DfC
Department
for Communities
www.communities-ni.gov.uk

Annual Report and Accounts

for the year ended 31 March 2019

Annex includes Child Maintenance Service Client Funds Account 2018–19

Department for Communities

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for the year ended 31 March 2019

Laid before the Northern Ireland Assembly by the Department of Finance under section 10(4) of the Government Resources and Accounts Act (Northern Ireland) 2001

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Performance Report

The purpose of the performance section of the annual report is to provide information on the Department, its main objectives and strategies and the principal risks that it faces. The requirements of the performance report are based on the matters required to be dealt with in a Strategic Report as set out in Chapter 4A of Part 15 of the Companies Act 2006 adapted for the public sector.

Section 1 – Overview

Accounting Officer's Report

These accounts consolidate the financial information of the Department for Communities (DfC) for the financial year to 31 March 2019. These are the third set of accounts for DfC which was formed on 9 May 2016 following the restructuring of the Northern Ireland Departments. The Department's annual budget remained at almost £7 billion and some 8,200 staff continued to be employed (one third of the NI Civil Service).

The Department provides support to meet the needs of some of the most disadvantaged citizens, families and communities across Northern Ireland. Areas of DfC responsibility included delivery of the social welfare system including child maintenance support, providing advice for those seeking employment, ensuring the availability of good quality and affordable housing, facilities for sports and leisure, supporting local government, maintaining museums and revitalising town and city centres. In delivering these services DfC achieved a wide range of Programme for Government (PfG) targets and commitments, and worked in partnership with other statutory and non-statutory bodies.

Although we operated in a challenging financial and political environment following the dissolution of the Northern Ireland Assembly on 16 January 2017, and putting in place plans for the proposed withdrawal from the European Union, the Department performed well against the targets it had set.

In summary the Department for Communities achieved 13 of its 19 targets set in 2018-19.

Purpose and Activities of the Department

DfC is the largest of nine Northern Ireland departments. It was established under the Departments Act (Northern Ireland) 2016.

During the period of this annual report, DfC had strategic responsibility in Northern Ireland for setting policy, bringing forward legislation and resourcing in the following areas:

- Housing
- Urban regeneration
- Sport
- Benefits and pensions
- Social legislation
- Helping people find employment
- Arts and culture
- Museums and libraries
- Child maintenance
- Voluntary and community sector and the regulation of charities
- Ulster Scots and Irish Language
- Historic environment
- Local government
- Public Record Office

DfC Responsibility for Funds

- The **National Insurance Fund**, within the remit of HM Revenue and Customs (HMRC), is excluded from the consolidation and the summary of resource outturn in the Statement of Assembly Supply. However, certain elements are included in the remaining primary statements. These are contributory benefits, all administration costs and their related assets and liabilities.

- The **Social Fund**, which is consolidated within the primary statements.

- A **Client Funds Account** to control the receipt and payment of child maintenance and fees from non-resident parents and parents with care. Child maintenance is collected from paying parents (non-resident parents) and paid over to the receiving parent i.e. parent/person with care of the children. This fund is prepared as a separate account and is not consolidated within these accounts. The Client Funds Account is attached at Annex A.

- The **Northern Ireland Central Investment Fund for Charities** into which NI charities invest funds. The Department pays dividends twice yearly and invests the capital of the **Charitable Donations and Bequests Fund**. These funds are not consolidated within these accounts as no Departmental funds are involved.

Public Bodies Outside our Accounting Boundary

In fulfilling its role, DfC currently has responsibility for 15 Non-Departmental Public Bodies (NDPBs) that sit outside its accounting boundary. These are:

Executive Non-Departmental Bodies (NDPBs)

Executive NDPBs are those with executive, administrative, commercial or regulatory functions. They carry out set functions within a government framework, but the degree of operational independence varies.

DfC Bodies and their activities:

Armagh Observatory and Planetarium

To advance the knowledge and understanding of astronomy and related sciences through the execution, promotion and dissemination of astronomical research nationally and internationally in order to enrich the intellectual, economic, social and cultural life of the community.

Arts Council of Northern Ireland

To develop and improve the knowledge, appreciation and practice of the arts, increase public access to and participation in the arts, to advise the Department and other government departments, district councils and other bodies on matters related to the arts.

Commissioner for Older People for Northern Ireland

To champion the rights and interest of older people in Northern Ireland. The Commissioner has promotional, advisory and educational and general investigatory powers and duties.

Charity Commission for Northern Ireland

To provide an integrated system of registration and regulation of charities in Northern Ireland and supervision and support of registered charities.

Local Government Staff Commission (LGSC)

To exercise general oversight of matters connected with the recruitment, training and employment of officers of councils and the NI Housing Executive. The NI Executive agreed that the LGSC should be dissolved on 31 March 2017. However this timetable was not achieved and the intention now is to dissolve the body as soon as the consultation and Assembly process allows.

Museums and Galleries NI (known as National Museums Northern Ireland)

To care for, preserve and add to collections, ensure that the collections are available to the public through exhibitions, effective interpretation, research and study, promote awareness and appreciation and understanding of art history and science, the way of life and traditions of people.

Northern Ireland Library Authority (known as Libraries Northern Ireland)

To provide a comprehensive and efficient public library service for persons living, working or studying in Northern Ireland.

The NI Museums Council

To support local and regional museums in Northern Ireland and maintain and improve the standards of collections care and service to the public.

The NI Local Government Officers' Superannuation Committee (NILGOSC)

To administer a fund providing pension benefits for employees of local authorities and other admitted bodies. The Local Government pension scheme is managed by NILGOSC.

NI Commissioner for Children and Young People

To safeguard and promote the rights and best interests of children and young people up to the age of 18 or 21 for those with a disability or who have experience of being in the care of the state.

NI Housing Executive

To act as the regional housing authority for Northern Ireland. From 1 April 2014, following a request from the Office for National Statistics, NIHE is classified as a NDPB in respect of its regional strategic functions and a Public Corporation in respect of its landlord activities.

Sport NI

To act as the leading body for the development of sport in Northern Ireland, ensuring that sport and physical recreation is accessible to everyone regardless of age, gender, race, disability, marital status, sexual orientation, dependency, religious belief or community background.

Ulster Supported Employment Limited

To provide supported paid employment to people with disabilities to meet their employment aspirations. The organisation has offices in several locations throughout Northern Ireland.

North South Language Body

To promote both the Irish language (Foras na Gaeilge) and the Ulster Scots language (Ulster Scots Agency). Each of these bodies has a Board which together constitute the Board of the North / South Language Body.

- **Foras na Gaeilge**

  To facilitate and encourage the speaking of Irish in the public and private arena in the Republic of Ireland and Northern Ireland where there is appropriate demand in the context of part three of the European Charter for Regional and Minority Languages.

- **Ulster Scots Agency**

  To promote the study, conservation development and use of Ulster Scots as a living language, to encourage and develop the full range of its attendant culture and promote an understanding of the history of the Ulster-Scots.

The **Northern Ireland Events Company (NIEC)** was incorporated as a limited liability company in 1997 with a remit to support major events in Northern Ireland. Following the failure of the company, the Public Accounts Committee produced a report in February 2016 with the Memorandum of Reply presented to the Northern Ireland Assembly on 22 June 2016.

All former Directors of the NIEC have accepted undertakings or a judgement has been applied preventing them from acting as Company Directors. Solicitors have been appointed, and an application for voluntary strike off will be lodged with Companies House in 2019-20 upon HMRC confirmation that all outstanding balances are settled.

Public Bodies within our Accounting Boundary

DfC Advisory Non-Departmental Public Bodies

The **Charities Advisory Committee** was appointed under Section 25 of the Charities Act (Northern Ireland) 1964, which provided for the establishment of a common investment fund for charities. The legislation required the appointment of a committee of persons who have special experience of investment and finance or of the administration of trusts to advise the Department with respect to the investment of the Northern Ireland Central Investment Fund for Charities. The Committee's main objective is to monitor the Investment Manager's performance against the stated contractual requirements and advise the Department accordingly.

The **Historic Buildings Council** was established in 1974 under the provisions of the Planning (Northern Ireland) Orders of 1972 updated most recently by the Planning Act (NI) 2011. The Council is made up of 15 members with a wide range of expertise and experience in architecture, architectural history, planning, industrial heritage, building conservation and structural engineering throughout Northern Ireland. Its role is to advise the Department on the listing and delisting of buildings, listed building consent, buildings preservation notices (spot listing), urgent works to preserve buildings, conservation areas and matters of the industrial and defence heritage.

The **Historic Monuments Council (HMC)** was first established in 1971 under the provisions of the Historic Monuments (Northern Ireland) Act 1971. Its current authority is derived from the Historic Monuments and Archaeological Objects (Northern Ireland) Order 1995. The Council is made up of 15 members with a wide range of experience and expertise in matters concerning historic monuments and cultural heritage. The role of HMC is to advise the Department on, among other things, the management of monuments in state care, maritime archaeology, industrial and defence heritage and areas of significant archaeological interest within development plans.

Ministerial Advisory Group (MAG) endorsed by all Departments, the Architecture and Built Environment Policy, (a non-statutory policy), was published in 2006 and advocated the formation of the Ministerial Advisory Group (MAG) to advise the Minister of the then DCAL on the implementation and development of the Policy. In 2007 it was established as an advisory group with an Interim Chair, 5 Members and 21 Advisors (set to increase from May 2019). The Chair and Members are Ministerial Appointments and the Advisors are Public Appointments. Those people contribute expertise as Architects, Planners, Landscape Architects, Urban Designers, Ecologists, Conservation and Transport Consultants and Archaeologists. All are knowledgeable about Northern Ireland, some bringing the perspectives of being local, others are based elsewhere across the UK.

Independent Statutory Officeholder – the Discretionary Support Commissioner

The Discretionary Support Commissioner is a Statutory Office Holder appointed by the Department. The Commissioner provides an independent process, by means of a review service, for applicants who are dissatisfied with decisions made by the Department on applications for Discretionary Support.

Key Risks

DfC has a robust risk management process in place to ensure that the risks faced by the Department are identified and managed and that appropriate controls were in existence and utilised accordingly. At the beginning of 2018-19 the Departmental Management Board (DMB) conducted an end of year review of its Corporate Risk Register for 2017-18, alongside the Department's Balanced Scorecard for 2017-18, and agreed the key corporate risks for 2018-19. Key risks to the Department achieving its objectives are outlined in the Governance Statement.

Details of our corporate governance and risk management arrangements are also included in the Governance Statement.

Key issues faced during 2018-19

During 2018-19 the Department managed a number of significant issues. Further details on the issues faced and the actions taken can be found within the

Governance Statement.

Anti-corruption and anti-bribery matters

The Department continues to strengthen its anti-corruption and anti-bribery arrangements through the sharing of best practice with Departmental staff and ALBs.

Section 2 – Performance Analysis

The Departmental Management Board (DMB) supports the Accounting Officer in her oversight of the delivery of the business plan.

Despite challenging conditions the Department has made good progress against the 19 milestones and targets contained in the 2018–19 Business Plan.

A total of 13 (68%) of the milestones/targets for 2018–19 have been achieved. Progress for 1 milestone (5%) was less than planned and 5 milestones (27%) have not been achieved.

Our Detailed Financial Results for the Year

Departmental Resource Accounts form the principal financial reports of the Department and are published on an annual basis.

Supply estimates are the means by which parliamentary (Assembly) authority is secured for most government expenditure.

Supply is granted on an annual basis, voted in the Main and Spring Supplementary Estimates and in the Budget Acts in NI.

The net resource outturn of the Department in 2018–19 was £4.355 billion. The financial results of the Department are set out on pages 107 to 186.

The outturn was £182 million less than the Estimate. This can be explained as follows:

The **DEL** outturn is £15.555 million (2.3%) less than the Estimate. The main drivers of this variance are easements in Fresh Start Mitigation Payments (£7.6 million) as a result of less than expected caseloads, easements in Welfare Reform Payments (£2.0 million) due to contract easements and staffing challenges, easements in Housing Benefit Rates (£2.8 million) which are demand led and difficult to predict, easements in contract costs (£2.8 million) as a result of agreement with DWP to maintain central charges at 2017-18 rate and easements in Urban Regeneration (£3.8 million) due to slippage in a number of projects. These easements were slightly offset by an overspend in the Rates Support Grant (£4.4 million) due to increased grant entitlements and legal costs following a legal case.

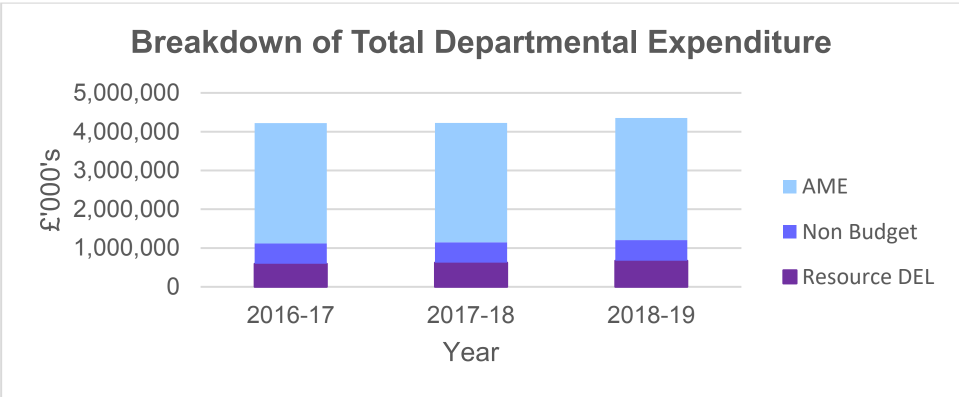
The **AME** outturn is £135.285 million (4.1%) less than the Estimate due to the nature of this spend being demand led and difficult to predict.

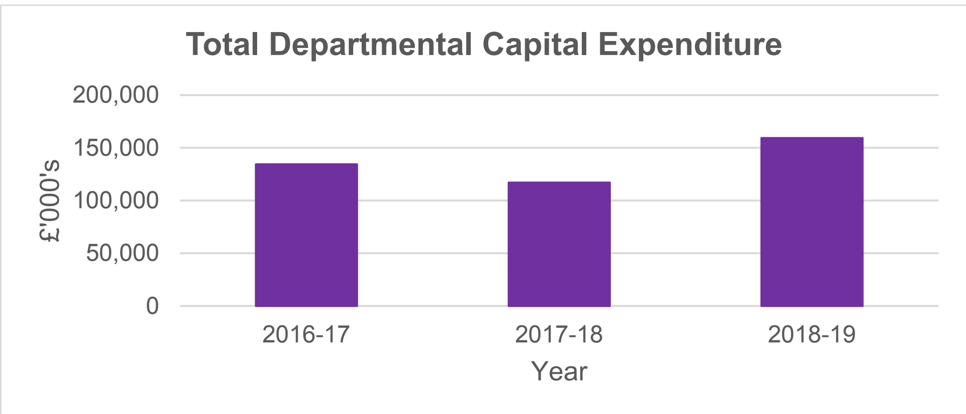
The **Non-budget** outturn is £31.199 (5.5%) less than the Estimate mainly due to Social Fund Cold Weather payments not being triggered (£8.6 million), a reduced requirement for the Housing Regional Services cash drawdown due to NIHE prudently requesting additional cover in the January Monitoring round for Social Housing Development Programme (£15.8 million) and the notional accommodation rate not increasing as anticipated (£1.5 million).

Note SoAS 1 within the Assembly Accountability and Audit Report provides more detail.

Long-term Expenditure Trends

The graph below shows the trends in departmental expenditure. As the Department for Communities was only formed at the beginning of the 2016-17 year, only 3 years comparative information is available. There is no significant difference year-on-year.





Fixed Assets

Details of movements in fixed assets are set out in **Notes 6–8.**

Contingent Liabilities

Contingent liabilities are not required to be disclosed under IAS 37 but are included for parliamentary reporting accountability.

Contingent liabilities in this context are included in **Note 18** in the main body of the accounts**.**

Going Concern

In common with other government departments, the future financing of liabilities will be met by future grants of Supply and the application of future income, both to be approved annually. There is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Departmental Performance

Strategic Priorities and Objectives

The DfC Business Plan for 2018-19 identified 10 strategic priorities and objectives for the Department in delivering its services for the public. These services impact upon almost every person in Northern Ireland. The services delivered by the Department, and the funding it provides to arm's length bodies, have led to many positive impacts for the population across Northern Ireland. These have been achieved against a backdrop of challenging budgetary conditions. The services provided and the actions taken to meet these priorities are listed below:

1. The provision of decent, affordable, sustainable homes and housing support services.

The Department has responsibility for the provision of good quality housing. Demand for social housing continues to be high with waiting lists of around 37,526[1]. We have sought to address this by delivering as many new social homes as possible. During 2018-19 we delivered 1,786 social new builds starts against the target of 1,850.
Through our Co-ownership Scheme we have delivered 1,370 additional affordable homes, more than 600 homes over target. A further 126 homes have been provided through the Affordable Homes Loan Fund Pilot Schemes.

The Northern Ireland Housing Executive (NIHE) under the oversight of the Department, has invested approximately £142 million in maintaining the NIHE's 86,000 social homes. The Department also provided the NIHE with additional capital from in-year bids to invest in the maintenance of its stock. This year the NIHE received an additional £23 million from the Department to help maintain its 86,000 homes. The Department has also provided approximately £22 million to NIHE programmes to provide disabled adaptations and for private sector grants.

[1] These are applicants who have been assessed and placed on the waiting list for a social home. Therefore these are individuals, although of course they may have families / dependent children.

We are committed to tackling homelessness. The Department has developed an Interdepartmental Homelessness Action Plan, published in November 2017 to address the broader issues related to homelessness. Year 2 actions are currently being agreed with the other Departments alongside a review of the work that took place in Year 1. The Supporting People programme continued to assist more than 19,000 vulnerable householders in 2018-19 to live independently. The Department maintained the protection of this budget at £72.8 million despite reductions in all other budgets.

The Department also provides grant funding (£0.855 million in 2018-19) to the Housing Rights Service to provide free, independent advice to people experiencing difficulty with housing and mortgage debt issues; and to help prevent homelessness in Northern Ireland.

2. The delivery of a social welfare system and pension service, promoting work, wellbeing and fairness, providing important support to those most in need.

In 2018-19, DfC managed a social welfare budget of over £6 billion ensuring public funds are utilised efficiently. Reducing fraud and error within the benefit system, including Housing Benefit, remains a key focus and in 2018, overpayments remained at historic low levels of just 1.5% while underpayments were 0.8%.

We met high targets in processing requests for benefits. The State Pension claim clearance achievement in 2018-19 was 98.8% cleared on or before the due date, against a target of 95%. Housing benefit, aimed at helping people on low income with housing costs, had an average turnaround time for applications of 17 days.

The average clearance time for Jobseekers Allowance applications was 10.2 days, Employment Support Applications 12.4 days and Income Support 11.5 days.

The Department successfully completed a significant work programme to roll out

Universal Credit across 35 local offices, three service centres and an operational control centre throughout Northern Ireland. The roll out commenced in September 2017 and completed in December 2018.

Universal Credit aims to introduce greater fairness to the welfare system. It is a payment for people aged 18 and over but under State Pension age, on a low income or out of work. It includes support for the cost of housing, children and childcare, and financial support for people with disabilities, carers and people too ill to work.

3. Supporting people to find work and the provision of a tailored recruitment service for employers across the region.

Helping those seeking work and supporting employers is a key priority if we are to build a solid economic future for Northern Ireland. This Department provides advice, training and support to job seekers through our local offices.

The Department spends circa £25 million a year on Work and Wellbeing Programmes designed to help unemployed and economically inactive people to find work, or those at risk of joining these categories, to remain in work. Whilst poverty is a multidimensional issue, assisting those that can move towards the labour market to find and retain good work, is the most sustainable response to poverty.

The main work and wellbeing programmes delivered by the Department in 2018-19 were:

- Steps 2 Success – we spent £6.724 million and supported 13,702 benefit recipients towards finding and sustaining work thereby supporting the needs of employers and the economy

- Workable NI – we spent £3.4 million through our disability employment programme supporting 1,251 people enabling them to find and stay in work

- Employment Support – we spent £3.2 million assisting 428 people with a disability to remain in work

- Residential training – we spent £0.344 million supporting 16 people in Parkanaur College

- Condition Management Programme – we spent £2.5 million supporting 948 people on our focused rehabilitation programme which utilises health professional expertise and support to help the individual client to progress towards, move into or return to paid employment
- Access to Work – we spent £2.4 million supporting 914 people with a disability or health condition providing assistance with travel to and from work, the provision of a support worker, provision of equipment and adaptations to premises

- £1.3 million was spent on ESF match funded programmes designed to help reduce economic inactivity, increase employment opportunities in our most deprived communities, reduce underemployment, and increase quality of life for people with disabilities by helping individuals find, return or remain in work

4. Bringing communities together and delivering programmes that target social need through social, economic and physical regeneration of cities, towns and villages.

