

# Northamptonshire Pension Fund Anti-Fraud and Corruption Policy 2019

## **1. Introduction**

- 1.1 This is the Anti-Fraud and Corruption Policy of Northamptonshire Pension Fund managed by Northamptonshire County Council (the Administering Authority).
- 1.2 This policy clearly demonstrates that Northamptonshire Pension Fund will take all necessary steps to prevent fraud and corruption. Every effort will be made to detect any such attempts and will robustly pursue those responsible and recover losses, referring matters to the Police where appropriate.
- 1.3 Fraud and corruption is defined as: -
- Fraud – ‘The intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain.’
  - Bribery and Corruption – ‘A bribe is a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity’.

## **2. Policy Objectives**

- 2.1 The Fund’s objectives related to this policy are as follows:
- Have robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies, whilst ensuring compliance with appropriate legislation and statutory guidance;
  - Manage the Fund in a fair and equitable manner, having regard to what is in the best interest of the Fund’s stakeholders, particularly the scheme members and employers;
  - Continually monitor and manage risk, ensuring the relevant stakeholders are able to mitigate risk where appropriate; and
  - Administer the Fund in a professional and efficient manner, utilising technological solutions and collaboration.

## **3. Purpose of the Policy**

- 3.1 The purpose of the policy is to –
- Prevent ongoing losses of funds where fraud has occurred and to maximise the potential for recovery;
  - Minimise the occurrence of fraud by taking rapid action at the earliest opportunity;
  - Minimise the chance of destruction of evidence;
  - Maximise the chances of success in future sanction action, including criminal prosecution
  - Minimise adverse publicity

#### **4. Effective date**

- 4.1 This Policy was approved by the Pension Committee on 20<sup>th</sup> October 2017 and was effective from 21<sup>st</sup> October 2017.
- 4.2 The first review of this policy was presented to the Pension Committee on 13<sup>th</sup> December 2019 and is effective from 14<sup>th</sup> December 2019.

#### **5. Review**

- 5.1 This Anti-Fraud and Corruption Policy is expected to be appropriate for the long-term but it will be reviewed by officers annually, and if necessary, more frequently to ensure it remains accurate and relevant. The policy will be presented to the Pension Committee if there are any significant changes to be approved

#### **6. Scope**

- 6.1 This policy applies to -
- members of the Pension Committee;
  - members of the Local Pension Board;
  - employers of the Fund;
  - relevant stakeholders to the Fund;
  - professional organisations that provide services to the Fund (e.g. Custodian, fund managers); and
  - professional advisors.

Officers of the Fund and County Councillors are covered by the LGSS Corporate Anti-Fraud and Corruption Policy.

#### **7. Culture**

- 7.1 The administering authority promotes a zero tolerance approach towards fraud, corruption and other malpractice for personal gain. Dishonesty, lack of integrity avoidance of controls and failure to comply with agreed policies will not be tolerated.
- 7.2 The prevention/detection of fraud/corruption and the protection of the public funds are everyone's responsibility and of paramount importance to the authority.
- 7.3 Concerns must be raised when members or employees reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- a criminal offence;
  - a failure to comply with a statutory or legal obligation;
  - improper unauthorised use of public or other funds;
  - a miscarriage of justice;
  - maladministration, misconduct or malpractice; and/or
  - deliberate concealment of any of the above.

- 7.4 The Council will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 and other statutory provisions. The administering authority will deal firmly with those who defraud the Council, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising malicious allegations) may be dealt with as appropriate.
- 7.5 When fraud or corruption have occurred because of a breakdown in systems or procedures, the administering authority will ensure that appropriate improvements are implemented to prevent a reoccurrence.

## **8. Responsible Officers**

- 8.1 The Head of Internal Audit – The Head of Internal Audit has a duty to monitor instances of financial irregularities within the Council as a whole, and to report certain details to external bodies, such as External Audit. The Head of Internal Audit also has a duty to ensure that appropriate investigations are carried out.
- 8.2 Section 151 Officer – Under section 151 of the Local Government Act 1972 and Section 73 of the Local Government Act 1985 the Section 151 Officer has a statutory duty to ensure that there are proper arrangements in place to administer the Council's financial affairs (as the administering authority).
- 8.3 Director of Finance – The Chartered Institute of Public Finance and Accountancy (CIPFA) statement on the role of the Chief Finance Officer/ Director of Finance (CFO) lists one of the CFO's core responsibilities as 'implementing appropriate measures to prevent and detect fraud and corruption'.

