



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Head of Audit and Inspection

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Item 9

2nd March 2022

INTERNAL AUDIT: PENSION FRAUD INVESTIGATION

Purpose of Report

This report by Internal Audit provides members of the Strathclyde Pension Fund Committee with an update on the investigation into a significant overpayment of pension, as previously reported in the Annual Governance Statement 2020/21.

Recommendation

Members are asked to note the content of the Internal Audit Report.

Ward No(s):

Citywide:

Local member(s) advised: Yes No Consulted: Yes No

1. Background

- 1.1 In February 2021, through the returned mail process, the Strathclyde Pension Fund office became aware of a significant potential fraud that had occurred over a lengthy timeframe.
- 1.2 Any correspondence that is issued by the Strathclyde Pension Fund office is marked as "Return to Sender" if the person is no longer at the address that is on their pensions record. In this case a piece of correspondence issued to a pensioner was returned to the Strathclyde Pension Fund Office and officers then engaged with their appointed 3rd party tracing agent contractor to try and contact the pensioner. The pensioner was not able to be traced, however contact details for the pensioner's grandson and son were identified. When officers contacted the son of the pensioner, it was quickly established that the pensioner was deceased. The son also advised officers that he thought that the pension had passed to him on the death of his father.
- 1.3 The Strathclyde Pension Fund Office immediately ceased all future pension payments for this pensioner and Internal Audit were promptly informed. Internal Audit also contacted Police Scotland who reviewed the evidence and launched an investigation.
- 1.4 It has been confirmed that a pension had continued to be paid to the deceased pensioner since the date of his death in November 1989 until February 2021 when the overpayment came to light. The value of the overpayment is circa. £300k based on the current pensions records.
- 1.5 There was no notification of death provided to the Pension Fund and the date of death also predates the current data matching controls in place to identify deceased pensioners. Further detail on the current data matching controls is included at section 2 below.
- 1.6 Following review of the available evidence provided by the Pension Fund, Police Scotland advised that this case would not be taken forward as a criminal case. The reason provided was based on the facts able to be established:
 - The pensioner took retirement in 1983 and in 1985 changed their bank details to the account into which the pension was paid until 2021.
 - Since the pensioner's death in 1989, there had been 3 notifications of a change of address and one of these was at the Pension Fund offices. The change of address was not queried by Pension Fund staff and there is no evidence that the change was purported to be by the pensioner themselves.
 - When the returned mail was received in early 2021 and contact made with the pensioners son, he fully admitted receiving the pension payments between 1989 and 2021 as he thought he was entitled to the pension.

Police enquiries were carried out to establish if there was a criminal act and whether there was a sufficiency of evidence to report the circumstances of the case to the Procurator Fiscal. No *mens rea* was established due to the actions of the pensioners son who at no time alluded to be his deceased father. Therefore, no crime was established. However, Internal Audit is continuing to investigate whether there is potential criminality in relation to the use of the bank account.

- 1.7 Following conclusion of the Police enquires, the decision was also taken not to pursue the pensioners son for the overpayment. The Police advised the Strathclyde Pension Fund that the pensioners son had no assets and therefore the decision was taken not to spend any further public funds pursuing this.
- 1.8 Internal Audit and officers within the Strathclyde Pension Fund have worked together to fully investigate the circumstances of the fraud, ensure there were no other similar cases and to determine what further controls, if any, could be put in place. This report provides further detail on the additional work undertaken.

2 Investigation findings – Controls overview

- 2.1 The National Fraud Initiative (NFI) was launched in 2004. NFI is a national public sector initiative that matches data from various sources, identifies anomalies (which could be an indicator of potential fraud) and provides this back to public sector organisations for further investigation. The Strathclyde Pension Fund through Glasgow City Council, participate in the National Fraud Initiative (NFI).
- 2.2 Pensions information provided by Strathclyde Pension Fund is matched against:
 - Department of Work and Pensions deceased individuals data;
 - Payroll information (both internal and external organisations);
 - Police data (Amberhill – a Metropolitan Police Service database drawing together data relating to fraudulent identity documents), and
 - Council Tax Reduction Scheme (both within the Council and between other authorities/organisations).
- 2.3 The Strathclyde Pension Fund has also signed up to the Tell Us Once initiative from January 2020 which lets a person report a death and various organisations (who have signed up to the Tell Us Once initiative) at once, rather than having to notify individual organisations. Officers have advised that this service has already enabled the Strathclyde Pension Fund to receive over 3,000 death notifications promptly.
- 2.4 The Strathclyde Pension Fund also procures the services of Accurate Data Services (ADS) to regular checks of the Pensions database. This is a new

contract, awarded in 2021. However, prior to this, a similar service was provided by Lexus Nexus for the previous 7/8 years. A download of the Pensions database is sent to ADS who then run this against a number of other databases e.g. Department of Work & Pensions, Registrars. ADS also undertake mortality screening services and change of address checks.

