and works in partnerships to improve services and deliver agreed

**Single Outcome Agreement**

**Appendices**