This Department aims to tackle the blights of sectarianism, racism and other forms of intolerance by supporting people to improve communities and tackle disadvantage. This includes the completion of five shared neighbourhoods (Ballynafoy Close and Global Crescent in Belfast, Burnvale Crescent, Cookstown, Manse Court, Crossgar, and Felden, Newtownabbey) and working with local government to further progress major regeneration schemes aimed at delivering vibrant, attractive environments for our communities. These include:

- St Patrick’s Barracks, Ballymena – stakeholder investment plans are well developed and demolition of buildings on site is ongoing. Planning approval has been obtained for the construction of access roads for the site with detailed design work and procurement to commence shortly

- Queens Parade, Bangor - a development agreement for a multi-use regeneration of the site is due to be signed in the coming days

- Progression of regeneration plans for Portrush in advance of the 2019 Open Golf Championship including an investment of £2.9 million via the Urban Development Grant programme

- Fort George, Derry~Londonderry - remediation of the site was completed in 2018-19 costing £1.15 million

- Across a number of Northern Ireland towns and cities the three Urban Regeneration Directorates (BRD, RDO and NWDO) have continued the development of Public Realm, Environmental Improvement and Revitalisation Schemes to be delivered over a 3 year period of over £60 million subject to funding

5. Supporting district councils to deliver strong and effective local government

This Department is responsible for setting the policy and legislative framework under which Northern Ireland's 11 district councils operate and provide services. This includes setting the governance and accountability framework for councils (i.e. their corporate and democratic governance arrangements, ethical standards framework and performance improvement framework) and we continue to engage with and support district councils in this regard.

During the year we commenced preparatory work on an evaluation and review of the local government governance and accountability framework, issued guidance to councils in the run-up to the local government elections in May 2019 and engaged with councils on broader crematoria provision in Northern Ireland.

We work closely with district councils on their legislative duty in respect of performance improvement, collaborating throughout 2018-19 on drafting clear guidance in respect of their requirements for their general duty to improve and the publication of their results.

We play a key role in supporting district councils in the development of their community plans aligned with the Programme for Government and the associated NICS Outcome delivery. The Local Government Act (NI) 2014, requires that councils and their community planning partners make arrangements to monitor progress on plan objectives and the effectiveness of actions to meet them. The first statement from councils on progress with community planning is required in November 2019.

To support this, in December 2018 we published guidance for monitoring and reporting on community planning, to assist councils and their partners with council Community Planning Officers and other stakeholders to identify areas of potential collaboration. We have also developed a NICS guide to Community Planning describing the policy aims and opportunities these present for Outcomes delivery.

With Community Plans now published and in place for all 11 district council areas, DfC focused increasing attention in 2018-19 on ensuring that community planning become a more visible part of its own activities and that the Department as a whole, delivers a consistent, relevant and proportionate role in supporting the process. The Departmental Board was briefed on Community Planning in January 2019. DfC drafted and agreed a series of internal actions to be taken forward over the coming 2 years. The agreed actions included an ongoing programme of workshops with council Community Planning Officers and other stakeholders to identify areas of potential collaboration, the development of a NICS guide to Community Planning and the establishment of new, shared internal communication structures on Community Planning.

The Department has a commitment (A6) under the Fresh Start agreement to ensure that community plans include a focus on building confidence in the rule of law and embedding a culture of lawfulness.

We initiated and supported joint working opportunities with both NILGA (Northern Ireland Local Government Association) and The SOLACE (Society of Local Authority Chief Executives) to support the needs of local people.

The Department provided the following grant funding to Councils in respect of the 2018-19 financial year:

- De-Rating Grant £30.2 million
- Rates Support Grant £17.2 million
- Transferred Functions Grant £5.3 million

6. Supporting creative industries, oversight and delivery for the arts, cultural and language sectors.

The culture, arts and leisure sectors play an important part in promoting cohesive communities to help the achievement of positive health and socio-economic outcomes.

In 2018-19, the Department provided over £12 million to the Arts Council and Northern Ireland Screen to deliver support and development for the arts and screen sector.

In 2018-19, the Department provided £5.3 million to the North South Language Body comprising the Ulster-Scots Agency and Foras na Gaeilge.

In supporting PfG under Outcome 8 (We care for others and we help those in need) and Outcome 9 (We are a shared, welcoming and confident society that respects diversity) we provided £0.200 million to various Sign Language projects aimed at supporting and developing British Sign Language (BSL) and Irish Sign Language (ISL) communities in a linguistic context, in order to improve access to services and promote respect and understanding of BSL/ISL. These included delivery of:

- Family Sign Language courses to 36 families with deaf children to improve communication within the families
- Deaf awareness and sign language courses to 23 primary and secondary levels to promote understanding of sign language and increase awareness of the needs of deaf pupils
- Deaf awareness and sign language courses to voluntary and community

groups to promote understanding of sign language and increase awareness of the needs of deaf people who may access their services and within the community generally

The Department continued its partnership with district councils to provide £0.369 million funding in 2018-19 for the Community Festivals' Fund, supporting community led cultural festivals across Northern Ireland.

7. Enabling, encouraging and promoting social inclusion, diversity and participation in society.

The Department is responsible for taking forward two statutory obligations in relation to Poverty. These are:

(i) **The Life Chances Act (2010)** establishes the requirement for a Northern Ireland Child Poverty Strategy setting out how NI departments shall ensure that as far as possible that children in Northern Ireland do not experience socio-economic disadvantage. The Act requires a review of the Strategy every three years and to lay before the Assembly a revised Strategy.
We have continued to implement the actions set out in the Executive's Child Poverty Strategy (2016-19). The Strategy aims to reduce the number of children in poverty and to reduce the impact of poverty on children, focusing on economic well-being, health, education and safe, secure and stable environments.
We laid the 2018-19 Annual Report on the Child Poverty Strategy in the Assembly and carried out a Review on the 2016-19 Child Poverty Strategy. This involved seeking input from children and young people, parents and the Child Poverty Alliance as well as seeking input from across all NICS departments. Input was also sought from Local Government, Community Planning Partnerships and NDPBs.

(ii) **Section 28E of the Northern Ireland Act (1998)** provides that the Executive Committee shall adopt a strategy setting out how it proposes to tackle poverty, social, exclusion and patterns of deprivation based on objective need.

The Department had carried out preliminary work on the preparation of a new Social Strategy to tackle poverty, social exclusion and patterns of deprivation to satisfy Section 28E. This work will be taken forward on the return of an Executive.

Working with the Office for Disability Issues, (part of Department for Work and Pensions), we co-ordinated the NI input to the UK's response to the recommendations of the First Periodic Review of the Convention on the Rights of Persons with Disabilities. The UK State response to the First Periodic Review was published on 5 September 2018.

We worked with the Government Equalities Office (GEO) to co-ordinate the input from and represent NI departments at the UK's formal reporting process on the implementation of the Convention of the Elimination of All Forms of Discrimination against Women (CEDAW), as part of the 8^{th} Periodic Review. This culminated with officials joining the UK delegation, led by GEO, at the formal examination by the CEDAW Committee in Geneva on 26 February 2019.

On behalf of NICS, we contributed to the 2^{nd} Annual Report to Parliament on the Council of Europe Convention on Preventing and Combating Violence Against Women and Domestic Violence (the 'Istanbul Convention'). This was formally laid in the UK Parliament on 1 November 2018.

Throughout 2018, the Department delivered a programme of events to mark the Centenary of the Representation of the People Act 1918. This programme marked the increased emancipation delivered by the Act, raised awareness of the societal benefits of greater diversity in public life and encouraged women and young people to participate in public and political life.

8. The delivery of a Child Maintenance Service, geared to secure more money for more children.

In 2018-19, the Child Maintenance Service (CMS) in Northern Ireland supported 16,000 children, with £19 million in child maintenance payments arranged between paying parents and receiving parents. The reformed child maintenance system provides much stronger incentives for parents to work together following separation and, where possible, to make family based arrangements for child maintenance. However it is recognised this is not always possible therefore CMS continues to offer a statutory scheme for parents who are unable to enter into a private arrangement to financially support their children. CMS also employs over 860 staff in Belfast to deliver child maintenance services to customers in Great Britain on behalf of the Department for Work & Pensions (DWP).

9. Supporting the work of the Voluntary and Community sector.

The Department has lead responsibility for the voluntary and community sector. In 2018-19, we provided in the region of £40 million supporting a range of objectives to make a real difference in the lives of the population.

£1.7 million was provided through the Regional Infrastructure Support Programme to ensure the voluntary and community sector has access to the support it needs to function effectively and efficiently. As well as generic support, funding was provided for volunteering, women in disadvantaged areas and faith based engagement. We provided £2.9 million to enable access to independent generalist advice services and a further £2.7 million to support citizens through the introduction of the Welfare Reforms.

In addition to the Welfare Reform Support delivered through the Welfare Changes helpline, frontline advice service and Law Centre NI the following was also provided:

- Welfare Reform and Universal Credit Adviser Training delivered to 354 advisers
- Universal Credit Awareness Sessions delivered to 5,841 people affiliated with Welfare Reform
- Universal Credit Digital Support Package provided to 45 frontline advice offices to support Universal Credit roll out
- Several targeted projects were supported for specific vulnerable and difficult to reach groups such as the homeless, migrants and the deaf community

- Personal Independence Allowance Awareness Sessions supported for 300 people affiliated with Welfare Reform

The Department provided £0.500 million for the Volunteering Small Grants programme which funded 813 successful applicants with amounts ranging from £200 to £1,200 to support volunteer involving organisations across Northern Ireland. During the year funding was provided enabling 350 young people (aged 15-17) to participate in the NI National Citizens Service personal development programme which has volunteering, citizenship and good relations embedded within it.

The £0.750 million contract awarded to the Women's Intervention Partnership to deliver the *Women Involved In Community Transformation* (WICT) programme has now completed its second year. This programme delivers on our Fresh Start Agreement obligation - B5 of the Executive Action Plan on tackling paramilitarism, criminality and organised crime. The WICT programme was designed to increase the participation and influence of women in community development. The Phase 1 training programme was delivered to 539 women across 26 locations. Of these women over 425 progressed into WICT Phase 2. This was designed to consolidate the learning from the first phase, but also to provide opportunities to enhance the women's capacity to engage in community development activities.

Under 'A3' of the Executive Action Plan the Department also piloted a number of initiatives to promote a culture of lawfulness and active citizenship. These included delivery of a 'Small Steps' pilot which engaged with around 450 Primary 7 children from 16 schools in Northern Ireland and explored the topics of community citizenship, social media, team-building, sporting values and volunteering.

An outcome to promote a culture of lawfulness has also been incorporated into the Department's *Regional Infrastructure Support Programme for Women in Disadvantaged and Rural area's* 2018-19 funding. Work is ongoing across the business group to identify other programmes where this approach can be replicated.

Through the Women's Centre Childcare Fund (WCCF) the Department supported approximately 77,000 two-hour child care places for families in need.

We provided £0.850 million in small capital grants aimed at assisting voluntary and community organisations to purchase items of equipment that will help them to provide vital services to the local community. The grant award structure of this programme was designed specifically to reward organisations who could demonstrate partnership working and collaboration between organisations.

10. Realising the value of Northern Ireland's built heritage.

DfC leads work across the historic environment sector. Our work this year included a focus on developing opportunities from the European Year of Cultural Heritage (EYCH) 2018, and we worked closely with the British Council, Arts Council, National Lottery Fund for Heritage and Tourism NI to develop a programme of events and funding. We are now exploring how the collaboration between the arts, tourism and heritage sectors can be further developed to support our economy and communities.

We convene a broad Historic Environment Stakeholder Group which during the year has focused on completing a document – Treasure the Past, Enrich the Future – which explains how heritage contributes to our economy and society. This captures the significant positive benefits for wellbeing, tourism, shared spaces, housing and many other areas. We have led work to build this into specific actions – for instance working with a range of organisations to realise the heritage benefits for wellbeing.

The planning applications to which we are a statutory consultee rose by a further 10% this year, and we have applied energy to improve processes and collaborate effectively with direct councils. We responded to 75% of applications within 20 days, and also provided substantive inputs to all councils as they develop their local development plans.

The Historic Environment Fund this year supported research on the impacts of climate change on historic structures, focused work to bring heritage at risk back into use, a further four heritage audits to highlight heritage in local areas, the repair of 19 buildings, and community archaeology. We have also worked with DAERA to develop a scheme to combat rural poverty and isolation through the reuse of heritage assets for community use, with an initial project involving the Old Post Office in Gracehill.

In terms of our state care monuments, we have continued to provide access to them and conserve them. Significant works have commenced at Carrickfergus Castle to reroof the Great Keep. We have also undertaken works at Dundrum Castle, Dunluce Castle, Greypoint Fort, Derry Walls and Tullaghoge Fort. We have made good progress in assessing the community and economic benefits that the state care monuments can provide, and articulating this through a business case.

We have collaborated closely across the Department to assess how we can increase the reuse of existing buildings for housing, and through this increase the vitality of town and city centres. This has included contributing to the work in Belfast following the fire at Bank Buildings (alongside providing substantial advice to the City Council and the building owners in terms of appropriate treatment), co-sponsoring a Heritage-Led Regeneration Conference with the Londonderry Inner City Trust and Derry City & Strabane District Council and playing a lead role in the development of the Carrickfergus Regeneration Investment Programme and associated Belfast Region City Deal projects.

11. The administration of sport in Northern Ireland, promoting a culture of lifelong enjoyment and success in sport.

The Department has sustained its lead role in the strategic development and delivery of sport for Northern Ireland, promoting the benefits of participation in sport and physical activity from grassroots community level to elite level. In taking this forward, the Department provided over £10 million in 2018-19 to Sport NI.

Our priorities in the year have included people living with physical disability, learning difficulty, autism and sensory restrictions. We have continued our work to extend the participation of females in sport. In advance of the Open Golf 2019 tournament, the Department has provided over £0.100 million of funding to Councils to facilitate pre- tournament events and to fund specialist high tech training equipment for the Golf Academy at Greenmount.

One of the key priorities has been in the area of providing greater opportunities for people living with disabilities to participate in physical activities and sports that bring health improving benefits together with competitive success. During 2018-19 we have provided additional capital funding for equipment to widen the scope and reach of new Council Disability Hubs; we have provided improved access to swimming pools through the Pool-Pod Programme and to equestrian sport with the provision of a specialist lift at the Riding for the Disabled Centre. The Department has also funded specialist gym equipment for the National Autistic Society Centre and worked with Mencap on developing virtual reality access programmes covering several key sporting venues.

The provision of powerchairs has supported the development of the IFA Powerchair Football programme leading to the establishment of new Clubs and an extended competitive league. We have also provided specialist equipment that will open up a range of outdoor recreation venues and activities for those with mobility restrictions.

Our continued partnership investment in Special Olympics, with the Department of Education and Department of Health, has supported the athletes, coaches and volunteers who have pursued impressive competitive successes in both the Ireland Games and the World Games in Abu Dhabi throughout the year. Special Olympics Ulster's holistic approach to supporting the athletes also brings life enhancing experiences, focusing on general health, sight issues, dental health and nutritional advice together with educational activities, leadership and communication skills leading to employment opportunities.

The Department has continued to address the key priority of increasing opportunities for women and girls to participate in sport and physical activity. Through the Active, Fit & Sporty programme the Department and Sport NI have supported sports governing bodies and programme partners to deliver strengthened sporting structures and offer opportunities that encourage women and girls to get and stay active, both within the club structure and through community and school programmes.

The capital investment in sport has continued through a number of initiatives including the delivery of projects to enhance school facilities to facilitate community usage, improving safety provision at sports grounds and funding a mobile resource unit for community based motorbike safety awareness events.

Throughout 2018-19, the Ulster Council Gaelic Athletic Association (UCGAA) project team has continued to work closely with the Regional Stadia Programme Team to develop their revised Full Business Case for the project. The UCGAA project team continues to engage with the Department for Infrastructure in their assessment of the Planning Application for the redevelopment of the Casement Park Stadium.

The Sub Regional Stadia Programme Team has maintained its engagement with the key stakeholders to consider what next steps might be taken in developing the programme, in anticipation of the return of Ministers.

12. Supporting museums, libraries and maintaining public records.

The Department works with and provides funding to its Arm's Length Bodies, including Armagh Observatory and Planetarium (AOP), Libraries NI (LNI), National Museums NI (NMNI) and the NI Museums Council (NIMC). This funding and assistance allows the bodies to run a wide range of programmes and initiatives aimed at improving life chances, experiences and opportunities for everyone in our society, particularly those who are currently marginalised, under-represented or excluded. £2.0 million of funding was provided to AOP, £32.3 million to Libraries NI, £18.0 million to NMNI and £0.200 million to NIMC.

Other Key Highlights:

The Department also had a number of other significant achievements or implemented a number of important initiatives during the year. These

included:

- **Social Supermarket Pilot Programme:** As part of the Welfare Mitigations package the Department continued to run a Social Supermarket Pilot Programme which has established five pilot sites across Northern Ireland to test a social supermarket model that provides customers with access to food whilst requiring them to access a tailored package of wraparound support services to attempt to address the reasons they find themselves facing food poverty. The evaluation of the pilots so far show that:

    - The level of progress to date in terms of signed up members by end of September 2018 indicates that 419 individual members with an average household size of 2.4 had accessed the service (equating to approximately 1,000 beneficiaries)
    - There is clear delineation between the Social Supermarkets and foodbanks. Those who access the pilots are not yet at the crisis stage of needing a foodbank or have accessed the foodbank and are now past the immediate crisis
    - The approach of intensive one-to-one intervention :
        - Provides privacy and respects the dignity of the member
        - Enables staff to build a relationship with the individual/ family to identify and support their needs on a holistic basis
    - All 419 members who have availed of food provision have accessed wraparound services to try and address the reasons they are in food poverty

- As the accountable Department for the **Shared Spaces** (Capital) element of the PEACE IV Programme we have approved funding of over £37 million (€44 million) for seven 'shared space' projects across Northern Ireland and the Border Counties of Ireland with the aim of creating new shared civic spaces that will be used by all sections of the community and have a transformative effect on these areas.

- The **Belfast City Centre Regeneration Task Force** was established in November

2018 to ensure a collective public sector response to drive and resource the city centre recovery efforts in response to the Bank Buildings fire and provide a high level forum for the consideration of cross cutting issues and proposals for collaborative working and co- investment in the city centre. The DfC response was led by Belfast Regeneration Directorate (BRD) with an initial award of £0.150 million to Visit Belfast to support publicity and marketing followed by £0.330 million to Belfast City Council towards an Animation and Activation programme. BRD transferred a further £2.1 million to Belfast City Council following the Chancellor's announcement in the budget that £2 million would be made available to help towards the recovery of the city centre. The Task Force has developed an Action Plan which will aim to maximise the regeneration opportunities in the city centre and address some of the longer term barriers to development. DfC are now exploring delivery options with the other NICS Departments on the Task Force and with council colleagues.

- The Department continues to work **towards reducing poverty** and mid-year we hosted an event at Crumlin Road Gaol which presented the opportunity to listen and discuss people's views and experiences. We also co-ordinated and participated in the visit to Northern Ireland of the United Nations Special Rapporteur on Extreme Poverty and Human Rights. This was part of the overall visit to the UK to investigate Government efforts to eradicate poverty.

- We worked in collaboration with local Councils on the design and delivery of an access and inclusion programme aimed at promoting a more inclusive society and allowing all residents and visitors from the pan disability community to avail of opportunities to participate in arts and culture activities. With a budget of £0.750 million and contributions of over £0.100 million from Council and arts/cultural venues, we supported 40 projects across 8 local Councils that will help to increase accessibility for people with disabilities.

- We supported projects as part of the Executive's **Together: Building a United Community**. This programme operates in both rural and urban areas across Northern Ireland. The programme is active in 3 Urban Village areas and 3 rural areas. The programme uses sport and creative activity to promote good relations, creating motivated, skilled and socially responsible young people who can drive forward positive change in their communities.

- In 2018-19, this programme awarded a total of £0.360 million delivering projects specifically targeted at those young people who have more complex barriers to engagement in their local community and, consequently, on the Uniting Communities Programme.

