

Anti-Fraud and Corruption Policy

June 2025

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Introduction

This is the Anti-Fraud and Corruption Strategy for the Dyfed Pension Fund which is Administered by Carmarthenshire County Council.

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

Carmarthenshire County Council administers the Dyfed Pension Fund on behalf of its stakeholders which include:

- approximately 55,000 current and former members of the Fund, and their dependants
- Over 50 employers within the Carmarthenshire, Ceredigion and Pembrokeshire Council areas

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

Responsible Officers

The Chief Finance Officer (Section 151 Officer for the Fund) is responsible for overseeing the Council's arrangements for the prevention and detection of fraud 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 the Pensions Manager of the Dyfed Pension Fund.

The ultimate responsibility for the management of the Dyfed Pension Fund lies with the Pension Fund Committee. However, the Director of Finance 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 Pensions Manager of Dyfed Pension Fund, taking expert legal advice where appropriate, unless otherwise provided in this strategy.

Principles underpinning this strategy

The approach adopted by the Fund 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

Management of Fraud

Deter: Embedding a culture of deterring fraud

The Fund adopts an approach in line with the broader strategy of Carmarthenshire 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 may 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 Pensions Manager 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. Weekly mortality screening in relation to UK pensioners, carried out by the Fund's appointed mortality screening provider.
 - d. Annual existence checks in relation to the Fund's overseas pensioners using biometric authentication.
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. Actively remind members to change their address details, using pre-move data to identify members who may be moving.
 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 signatories on the authorised signatory list of 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 quarterly reconciliations between the pensions administration system and ledger to ensure the coding of all income is correct.
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.
13. Ensuring internal processes prevent pensions officers from amending their own pension record and restricting functions to amend the records of their spouse's/ partner's/ parent's/ sibling's/ child's to reduce the likelihood of internal fraud and corruption. The Fund's pension administration software system can 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 workflows which mirror the Authorised Signatory List) and officers have a dedicated User ID 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 Carmarthenshire County Council's internal audit team across a range of 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 Director of Corporate Services 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 Fund's bank accounts against all incoming and outgoing payments on a monthly basis to ensure all transactions are as expected
- weekly checks of entries in the bank account to identify any suspicious payments out.

Internal Audit plays an important role in the detection of fraud, bribery and corruption. Included in their strategic plan are reviews of system controls including financial controls and specific fraud and corruption tests and will make spot checks. Internal Audit undertakes extensive data matching exercises to detect potential fraud comparing data sets between and within systems to identify discrepancies, which may indicate fraudulent activity.

In addition to Internal Audit, there are numerous systems and management controls in place to deter fraud and corruption but it is often the vigilance of employees and members of the public that aids detection. The Council's Whistle Blowing Policy is intended to encourage and enable staff to raise their concerns.

The Authority will continue to contribute to the National Fraud Initiative, co-ordinated by Audit Wales (undertaken every 2 years) where sets of data on a range of service provision are compared with other Local Authorities and Public Body Data to identify exceptions, which could include fraudulent activity.

Any decision to refer a matter to the Police of suspected fraud or corruption for a criminal investigation will require the involvement of the Director of Corporate Services, The Head of Revenues and Financial Compliance, or in their absence any of these officers or their nominated representatives.

Under the Authority's zero tolerance approach, all cases of Fraud and Corruption are discussed with the Police with a view to progressing the prosecution. Depending on the nature of the allegation the Head of Revenues and Financial Compliance will work closely

with the Head of Service or relevant Employer to ensure that all allegations are thoroughly investigated and reported upon.

The Authority's Disciplinary Procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. Cases in respect of Elected Members will be referred to the Public Services Ombudsman for Wales.

Investigations are undertaken without delay and by suitably qualified staff within Internal Audit and the Fraud & Compliance team, who are aware of Data Protection and Human Rights issues and particularly the Regulation of Investigatory Powers Act 2016. Under this Act strict conditions are imposed when undertaking observations and surveillance and these require specific approval.

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.

Review Process

This Anti-Fraud and Corruption policy was approved by the Dyfed Pension Fund Committee in June 2025.

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 Dyfed 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:

Dyfed Pension Fund, County Hall, Carmarthen, SA31 1JP
Telephone: 01267 224 893