

Pension Fund Administration Sub-Committee

Meeting to be held on 13 June 2012

Electoral Division affected: All

National Fraud Initiative Matches - Local Government Pension Scheme

(Appendix 'A' refers)

Contact for further information:

Diane Lister, 01772 534827, County Treasurer's Department

diane.lister@lancashire.gov.uk

Executive Summary

This report sets out the background to the Audit Commission's National Fraud Initiative, the most recent findings in respect of Lancashire County Pension Fund and progress on Your Pension Service investigations to date.

Recommendation

The Sub-Committee is asked to note the report.

Background & Advice

Background to NFI

Your Pension Service works closely with Internal Audit in order to investigate matches identified as part of the data matching exercise undertaken by the Audit Commission National Fraud Initiative (NFI). Work has been undertaken during 2011/12 to investigate matches identified as part of the 2010/11 data matching exercise.

As part of the county council's duty to protect public funds, the Audit Commission requires all local authorities to participate in the NFI. Previously this has been a two-yearly exercise that matches electronic data held by public sector organisations to highlight potentially fraudulent activity. In future, this exercise will be undertaken on an annual basis in order to ensure that any potential fraudulent activity is identified and action taken at the earliest opportunity. The Audit Commission also has plans to introduce a real time data matching service to the NFI in the future.

The NFI works within a strong legal framework, including the Data Protection Act 1998, which protects individual's personal data. The data matching exercises are carried out under statutory powers which contain important safeguards on the use and disclosure of data, including the requirement for a statutory Code of Data Matching Practice. The Code helps ensure that all those involved in the NFI exercises comply with the law, especially the provisions of the Data Protection Act.

The NFI's 2010/11 data matching exercise has already identified £139m of fraud, overpayments and errors in England.

Findings 2010/11- Lancashire County Pension Fund

There are a number of tests included in the data matching exercise that relate to Lancashire County Pension Fund and these identify pension claimants that may have died or may have additional employment affecting their pension. The full list of relevant tests is shown below and at Appendix 'A'. The 2010/11 NFI exercise identified 2,215 matches for the Fund.

- a) Pensions matched to Benefits Agency Deceased Persons (609 matches);
- b) Pensions matched to DDRI (Disclosure of Death Registration Information) Deceased Persons (308 matches);
- c) Deferred Pensions matched to Benefits Agency Deceased Persons (69 matches);
- d) Deferred Pensions matched to DDRI Deceased Persons (21 matches)
- (e) Pensions to LCC Payroll (762 matches) (To identify pensioners who may have gone back into employment that could result in an abatement of their pension).
- f) Pensions to Districts Payroll (446 matches).

Your Pension Service (YPS) has processed approximately 66% (2/3rds) of these matches to date and has identified overpayments to the value of £98,436 for 31 claimants. YPS is in the process of pursuing recovery of the identified overpayments with the aim of securing repayment schedules with claimants. It should be noted that in most cases there is a straightforward explanation for non disclosure and that the majority of cases are found to be genuine oversights rather than fraudulent cases. Currently only one of the 2,215 matches has been identified as potentially fraudulent with an overpayment outstanding of £19,718. Legal advice is currently being sought in respect of further action in respect of this case.

Future NFI – Real Time Data Matching

In June 2011 the Cabinet Office Counter Fraud Taskforce recommended that the NFI should be deployed more widely as a near real-time tool to enable data matching at the point of application between departments and central and local government.

As a result the Audit Commission launched real time data matching to sit alongside the established data matching work. Although there are many areas where NFI real time data matching will bring clear and significant benefits to fraud prevention, the NFI have 'phased' this release in order to focus on areas of greatest risk.

In September 2011 NFI launched Phase 1 of its real time data matching service designed to prevent fraud against financial institutions by identifying where an applicant has falsely declared they have a right to work in the UK.

The Commission is currently considering the Phase 2 extension of real time data matching and how best to use this powerful new tool in the future.

CLG has confirmed that the government intends to continue the NFI after the Audit Commission's abolition. The Commission will continue to run the NFI until its data matching powers are transferred to a new organisation. The Commission will work with the new owner of the NFI to ensure a smooth transfer of the function.

Consultations

N/A

Implications:

This item has the following implications, as indicated:

Risk management

Your Pension Service works closely with Internal Audit in order to investigate matches identified as part of the data matching exercise undertaken by the Audit Commission National Fraud Initiative. The work highlights potentially fraudulent activity and enables action to be taken to pursue recovery of identified overpayments with the aim of securing repayment schedules with claimants.

Local Government (Access to Information) Act 1985 List of Background Papers

N/A