- **Syrian Vulnerable Persons Relocation Scheme:** During 2018-19 the Department has overseen the resettlement of 121 families consisting of 472 Syrian refugees who have fled the Syrian conflict. These families have been housed across Northern Ireland and are receiving support from a consortium of community and voluntary groups in partnership with statutory organisations. All families have registered with doctors and dentists, children have been enrolled in school, benefits are in payment and English for Speakers of Other Languages (ESOL) classes have been arranged. The value of the Contract for Funding to provide this support for 2018-19 was £3.519 million and is provided by the Home Office.

- **People and Place – A Strategy for Neighbourhood Renewal.**

    - The strategy seeks to tackle the complex, multi-dimension nature of deprivation to reduce the social and economic inequalities – The overall aim is to help close the gap between the quality of life for people in the most deprived neighbourhoods and the rest of society.

    - During 18-19 through the Neighbourhood Renewal and Areas at Risk programmes. The Department invested just over £18 million revenue to 312 projects in 65 geographically deprived areas targeting up to 290,000 people. Capital funding totalling £4 million was also awarded to 26 capital projects across 36 Neighbourhood renewal areas.

Environmental and Sustainability Commitments

The Department has taken a number of measures to reduce the carbon footprint of its buildings. The Department is a participant in the Carbon Reduction Commitment (CRC) Scheme, a mandatory Scheme that aims to improve energy efficiency and reduce the amount of carbon dioxide (co2) emitted in the UK. Departmental Premises Officers in larger buildings have access to a building energy management interface to provide direct access to temperature variables and overtime settings. This provides a facility for Premises Officers to fine tune temperature settings in order to reduce energy consumption and reduce Helpdesk calls.

The Department is committed to reducing waste and has well established recycling services in all its buildings.

Energy efficiency continues to be a Departmental priority, it helps deliver long term health, economic and environmental outcomes. In 2018-19, £16.9 million was provided through the Affordable Warmth and Boiler Replacement Schemes improving energy efficiency in just over 6,500 homes. Sustainable buildings have a positive impact on the natural environment as well as improving wellbeing and comfort for residents. The Department is also working with the NIHE and the Department for the Economy to secure €23 million from the European Regional Development Fund. This additional funding will be used to reduce carbon dioxide emissions through improving the energy efficiency of some of its homes.

EU Exit Preparations

The Department has worked with The Executive Office in order to prepare for a potential no-deal EU Exit scenario. Contingency arrangements have been tested and are in place if required.

Rural Needs Act (NI) 2016

All Northern Ireland Departments are responsible for ensuring that they fulfil duties under the Rural Needs Act (Northern Ireland) 2016. Section 1 of the Act places a statutory responsibility on public authorities to have due regard for rural needs when developing, adopting, implementing or revising policies, strategies and plans.

In 2018-19 the Department considered 41 policies to ensure there were no potential negative impacts on rural areas. For 40 policies no differential impact between rural and urban environments was found. Mitigating steps were put in place for the policy listed below:

Description of the activity undertaken by the public authority which is subject to section 1(1) of the Rural Needs Act (NI) 2016.	*The rural policy area(s) which the activity relates to.*	*How due regard to rural needs has been given when developing, adopting, implementing or revising the policy, strategy or plan or when designing or delivering the public service.*
Health and Disability Assessment Services re-Procurement	Health or Social Care Services in Rural Areas	DfC customers living in rural areas encounter higher levels of difficulty using transport or public services. Current assessment arrangements take account of rural needs through the location of examination centres, measures to accommodate customers' addresses (timing of appointments), and the provision of domiciliary visits if required. Any re-procurement exercise will be based on a new supplier providing as a minimum the same provisions for rural customers. In addition, customers will not be expected to travel for more than 90 minutes to attend a face to face assessment, with the supplier offering appropriate appointment times to allow for any additional travel time required by a rural customer.

Complaints Handling

The Department is committed to a consistent approach to complaints handling. It helps ensure customers are provided with a good standard of care and that internal control mechanisms are effective and impartial.

The Department aims to answer all complaints within 10 working days. Prior to 3 September 2018, there were two separate approaches for handling complaints within the Department.

The first approach is for complaints that do not normally involve services provided to individual customers. The Department operated a two stage process for dealing with these complaints. Stage 1 complaints are signed off by the relevant business area Grade 7. Stage 2 complaints are signed off by the Grade 5, Grade 6 or Deputy Secretary.

The second approach was for complaints involving services provided to individual customers. The Department operated a three stage process for dealing with these complaints. Stage 1 complaints were signed off by the relevant business area manager at Staff Officer level. Stage 2 complaints were signed off by the relevant business area Grade 7 and stage 3 complaints were signed off by a Grade 5, Grade 6 or Deputy Secretary.

To align with the complaints process, followed by the other business groups within the Department the Work and Inclusion Group (WIG) and Debt Management, who are responsible for dealing with complaints involving services provided to individual customers, moved to the first approach above from 3 September 2018. Stage 1 complaints are signed off by the relevant business area Grade 7 and stage 2 complaints are signed off by the Grade 5, Grade 6 or Deputy Secretary.

During 2018-19, the Department received a total of 1,005 complaints. If a complaint is upheld, lessons learned are shared across business areas contributing to improvements in meeting our customer needs.

The Departmental customer complaints policy can be found at https://www.communities-ni.gov.uk/dfc-complaints-procedure.

Conclusion

In times of increased financial and political pressures, the Department has continued to deliver a first class service that impacts upon the lives of many people across Northern Ireland.

Tracy Meharg

TRACY MEHARG
ACCOUNTING OFFICER
27 JUNE 2019

Accountability Report

The purpose of the accountability section of the annual report is to meet key accountability requirements to the Assembly. The requirements of the accountability report are based on the matters required to be dealt with in a Directors' Report, as set out in Chapter 5 of Part 15 of the Companies Act 2006 and Schedule 7 of SI 2008 No 410 and in a Remuneration Report, as set out in Chapter 6 of the Companies Act 2006 and SI 2013 No. 1981. The requirements of the Companies Act are adapted for the public sector.

The Accountability Report therefore comprises:

a) the Corporate Governance Report (consisting of the Directors' report, Statement of Accounting Officer's Responsibilities and Governance Statement);

b) the Remuneration and Staff Report; and

c) the Assembly Accountability and Audit Report (which includes the Statement of Assembly Supply and supporting notes and disclosures relating to regularity of expenditure, losses and special payments, remote contingent liabilities and long-term expenditure trends).

Corporate Governance Report

Directors' Report

Management of the Department

DfC is one of nine Northern Ireland departments created on 9 May 2016. The Permanent Secretary is the Department's most senior official and the Minister's principal advisor. As no Executive was formed following the 2 March 2017 election the Department has operated without a Minister since then.

For the 2018-19 financial year, Leo O'Reilly was Permanent Secretary and Accounting Officer until 7 December 2018. Tracy Meharg was appointed Permanent Secretary and Accounting Officer from 10 December 2018.

The Permanent Secretary chairs the Departmental Management Board which comprises senior officials in charge of each of the executive business areas plus two non–executive board members (NEBMs).

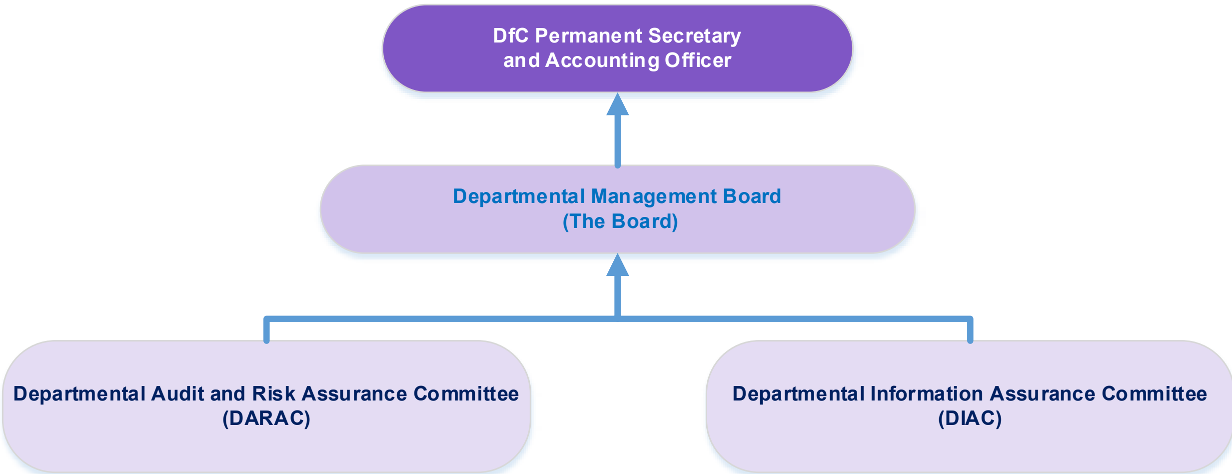
Appointment of the Permanent Secretary and Members of the Management Board

The Permanent Secretary is appointed by the Civil Service Commission under the terms of Article 6 of the Civil Service Commission (NI) Order 1999.

Appointments to executive Board positions are determined in accordance with NICS promotion and appointment procedures.

NEBMs are appointed by the Accounting Officer, following open competition.

Board and Committee Structure



Departmental Management Board (the Board)

The Board assists the Permanent Secretary, as Accounting Officer, in meeting the governance requirements for the Department. Responsibilities include the provision of advice on a number of matters which are reserved to the Board. These are set out in the Board's Operating Framework, agreed annually and assigned to specific Board meetings through the year.

Throughout 2018-19 the Board received assurance reports from both DARAC and DIAC. It also received and scrutinised regular stewardship reports encompassing key financial, budgetary and HR data and undertook regular review and oversight of corporate risks, associated outputs and action plans.

Departmental Audit and Risk Assurance Committee (DARAC)

DARAC is a committee of the Board, independent of the Department's executive structure and with no executive powers. Its role is to support the Board on issues of risk, control and governance through reviewing the comprehensiveness, reliability and integrity of the Department's assurance processes. The terms of reference for DARAC are agreed by the Board in line with the Audit & Risk Assurance Committee Handbook.

The committee is chaired by a NEBM and membership is made up entirely of NEBMs and members independent of the Department's executive structure. In addition to quarterly committee meetings the Committee convened a number of Audit Focus Sessions where committee members are provided with more detailed presentations on selected topics to enhance the level of assurance provided to the Board and Accounting Officer. Areas of Audit Focus in respect of 2018-19 covered: resourcing impact of welfare reform, Annual Report & Accounts 2018-19, benefit fraud and error and Sport NI backlog accounts.

Departmental Information Assurance Committee (DIAC)

DIAC is a committee of the Board whose role is to ensure that the Department has appropriate policies, management and governance systems to effectively protect the considerable volume of information, held by the Department. DIAC assists the Board and Accounting Officer with responsibilities relating to the use, processing, storage, sharing and transmission of information or data and the systems and processes used for those purposes.

DIAC is chaired by the Department's Senior Information Risk Owner (SIRO). Committee membership encompasses the Departmental Security Officer, the Departmental Information Officer, the IT Security Officer, the Departmental Accreditor, the Head of Analytical Services, the Head of Internal Audit, the Departmental Data Protection Officer and relevant Information Asset Owners.

DIAC areas of focus during 2018-19 included: Cyber Security, EU GDPR implementation, EU Exit (No Deal) preparedness, Information Assurance, Information Management, IT Security, Information Systems Accreditation and Information Risk Management.

Board and Committee Record of Attendance for 2018-19

Departmental Management Board Attendance Record 11 Board Meetings held during 2018-19			
Board Members	**Meetings attended**	**NEBMs**	**Meetings attended**
Leo O'Reilly (Chair) *Permanent Secretary and Accounting Officer to 7 December 2018	**7/8**	**John West** NEBM / DARAC Chair	**11/11**
Tracy Meharg Permanent Secretary and Accounting Officer from 10 December 2018	**4/4**	**Duncan McCausland** NEBM / DARAC Deputy Chair	**11/11**
Jackie Kerr Deputy Secretary	**11/11**		
Louise Warde Hunter Deputy Secretary	**11/11**		
Colum Boyle Deputy Secretary from 15 August 2018	**7/7**		
Ian Snowden Deputy Secretary to 31 August 2018	**4/4**		
Moira Doherty Deputy Secretary from 1 February 2019	**2/2**		
David Malcom Acting Deputy Secretary to 14 August 2018	**3/4**		
Deborah Brown Acting Deputy Secretary from 3 September 2018 to 31 January 2019	**5/5**		

The Directors of Financial Management, Asset Management & Governance and Corporate Services attend Board meetings. The NICS HR Business Partner for DfC also attends.
*Leo O'Reilly was designated Accounting Officer until 7 December 2019 and retired on 31 January 2019.

DARAC Attendance Record 4 meetings held during 2018-19. Quorum for meeting – 3 members			
NEBMs	**Meetings attended**	**Independent Members**	**Meetings attended**
John West DARAC Chair	**4/4**	**Patrick Anderson** Independent Member to 18 June 2018	**1/1**
Duncan McCausland NEBM / Deputy Chair	**3/4**	**Michael Donnelly** Independent Member to 18 June 2018	**1/1**
		Caroline Gillan	**4/4**
		Seamus Wade Independent Member from 1 Sept 2018	**2/3**

The Strategic Planning and Resources Deputy Secretary, the Director of Financial Management, the Director of Asset Management & Governance and the Head of Governance attend DARAC meetings along with the Departmental Accounting Officer, the Head of Internal Audit and the NIAO.

Conflicts of Interest

A Register of Board Interests is maintained by the Department and published on its website. No Board members have declared any significant interest which would conflict with their management responsibilities.

Data Protection Arrangements

The Department places considerable emphasis on protective security and under the new data protection legislation there is a statutory obligation to report high risk breaches to the Information Commissioners Office (ICO) within 72 hours of discovery. All major security incidents involving personal data are fully investigated, with lessons learned, controls improved and further training instigated (where necessary).

Non-Executive Director’s Report

The role of the NEBMs in DfC is to advise and assist the Board in dealing with the challenges of today and in preparing for the challenges of tomorrow.

The past year has been one of exceptional activity and challenge for the Department. Against a background of ongoing political and financial uncertainty, DfC has been unable to progress important enabling legislation or to adequately plan for multi-year programmes. In addition, there have been significant changes in the senior leadership team, budgets have tightened and demand has increased.

The backbone of DfC is operational delivery, with over 8,000 staff providing services to individuals and communities. Given the scale, complexity and diversity of DfC, it has been a challenge to find a common purpose which all its people can identify and align with. Now, within the Departmental Business Plan, this has been defined as **“Supporting People, Building Communities, Shaping Places”** which I believe neatly summarises how the reach of DfC can touch the lives of most citizens in many ways.

Probably the single biggest achievement in the past year for DfC was the roll-out of Universal Credit to all the Jobs and Benefits Offices in Northern Ireland. Given the initial hostility towards this programme from some quarters, the smoothness of implementation showed how thoughtful planning and design and attention to the welfare of the customer successfully overcame many objections. The Board had an opportunity in March to visit Downpatrick Jobs and Benefits Office to see firsthand how the team have embraced new skills and processes and are pro-actively supporting customers.

Good governance and a strong control environment are essential foundations for any large-scale delivery organisation. I am Chair, and my fellow NEBM, Duncan McCausland is Vice-Chair of DARAC which reviews the comprehensive range of assurances relating to all the critical activities of the Department, and continually reviews the reliability and integrity of these assurances. In addition, the corporate risk register is reviewed at Board and provided to DARAC. Our view is that the control environment and culture is strong, although challenges remain in areas such as the overview of Arm’s Length Bodies (ALBs), information security and timely follow-up on Internal Audit recommendations.

Finally, I am encouraged at how the Department is preparing for the challenges of tomorrow through a range of people development programmes with particular focus on leadership at all levels. This is a major investment and a clear acknowledgement that even though most of the challenges ahead are presently unknown, with great people in place, the Department will be ready. Duncan and I are fully supportive of the Executive Management team in this endeavor, and look forward to further deployment of the Departmental People Plan in the year ahead.

John West
Lead Non-Executive
Department for Communities

Statement of Accounting Officer's Responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the Department of Finance (DoF) has directed the Department for Communities (DfC) to prepare for each financial year resource accounts detailing the resources acquired, held or disposed of during the year and the use of resources by the Department during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the department and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the 'Government Financial Reporting Manual' and in particular to:

- Observe the accounts direction issued by DoF, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the 'Government Financial Reporting Manual' have been followed, and disclose and explain any material departures in the accounts;
- Prepare the accounts on a going concern basis;
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

DoF has appointed the Permanent Secretary as Accounting Officer of the Department and also for the Child Maintenance Service Client Funds. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the DfC's assets, are set out in Managing Public Money NI.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that DfC's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

Introduction

The DfC Governance Statement has been compiled from work throughout the year to support stewardship, management and control of the Department. It supplements the annual accounts and explains the framework of governance and risk management operated in support of my role as Departmental Accounting Officer.

Governance Framework

Overview of Arrangements

DfC has a corporate governance framework in place which specifies organisational and governance structures, roles and responsibilities of those charged with governance, and key internal control, risk management and assurance arrangements. The framework is in line with the 'Corporate Governance in Central Government Departments: Code of Good Practice NI 2013' and is available at https://www.communities-ni.gov.uk/publications/dfc-corporate-governance-framework.

The Department operates under the direction and control of the Minister for Communities. The Minister is responsible and accountable to the Assembly for the policies, programmes and actions of the Department. As Permanent Secretary for DfC I am the Minister's principal adviser as well as the administrative head of the Department and the Departmental Accounting Officer.

The Northern Ireland Assembly was dissolved on 26 January 2017. An Executive was not formed following the 2 March 2017 election, and from this date Ministers ceased to hold office. As a consequence, no Minister has been in place in the department during 2017-18 or 2018-19.

I am required to disclose where I, as Accounting Officer, have sought formal Ministerial Direction to proceed where I believe I am being asked to take a course of action that could potentially result in irregular expenditure, impropriety or poor value for money. I can confirm that in the absence of a Minister for Communities no such direction was sought or given.

As Accounting Officer I am personally responsible and accountable for the effective management and organisation of the Department, the efficient and effective use of its resources and the stewardship of its assets. I am assisted in my role as Accounting Officer by a Departmental Management Board which encompasses DfC Deputy Secretaries along with NEBMs operating as a collegiate committee under my leadership.

The Board is supported in its role by a Departmental Audit and Risk Assurance Committee (DARAC) and an Information Assurance Committee (DIAC). Information on Board and Committee structures, attendance and highlighted areas of focus for 2018-19, are outlined within the Directors' Report on pages 39-43.

Board Performance and Effectiveness

Minutes of Board meetings are available at:
https://www.communities-ni.gov.uk/publications/departmental-management-board-minutes

A Register of Board Interests is maintained and 'Conflicts of Interest' is a standing agenda item for Board meetings where members are asked to declare any interests relating to items on the Board agenda.

An independent evaluation of Board effectiveness was undertaken following the end of 2018-19. This was conducted in accordance with the Corporate Governance Code and the Board's Operating Framework. The review considered: Performance Management, Control and Risk, Communication and Reporting and Culture. It also included an independent review and benchmarking of DfC framework documents as well as assessment of the quality of information provided to the Board.

The initial indications from the 2018-19 review confirm Board oversight of the important issues facing the Department, the quality of information available to the Board and Board compliance with the Corporate Governance Code. The Board will take forward recommendations from the review to further improve and enhance its effectiveness during 2019-20.

DARAC Review of Effectiveness

DARAC also undertook a review of effectiveness at the end of 2018-19 in line with recommended best practice. The review was undertaken using the National Audit Office (NAO) 'Audit and Risk Assurance Committee Effectiveness Checklist', and was also considered as part of the wider Board Effectiveness review carried out by Ernst & Young, as outlined above. Both confirmed DARAC's compliance with best practice and ratified the strength of the DfC committee arrangements.

