

Report of the Comptroller and Auditor General

National Employment Savings Trust Corporation 2012-13

Introduction

1. The National Employment Savings Trust Corporation (the Corporation) was established under the Pensions Act 2008 as a non-departmental public body, sponsored by the Department for Work and Pensions, to act as a trustee of any pension scheme established under section 67 of the Act.
2. Under the Pensions Act 2008 I am required to examine, certify and report on the accounts of the Corporation. In addition to the requirements to obtain evidence to give reasonable assurance that the financial statements are free from material misstatement, I am also required to give an opinion that the transactions are, in all material respects, in conformity with the authorities which govern them (a regularity opinion).
3. The purpose of this Report is to explain the background to the qualification of my audit opinion on regularity and to note the steps taken in respect of this matter by the Corporation.

Qualified opinion on regularity as a result of fraudulent expenditure

4. Fraudulent transactions cannot, by definition, be regular since they are without proper authority. Consequently, fraud which is material always results in qualification of the regularity part of the opinion.
5. I have qualified my regularity opinion for the year ended 31 March 2013 because the Corporation has incurred a material fraud (£1,446k). Where fraudulent payments occur, the transaction is not in conformity with the authorities which govern them and is therefore irregular. In the Governance Statement at section 4.17 of its Annual Report, the Corporation has explained the circumstances of the mandate fraud involving the diversion of supplier payments, which resulted in a loss of £1,446k being incurred by the Corporation.
6. I consider the circumstances that gave rise to this fraud to be a significant control failure for the Corporation, although I recognise that the Corporation has undertaken the necessary work to investigate the incident and initiated steps to strengthen controls over the payment process.
7. Whilst I have qualified my regularity opinion, as the Corporation has included the cash loss within its expenditure and made appropriate disclosures¹ in accordance with *Managing Public Money*, I have been able to conclude that the financial statements give a true and fair view of the net expenditure after interest for the year ended 31 March 2013.

¹ Note 18 Losses and special payments.

Conclusion

8. In my view the fraudulent expenditure is a material loss of public funds and those funds have been used for purposes other than that intended by Parliament. I have therefore concluded that the expenditure incurred in respect of the mandate fraud is not in conformity with the authorities which govern it, and is, therefore, irregular.
9. The fraud arose because of a serious control failure within the Corporation. The Corporation recognises this, and has commenced a wider programme of work to improve its systems, as well as ensuring that its employees are aware of the risks of frauds and know what actions to take to minimise the risk of loss to public funds in the future.

Amyas C E Morse
Comptroller and Auditor General

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