- 2.5 Any pensioner who resides overseas is subject to an annual proof of life check as deaths of pensioners living overseas may not be detected by the above data matching controls. This involves a form being signed and witnessed and returned to the Pension Fund Office, otherwise a pension payment is suspended. Currently there are 953 pensioners that reside overseas that this check applies to.
- 2.6 Due to the deceased pensioners date of birth, had they still been alive they would have been 103. Whilst we recognise that age itself should not be used to determine if a pension is still valid, Pension Fund staff have undertaken some profiling to understand the age profile of the fund. As at early 2022, there were: 8,700 pensioners over 85 years; 2,800 pensioners over 90 years; and 57 pensioners over 100 years.
- 2.7 In total the SPF has approximately 81,000 pensioners that are paid directly every month, with another approximately 14,000 pensions paid to a dependant.

3 Internal Audit Response

- 3.1 Following notification of the fraud, Internal Audit undertook additional data analytics on a download from Altair, the Pensions system. The aim of this work was to identify any inconsistencies in the SPF data. SPF also commissioned their own work, more detail is provided on this in paragraph 4. The Internal Audit data analytics included work to identify:
- similar cases based on age;
 - duplicate pensioners:
 - those over 90 years of age who are in receipt of a dependent pension but where the file has been marked as “gone away”;
 - those over 90 years of age who are in receipt of non dependent pension but where the file has been marked as “gone away”;
 - those who were less than 1 year old at the receipt of pension; and
 - those under the age of 50 at the receipt of a non dependent pension, who did not receive ill health retiral.

- 3.2 This work flagged up a number of anomalies that we passed to officers within Strathclyde Pension Fund for further investigation and action. However, based upon the responses provided by the Strathclyde Pension Fund officers we have not identified any additional fraudulent cases. In all anomalies identified through the data analytics work, satisfactory explanations have been provided for all but 1 case. In this case additional action was required by the Strathclyde Pension Fund to confirm the data including completing address checks.

4 Strathclyde Pension Fund Office Response

- 4.1 Officers within the Strathclyde Pension Fund office commissioned ADS to undertake additional data matching checks of the Pensions information for all pensioners over the age of 90.
- 4.2 ADS identified 119 cases where there was a high percentage of a match. A high percentage match occurred when there was a match between 1st initial, surname, full address and full date of birth, or 1st initial, surname, postcode and full date of birth. In 115 of these high percentage of matched cases the death had previously been notified to the Strathclyde Pension Fund. Of the remaining 4 cases, the Pension Fund had already suspended 3 pensions due to returned mail and in the last case the pension has now been suspended. Strathclyde Pension Fund staff have reviewed each of the 4 cases and none are considered to be fraudulent.
- 4.3 There were also 6 cases identified where there was a low percentage of a match. A low percentage match occurred when there was only a match between 1st initial, surname and full address, or 1st initial, surname and full date of birth or full name and partial date of birth. In one of these low percentage of a match cases the death had previously been reported to the Pension Fund. Of the remaining 5 cases, officers have taken action including contacting the Scottish Public Pensions Agency (2 cases), issuing a life certificate (1 case) and making contact with a nursing home (1 case). In the last case, the Strathclyde Pension Fund was notified of the death of the pensioner and the spouse pension was never claimed. Strathclyde Pension Fund staff have reviewed each of the 5 cases and none are considered to be fraudulent.

5 Conclusions

- 5.1 The work undertaken by Internal Audit in reviewing the data held by the Strathclyde Pension Fund for inconsistencies did not identify any other similar fraudulent cases. Similarly, the work commissioned from ADS has not identified any other similar fraudulent cases. Some anomalies were identified through both pieces of work, however action has been taken as appropriate.
- 5.2 The internal controls in place now, including the use of NFI and the "Tell us Once" are adequate to ensure that deaths are notified to Strathclyde Pension Fund.

5.3 Although the death of a pensioner residing overseas would not be picked up in the NFI or “Tell us Once”, the annual proof of life checks for this category of pensioner are a control to mitigate against this risk.