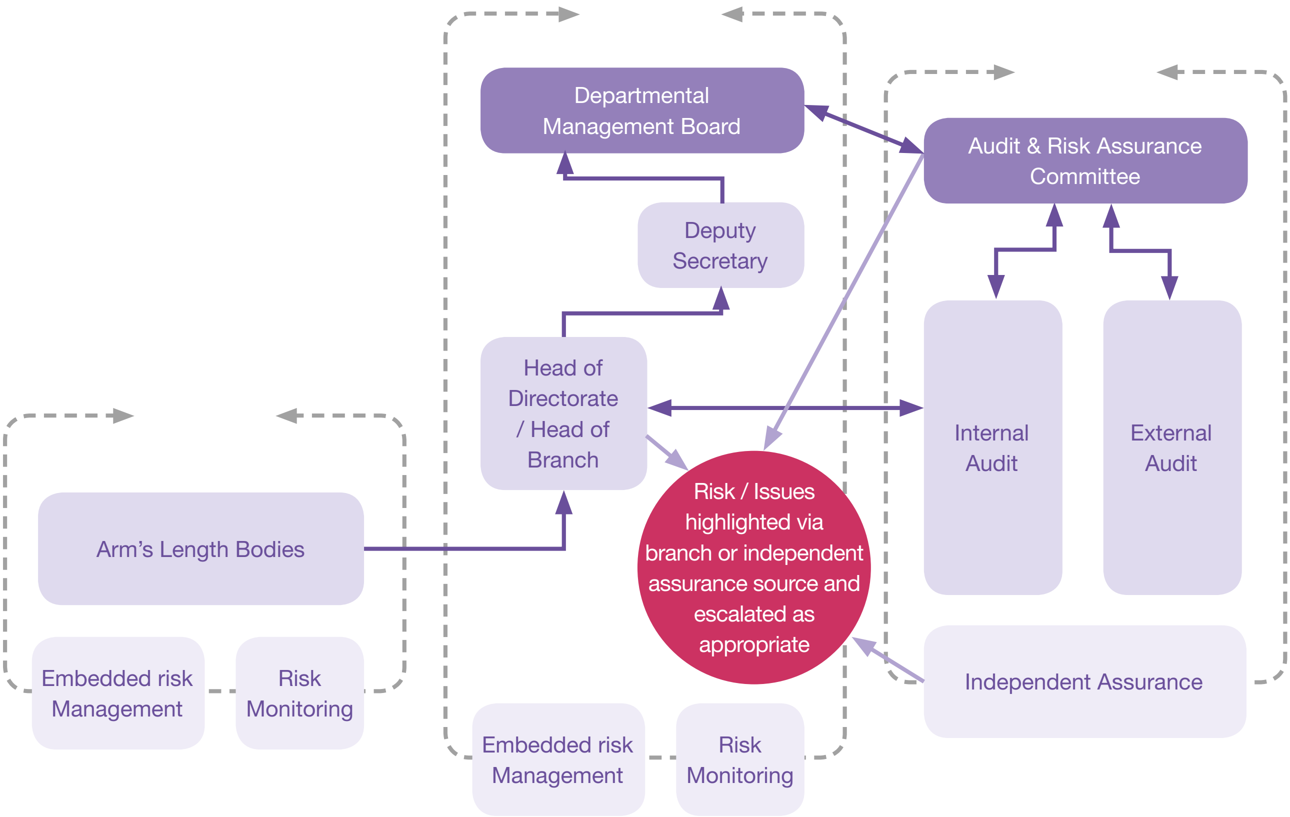
Risk Management Arrangements

Overview

DfC's Risk Management Framework forms part of its corporate governance system and facilitates compliance with the Corporate Governance Code.

Risk Management is embedded into the Department's business planning processes at both strategic and operational levels in line with the guidance and approach set out in the HM Treasury Orange Book 'Management of Risks – Principles and Concepts'. The system of internal control is designed to maintain risk at a manageable level (based on the risk appetite agreed annually by the Board) in order to provide reasonable assurance of effectiveness. The Risk Management Framework is outlined below:

Risk Management Framework
Department for Communities



Risk Appetite & Corporate Risks

The Board considers its Risk Appetite against a range of risk categories on an annual basis. This allows Risk Owners to establish controls and manage risks in line with Board expectations. The Board agrees the risks to be included in the Department's Corporate Risk Register and assigns ownership for each corporate risk. A detailed review of the Corporate Risk Register is undertaken by the Board on a quarterly basis.

Risk Appetite and the areas of risk managed through the Corporate Risk Register during 2018-19 are set out below:

Department for Communities – Risk Appetite and Areas of Risk Managed during 2018-19		
Risk Category	Risk Appetite	Risk Identified
Operational	Open	Failure to ensure that people resources are properly allocated and managed impacts adversely on the delivery of key priorities.
		Because the NIHE is unable to provide the required amount of investment in its stock a reduction in the number of homes available for social let may occur, which could lead to a rise in housing stress and homelessness and knock on effects to other types of housing tenure.
Financial	Averse	Failure to ensure that financial resources are properly allocated and managed impacts adversely on the delivery of key priorities.
Statutory Compliance	Averse	Failure to adequately prepare for the legislative and operational implications of the UK's exit from Europe adversely impacts on the delivery of services and Departmental priorities.
		Failure to prepare for and manage corporate responsibilities for safeguarding and health & safety causes harm to staff, visitors, and / or service users.
Propriety	Open	An ineffective governance framework (including the framework for sponsorship of ALBs) leads to irregularity and /or poor use of resources.
Change	Open	Failure to lead and motivate staff impacts adversely on the delivery of key priorities and the opportunity for innovation and improvement.
Information	Open	Failure to adequately protect physical infrastructure, information and IT systems leads to failure of business systems, loss of key data, reputational damage and non-compliance with legal requirements.

Assurance Framework

Overview

Part of the Department's Risk Management process is an agreed Assurance Framework. This includes provision of quarterly Assurance Statements by Deputy Secretaries on their risk management processes and internal control arrangements. Deputy Secretaries use their Assurance Statements to identify any exceptions/material concerns within their Groups or the ALBs for which they are responsible.

Sponsorship arrangements are in place for each of the Department's ALBs. These arrangements, together with the ALB Assurance process, inform and support Deputy Secretary Assurance Statements.

This integrated assurance process informs the work of the Department's Governance Unit and supports the reporting process for DARAC.

The Board receives a robust assessment of the reliability and effectiveness of assurances available following each DARAC meeting in the form of a report from the DARAC Chair. The Chair's report provides an overview of each quarterly meeting, key papers and an assessment of assurances available. Minutes of DARAC meetings are also provided for Board scrutiny.

In addition, the DARAC Chair also provides an annual report to the Board outlining the work undertaken by the Committee during the year and his assessment of assurances available on the effectiveness of risk management, control and governance across DfC. The Chair's annual report for 2018-19 provided positive assurance to the Board and Accounting Officer.

Fraud and Whistleblowing Arrangements

The Department's Fraud Policy details responsibilities in respect of the prevention of fraud, bribery or serious irregularity within the Department and its ALBs. The procedures to be followed in the event of fraud being detected or suspected are detailed in the supporting Fraud Response Plan. Cases under enquiry or investigation are reported to DARAC and the Board on a quarterly basis.

The Department's Raising Concerns (Whistleblowing) guidance and procedures explain how workers can raise concerns about potential wrongdoing and how anyone who is not a member of staff can raise concerns about the proper conduct of public business by the Department or its ALBs. DARAC and the Board are updated on Raising Concerns (whistleblowing) on a quarterly basis.

Head of Internal Audit Opinion

The Head of Internal Audit (HIA) provides an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. For 2018-19, the HIA provided an overall satisfactory opinion on the Department's arrangements.

Progress against the Annual Internal Audit Plan is monitored by DARAC. HIA attendance at Group Management Board meetings and a Business Plan target for implementation of audit recommendations, with reporting to the Board, are some of the measures used to ensure strong focus on the implementation of outstanding internal audit recommendations where a limited or unacceptable opinion has been reported. Details of limited opinion reports are included at pages 61-62. The HIA provides an overall opinion based on work undertaken during the year, which for 2018-19 is **'Satisfactory'**.

Other Assurances

In addition to assurances received from my Deputy Secretaries and HIA I receive an annual and mid-year inter-departmental report from the DoF HIA on services provided to NICS Departments by DoF. A **'Satisfactory'** audit opinion has been provided by the DoF HIA in relation to 2018-19 shared services overall.

The DoF Accounting Officer also provides an annual Assurance Statement in respect of the administration of housing benefit rates rebates for owner occupiers. Assurance has been provided for 2018-19 on controls in place to ensure that the administration of housing benefit rates rebates for owner occupiers is efficient and effective.

DfC relies on DWP computer systems, services and underpinning commercial arrangements to calculate and deliver the majority of benefits. The DWP Accounting Officer provides his assessment of the DWP System of Control and the Significant Control Challenges in the DWP Annual Report and Accounts. This includes his assessment of "Keeping Our Systems and Data Safe". In this he reports that "Keeping the sensitive personal data we hold and our information systems safe and secure from a range of threats, which include malicious or criminal intent and accidental breach, remains a significant challenge for the Department". He highlights the removal of the significant control challenge "Maintaining IT Services" due to significant progress in refreshing DWP ageing IT infrastructure while delivering sustained service delivery and outlines work done and plans in place “to ensure that minimum security standards are met and that the full range of risks is being managed across the technology and physical estates”. DfC places reliance on the DWP Accounting Officer’s assessment and on the UK wide arrangements for cyber security operated through the National Cyber Security Centre and the DWP Cyber Resilience Centre.

Key Risks and Issues

Overview

The Department’s integrated assurance process facilitates the capture and reporting of exceptions/material concerns for both the Department and its ALBs. As Accounting Officer, I receive a quarterly report of matters raised through the assurance process, including issues highlighted in the 2017-18 Governance Statement, where they remain significant.

The Head of Governance provides a Risk and Assurance report which summarises key risks and issues, along with exceptions/material concerns identified through the assurance process, for DARAC consideration on a quarterly basis.

The Board receives quarterly and annual reports from the DARAC Chair outlining his assessment of the assurances available and highlighting areas for continued scrutiny. For the 2018-19 year the DARAC Chair has confirmed that he is satisfied that risk management, control and governance in the Department has been adequate and effective. Areas highlighted for on-going assurance were: overview of ALBs, resourcing within Internal Audit, timelier implementation of Internal Audit recommendations, information security, business case compliance and approval, and assurance arrangements where there is reliance upon third parties.

The most significant issues relating to the Department’s business in 2018-19 are detailed below:

Northern Ireland Assembly and Budget Authority

The Northern Ireland Assembly was dissolved on 26 January 2017. An Executive was not formed following the 2 March 2017 election, and from this date Ministers ceased to hold office. In the continuing absence of an Executive and a sitting Assembly the Northern Ireland Budget Act 2018 was progressed through Westminster, receiving Royal Assent on 20 July 2018, followed by the Northern Ireland Budget (Anticipation and Adjustments) Act 2019 which received Royal Assent on 15 March 2019. The authorisations, appropriations and limits in these Acts provide the authority for the 2018-19 financial year and a vote on account for the early months of the 2019-20 financial year as if they were Acts of the Northern Ireland Assembly.

Protective Security

Eleven major incidents involving personal data were reported to the Data Protection Officer during 2018-19, however none of these met the threshold requiring notification to the Information Commissioners Office. There were no reported incidents from 2017-18 carrying into 2018-19. The DfC Data Protection Officer instigates improved staff training and updated guidance as part of the monitoring/review of reported incidents.

Public Appointments

The absence of a Minister for Communities has continued to impact appointment decisions however, the introduction of the Northern Ireland (Executive Formation and Exercise of Functions) Act 2018 during the year has enabled me to make a number of public appointment decisions where it has been demonstrated that it is in the public interest to do so. It has also enabled the Secretary of State for Northern Ireland, via secondary legislation, to make appointment decisions relating to the NIHE and NILGOSC. In all cases the Department has engaged with the Commissioner for Public Appointments NI, with the Commissioner approving Departmental action as necessary so that Boards remain quorate.

Fraud and Raising Concerns (Whistleblowing)

Seventeen incidents of suspected fraud were received during 2018-19, relating to both the Department and its ALBs. Of the cases investigated and closed during the year, there were ten cases of fraud found, one case where fraud was attempted but prevented due to the operation of internal controls and eight cases where no evidence of fraud was found. Investigations into seven cases were ongoing at the end of the year.

During 2018-19 the Department received twenty five concerns through raising concerns (whistleblowing) arrangements, sixteen of which related to its ALBs.

Fraud and Error in Benefit Expenditure

DfC is responsible for payment of social security benefits including the range of new benefits introduced under Welfare Reform. As reported in previous years, there is an inherent risk of fraud/error with all benefit processing which the NIAO highlights as the most significant risk in terms of material misstatement in the Department's financial statements.

A wide range of activities is in place to mitigate against the risk of fraud and error within benefit systems. The estimated level of fraud/error has however resulted in qualification of the audit opinion on the regularity of benefit expenditure and will remain an area of focus for the Department.

Welfare Reform

The programme of Welfare Reform changes and specifically the introduction of Universal Credit represents the most substantial and widespread change to the welfare system since its inception. In addition to UK-wide changes the Northern Ireland Executive agreed a range of mitigation measures in the form of Welfare Supplementary Payments for Northern Ireland which have been in place since 2016-17. The NIAO published a report on Welfare Reform in Northern Ireland in January 2019, which is available via the NIAO website:
https://www.niauditoffice.gov.uk/sites/niao/files/medfiles/Welfare%20Reform%20Report%202019.pdf

All Welfare Reforms are now live in Northern Ireland, including Universal Credit which has been successfully rolled out for new claims. The next implementation phase will transfer existing claimants of legacy benefits, including Tax Credit, over to Universal Credit between 2020 and 2023.

Personal Independence Payments (PIP)

As highlighted in 2017-18, following a Judicial Review of PIP in Great Britain the Department is working with DWP to implement new guidance. Whilst the Court Judgment is not binding in Northern Ireland, the Department is following the DWP approach, reviewing existing cases, and paying arrears where it is possible to do so. Current estimates are that 8,000 claimants in Northern Ireland may be affected.

After receiving complaints in respect of PIP the Northern Ireland Public Service Ombudsman has commenced an “own initiative review” of the administration of PIP. The Department is fully engaged with this process.

Employment and Support Allowance (ESA)

As highlighted in the 2017-18 Governance Statement, an NAO report in March 2018 identified issues in relation to the underpayment of ESA. All NI cases potentially affected have been scrutinised to establish possible entitlement to Income Related ESA. The exercise has been completed and results will be published.

Job Seekers Allowance (JSA)

The need for amendment to JSA regulations to cover the policy provision in relation to Disability Premiums was highlighted in the 2017-18 Governance Statement. The required amendments have been made and came into operation on 28 November 2018.

Child Maintenance

There have been long standing issues with the accuracy of child maintenance assessments and recorded arrears, under both the 1993 and 2003 Child Maintenance Schemes, as highlighted in previous Governance Statements.

The 1993 and 2003 schemes are now closed to new applicants and the replacement 2012 scheme is underpinned by completely new operational accounting systems.

Parents are also now supported and encouraged to make their own family based arrangements.

While closed to new applicants, the historic weaknesses in relation to 1993 and 2003 scheme cases are unlikely to be substantially resolved and this is reflected in NIAO qualifications to the Child Maintenance Client Funds Account.

Rates Support Grant (RSG)

The Court of Appeal handed down its judgment in September 2018 in the case of Mid Ulster District Council v DOE in the matter of a judicial review concerning the application of the statutory formula for the distribution of RSG amongst eligible councils. As a result the Department has recalculated the distribution of RSG and made Ex-Gratia Payments to several councils, as outlined in Other Assembly Accountability Disclosures: Losses and Special Payments.

There are potential financial implications for the Department still outstanding. A Statement of Claim has been issued to the Department for damages, interest, costs, and all other necessary and/or appropriate relief for loss of grant prior to April 2015.

Regional Stadia

The Department is managing the impact of delays arising from the 2014 Judicial Review and redesign of the stadium to address matters arising.

Housing

Social housing reform has not progressed during 2018-19 nor has it been possible to progress a long term rent strategy for the Northern Ireland Housing Executive (NIHE). This was reported in the 2017-18 Governance Statement and continues to impact on the NIHE’s ability to invest in the maintenance of its housing stock.

Affordable Warmth Scheme

The business case for the Affordable Warmth Scheme was approved by DoF in September 2014. Business case approval was for £16.5 million for 3 years (actual expenditure of £51 million in total during the 3 year period). While the scope and scale of the scheme changed shortly after it commenced, DoF was not notified of this. Retrospective approval for the changes were sought from DoF in 2018-19. As this was declined irregular expenditure in respect of the scheme is reported. A further £6 million irregular expenditure was incurred in the period 1 April 2018 – 17 Sept 2018, with approval granted for the period beginning 18 Sept 2018. Internal controls have been strengthened in relation to business case expenditure and variations to avoid recurrence in the future.

Housing Associations

A new framework for the Regulation of Registered Housing Associations was implemented during 2017-18. The new framework provides outcome based standards for Governance, Finance and Consumers and is designed to reflect the private status of Northern Ireland Housing Associations.

The rolling programme of inspection for social housing development schemes was not carried forward into the new regulatory arrangements. Following a recommendation to reinstate the programme, a pilot exercise was carried out and once evaluated decisions will be taken on next steps.

As reported in previous Governance Statements, a change in ONS classification of Housing Associations in Northern Ireland is required to allow Housing Associations to borrow. HM Treasury has provided a derogation to allow the public expenditure treatment of Housing Associations to continue as if they were private sector bodies. This is to allow time for required legislation to be passed.

The Statutory Inquiry under Article 23 of the Housing Order 1992 reported in the 2017-18 Governance Statement was completed in 2018-19. Issues relating to an ongoing Judicial Review may inhibit follow up on aspects of the Inquiry report.

Further work has been progressed on the remedy and associated policy issues arising from the Judicial Review of the Department's decision to cease payment of Special Needs Management Allowance (SNMA) reported in the 2017-18 Governance Statement. Following receipt of an in-depth research report, further engagement with relevant parties is planned to inform the development of policy proposals on SNMA.

The Appeals Service NI (TAS (NI))

The consent based medical records process that existed prior to 5 April 2019, will no longer be operated by TAS (NI), following legal advice provided to the Department. The Department is considering the implications of this change and the legal advice provided to determine what, if any, further action is required.

Northern Ireland Events Company (NIEC)

All former Directors of NIEC have accepted undertakings or a judgment has been applied preventing them from acting as Company Directors. As reported in the 2017-18 Governance Statement, departmental officials have been appointed as Directors to progress the wind up of the company and conclusion of all final tax and accounting matters. Wind up will progress upon HMRC confirmation that all outstanding balances have been settled, anticipated no later than September 2019.

Charity Commission for Northern Ireland (CCNI)

A draft High Court Judgment was delivered in May 2019 which found that the Interpretation Act (NI) 1954 does not provide express or implied power for CCNI to delegate its functions to staff. CCNI have indicated the intent to appeal this judgment, and are considering a suitable vehicle to amend current charities legislation. Legal counsel are considering the wider implications of the draft Judgement in advance of a finalised Order.

Limited Opinion Audit Reports

Internal Audit issued four limited opinion audit reports in 2018-19: 'Income Support 2017-18' relating to the non-completion of a number of key mandatory checks in respect of the award and payment of the benefit, 'Effective Management of State Care Monuments' specifically the content and monitoring of partnership agreements, 'Archaeological Consent Licensing' as a result of non-compliance with procedures in respect of the application submission, assessment and approval processes and 'Children and Adult Safeguarding Arrangements (Departmental wide)' relating to the embedding of and compliance with the new departmental procedures. A subsequent internal audit follow-up of the Income Support audit report raised the opinion to Satisfactory. Follow-up on the remaining reports is scheduled for 2019-20.

Follow-up on four limited opinion audit reports issued prior to 2018-19 has been completed. The four reports are: Maintenance of the Monuments Buildings Record, Supporting People, Health and Safety and Historic Environment Enforcement. The follow-up of the Maintenance of the Monuments Buildings Record and Historic Environment Enforcement audits raised the opinions of both audits to Satisfactory. The follow-up of the Supporting People audit concluded that whilst there had been significant progress made further work is needed on the oversight arrangements and therefore the limited opinion remained. The follow up of the Health and Safety report concluded that whilst a new risk based approach to Health and Safety has been introduced further work is required to finalise and embed key aspects of the new model and the limited opinion therefore also remained. The remaining limited opinion report: Capital Programme and Project Delivery (excluding Capital Stadia) was scheduled for follow-up in 2018-19 however, whilst management have recorded the recommendations as implemented, Internal Audit were unable to test the effective implementation of the recommendations and reassess the limited opinion due to the limited number of capital projects. Further follow-up is scheduled in respect of outstanding limited reports in 2019-20.

Arm's Length Bodies (ALBs)

Sponsorship/Partnership Arrangements

Sponsorship arrangements are in place for all DfC ALBs with regular risk assessments completed by Sponsor leads taking account of: the nature of ALB activities, public monies at stake, corporate governance arrangements, financial performance, internal and external audit reports, openness of communication, and other relevant matters.