## **9. Deterrence**

- 9.1 The publication of this Anti-Fraud and Corruption Policy and regularly reinforcing that the administering authority operates a zero tolerance approach will help deter those considering perpetrating fraudulent activity.
- 9.2 Where any loss is incurred to fraud and corruption the administering authority will take action to recover monies owed.
- 9.3 Managers are expected to conduct risk reviews of the systems and procedures for which they are responsible and proactively update where weakness has been identified.
- 9.4 Pension Committee and Local Pension Board members receive regular reports on Internal Audit activity and these will include summary details of investigations into allegations of fraud and financial impropriety.

9.5 After an investigation, sanctions will be applied where fraud and corruption are proven to be present. This will be done in a comprehensive, consistent and proportionate manner whereby all possible sanctions – disciplinary, civil and criminal are considered. For elected members this will include the sanctions available for breaches of the Members’ Code of Conduct. The level of sanction pursued will be considered at the end of the investigative process when all evidence is available.

**10. Detection and prevention of fraud and corruption by the Northamptonshire Pension Fund.**

10.1 The below table demonstrates the activity undertaken by Northamptonshire Pension Fund to mitigate the likelihood of fraud and corruption occurring –

<b>Activity</b>	<b>Detail of activity</b>	<b>Responsibility</b>
Biennial participation in the National Fraud Initiative	The National Fraud Initiative (NFI) exercise matches electronic data within and between public and private sector bodies to prevent and detect fraud.	Officers are responsible for starting investigations into the members identified within one month of the report being received. The Head of Pensions will be notified of any fraudulent cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Monthly mortality screening	Deferred, pensioner and frozen refunds members are screened monthly to identify members that have passed away.	Officers are responsible for overseeing the process with the Fund’s supplier of mortality screening services (Accurate Data Services) and are responsible for ensuring that appropriate action is taken where deceased members are identified. The Northamptonshire Pension Fund subscribes to the Department of Work and Pensions Tell Us Once service and is notified of any deaths of scheme members through this service. Notifications are received shortly after a death has been registered but as it is a voluntary service the Fund cannot rely on the representatives of all members to use it, hence the requirement for a supplier of mortality screening services. The Head of Pensions will be notified of any fraudulent cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.

<b>Activity</b>	<b>Detail of activity</b>	<b>Responsibility</b>
Annual proof of existence for overseas members	All pensioner members are asked to complete and return a proof of existence form (witnessed by a suitably qualified professional).	Officers are responsible for conducting this exercise and suspending the ongoing of pension of payment for nil returns until contact has been made or notification that the member has died is received. The Head of Pensions will be notified of any fraudulent cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Address tracing for members residing in the UK.	Address tracing to be carried out every two years with more in depth tracing being carried out for members who will be realising a benefit within the two years following the exercise.	Officers are responsible for overseeing the process with the Fund's supplier of address tracing services (Accurate Data Services) and are responsible for ensuring that appropriate action is taken with information received. The Head of Pensions will be notified of any fraudulent cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Returned payslips	Pensioner payslips are sent the first month an individual receives a pension, and then if their net pay changes by more or less than £5 from one month to the next. Payslips are also issued every March, April and May to reflect pensions increase. Returned payslips could be due to a change of address or death of member.	Investigations to be carried out by Officers within one month of the returned payslip being received. The member payroll record will be immediately suspended until contact is re-established with the scheme member or confirmation of the member's death. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Returned BACS payments	BACS payments returned to the Fund by the recipient's bank/building society shortly after the payment date if the account has closed or an error has occurred. The returned payment could be due to a change of bank details or death of member.	Investigations to be carried out by Officers within one month of the returned payment. The member payroll records will be suspended until contact is re-established with the scheme member or confirmation of the member's death. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.

<b>Activity</b>	<b>Detail of activity</b>	<b>Responsibility</b>
Falsification/non-submission of documents (Member)	Members may provide incorrect information for financial gain.	All birth, death and marriage/civil partnership certificates need signing and verifying by the individual submitting them. All benefits need to be claimed via a signed declaration. Officers are responsible to carrying out the necessary security checks before benefits are paid. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Reconciliation of Employer and Employee contributions	It is a statutory requirement for employers to pay both employee and employer contributions to the Fund by the 19 <sup>th</sup> of the month following deduction. If the contributions are not paid it could indicate improper use of employee contributions in addition to the failure to comply with a statutory obligation.	Investigations by Officers will be carried out by the end of the month following non-receipt of contributions and irregularities between payments and schedules. Relevant cases are escalated in line with the Payment of Employee and Employer Pension Contributions Policy. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Falsification/non-submission of documents (Employer)	Employers may provide the service with incorrect data in order to gain financially.	Data verification checks to look for inconsistencies. Data matched against contribution information for the valuation carried out by the actuary. Electronic signatures are only accepted from a verified email address from authorised personnel. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Employee maladministration	Members may provide incorrect information for financial gain.	It is the responsibility of the Officer releasing the payment generated by another Officer to ensure the payment is of the correct amount and to the correct individual. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.

