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Press release

Embargoed until 00.01 hours, Thursday 15 May 2008

Counter-fraud exercise is reaping rewards

Almost £10 million worth of fraud and errors have been identified following a national detection exercise by Audit Scotland working together with other public bodies.

The 2006/07 National Fraud Initiative (NFI) formed part of the audits of 74 participating bodies, including councils, police forces, fire and rescue services, health boards, the Scottish Public Pension Agency and the Student Award Agency for Scotland.

Information about deceased persons, public sector employees and pensioners, benefit applicants, failed asylum-seekers, expired visas and students was compared to look for inconsistencies that might suggest fraud or error and 'matches' passed to bodies to follow up using a secure website.

Auditor General for Scotland Robert Black said: "This is the second time the National Fraud Initiative has been carried out extensively in Scotland. I am very pleased that more public bodies took part this time and that, as a result, £9.7million of frauds, overpayments and errors were identified."

Audit Scotland's Director of Audit Strategy, Russell Frith, said: "The earlier 2004/05 NFI exercise helped identify the longest running fraud and error, and areas where public bodies could improve their controls. Most fraud and error found during the NFI for 2006/07 should only have run for two years at most. It is encouraging that our NFI work is helping to improve the control systems in public bodies that prevent and detect fraud and error."

The cumulative outcome from these exercises in Scotland is now around £37 million and there were at least 75 successful prosecutions from the last exercise in 2004/05.

The NFI in Scotland is similar to exercises undertaken elsewhere in the UK and data is processed by the Audit Commission in England using a sophisticated and secure web-based system.

The main results from NFI 2006/07 were:

- 186 pensions stopped after NFI identified that the pensioner was deceased
- 1,552 housing benefit cases involving public sector pensioners
- 672 housing benefit cases involving public sector employees
- 969 'blue badge' disabled parking permits cancelled after NFI identified that the holder was deceased

Bodies are now seeking to recover around £2.8 million of overpayments and they will save about £3.9 million by preventing future incorrect pension payments. The Procurator Fiscal has received 49 housing benefit cases so far from the 2006/07 NFI but this number is expected to increase significantly. As a result of NFI-related enquiries 17 employees were dismissed or resigned.

Auditors found that the vast majority of participating bodies made satisfactory arrangements for managing their role in NFI and showed they were committed. However there is still scope for improvement.

Audit Scotland is working to widen the scope of the NFI in line with the rest of the UK. Public bodies will provide information again in October this year as part of their 2008/09 audits and will have fresh information to investigate in early 2009.

For further information please contact Simon Ebbett on 0131 625 1652 sebbett@audit-scotland.gov.uk

Notes to Editors:

1. The £3.9 million figure is based on predicted savings, or 'forward pensions savings'. This is based on a calculation commonly used in the pensions industry, which assumes pensions would have continued to be paid to age 90 had the NFI not found these cases. Where the person was over 90, one year's savings is counted.
2. The scale and complexity of the NFI across the UK means it takes two years to undertake each exercise from start to finish. Bodies also need time to investigate the matches from one exercise before they have to move on to the next. That is why there are no NFI figures for the 2005/06 period.
3. All Audit Scotland reports published since 2000 can be found on Audit Scotland's website www.audit-scotland.gov.uk
4. Audit Scotland is a statutory body set up in April 2000, under the Public Finance and Accountability (Scotland) Act 2000. Audit Scotland has prepared this report jointly for the Auditor General for Scotland and the Accounts Commission for Scotland.
5. The Auditor General is responsible for securing the audit of the Scottish Government and most other public bodies in Scotland, except local authorities. He investigates whether spending bodies achieve the best possible value for money and adhere to the highest standards of financial management. The Auditor General is independent and is not subject to the control of the Scottish Government or the Scottish Parliament.
6. The Accounts Commission for Scotland was set up in 1975 and checks whether local authorities, fire and police boards spend £9 billion of public money properly and effectively.