A DoF review of ALB sponsorship is underway on foot of the Insight Report published following the two day Innovation Lab held in January 2018 which identified measures to improve relationships between ALBs and NI departments to benefit all stakeholders.

An NI Code of Good Practice on partnerships between departments and ALBs was launched in March 2018. A supporting template for Partnership Agreements is expected in 2019-20 and work to introduce Partnership Agreements with DfC ALBs will take place over the course of 2019-20.

Issues Relating to DfC ALBs

Internal Audit work in respect of DfC arrangements may be supplemented by Governance reviews or additional audit work where the need for additional information or assurance is identified. Additional audit work/Governance reviews were reported in the 2017-18 Governance Statement in respect of Arts Council (ACNI), the NIHE and Ulster Supported Employment Limited (USEL). Concerns regarding the backlog of accounts for Sport NI and the NIAO work being progressed on a standalone report in respect of governance in Sport NI were also flagged.

Departmental engagement with USEL and the NIHE on the implementation of recommendations from the additional audit work in 2017-18 took place during 2018-19. A tailored review of USEL commenced in 2018-19 and the Department is providing support for the NIHE on any significant HR and/or whistleblowing matters while plans to develop HR capacity within the NIHE are progressed. The NIHE HIA has issued an overall limited opinion for the NIHE for 2018-19. The Department will engage with the NIHE during 2019-20 to ensure that matters giving rise to the limited opinion are given full and focused attention.

As a result of continuing issues within ACNI the Department commissioned a further independent review of governance/Board effectiveness in 2018-19. The Department is now in receipt of a draft report and all accepted recommendations from this work will be considered.

It is of very significant concern that Sport NI accounts for 2014-15, 2015-16 and 2016-17 remain outstanding. This is reflected once again in the C&AG’s general Report and while progress is now being made a lessons learned report will be required for DARAC scrutiny. The draft NIAO report on the adequacy of the governance, leadership and departmental oversight of Sport NI has been received by the Department and is being considered. A final NIAO report is expected to be published in 2019-20.

North/South Language Bodies

In the absence of a Minister for Communities it was not possible to secure North South Ministerial Council (NSMC) approval of 2017-18 or 2018-19 Business Plans for North South Language Bodies. While arrangements have been made with DoF to ensure legality of payments in the absence of business plans, expenditure will be irregular until the NSMC approves the Plans.

It is a legislative requirement under the North/South Co-operation (Implementation Bodies) (Northern Ireland) Order 1999 that any grants paid to bodies by a Northern Ireland Sponsor Department must be approved by DoF. Where such an approval is absent any expenditure is illegal and retrospective consent cannot confer legality. No grant payments were made in the 2018-19 financial year without DoF approval. As reported in the 2017-18 Governance Statement a grant payment of £0.017 million was made in 2017-18 without DoF approval. As reported, this payment was therefore illegal.

Conclusion

I am satisfied that DfC has effective governance arrangements in place that I can rely on as Accounting Officer to provide assurance that the public funds and other resources for which I am accountable are deployed effectively. Where significant issues have arisen I am satisfied that appropriate action is being taken to address the issues concerned.

Remuneration and Staff Report

The remuneration and staff report gives details of the salaries and pensions of the Department's staff during the accounting period. The remuneration report deals largely with details pertaining to senior management and ministers, whereas the staff report gives details of staffing costs for the Department as a whole, including for those not permanently employed by the Department, the pension schemes available to employees, policies on managing attendance and employment of disabled staff as well as details of the costs of any staff exit packages.

Remuneration Report

Remuneration Policy

The pay remit for the Northern Ireland (NI) public sector, including senior civil servants (SCS), is normally approved by the Minister of Finance. In the absence of an Executive, the Department of Finance's Permanent Secretary has set the 2018-19 NI public sector pay policy in line with the overarching HMT parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17.

The pay of senior civil servants (SCS) is based on a system of pay scales for each SCS grade containing a number of pay points from minima to maxima, allowing progression towards the maxima based on performance.

Service Contracts

The Civil Service Commissioners (NI) Order 1999 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Code published by the Civil Service Commissioners for Northern Ireland specifies the circumstances when appointments may be made otherwise.

Unless otherwise stated, the officials covered by this report hold appointments that are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Further information about the work of the Civil Service Commissioners for Northern Ireland can be found at www.nicscommissioners.org

Remuneration and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management (i.e Board Members) of the Department.

Ministers Remuneration (Audited Information)

There was no Minister in place during 2018-19 or 2017-18.

Senior Management Remuneration (Audited Information)

Officials	2018–19 Salary £'000	2018–19 Benefits in kind (to nearest £100)	2018–19 Pension Benefits* (to nearest £'000)	2018–19 Total £'000	2017–18 Salary £'000	2017–18 Benefits in kind (to nearest £100)	2017–18 Pension Benefits* (to nearest £'000)	2017–18 Total £'000
Tracy Meharg Permanent Secretary (from 10 December 2018)	35-40 (115-120 full year equivalent)	-	35	70-75	-	-	-	-
Leo O'Reilly Permanent Secretary (to 31 January 2019 Retired)	105-110 (120-125 full year equivalent)	-	(80)	25-30	115–120	-	-	115–120
Jackie Kerr Deputy Secretary Strategic Planning and Resources Group	85-90 (90-95 full time equivalent)	-	40	125-130	85-90	-	65	145-150
Louise Warde Hunter Deputy Secretary Housing, Urban Regeneration and Local Government Group	90-95	-	25	115-120	80-85 (85-90 full year equivalent)	-	18	95-100
Colum Boyle Deputy Secretary Work and Inclusion Group (from 15 August 2018)	50-55 (90-95 full year equivalent)	-	12	65-70	-	-	-	-
Moira Doherty Deputy Secretary Engaged Communities Group (from 1 February 2019)	10-15 (85-90 full year equivalent)	-	17	30-35	-	-	-	-
Deborah Brown Acting Deputy Secretary Engaged Communities Group (from 3 September 2018 to 31 January 2019)	35-40 (85-90 full year and full time equivalent)	-	59	90-95	-	-	-	-
Ian Snowden Acting Deputy Secretary Engaged Communities Group (to 2 September 2018)	35-40 (85-90 full year equivalent)	-	22	55-60	35-40 (85-90 full year equivalent)	-	4	40-45

Senior Management Remuneration (Audited Information) (continued)

Officials	2018–19				2017–18			
	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits* (to nearest £'000)	Total £'000	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits* (to nearest £'000)	Total £'000
David Malcolm Acting Deputy Secretary Work and Inclusion Group (to 14 August 2018)	30-35 (85-90 full year equivalent)	-	80	110-115	5 - 10 (85-90 full year equivalent)	-	12	15-20
Ian Maye Deputy Secretary (to 5 August 2017 Deceased)	-	-	-	-	30–35 (90- 95 full year equivalent)	-	7	35-40
Tommy O'Reilly Deputy Secretary (to 1 May 2017)	-	-	-	-	5–10 (100-105 full year equivalent)	-	(7)	0-5
Denis McMahon Deputy Secretary (to 18 February 2018)	-	-	-	-	80–85 (90-95 full year equivalent)	-	27	105–110
Duncan McCausland Independent Board Member (from 1 September 2017)	5-10	-	-	5-10	10-15	-	-	10-15
John West Independent Board Member	10-15	-	-	10-15	20-25	-	-	20-25
Band of Highest Paid Director's Total Remuneration	115-120				115–120			
Median Total Remuneration	£24,960				£24,713			
Ratio	4.71				4.75			

*The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to a transfer of pension rights.

Fair Pay Disclosures (Audited Information)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in the Department in the financial year 2018–19 was £115-£120k (2017–18: £115–£120k). This was 4.71 times (2017-18: 4.75) the median remuneration of the workforce, which was £24,960 (2017-18: £24,713).

No employee received remuneration in excess of the highest paid director in 2018-19, nor in 2017–18. Remuneration ranged from £17,526 to £115,187 (2017–18: £17,352 to £119,556). Total remuneration includes salary, non-consolidated performance- related pay and benefits-in- kind. It does not include severance payments, employer pension contributions, nor the cash equivalent transfer value of pensions.

The change in the pay multiple ratio between 2018–19 and 2017–18 is due to a slight decrease in the highest paid director's remuneration.

Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation and any ex gratia payments.

The Northern Ireland Assembly was dissolved on 26 January 2017. An Executive was not formed following the 2 March 2017 election, and from this date Ministers ceased to hold office. As a consequence, there has been no Minister in place in the Department during 2017-18 and 2018-19.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument.

Ministers Pension Entitlements (Audited Information)

There was no Minister in place during 2018-19 and 2017-18.

Senior Management Pension Entitlements (Audited Information)

Officials	Accrued pension at pension age as at 31/3/19 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/19 £'000	CETV at 31/3/18 £'000 (Restated*)	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Tracy Meharg Permanent Secretary (from 10 December 2018)	35 – 40 plus a lump sum of 115-120	0-2.5 plus a lump sum of 2.5-5	897	854	34	-
Leo O'Reilly Permanent Secretary (to 31 January 2019 Retired)	50-55 plus a lump sum of 310-315	0 plus a lump sum of 125-127.5	1,300	1,333	(71)	-
Jackie Kerr Deputy Secretary Strategic Planning and Resources Group	40-45 plus a lump sum of 100-105	0-2.5 plus a lump sum of 0-2.5	782	680	24	-
Louise Warde Hunter Deputy Secretary Housing, Urban Regeneration and Local Government Group	20-25	0-2.5	408	342	24	-
Colum Boyle Deputy Secretary Work and Inclusion Group (from 15 August 2018)	35-40 plus a lump sum of 95-100	0-2.5 plus a lump sum of 0	744	679	3	-
Moira Doherty Deputy Secretary Engaged Communities Group (from 1 February 2019)	20-25 plus a lump sum of 40-45	0-2.5 plus a lump sum of 0-2.5	330	308	11	-
Deborah Brown Acting Deputy Secretary Engaged Communities Group (from 3 September 2018 to 31 January 2019)	20-25 plus a lump sum of 40-45	2.5-5 plus a lump sum of 2.5-5	329	259	37	-
Ian Snowden Acting Deputy Secretary Engaged Communities Group (to 2 September 2018)	30-35 plus a lump sum of 70-75	0-2.5 plus a lump sum of 0-2.5	499	479*	12	-
David Malcolm Acting Deputy Secretary Work and Inclusion Group (to 14 August 2018)	30-35 plus a lump sum of 80-85	2.5-5 plus a lump sum of 7.5-10	548	471	57	-

Northern Ireland Civil Service (NICS) Pension Schemes

Pension benefits are provided through the Northern Ireland Civil Service pension schemes which are administered by Civil Service Pensions (CSP).

The alpha pension scheme was introduced for new entrants from 1 April 2015. The alpha scheme and all previous scheme arrangements are unfunded with the cost of benefits met by monies voted each year. The majority of existing members of the classic, premium, classic plus and nuvos pension arrangements also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age did not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate is 2.32%.

New entrants joining can choose between membership of alpha or joining a 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

New entrants joining on or after 30 July 2007 were eligible for membership of the nuvos arrangement or they could have opted for a partnership pension account. Nuvos is also a CARE arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The current rate is 2.3%.

Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium and classic plus). From April 2011, pensions payable under classic, premium, and classic plus are reviewed annually in line with changes in the cost of living. New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining the partnership pension account.

All pension benefits are reviewed annually in line with changes in the cost of living. Any applicable increases are applied from April and are determined by the Consumer Prices

Index (CPI) figure for the preceding September. The CPI in September 2018 was 2.4% and HM Treasury has announced that public service pensions will be increased accordingly from April 2019.

Employee contribution rates for all members for the period covering 1 April 2019 – 31 March 2020 are as follows:

Scheme Year 1 April 2019 to 31 March 2020

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – All Members
From	To	From 01 April 2019 to 31 March 2020
£0	£23,500.99	4.6%
£23,501.00	£54,500.99	5.45%
£54,501.00	£150,000.99	7.35%
	£150,001.00 and above	8.05%

Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8% and 14.75% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach their scheme pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Scheme Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal scheme pension age in alpha is linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension schemes can be found at the website https://www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2015 and do not take account of any actual or potential benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Staff Report

Staff Costs (Audited Information)

	2018–19				2017–18
	Permanently Employed Staff* £'000	Others £'000	Ministers £'000	Total £'000	Total £'000
Wages and salaries	187,254	31,854	-	219,108	206,594
Social security costs	16,861	-	-	16,861	16,884
Other pension costs	38,867	-	-	38,867	39,416
Sub Total	242,982	31,854	-	274,836	262,894
Less recoveries in respect of outward secondments	(212)	-	-	(212)	(315)
Total net staff costs	**242,770**	**31,854**	**-**	**274,624**	**262,579**
Of which:	Charged to Administration	Charged to Programme	**Total**		
Core Department	35,056	239,568	**274,624**		
Total net costs	**35,056**	**239,568**	**274,624**		

*There were no staff costs incurred in respect of the Department's Special Adviser in 2018-19 and 2017-18.

The Northern Ireland Civil Service main pension schemes are unfunded multi-employer defined benefit schemes but the Department is unable to identify its share of the underlying assets and liabilities. The Government Actuary's Department (GAD) is responsible for carrying out scheme valuations. The Actuary reviews employer contributions every four years following the scheme valuation. The 2012 scheme valuation was completed by GAD in February 2015. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2015 to 31 March 2019.

For 2018–19, employer's contributions of £38.773 million were payable to the NICS pension arrangements (2017–18: £38.827 million) at one of three rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands.

Work was completed on the 2016 valuation, based on the position as at 31 March 2016. The outcome of this scheme valuation informed employer contribution rates for 2019-20. Employer contribution rates payable will range from 28.7% to 34.2% of pensionable pay, based on salary bands. This change is primarily due to the reduction in the SCAPE discount rate (as announced at Budget 2018) to 2.4% pa above CPI. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer's contributions of £0.078 million (2017–18: £0.068 million) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2017–18: 8% to 14.75%) of pensionable pay.

The partnership pension account offers the member the opportunity of having a 'free' pension. The employer will pay the age-related contribution and if the member does contribute, the employer will pay an additional amount to match member contributions up to 3% of pensionable earnings.

Employer contributions of £0.002 million, 0.5% (2017-18: £0.002 million, 0.5%) of pensionable pay, were payable to the NICS Pension schemes to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees. Contributions due to the **partnership** pension providers at the reporting period date were nil. Contributions prepaid at that date were nil.

Fifty Two (2017–18: thirty-five) persons retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.128 million (2017–18: £0.089 million).

Average Number of Persons Employed (Audited Information)

The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those working in the Department as well as in agencies and other bodies included within the consolidated Departmental Annual Report and Accounts.

	2018–19					2017–18
Departmental Activity	**Permanently Employed staff**	**Others**	**Ministers**	**Special advisers**	**Total**	**Total**
Staff Employed	6,863	1,325	-	-	8,188	8,097
Staff engaged on capital projects	-	-	-	-	-	-
Total	**6,863**	**1,325**	**-**	**-**	**8,188**	**8,097**
Of which:						
Core Department	**8,188**					

Number of Senior Staff by Payband

The number of SCS (or equivalent) staff by pay band as at 31 March 2019 is as follows:

Pay Band £'000	Total
66–75	25
76–85	3
86–95	4
96–105	-
106–115	1
Total	**33**

Employee Gender

At 31 March 2019 there were 7,363 staff (based on staff headcount) plus an additional 1,469 recruitment agency staff employed within the Department. This figure excludes staff on career breaks. Below is a gender breakdown including staff at Grade 5 and above:

	Male	Female	Total
Directors (Board Members)	1	4	5
Senior Staff (Grade 5+)	18	10	28
Employees	3,717	5,082	8,799
Total	**3,736**	**5,096**	**8,832**

Sickness Absence Data

The Department had an overall sickness absence rate of 15.4 days lost per employee in 2017-18. NISRA's projection for 2018–19 for the Department is currently estimated at 14.9 days lost per employee. The verified figures for 2018–19 will not be available until later in the year.

Health and Safety at Work

The Department has a range of measures in place to ensure its compliance with the requirements of the Health and Safety at Work (NI) Order 1978 and all other legislation and codes of practice. The Department is committed to ensuring so far as is reasonably practical the health, safety and welfare of its employees and of others who may be affected by its operations.

The Department ensures that its employees are given such information, instruction, training and supervision as is necessary to ensure the safe performance of their work duties. Arrangements are also in place to enable employees to raise health and safety issues.

Employment, training and advancement of disabled persons

The Northern Ireland Civil Service applies the recruitment principles as set out in the Recruitment Code of the Civil Service Commissioners for Northern Ireland, appointing candidates based on merit through fair and open competition. Recruitment and selection training, which includes raising awareness of unconscious bias, is offered to all chairs of NICS recruitment panels. The NICS also has mandatory unconscious bias training for all staff.

To maintain and promote a diverse and inclusive workforce, the NICS has policies in place to support any alterations to the working environment required by disabled persons.

The NICS has an active network of Diversity Champions and has appointed one of its' Deputy Secretaries as the NICS Diversity Lead for Disability. The NICS has an active Disability Working Group and is a lead partner with Employers for Disability Northern Ireland. Through this collaboration the NICS is working towards creating a truly inclusive workplace where all staff feel valued. The NICS promotes a number of schemes for disabled staff, including a successful Work Experience Scheme for People with Disabilities.

Other Employee Matters

The 2018-21 **NICS People Strategy** sets out the shared view of the people priorities across the NICS under the following themes:

- A well-led NICS
- High performing NICS
- Outcomes-focused NICS
- An inclusive NICS in which diversity is truly valued – a great place to work

Equality, Diversity and Inclusion

The **NICS People Strategy 2018-21** places diversity and inclusion at its centre and includes a range of actions that will help accelerate the NICS' ambition to be a service that reflects the society we serve.

The NICS continues to carry out its statutory obligations under fair employment legislation, including the annual return to the Equality Commission for NI. The NICS publishes a wide range of **NICS human resource statistics.**

Learning & Development

The NICS recognises the importance of having skilled and engaged employees and continues to invest in learning and development.

The NICS Centre for Applied Learning (CAL) is responsible for development and delivery of all generic staff training. It offers a variety of learning delivery channels to enable flexible access to learning, blending different learning solutions into coherent learning pathways that are aligned to both corporate need and the NICS Competency Framework.

The NICS offers a wide range of career development opportunities through mentoring, secondment and interchange opportunities, elective transfers, temporary promotion, job rotation and job shadowing.

Talent Management is a key theme of the NICS People Strategy and work is underway to develop a more corporate approach to managing talent across the NICS.

Employee Consultation and Trade Union Relationships

The Department of Finance is responsible for the NICS Industrial Relations Policy. The centralised human resource function, NICSHR, consults on HR policy with all recognised Trade Unions and local departmental arrangements are in place to enable consultation on matters specific to a department or individual business area.

Consultancy Expenditure

During the 2018–19 year the Department spent £608,575 on external consultancy (2017-18: £660,521 (restated)). This expenditure is incurred where there is a requirement for an expertise which existing members of staff may not have, an additional resource when it is not available internally, or an independent view or assessment when required.

The Department also spent £31.9 million on the employment of temporary staff. These staff were largely engaged in providing services to the Department for Work and Pensions for the administration of Child Maintenance and Benefit Delivery services and also to the Historic Environment to cover additional workload and special exercises.

Off-Payroll Engagements

The Department had nil off-payroll engagements at an annual cost of over £245 per day lasting longer than six months during 2018–19 (2017-18: nil (restated)).

Off-payroll engagements of board members with significant financial responsibility during 2018-19 are outlined below:

	Total
Number of off-payroll engagements of Board members with significant financial responsibility during 2018-19	**0**
Total number of individuals on payroll and off-payroll with significant financial responsibility during 2018-19	9 (5 current Board members and 4 past members)

Exit Packages (Audited Information)

Data for the 2017-18 year is shown in brackets.

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	12 (5)	12 (5)
£10,000–£25,000	-	16 (12)	16 (12)
£25,000–£50,000	-	11 (11)	11 (11)
£50,000–£100,000	-	2 (-)	2 (-)
£100,000–£150,000	-	-	-
£150,000–£200,000	-	-	-
Total number of exit packages	**-**	**41 (28)**	**41 (28)**
Total Resource Cost £'000	**-**	**832 (628)**	**832 (628)**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (Northern Ireland), a statutory scheme made under the Superannuation (Northern Ireland) Order 1972.

Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Assembly Accountability and Audit Report

Statement of Assembly Supply (Audited Information)

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department for Communities to prepare a Statement of Assembly Supply (SoAS) and supporting notes to show resource outturn against Supply Estimate presented to the Assembly, in respect of each request for resources.