<b>Activity</b>	<b>Detail of activity</b>	<b>Responsibility</b>
Destruction of evidence	There is a clear separation of duties between employees and all calculations and payments are checked at a more senior level. The pensions Altair system report can identify all changes/deletions on all member records if required.	Officers are responsible for keeping accurate member records. The Altair Pensions System can track changes on all member records and any suspicious activity can be investigated through a system report. The Head of Pensions will be notified of any tampering with records and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Internal Audit Reviews	Internal Audit plays a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. They liaise with management to recommend changes in procedures to prevent further losses to the Fund.	Internal Audit will conduct an annual review that is then presented to the Pensions Committee and Local Pension Board. Relevant actions will be addressed by the Head of Pensions. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
External Audit Reviews	Independent external audit is an essential safeguard in the stewardship of public money. External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice.	External Audit will conduct an annual review that is then presented to the Pensions Committee and Local Pension Board. Relevant actions will be addressed by the Head of Pensions. The Head of Pensions will be notified of any fraud cases identified and will subsequently inform the Head of Internal Audit and the Section 151 Officer for appropriate action under corporate policy within one month of escalation.
Conflicts of Interest	Pension Committee and Local Pension Board members must ensure that they avoid situations where there is a potential for a conflict of interest. Declarations ensure potential conflicts are identified and dealt with appropriately mitigating the risk of fraudulent activity.	Pension Committee and Local Pension Board members are required to declare potential conflicts at the start of each meeting. Democratic Services are responsible for ensuring all declarations are held on the Council's register.

- 10.2 The Public Interest Disclosure Act 1998 (the “Act”) places a legal responsibility on employers to ensure that matters of serious public concern can be addressed
- 10.3 A ‘qualifying disclosure’ is any disclosure of information that is made in the public interest and in the reasonable belief of the individual may show that one or more of the following is either happening at the present time, took place in the past or is likely to happen in the future:
- a criminal offence
  - a miscarriage of justice
  - an act creating risk to health and safety
  - an act causing damage to the environment
  - a breach of any other legal obligation; or
  - concealment of any of the above
- 10.4 In making the disclosure, an individual must have a reasonable belief that the information disclosed shows one or more of the offences or breaches listed above. The belief need not be correct, but the individual must show that they held the belief and that it was a reasonable belief, in the circumstances, at the time of the disclosure.
- 10.5 Many fraudulent activities are discovered by chance or ‘tip off’ and the administering authority promotes the Whistleblowing policy to encourage and enable these to be reported.
- 10.6 Members of the public are encouraged to report any concerns which they may have through the external Whistleblowing process or by using the Fund complaints procedure.

## **11. Investigation**

- 11.1 All suspected irregularities are investigated within the Pensions Service in the first instance and will be dealt within 2 months of identification. All probable and confirmed cases are required to be reported to Internal Audit by the Head of Pensions.

This is essential to the policy, to:

- ensure the consistent treatment of information regarding fraud and corruption;
  - facilitate a proper and thorough investigation by an experienced audit team, in accordance with the requirements of the CPIA and PACE codes of practice.
- 11.2 Internal audit carries out investigations and follows up appropriately as per the LGSS Corporate Policy. Fraud is a serious offence and is covered by the Fraud Act 2006.

## **12. Sanctions**

- 12.1 It is highly likely that the administering authority will seek to prosecute offenders wherever appropriate.
- 12.2 Any decision to refer a matter to the police will be taken by the Head of Pensions and Audit Manager in consultation with the Council’s Section 151 Officer and the Chairman of the Pension Committee.

### **13. Related Documents**

- 13.1 The Northamptonshire County Council Anti-Fraud Policy and Fraud Response Plan can be found –  
<http://sharepoint.lgss.local/Pages/Anti-fraud-and-corruption.aspx>
- 13.2 Further details of the National Fraud Initiative can be found –  
<https://www.gov.uk/government/collections/national-fraud-initiative>
- 13.3 Fighting Fraud and Corruption Locally can be found –  
<http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>
- 13.4 CPIA Code of Practice can be found –  
<https://www.gov.uk/government/publications/criminal-procedure-and-investigations-act-code-of-practice>
- 13.5 The Fraud Act 2006 can be found –  
<http://www.legislation.gov.uk/ukpga/2006/35/contents>

### **14. Contact details**

- 14.1 If you require further details surrounding this policy please contact –

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