Summary of Resource Outturn 2018-19

	2018-19							2017-18
	Estimate			Outturn			Net total outturn compared with estimate: saving/ (excess)	Outturn
	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	£'000	Net Total £'000
Request for Resources A Providing a fair system of financial help to those in need; tackling disadvantage; promoting social and economic equality; personal development; tackling poverty; social exclusion; services that encourage family based child maintenance arrangements; access to decent, affordable, sustainable homes and housing support services; improving the physical, economic, community and social environment of neighbourhoods, towns and cities; securing excellence and equality across culture, arts and leisure, and developing a confident, creative, informed and healthy society; helping people into employment; protecting, conserving and enhancing our diverse built heritage and supporting principles of sustainable development, so that it can be enjoyed by future generations; promoting and protecting the interests of children, older people, people with disabilities, and other socially excluded groups.								
	4,681,111	(144,241)	4,536,870	4,484,702	(129,871)	4,354,831	182,039	4,226,302
Total resources (note SoAS1)	4,681,111	(144,241)	4,536,870	**4,484,702**	**(129,871)**	**4,354,831**	**182,039**	4,226,302
Non-operating AR			(44,302)			**(36,412)**	**(7,890)**	(33,574)

Net cash requirement 2018-19

	2018-19				2017-18
	Note	Estimate £'000	Outturn £'000	Net total outturn compared with estimate: saving/ (excess) £'000	Outturn £'000
Net cash requirement	SoAS3	4,513,420	**4,270,433**	**242,987**	4,147,494

Summary of income payable to the Consolidated Fund

In addition to accruing resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Note	2018-19 Forecast Income £'000	2018-19 Forecast *Receipts £'000*	2018-19 Outturn Income £'000	2018-19 Outturn *Receipts £'000*
Total	SoAS4	2,010	*2,010*	**2,105**	***2,463***

Explanations of variances between Estimate and outturn are given in Note SoAS1 and in the Performance Report.

The notes on pages 114 to 186 form part of these accounts.

SoAS1 Analysis of net resource outturn by function (Audited Information)

	2018-19									2017-18
	Outturn						Estimate			Outturn
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000	Prior Year £'000
Request for Resources A (RfR A)										
Providing a fair system of financial help to those in need; tackling disadvantage; promoting social and economic equality; personal development; tackling poverty; social exclusion; services that encourage family based child maintenance arrangements; access to decent, affordable, sustainable homes and housing support services; improving the physical, economic, community and social environment of neighbourhoods, towns and cities; securing excellence and equality across culture, arts and leisure, and developing a confident, creative, informed and healthy society; helping people into employment; protecting, conserving and enhancing our diverse built heritage and supporting principles of sustainable development, so that it can be enjoyed by future generations; promoting and protecting the interests of children, older people, people with disabilities, and other socially excluded groups.										
Departmental Expenditure in DEL:										
Social Security Administration	29,690	242,382	62,375	334,447	(12,773)	321,674	333,194	11,520	11,520	284,729
Belfast Benefit Delivery Centre	-	32,640	-	32,640	(32,640)	-	-	-	-	-
Eastern Area (GB Child Maintenance Group)	-	28,975	-	28,975	(28,975)	-	-	-	-	43
Child Maintenance Service	-	9,529	-	9,529	(763)	8,766	9,989	1,223	1,223	9,933
Mesothelioma Compensation Scheme	-	-	196	196	(196)	-	-	-	-	-
Discretionary Support Scheme	-	-	9,641	9,641	-	9,641	9,758	117	117	6,752
Housing benefit	-	-	113,956	113,956	-	113,956	116,800	2,844	2,844	117,644
Housing	3,982	1,509	24,683	30,174	(27,346)	2,828	3,214	386	386	(6,020)
Housing grants to the NI Housing Executive Landlord Function	-	266	34,133	34,399	-	34,399	34,399	-	-	44,523
Interest Payments on Housing Loans	-	21,885	-	21,885	(21,885)	-	-	-	-	-
Urban Regeneration	6,271	5,222	13,642	25,135	(1,283)	23,852	27,504	3,652	3,307	20,539
Community and Voluntary Sector funding	4,878	627	37,634	43,139	(7)	43,132	42,149	(983)	-	41,161
EU Programme for Peace and Reconciliation	-	-	56	56	(48)	8	15	7	7	-

SoAS1 Analysis of net resource outturn by function (continued) (Audited Information)

	2018-19									2017-18
	Outturn						Estimate			Outturn
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000	Prior Year £'000
Library and Other Services	10	-	323	333	-	333	298	(35)	-	338
Arts and Museums	932	127	2,232	3,291	-	3,291	3,453	162	127	11,111
Sports	1,451	2,808	909	5,168	(90)	5,078	5,314	236	193	5,689
Cultural Policy and Languages	549	113	887	1,549	-	1,549	2,017	468	146	1,593
Public Record Office of Northern Ireland	-	5,150	-	5,150	(82)	5,068	5,079	11	11	4,486
Historic Environment Division	-	7,166	633	7,799	(658)	7,141	7,473	332	59	7,222
Local Government Services	2,048	2,493	67,323	71,864	(50)	71,814	67,348	(4,466)	(4,466)	54,174
Employment and Skills	-	-	19,276	19,276	-	19,276	19,357	81	81	20,368
Annually managed expenditure (AME):										
Non-contributory and means-tested benefits:										
- Pension benefits	-	-	6,241	6,241	-	6,241	6,298	57	57	6,149
- Disability benefits	-	(3,300)	1,547,784	1,544,484	-	1,544,484	1,598,268	53,784	53,784	1,458,657
- Industrial injuries benefits	-	-	29,807	29,807	-	29,807	30,613	806	806	29,289
- Pension credit	-	-	237,643	237,643	-	237,643	234,753	(2,890)	(2,890)	246,492
Income support - Jobseeker's allowance, Employment and Support Allowance and Universal Credit:										
- Income support	-	17,408	119,574	136,982	-	136,982	138,136	1,154	1,154	147,278
- Jobseeker's allowance (income based)	-	-	65,856	65,856	-	65,856	71,156	5,300	5,300	91,135
- Employment and Support Allowance (income related)	-	-	564,594	564,594	-	564,594	578,298	13,704	13,704	538,580
- Universal Credit	-	-	105,932	105,932	-	105,932	151,400	45,468	45,468	2,868
- Tax credit Debt	-	-	-	-	(3,062)	(3,062)	(14,963)	(11,901)	(11,901)	-

SoAS1 Analysis of net resource outturn by function (continued) (Audited Information)

	2018-19									2017-18
	Outturn						Estimate			Outturn
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000	Prior Year £'000
- Support for Mortgage Interest	-	-	-	-	(13)	(13)	-	13	13	-
Job grant	-	-	-	-	-	-	10	10	10	11
Housing benefit (rent)	-	-	525,140	525,140	-	525,140	531,204	6,064	6,064	548,811
Discretionary housing payments	-	-	3,907	3,907	-	3,907	5,020	1,113	1,113	3,622
Provisions, Depreciation and Impairments	-	(69,727)	-	(69,727)	-	(69,727)	(47,124)	22,603	22,603	6,803
Non-Budget:										
Social Fund (Regulated)	-	-	-	-	-	-	11,948	11,948	11,948	7,770
Social Fund in respect of Winter Fuel Payments	-	-	52,200	52,200	-	52,200	53,162	962	962	48,000
Northern Ireland National Insurance Fund	-	-	78,900	78,900	-	78,900	78,900	-	-	70,200
Grant-In-Aid Paid to the Northern Ireland Housing Executive	-	-	282,000	282,000	-	282,000	297,841	15,841	14,425	282,000
Charity Commission (NI)	-	-	1,744	1,744	-	1,744	2,021	277	277	1,805
Ulster Supported Employment Limited	-	-	878	878	-	878	1,059	181	181	983
Arts Council of Northern Ireland	-	-	12,167	12,167	-	12,167	11,394	(773)	-	10,935
National Museums and Galleries Northern Ireland	-	-	18,029	18,029	-	18,029	18,946	917	917	12,768
Sports Council for Northern Ireland	-	-	10,231	10,231	-	10,231	10,379	148	148	10,642
Northern Ireland Library Authority	-	-	32,278	32,278	-	32,278	32,683	405	405	31,795
Armagh Observatory and Planetarium	-	-	2,046	2,046	-	2,046	2,276	230	230	1,977
Northern Ireland Museums Council	-	-	200	200	-	200	200	-	-	218
Language body	-	-	5,289	5,289	-	5,289	5,489	200	200	4,998
Commissioner for Children and Young People for Northern Ireland	-	-	1,358	1,358	-	1,358	1,329	(29)	-	1,334

SoAS1 Analysis of net resource outturn by function (continued) (Audited Information)

	2018-19									2017-18
	Outturn						Estimate			Outturn
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000	Prior Year £'000
Commissioner for Older People for Northern Ireland	-	-	853	853	-	853	858	5	5	833
Local government Staff Commission	-	-	614	614	-	614	-	(614)	-	-
Notional Charges	36,454	-	-	36,454	-	36,454	37,955	1,501	1,501	36,064
Total	**86,265**	**305,273**	**4,093,164**	**4,484,702**	**(129,871)**	**4,354,831**	**4,536,870**	**182,039**	**182,039**	4,226,302

This Note shows the NIF administration costs for Northern Ireland being incurred in the 'Admin' column and offset by the income in the 'AR' column.

Explanation of the variation between Estimate and outturn for Request for Resources A (RfR A)

The **DEL** outturn is £15.555 million (2.3%) less than the Estimate. The main drivers of this variance are easements in Fresh Start Mitigation Payments (£7.6 million) as a result of less than expected caseloads, easements in Welfare Reform Payments (£2.0 million) due to contract easements and staffing challenges, easements in Housing Benefit Rates (£2.8 million) which are demand led and difficult to predict, easements in contract costs (£2.8 million) as a result of agreement with DWP to maintain central charges at 2017-18 rate and easements in Urban Regeneration (£3.8 million) due to slippage in a number of projects. These easements were slightly offset by an overspend in the Rates Support Grant (£4.4 million) due to increased grant entitlements and legal costs following a legal case.

The **AME** outturn is £135.285 million (4.1%) less than the Estimate due to the nature of this spend being demand led and difficult to predict.

SoAS1 Analysis of net resource outturn by function (continued) (Audited Information)

The **Non-budget** outturn is £31.199 million (5.5%) less than the Estimate mainly due to Social Fund Cold Weather payments not being triggered (£8.6 million), a reduced requirement for the Housing Regional Services cash drawdown due to NIHE prudently requesting additional cover in the January Monitoring round for SHDP (£15.8 million) and the notional accommodation rate not increasing as anticipated (£1.5 million).

High level explanations of the variances are given in section 2 of the Annual Report, 'Performance Analysis'.

The notes on pages 114 to 186 form part of these accounts.

SoAS2 Reconciliation of outturn to net operating cost (Audited Information)

		2018-19			2017-18
	Note	Outturn £'000	Supply Estimate £'000	Outturn compared with Estimate £'000	Outturn £'000
Net Resource Outturn	SoAS1	**4,354,831**	4,536,870	**182,039**	4,226,302
Non-supply Expenditure (net)	4b	2,717,597	2,739,653	22,056	2,642,577
AR not treated as income					
- funding from NIF to cover administration costs		11,884	11,884	-	11,884
Other fair value adjustments and write offs relating to Non Voted and Social Fund		2,973	-	(2,973)	(2,470)
Non-supply Income (CFERs)	SoAS4	(2,105)	(2,010)	95	(3,737)
Public Corporation Equity Withdrawal		(19,957)	-	19,957	(19,605)
Other		4	-	(4)	3
Net Operating Cost		**7,065,227**	**7,286,397**	**221,170**	6,854,954

The notes on pages 114 to 186 form part of these accounts.

SoAS3 Reconciliation of net resource outturn to net cash requirement (Audited Information)

		2018-19		
	Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate saving/ (excess) £'000
Resource Outturn	SoAS1	4,536,870	4,354,831	182,039
Capital:				
Acquisition of property, plant and equipment	6, 7 & 8	6,406	4,744	1,662
Tax credit Debt	15	14,963	3,062	11,901
Discretionary Support Scheme	15	11,892	4,123	7,769
Support for Mortgage Interest	15	2,480	2,163	317
Non-operating Accruing Resources:				
Sale of Land and property		(6,181)	(5,225)	(956)
Long Term loan repayments by Housing associations	11	(3,964)	(3,964)	-
Discretionary Support Loan Repayments		(14,200)	(7,274)	(6,926)
Equity Withdrawal from Public Corporation		(19,957)	(19,957)	-
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation & Amortisation	3,4	(9,893)	(6,103)	(3,790)
New provisions and adjustments to previous provisions	4	49,699	70,896	(21,197)
Housing Benefit Owner Occupiers	4	(37,800)	(37,483)	(317)
Other non-cash items	3,4	(37,955)	(34,300)	(3,655)
Adjustments to reflect movements in working balances:				
Changes in working capital other than cash		15,274	43,314	(28,040)
Increase/(decrease) in inventories	13	-	16	(16)
Increase/(decrease) in receivables	15	-	(50,275)	50,275
(Increase)/decrease in payables falling due within one year	16.1	-	(91,315)	91,315
(Increase)/decrease in payables falling due after more than one year	16.2	-	32,598	(32,598)
Use of provision	17	5,786	7,615	(1,829)
Other Social Fund adjustments		-	2,973	(2,973)
Other		-	(6)	6
Net cash requirement		**4,513,420**	**4,270,433**	242,987

The notes on pages 114 to 186 form part of these accounts.

SoAS4 Income payable to the Consolidated Fund (Audited Information)

SoAS4.1 Analysis of income payable to the Consolidated Fund

In addition to Accruing Resources, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics):

	2018-19 Income £'000	**Forecast *Receipts* £'000**	**2018-19 Income** £'000	**Outturn *Receipts*** *£'000*
Other operating income and receipts not classified as Accruing Resources	2,010	*2,010*	2,105	2,463
Subtotal of operating income and receipts surrenderable to the Consolidated Fund	2,010	*2,010*	2,105	2,463
Total income payable to the Consolidated Fund	**2,010**	***2,010***	**2,105**	**2,463**

SoAS5 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund (Audited Information)

	Note	**2018-19 £'000**	2017-18 £'000
Operating income	5	140,047	132,281
Public Corporation Equity Withdrawal		(19,957)	(19,605)
NIF Administration Costs		11,884	11,884
Other		2	4
Gross Income		131,976	124,564
Income authorised to be Accruing Resource (deduct the lower of AR and Estimate)		(129,871)	(120,827)
Operating Income payable to the Consolidated Fund	SoAS4	**2,105**	3,737

SoAS6 Non-operating income - Excess Accruing Resources (Audited Information)

There were no non-operating income - excess Accruing Resources during 2018-19.

The notes on pages 114 to 186 form part of these accounts.

Other Assembly Accountability Disclosures (Audited Information)

i. Regularity of Expenditure (Audited Information)

Issues pertaining to the regularity of departmental expenditure are discussed in the governance statement.

ii. Losses and Special Payments (Audited Information)

	2018–19	2017–18
Losses		
Total number of losses	**48,883**	45,537
Cash losses (£'000)	**26,287**	21,476
Special Payments		
Total number of special payments	**353**	331
Total value of special payments (£'000)	**2,762**	840

There were four losses in excess of £250,000:

There was a loss of £1.538 million relating to capital funding to write off a loan to Ulster Sheltered Employment Limited that predated 2007.

Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) (£4.236 million)

This relates to write offs in respect of the Department's NDPB – NILGOSC. NILGOSC administer the Local Government Pension Scheme for over 170 local government employers referred to as employing authorities. When an employing authority leaves the scheme it is required to meet any liabilities due on cessation.

A loss of £3.790 million was approved by DoF relating to the unrecoverable cessation debt of two employing authorities.

NILGOSC reported an additional loss of £0.446 million in relation to an investment property disposal.

There was one Special Payment made in excess of £250,000:

Ex-Gratia Payments to the value of £2.493 million were made to several councils as a result of a Court of Appeal ruling of negative financial impact regarding the application of the mechanism for the Rates Support Grant.

iii. Fees and Charges (Audited Information)

The Department does not administer any fees and charges which are significant in the context of the financial statements.

iv. Remote Contingent Liabilities (Audited Information)

In July 2018, the UK Government announced an extension of its guarantee of EU-funded projects after the UK has left the EU. The guarantee was originally announced in 2016.The guarantee now covers the following:

a) The full Multiannual Financial Framework allocation for structural and investment funds over the 2014-20 funding period, with payments to beneficiaries made up to the end of 2023;

b) The payment of awards where UK organisations successfully bid directly to the European Commission on a competitive basis for EU funding projects while we remain in the EU (e.g. before Exit day), for the lifetime of the project;

c) The payment of awards where UK organisations successfully bid to the European Commission on a competitive basis to participate as a 3rd country after Exit, and until the end of 2020, for the lifetime of the project; and,

d) The current level of agricultural funding under CAP Pillar 1 until 31 December 2020.

The financial settlement was agreed in principle by both the UK and EU, as set out in the draft Withdrawal Agreement of 25th November 2018. The guarantee will therefore only be called in the event that the Withdrawal Agreement is not ratified in the case of no deal, and

UK organisations are unable to access EU funding. As a result, and due to the EU funding the Department for Communities provides, an unquantifiable contingent liability is disclosed.

Contingent liabilities are reported within the financial statements.

TRACY MEHARG
ACCOUNTING OFFICER
27 JUNE 2019

Certificate of the Comptroller and Auditor General to the Northern Ireland Assembly

Department for Communities

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of the Department for Communities for the year ended 31 March 2019 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

I have also audited the Statement of Assembly Supply, and the related notes, and the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2019 and of its net operating expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder.

Qualified opinion on regularity

In my opinion, except for the incorrect benefit expenditure attributable to fraud and error as described in the basis of opinions section, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2019 and shows that those totals have not been exceeded; and

- the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

The Department is required to calculate benefits in accordance with primary legislation, which specifies the entitlement criteria for each benefit and the method used to calculate the amount of benefit to be paid. Where fraud and error results in overpayments and underpayments the transactions do not conform to this legislation. The expenditure is therefore irregular as it is not applied in accordance with the purposes intended by the Northern Ireland Assembly and because fraudulent transactions are by definition irregular since they are without proper authority.

My regularity opinion is qualified, as a material amount of benefits is estimated as incorrect or based on a fraudulent claim. The total amount paid in benefits by the Department is £6.1 billion, of which £2.3 billion relates to expenditure on State Pension. As this has a low level of estimated fraud and error, I have not qualified my regularity opinion on this. In respect of the other benefit expenditure of £3.8 billion, as reported in Note 23 to the financial statements, fraud and error resulted in:

- estimated total overpayments of £91 million; and
- estimated underpayments due to official error of £27 million.

I have therefore qualified my opinion on the regularity of benefit expenditure, other than State Pension, because of:

- the estimated level of overpayments attributable to fraud and error where payments have not been made for the purposes intended by the Assembly; and
- the estimated level of overpayments and underpayments in such benefit expenditure which do not conform with the relevant authorities.

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Department for Communities in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

My objectives are to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by

Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

My detailed observations are included in my report attached to these financial statements.

KJ Donnelly

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

4 July 2019

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure for the period ended 31 March 2019

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	**2018-19 £'000**	2017-18 £'000
Income from sale of goods and services	5.1	(61,614)	(56,483)
Other income	5.2	(77,947)	(75,278)
Total Operating Income		**(139,561)**	(131,761)
Staff Costs	3,4	274,836	262,894
Purchase of goods and services	3,4	252,331	232,806
Depreciation and impairment charges	3,4	3,944	421
Provision Expense	4	(70,896)	21,860
Grants and Other Benefit Related Expenditure	4	6,745,059	6,469,254
Total Operating Expenditure		**7,205,274**	6,987,235
Net Operating Expenditure		**7,065,713**	6,855,474
Finance Income	5.1	(486)	(520)
Net Expenditure for the year		**7,065,227**	6,854,954
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating expenditure:			
- Net gain/(loss) on revaluation of Property Plant and Equipment	6	3,558	6,358
- Net gain/(loss) on revaluation of Intangibles	7	87	204
Items that may subsequently be reclassified to net operating expenditure:			
- Net gain/(loss) on revaluation of assets classified as held for sale		33	(130)
Comprehensive Net Expenditure for the year		**7,061,549**	6,848,522

The notes on pages 114 to 186 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2019

This statement presents the financial position of the Department for Communities. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	**2018-19 £'000**	2017-18 £'000
Non-current assets:			
Property, plant and equipment	6	168,043	169,618
Intangible assets	7	3,368	5,190
Heritage Assets	8	1,341	1,286
Trade and other receivables falling due after more than 1 year	15	290,223	315,223
Financial Assets	11	94,939	97,390
Total non-current assets		557,914	588,707
Current assets:			
Assets classified as held for sale	12	1,099	657
Inventories	13	139	123
Trade and other receivables	15	160,921	178,876
Contract Assets	15	9,353	7,325
Financial Assets	11	1,834	1,211
Cash and cash equivalents	14	179	37
Total current assets		173,525	188,229
Total assets		**731,439**	776,936
Current liabilities:			
Trade and other payables (amounts falling due within one year)	16	(337,632)	(245,645)
Contract Liabilities	16	(382)	(1,054)
Provisions	17	(10,883)	(17,994)
Total current liabilities		(348,897)	(264,693)
Non current assets plus/less net current assets/liabilities		382,542	512,243
Non-current liabilities			
Trade and other payables (amounts falling due after more than one year)	16	(185,407)	(218,005)
Provisions	17	(167,754)	(239,154)
Total non-current liabilities		(353,161)	(457,159)
Assets less liabilities		**29,381**	55,084

	Note	**2018-19**	2017-18
		£'000	£'000
Taxpayers' equity & other reserves:			
General fund		(51,898)	(24,369)
Revaluation reserve		81,279	79,453
Total Equity		**29,381**	55,084

The notes on pages 114 to 186 form part of these accounts.

Tracy Meharg

TRACY MEHARG
ACCOUNTING OFFICER
27 JUNE 2019

Consolidated Statement of Cash Flows for the period ended 31 March 2019

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Departments' future public service delivery. Cash flows arising from financing activities include Assembly Supply and other cash flows, including borrowing.

	Note	**2018-19 £'000**	2017-18 £'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(7,065,227)	(6,854,954)
Adjustments for non-cash transactions	3,4	12,070	96,913
(Increase)/Decrease in trade and other receivables	15	40,927	43,144
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	*15*	(1,799)	3,658
(Increase)/Decrease in inventories	13	(16)	13
Increase/(Decrease) in trade and other payables	16	58,717	(93,431)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	*16*	1,885	(1,294)
Use of provisions	17	(7,615)	(6,023)
Adjustment to Net Operating Profit		9	2
Net cash (outflow) from operating activities		**(6,961,049)**	(6,811,972)
Cash flows from investing activities			
Purchase of non financial assets	6,7,8	(4,744)	(5,179)
Proceeds of disposal of non financial assets		145	1,179
Repayments from other bodies	11	3,964	1,224
Movement in receivables/payables for capital		(835)	(1,001)
Net cash outflow from investing activities		**(1,470)**	(3,777)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - relating to the current year		4,276,158	4,149,790
From the Consolidated Fund (Supply) - relating to the prior year		(2,297)	(4,784)
Financing from the National Insurance Fund		2,695,264	2,669,205
Net financing		6,969,125	6,814,211
Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**6,606**	(1,538)
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		1	(7)
Payments of amounts due to the Consolidated Fund		(3,854)	(1,728)
Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund	14	**2,753**	(3,273)
Cash and cash equivalents at the beginning of the period	14	**(2,574)**	699
Cash and cash equivalents at the end of the period	14	**179**	(2,574)

[Inflows = + / Outflows = -]

The notes on pages 114 to 186 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

This statement shows the movement in the year on the different reserves held by the Department for Communities, analysed into ‘general fund reserves’ (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 1 April 2017		(62,493)	75,340	12,847
Net Assembly Funding - drawn down		4,149,789	-	4,149,789
Net funding from the National Insurance Fund in year		2,669,205	-	2,669,205
Supply (payable)/receivable adjustment	16	(2,295)	-	(2,295)
CFERs Income payable to the Consolidated Fund		(3,737)	-	(3,737)
Release of reserves to the Statement of Comprehensive Net Expenditure	4	(43)	-	(43)
Comprehensive Net Expenditure for the year	SoCNE	(6,854,954)	-	(6,854,954)
Non-Cash Adjustments:				
Non-cash charges - auditor's remuneration	3	251	-	251
Non-cash charges - other	3,4	74,100	-	74,100
Movement in National Insurance Fund		3,496	-	3,496
Movements in Reserves				
Transfers between reserves		2,326	(2,326)	-
Movements in Reserves		-	6,430	6,430
Other		(14)	9	(5)
Balance at 31 March 2018		**(24,369)**	**79,453**	**55,084**
Net Assembly Funding - drawn down		4,276,158	-	4,276,158
Net funding from the National Insurance Fund in year		2,695,264	-	2,695,264
Supply (payable)/receivable adjustment	16	(5,725)	-	(5,725)
CFER Income payable to the Consolidated Fund	SoAS4	(2,105)	-	(2,105)
Release of reserves to the Statement of Comprehensive Net Expenditure	4	(11)	-	(11)
Comprehensive Net Expenditure for the year	SoCNE	(7,065,227)	-	(7,065,227)
Non-Cash Adjustments:				
Non-cash charges - auditor's remuneration	3	240	-	240
Non-cash charges - other	3,4	73,697	-	73,697
Movement in National Insurance Fund		(1,678)	-	(1,678)
Movements in Reserves				
Transfers between reserves		1,858	(1,858)	-
Movements in Reserves		-	3,678	3,678
Other		-	6	6
Balance at 31 March 2019		**(51,898)**	**81,279**	**29,381**

The notes on pages 114 to 186 form part of these accounts.

Notes to the financial statements for the year ended 31 March 2019

1. Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by the Department of Finance. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Department for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

In addition to the primary statements prepared under IFRS, the FReM also requires the Department to prepare one additional primary statement. The *Statement of Assembly Supply* and supporting notes show outturn against estimate in terms of the net resource requirement and the net cash requirement.

1.1 Accounting Convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of investment property, property, plant and equipment, intangible assets, inventories and certain financial assets and liabilities.

The Department has reviewed new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. IFRS 16 *Leases* replaces IAS 17 *Leases* and is effective with EU adoption from 1 January 2019. In line with the requirements of the FReM, IFRS 16 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2020. Management considers that the impact of the introduction of IFRS 16 Leases is likely to be significant. IFRS 16 represents a significant change in lessee accounting by largely removing the distinction between operating and finance leases and introducing a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value on the Statement of Financial Position.

There are corresponding changes to the disclosure requirements to show the effect that leases have on the financial position, financial performance and cash flows of the lessee. The Department currently has a large operating lease which is not on the Statement of Financial Position but will be required to come on after implementation. It is not possible to quantify the effect at this time.

The IASB issued new and amended standards (IFRS 10, IFRS 11 & IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards were effective with EU adoption from 1 January 2014.

Accounting boundary IFRS are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out and the resulting recommendations were agreed by the Executive in December 2016. With effect from 2020-21, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may have changed as a result of the new Standards.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the Department and those entities which fall within the departmental boundary as defined in the FReM, interpreted for Northern Ireland.

The Social Fund is consolidated within the primary statements and the cash grant to the Social Fund is included in the summary of resource outturn. Although elements of the National Insurance Fund are included in the Consolidated Statement of Comprehensive Net Expenditure, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flows, they are excluded from the Summary of Resource Outturn and Statement of Assembly Supply (SoAS). They are also excluded from all SoAS notes.

The National Insurance Fund is the responsibility of HM Revenue and Customs. This expenditure is for contributory benefits, all administration costs and their related assets and liabilities.

This consolidation boundary ensures that all items which fall within the Department's expenditure are reflected in the Statement of Comprehensive Net Expenditure, whereas the Summary of Resource Outturn reflects only those items which fall within the supply process.

Separate White Paper accounts are produced for the Social Fund and the National Insurance Fund.

A full list of bodies and funds consolidated within the accounts is given in Note 25.

1.3 Property, Plant and Equipment and Intangible Assets

Expenditure on property, plant and equipment of over £1,000 is capitalised, with the exception of property improvements, cabling, software and licences, which is capitalised if expenditure is over £5,000. All personal computer equipment under the threshold of £1,000 is charged as an operating expense.

Externally and internally developed computer software costing greater than the £5,000 captilisation threshold is classified as non-current intangible assets. Internally developed computer software is capitalised if it meets the criteria in IAS 38 Intangible Assets. Where appropriate, costs are classified as assets under construction until the asset is available for use when the asset is then transferred to its relevant asset class.

The asset value on capitalisation is measured at cost plus all direct costs, such as installation, attributable to bringing them into working condition.

Land and buildings are carried at the last professional valuation, in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors, the Incorporated Society of Valuers and Auctioneers and the Institute of Revenues Rating and Valuation. Professional revaluations of land and buildings are undertaken every five years. A valuation of the majority of land and buildings was undertaken by Land and Property Services as at 1 April 2015. They are revalued annually, between professional valuations, using indices and desk top valuations provided by Land and Property Services, an executive agency within the Department of Finance. The revaluations for the 2018-19 financial year were based on indices applicable at 31

December 2018. Some buildings had an actual valuation at this date, for example, House of Sport and PRONI.

Properties are valued on the basis of open market value existing use, unless they are specialised, in which case they are valued on the basis of depreciated replacement cost. Properties surplus to requirements are valued on the basis of open market value less any material directly attributable selling costs. Land and buildings at Titanic Quarter housing PRONI have been treated as specialised.

The new towns development lands in Craigavon, Ballymena and Antrim have been on the books of the Department (and before it, the Department of the Environment) for in excess of 50 years and, although not the original intention, are currently held for rental under a piecemeal programme of disposal, economic conditions permitting (so as not to adversely affect the property markets in those areas).

Infrastructure assets are costs associated with the Laganside weir and riverside walkways which consist of fees for design and investigation, certified construction costs and also compensation paid to landowners for loss of use of land and, in the case of the weir, the river bed. These are valued annually in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors (RICS) by the Land and Property Services. Properties which due to their specialised nature are rarely, if ever, sold on the open market for single occupation for a continuation of their existing use, have been valued on a depreciated replacement cost (DRC) basis. Properties which are in operational use for the purposes of the Department's business have been valued on an existing use value (EUV) basis.

Twenty-six pieces of public art were transferred to the Department upon the winding up of the Laganside Corporation. The pieces include cast iron figures, sculptured brick monuments, tiled and fabric wall murals and bronze and stainless steel statues. They include works as diverse as the Big Fish at Donegall Quay and the Bottle Top at the railway bridge at Gasworks Link and can be viewed under ‘Laganside Art Trails’ on the Department’s website. They are managed by the Department’s Belfast Regeneration Directorate.

Since the Department does not generally purchase or acquire works of art, information as to their current value is not readily obtainable at a cost commensurate with the benefits to users of the financial statements. These assets are therefore not included in the Statement of Financial Position.

All other property, plant and equipment and intangible assets are carried at fair value. December 2018 indices were applied.

1.4 Depreciation and amortisation

Property, plant and equipment and intangible assets are depreciated and amortised at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives.

No depreciation is provided on freehold land, infrastructure assets or antique collections since they have unlimited or very long-established useful lives. Items under construction are not depreciated until they are commissioned. Properties that are surplus to requirements and not in use are not depreciated. Capital expenditure on leasehold improvements is depreciated over the remaining term of the lease.

Asset lives are in the following ranges:

Asset Type	Asset Life
Freehold buildings	Up to 100 years
Leasehold property	Lease period remaining
Furniture and fittings	10-20 years
Infrastructure Assets	Up to 100 years
Computer equipment	3 - 10 years
Other equipment	3 - 25 years
Motor Vehicles	3-7 years

The majority of furniture and fittings are rented from the Department of Finance and have not been capitalised. Instead, this forms part of the notional accommodation costs included in the Statement of Comprehensive Net Expenditure.

Most of the buildings used by the Department are part of the government estate. As rents are not paid for these properties, notional accommodation costs are based on a capital charge for the properties. These costs have been charged to the Statement of Comprehensive Net Expenditure.

In some cases the Department has carried out improvement work to these properties. Where the amount exceeds the capitalisation threshold the expenditure is treated as capital.

1.5 Heritage Assets

All heritage assets are deemed to be held by the Department in pursuit of its overall objectives in relation to the maintenance of heritage. Non-operational heritage assets are those which are held solely for this purpose and have no other use. Non-operational heritage assets which have not been purchased have no valuation placed on them as it is not possible to provide a robust valuation for them.

Operational heritage assets are those which, in addition to being held for their heritage characteristics, are also used by the entity for other activities or to provide other services for which it is responsible.

On initial recognition the assets are recognised at cost. Operational and non-operational heritage assets are not depreciated as they are considered to have an infinite useful life.

Heritage lands are subject to professional valuations and annual revaluations in accordance with the Appraisal and Valuation Manual produced jointly by the Royal Institute of Chartered Surveyors (RICS), the Incorporated Society of Valuers and Auctioneers (ISVA) and the Institute of Revenues Rating and Valuation (IRRV). Professional revaluations of heritage land are undertaken every five years. (An exception to this is some land at Dunluce Castle containing an archaeological site, which is not revalued and is on the departmental asset register at a value of £158,400).

Various State Care monuments throughout Northern Ireland are also the property of the Department. These monuments have been acquired by a variety of means, including inherited under the National Monuments Order 1880, properties previously vested in the county councils which were transferred to the Department under the Historic Monuments (Transfer) Order (NI)1973 and others are held in guardianship by the Department. The monuments are protected by the Department under the Historic Monument and Archaeological Objects (NI) Order 1995.

1.6 Non-Current Assets Held for Resale

The Department classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition, International Financial Reporting Standard 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Non-current assets held for sale are valued on the basis of open market value less any material directly attributable selling costs.

1.7 Investment and Loans in other Public Sector Bodies - Loans to Housing Associations

The loan stock is valued at cost, which is considered to be a close approximation of the market value (see Note 11).

1.8 Vesting of land

In certain instances, the Department will vest property with the intention of facilitating urban regeneration. In such circumstances the Department assumes ownership from the date when the vesting order becomes operative. The property is capitalised at its Land and Property Service valuation.

The estimated compensation payments payable to the owner of the vested property are provided for in the period in which the vesting order becomes operative.

1.9 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the Department, the asset is recorded as property, plant and equipment and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the statement of comprehensive net expenditure over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the statement of comprehensive net expenditure on a straight-line basis over the term of the lease.

1.10 Service Concession Arrangements

Service concession arrangement transactions have been accounted for in accordance with International Financial Reporting Interpretations Committee 12 (IFRIC 12), as required by the Government Financial Reporting Manual. Where the government body controls the use of the asset and the residual interest in the asset at the end of the arrangement, the Department does not have any assets to recognise within the contract period. The service charges are recorded as an operating cost (Note 4).

1.11 Inventories

Inventories are stated at the lower of cost and net realisable value. PRONI and HED's depot stocks were valued at 31 March 2018.

1.12 Cash and Cash Equivalents

Due to funding requirements it is departmental policy to hold and manage centrally all operational bank accounts. The total of the centrally held bank balances is disclosed in these accounts.

Cash in transit - the Central Payment System (CPS) processes benefit payments to customers' bank accounts through the Bank Automated Clearing System (BACS) and this process normally takes approximately three working days to complete.

The CPS accounts for the benefit expenditure on the first day of the BACS payment cycle i.e. BACS Day 1, although the payment amount does not transfer to the customer's bank account until BACS Day 3. The two day difference in the recording of the expenditure and the movement of the funds to make the payments creates a payables balance within CPS known as the 'Cash in Transit' balance. The Cash in Transit (CIT) balance represents purely a timing difference between the transactions that take place on BACS Day 1 and BACS Day 3. The CIT balance is included within Note 16 - trade payables and other current liabilities.

1.13 Operating income

Operating income is income which relates directly to the operating activities of the Department. It principally comprises fees and charges for services provided on a full cost basis to external customers as well as public repayment work but also includes other income, such as that from investments. It includes income classified as accruing resources, as well as income due to the Consolidated Fund, which in accordance with the Government Financial Reporting Manual, is treated as operating income. Operating income is stated net of VAT. It excludes accruing resources and Consolidated Fund extra receipts treated as capital. Receipts under EU Peace and Reconciliation Programme or other EU initiatives are also treated as operating income.

1.14 Administration and Programme Expenditure

The classification of expenditure and income as administration or as programme follows the definition of administration costs set by HM Treasury.

Administration costs reflect the costs of running the Department and its non-executive non-departmental public bodies. These include both those administrative costs and associated operating income. Income is analysed in the notes between that which, under the administrative cost control regime, is allowed to be offset against gross administrative costs in determining the outturn against the administration cost limit and that operating income which is not.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery.

Social security programme expenditure also comprises statutory payments, including contributory benefit expenditure, which is funded from the National Insurance Fund and expenditure which is borne by the Social Fund in addition to the programme expenditure which is within the supply process.

Separate White Paper accounts are produced for both the NI National Insurance Fund (by HMRC) and Social Fund expenditure (by the Department).

1.15 Employee Benefits including Pensions

Under the requirements of International Accounting Standard 19 'Employee Benefits', staff costs must be recorded as an expense as soon as the organisation is obligated to pay them. This includes the cost of any untaken leave that has been earned at the year end.

The employee benefit accrual is based on information from the HR Connect payroll system. The accrual is calculated based on the actual leave amount outstanding per employee as at 31 March 2019, multiplied by the actual staff salary rate. Employers' National Insurance costs at 13.8% and employers' pension at 29.49% are added to this amount to provide the total employee benefit accrual figure for the financial year end.

Details of the departmental pension schemes are provided in the remuneration report in the annual report.

1.16 Grants Payable

Grants payable are recorded as expenditure in the period in which the underlying event or activity giving entitlement to the grant occurs, in so far as it is practicable to do so. Grants in aid, deficit grants and payments to other public bodies which operate grant schemes are expensed in the period in which the payments are made. Grant expenditure incurred and claimed by recipients but unpaid by the Department by the year end is accrued, as is grant expenditure incurred by the recipient before the year end but not claimed until after the year end. An accrual is also made for grant expenditure incurred by the recipient before the year end where the Department has been notified of the amount of the claim but the claim has not yet been submitted. Any future amounts payable under European Union letters of offer are disclosed as commitments. Overpayments of grants are shown as trade receivables.

Housing association grants may be repayable to the Department on the sale of housing properties and land. In addition, most grants provided by Urban Regeneration Division contain a provision within the letter of offer for clawback of the grant in particular circumstances. The amount of the repayment that is known with reasonable certainty is included within trade receivables (Note 15).

1.17 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with International Accounting Standard 37, the Department discloses for Assembly reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to the Northern Ireland Assembly in accordance with the requirements of *Managing Public Money Northern Ireland*.

These comprise:

a. items over £250,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to the Northern Ireland Assembly by departmental Minute prior to the Department entering into the arrangement; and

b. all items (whether or not they arise in the normal course of business) over £250,000 (or lower, where required by specific statute or where material in the context of resource accounts) which are required by the Government Financial Reporting Manual to be noted in the resource accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under International Accounting Standard 37 are stated at discounted amounts and the amount reported to the Northern Ireland Assembly separately noted. Contingent liabilities that are not required to be disclosed by International Accounting Standard 37 are stated at the amounts reported to the Northern Ireland Assembly.

1.18 Provisions

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the statement of financial position date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. This relates to early retirement costs, superannuation contributions, potential legal actions and provision for future liabilities in respect of contracts. Where the effect of the time value of money is significant the estimated risk-adjusted cash flows are discounted using the rates set by HM Treasury. Previously, HM Treasury issued real rates for departments to use in discounting provisions. From this financial year onwards, HM Treasury is issuing nominal rates. Nominal rates do not take account of inflation, unlike real rates. Departments, are therefore required to separately inflate their cash flows.

The relevant rates are:

Years	Percentage	
	Nominal	Inflation
1 - 5	0.76%	2.00%
5 - 10	1.14%	2.00%
Greater than 10	1.99%	2.10%

1.19 Value Added Tax

Where output VAT is charged or input VAT is recoverable, the amounts are stated net of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. VAT is recoverable on a departmental basis in line with the provisions applicable to government bodies in NI.

1.20 Third Party Assets

The Child Maintenance Service operates a client funds account to control the receipt of child maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance and fees). These are not departmental assets and are not included in the Statement of Financial Position.

The Department administers a Central Investment Fund for Charities into which Northern Ireland charities invest funds and a Charitable Donations and Bequests Fund. These are not departmental funds and are not consolidated within the departmental accounts. Dividends are paid twice yearly by the Department.

1.21 National Insurance Fund (NIF)

As stated in Note 1.2, the NI National Insurance Fund is excluded from the consolidation. However, contributory benefits funded from the National Insurance Fund and the costs to the Department of administering the National Insurance Fund are included in the Statement of Comprehensive Net Expenditure. The NI National Insurance Fund provides financing to the Department to cover this contributory benefit expenditure and the administration costs incurred by the Department. The financing from the NI National Insurance Fund shown in the Consolidated Statement of Cash Flows is the net financing due to the Department. Any difference between the net financing due to the Department and the net financing received from the NI National Insurance Fund will be reflected in the current account maintained between the Department and the NI National Insurance Fund/HMRC (See Notes 15 and 16).

1.22 Early departure costs

The Department is required to meet the additional cost of benefits beyond the normal Principal Civil Service Pension Scheme benefits in respect of employees who retire early. The Department provides in full for this cost when the early retirement programme has been announced and this is binding on the Department.

1.23 EU income

All receipts from the EU are separately identified and shown as income in the statement of comprehensive net expenditure. A distinction is made between receipts earned by the Department on infrastructure development which are paid over to the consolidated fund and receipts in support of departmental grant schemes which are netted off the cost of the schemes. All EU income is treated by the Department as non-public expenditure and thereby reduces the burden on the UK exchequer.

1.24 Funding from Assembly vote

Vote funding is not treated as income on the face of the Statement of Comprehensive Net Expenditure, instead cash voted and drawn down is credited to the general fund.

1.25 Provision of agency services

The Department provides agency services to the Department for Work and Pensions in administering the Belfast Child Maintenance Service Centre and the Belfast Benefit Delivery Centre. The direct cash costs incurred in operating these centres are recovered in full from the Department for Work and Pensions.

The expenditure in relation to these services is reported as programme costs in the Statement of Comprehensive Net Expenditure with the related accruing resources treated as revenue from contracts with customers within the income note.

1.26 Derivatives and Other Financial Instruments

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

A financial instrument is recognised when, and only when, the entity becomes a party to the contractual provisions of the instrument. A previously recognised financial asset is derecognised when, and only when, either the contractual rights to the cash flows from that asset expire, or the entity transfers the asset such that the transfer qualified for derecognition. A financial liability is derecognised when, and only when, it is extinguished.

Financial instruments are initially recognised at fair value unless otherwise stated. Fair value is the amount at which such an instrument could be exchanged in an arm's length transaction between informed and willing parties.

Financial instruments are subsequently carried at amortised cost using the effective interest method, with changes in value recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

The following are the key accounting policies used to reflect the adoption of financial instruments under relevant Financial Reporting Standards (International Accounting Standard 32, International Accounting Standard 39 and International Financial Reporting Standards 7 and 13).

The Department assesses at each statement of financial position date whether there is objective evidence that financial assets are impaired as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the statement of financial position date and whether such events have had an impact on the estimated future cash flows of the financial instrument and can be reliably estimated. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the terms of the asset being evaluated.

The amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. Future cash flows for a group of financial instruments that are collectively evaluated for impairment are estimated on the basis of expected cash flows for the assets and historical loss experience for assets with credit risk characteristics similar to those in the group.

Interest determined, impairment losses and translation differences on monetary items are recognised in the Statement of Comprehensive Net Expenditure.

More detail on the Department's Financial Instruments is provided in Note 10.

1.27 Benefit Overpayment Receivables

Benefit overpayment receivables arise when a benefit overpayment occurs. The gross benefit receivable amount recognised in the Statement of Financial Position is valued at the difference between the amount paid to the customer by the Department and the actual benefit entitlement due. The value is communicated in writing to the customer and the Department regards this letter as evidence to support the valuation and existence of the debt.

Benefit payments are accounted for as programme expenditure in the year in which they are made. The receivable recognised is accounted for as a reduction to programme expenditure in the year in which it is recognised.

Benefit overpayments arising as a result of customer fraud or error are recoverable. The value of the recoverable overpayment is communicated to the customer in writing and the customer is advised in the letter of their right to appeal the Department's decision.

Benefit overpayments arising as a result of official error have no statutory right of recovery. These are recognised and written off simultaneously.

However payments of Universal Credit, paid in excess of entitlement are legally considered a recoverable overpayment; this includes official error overpayments.

Benefit overpayment receivables write off policy has been agreed with the Department of Finance. To ensure it is applied consistently, detailed guidance is given in the Departmental Discretion Guide and Managing Public Money Northern Ireland. In accordance with the write-off policy, the Department may write off benefit overpayment receivables because:

- the case satisfies the criteria for waiver; or
- the debtor is deceased and there is insufficient estate to recover the debt.

The Department undertakes management reviews on the quality and consistency of write-off decisions through periodic management and quality assurance checks.

The Benefit Overpayment Receivable balance is assessed at the end of each accounting period and reduced to its estimated recoverable amount through making an impairment based on forecast cash and benefit deduction recoveries. In addition, the Department includes impairment in respect of an element of benefit overpayment receivables that could be subject to challenge and consequently written off. A discount factor of 3.7% is also applied to the benefit receivables balance at the end of the accounting period to estimate the present value of cash flows (2017-18: 3.7%).

Housing Benefit for tenants in the public and private rented sectors is administered by the Northern Ireland Housing Executive. Similar policies and procedures to those used by the Department are used by the Housing Executive for the purposes of recovering Housing Benefit overpayments.

Housing Benefit for owner occupiers is fully administered by Land and Property Services.

The Department provides guidance to the Housing Executive on overpayment recovery policy and legislation and monitors performance against overpayment recovery targets.

1.28 Estimation Techniques

Fair Value Adjustment:

(i) The fair value adjustment of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, in an arm’s length transaction between knowledgeable willing parties. Where the classification of a financial instrument requires it to be stated at fair value, fair value is determined using expected cash flows discounted back to present value and an estimated impairment for the element of the receivable balance that could be written off.

(ii) The fair value adjustment for payments made to the Department in respect of the Compensation Recovery Scheme (CRS) is based on likely future write-offs and is calculated on a case by case basis.

The fair value adjustment is not disclosed within the trade receivables note. However, the fair value adjustment relating to financial instruments is detailed in Note 10.

Benefit Overpayment Receivables:

The estimation technique employed in the calculation of benefit overpayment receivables is disclosed in Note 1.27.

Employee Benefits:

The estimation technique employed in the calculation of employee benefits is disclosed in Note 1.15.

Provisions:

The estimation technique employed in the calculation of provisions is disclosed in Note 1.18.

NHS Trusts' balance:

An exercise is completed each year by the Department's Compensation Recovery Unit (CRU) to estimate the potential value of those claims awaiting settlement from the insurance companies and due to the Health Service Trusts (HST). The CRU collects the monies due from the insurance companies on behalf of the HST and those amounts are then forwarded to the Trusts themselves. The CRU estimate is based on the number of claims outstanding and the associated medical costs applicable to each claim.

1.29 Deferred Income

Deferred income of £1.351 million includes the cost of decontamination work at Fort George army barracks (Note 16). The former Department for Social Development (DSD) acquired the Fort George site from the Londonderry Port and Harbour Commissioners (LPHC) in 2004, having been on leasehold to the Ministry of Defence (MoD). The Department received an indemnity from the MoD to meet the cost for decontamination.

In 2010-11 the MoD made an offer to DSD for £3.2 million in exchange for the formal release and legal cancellation of the existing indemnities against the MoD. The Department accepted the offer and the decontamination project commenced in 2010-11, with income being released as expenditure is incurred. It is expected to be completed in 2019-20.

2 Statement of Operating Costs by Operating Segment

		2018-19					2017-18				
	Note	SP&RG £'000	HUR&LGG £'000	ECG £'000	W&IG £'000	Total £'000	SP&RG £'000	HUR&LGG £'000	ECG £'000	W&IG £'000	Total £'000
Gross Expenditure		778,457	475,245	151,495	5,800,077	7,205,274	880,336	436,684	139,456	5,530,759	6,987,235
Income		(567)	(72,468)	(916)	(66,096)	(140,047)	(582)	(71,372)	(2,826)	(57,501)	(132,281)
Net Expenditure	SoCNE	**777,890**	**402,777**	**150,579**	**5,733,981**	**7,065,227**	879,754	365,312	136,630	5,473,258	6,854,954
Total Assets		(34,905)	457,508	87,207	221,629	731,439	(31,197)	493,620	89,490	225,023	776,936
Total Liabilities		(146,360)	(287,249)	(62,672)	(205,777)	(702,058)	(221,467)	(302,241)	(60,640)	(137,504)	(721,852)
Net Assets		**(181,265)**	**170,259**	**24,535**	**15,852**	**29,381**	(252,664)	191,379	28,850	87,519	55,084

Strategic Planning & Resources Group (SP&RG)
Delivering high quality corporate services to the Department for Communities and developing relationships with Local Government. It plays an important role in creating a well-led, high performing and outcome-focused Department, unified by a common sense of purpose around supporting people and tackling disadvantage.

Housing, Urban Regeneration & Local Government Group (HUR&LGG)
Providing decent, affordable, sustainable homes and housing support, to tackle area-based deprivation and to create urban centres which help bring divided communities together.

Engaged Communities Group (ECG)

Delivering good policy and services to the voluntary and community sectors, across the culture, arts and leisure functions and in relation to stewardship of the historic environment.

2 Statement of Operating Costs by Operating Segment (continued)

Work & Inclusion Group (W&IG)
Focuses on helping people improve their lives by helping them into work, providing support to those who are unable to work and positively working with those people who won't work. The Work and Inclusion Group also manages the Child Maintenance Service and aspects of welfare delivered through Pensions, Disability & Benefit Security, Fraud and Error Reduction. The Group also manages Inclusion and Social Change, Transition and Planning.

Any transactions between the reportable segments are eliminated upon consolidation of the accounts.
The activities of the reportable segments are reported both indivually and collectively to senior management.
None of the reportable segments has any reliance on major customers.

3 Other Administration Costs

	Note	2018-19 £'000	2017-18 £'000
Staff Costs[1]:			
Wages and salaries		26,580	26,489
Social security costs		2,616	2,655
Other pension costs		5,860	6,015
Contracted services		10,097	9,655
Accommodation costs		1,211	1,487
Early Departure Costs		218	775
Travel and subsistence		524	500
Management consultancy		237	334
Advertising & Publicity		186	273
Telecom		233	266
Legal and Other Professional Costs		503	214
Computer and office running costs		181	235
Other expenditure		1,416	1,518
Non-cash items:			
Depreciation	6	347	320
Amortisation	7	268	173
Notional costs:			
Accommodation costs		19,968	20,260
Other indirect charges and services		16,246	15,553
Auditor's remuneration and expenses	3a	240	251
Total		**86,931**	86,973

[1] Further analysis of staff costs is located in the Staff Report on page 76.

3a The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller & Auditor General. There was £0.001 million paid for the National Fraud Initiative exercise.

4 Programme Costs

	Note	**2018-19 £'000**	2017-18 £'000
Staff Costs[2]:			
Wages and salaries		192,528	180,104
Social security costs		14,245	14,230
Other pension costs		33,007	33,401
Grants & Other Voted Expenditure	4a	3,897,111	3,704,699
Non Voted Benefit Expenditure	4b	2,717,597	2,642,577
Social Fund Expenditure	4c	51,451	51,778
Statutory Payments	4d	78,900	70,200
Supplementary payments		62,148	53,365
Discretionary payments		9,640	6,752
Contracted services		54,434	59,880
Accommodation costs		8,315	8,580
Medical adjudication		5,221	(8,241)
Card Account		2,717	3,642
Legal and Other Professional Costs		4,221	3,501
Postage		2,220	2,574
Travel and subsistence		1,811	1,522
Computer and office running costs		3,333	3,460
Telecommunications		410	518
Printing and stationery		896	859
Management consultancy		1,094	1,004
Managed Services		512	1,941
Other programme costs		6,611	3,560
Non-cash items:			
Depreciation	6	3,465	3,371
Amortisation	7	2,023	1,070
Impairment/Revaluation of programme property, plant and equipment		(22)	(1,239)
Discounting/Impairment on NICHA Financial Transactions Capital Funding		(2,276)	(2,195)
Discounting/Impairment on Loans		139	(1,079)
Loss on disposal of programme property, plant and equipment		16	324
Movement in programme provisions	17	(70,896)	21,860
Housing Benefit Owner Occupiers		37,483	38,287
Release from General Fund in respect of GB capital items		(11)	(43)
Total		**7,118,343**	6,900,262

[2] Further analysis of staff costs is located in the Staff Report on page 76.

4a Grants & Other Voted Expenditure

	Note	2018-19 £'000	2017-18 £'000
Grant in Aid to NDPB's		367,073	360,288
Other Grants		225,720	201,853
Housing Benefit Rent Rebate Funding		187,382	195,956
Housing Benefit Rent Allowance Funding		337,758	352,855
Housing Benefit Rates (tenants) Funding		76,473	79,357
Discretionary Housing Payment		3,906	3,622
Disability Living Allowance		617,835	895,039
Employment Support Allowance		569,273	542,379
Pension Credit		243,581	250,502
Attendance allowance		204,920	199,346
Personal Independence Payment		552,182	186,463
Carers allowance		170,843	162,059
Income support		121,666	137,362
Jobseeker's allowance		65,881	91,506
Industrial injuries benefits		29,886	29,291
Universal Credit		106,853	2,868
Other		15,879	13,953
Total		**3,897,111**	3,704,699

4b Non Voted Expenditure

	Note	2018-19 £'000	2017-18 £'000
State Pension		2,346,600	2,269,677
Employment and Support Allowance		331,742	328,707
Bereavement benefits		17,228	17,912
Maternity Allowance		12,146	11,988
Jobseekers Allowance		6,976	11,139
Other		2,905	3,154
Total		**2,717,597**	2,642,577

4c Social Fund Expenditure

	Note	2018-19 £'000	2017-18 £'000
Winter Fuel Payments		51,514	48,781
Cold Weather Payments		-	1,849
Other		(63)	1,148
Total		**51,451**	51,778

4d Statutory Payments

	Note	2018-19 £'000	2017-18 £'000
Statutory Maternity, Parental, Adoption and Sick Pay		78,900	70,200
Total		**78,900**	70,200

5 Income

5.1 Revenue from Contracts with Customers

	2018-19 £'000	2017-18 £'000
Recoveries from DWP	61,614	56,483
Total	**61,614**	56,483

This income represents full cost recovery of the Department's costs in relation to the administration and delivery of benefit processing services on behalf of the Department for Work & Pensions. This income is recognised regularly on an "Over Time" basis.

The performance obligation of DfC is the processing, administration and delivery of benefits on behalf of DWP and the Department recognises the full cost of providing these services to DWP on a monthly basis.

The assets/liabilities recognised as a result of this contract are disclosed separately in notes 15 and 16 under the "contract assets/liabilities" heading.

5.2 Other Operating Income

	2018-19 £'000	2017-18 £'000
Interest Reimbursement from NIHE	21,885	25,344
NIHE House Sales	19,957	19,605
Housing Association Grant recoverable	22,356	20,826
Syrian Refugee Project	4,739	3,726
Consolidated Fund Extra Receipts	1,619	3,217
2012 Child Maintenance Service	757	557
Recreation Income - Admission charges	601	438
Interest receivable	486	520
Recoveries of secondees' costs	212	315
EU receipts	222	16
Proceeds on disposal of assets held for resale	-	-
Other	5,599	1,234
Total	**78,433**	75,798

6 Property, plant and equipment

2018-19	Land £'000	Buildings £'000	Network Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2018	69,596	52,778	54,959	1,068	1,007	7,658	846	877	188,789
Adjustments to opening balances	46	33	-	144	-	(89)	(1)	(79)	54
Additions	2,633	195	-	318	30	636	-	508	4,320
Disposals	(189)	(5,000)	-	(127)	(44)	(7)	(70)	(5)	(5,442)
Reclassifications	(452)	61	-	-	-	(6)	-	(70)	(467)
Impairments/Impairment Reversal	-	11	-	-	-	2	-	-	13
Revaluations	881	489	1,172	4	9	84	13	-	2,652
At 31 March 2019	**72,515**	**48,567**	**56,131**	**1,407**	**1,002**	**8,278**	**788**	**1,231**	**189,919**
Depreciation									
At 1 April 2018	38	739	12,296	947	652	3,926	573	-	19,171
Adjustments to opening balances	-	(2)	-	146	-	(89)	(3)	-	52
Charged in year	1	1,585	1,455	42	93	558	78	-	3,812
Disposals	-	-	-	(122)	(42)	(5)	(63)	-	(232)
Impairments/Impairment Reversal	-	(22)	-	-	-	1	-	-	(21)
Revaluations	(18)	(1,032)	98	3	4	38	1	-	(906)
At 31 March 2019	**21**	**1,268**	**13,849**	**1,016**	**707**	**4,429**	**586**	**-**	**21,876**
Carrying amount at 31 March 2019	**72,494**	**47,299**	**42,282**	**391**	**295**	**3,849**	**202**	**1,231**	**168,043**
Carrying amount at 31 March 2018	69,558	52,039	42,663	121	355	3,732	273	877	169,618

6 Property, plant and equipment (continued)

Asset Financing:	Land £'000	Buildings £'000	Network Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Owned	72,484	47,299	42,282	391	295	3,849	202	1,231	168,033
Finance leased	10	-	-	-	-	-	-	-	10
Carrying amount at 31 March 2019	**72,494**	**47,299**	**42,282**	**391**	**295**	**3,849**	**202**	**1,231**	**168,043**

Of the total:									
Core Department	72,494	47,299	42,282	391	295	3,849	202	1,231	168,043
Agencies	-	-	-	-	-	-	-	-	-
Carrying amount at 31 March 2019	**72,494**	**47,299**	**42,282**	**391**	**295**	**3,849**	**202**	**1,231**	**168,043**

6 Property, plant and equipment (continued)

2017-18	Land £'000	Buildings £'000	Network Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Payments on A/c & Assets under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2017	67,274	52,041	52,041	1,419	1,063	6,494	868	561	181,761
Adjustments to opening balances	-	(1)	-	-	-	-	-	-	(1)
Additions	868	11	61	-	20	1,494	-	316	2,770
Disposals	(486)	(610)	-	(444)	(12)	(407)	(42)	-	(2,001)
Reclassifications	432	-	-	78	(84)	6	-	-	432
Impairments/Impairment Reversal	1,510	(5)	2,857	-	-	(2)	1	-	4,361
Revaluations	(2)	1,342	-	15	20	73	19	-	1,467
At 31 March 2018	**69,596**	**52,778**	**54,959**	**1,068**	**1,007**	**7,658**	**846**	**877**	**188,789**
Depreciation									
At 1 April 2017	35	1,240	10,809	1,265	658	3,888	535	-	18,430
Adjustments to opening balances	-	5	-	(3)	-	-	-	-	2
Charged in year	3	1,562	1,350	51	93	547	85	-	3,691
Disposals	-	(444)	-	(371)	(8)	(320)	(40)	-	(1,183)
Reclassifications	-	-	-	79	(82)	3	-	-	-
Impairments/Impairment Reversal	-	(598)	137	-	-	(1)	-	-	(462)
Revaluations	-	(1,026)	-	(74)	(9)	(191)	(7)	-	(1,307)
At 31 March 2018	**38**	**739**	**12,296**	**947**	**652**	**3,926**	**573**	**-**	**19,171**
Carrying amount at 31 March 2018	**69,558**	**52,039**	**42,663**	**121**	**355**	**3,732**	**273**	**877**	**169,618**
Carrying amount at 31 March 2017	67,239	50,801	41,232	154	405	2,606	333	561	163,331

6 Property, plant and equipment (continued)

Asset Financing:	Land	Buildings	Network Assets	Information Technology	Plant & Machinery	Furniture & Fittings	Transport Equipment	Payments on A/c & Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Owned	69,558	51,066	42,663	121	355	3,732	273	877	168,645
Contracts	-	973	-	-	-	-	-	-	973
Carrying amount at 31 March 2018	**69,558**	**52,039**	**42,663**	**121**	**355**	**3,732**	**273**	**877**	**169,618**
Of the total:									
Core Department	69,558	52,039	42,663	121	355	3,732	273	877	169,618
Agencies	-	-	-	-	-	-	-	-	-
Carrying amount at 31 March 2018	69,558	52,039	42,663	121	355	3,732	273	877	169,618

7 Intangible assets

2018-19	Information Technology £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2018	8,343	205	8,548
Adjustments to opening balances	(944)	(117)	(1,061)
Additions	409	(26)	383
Revaluations	161	28	189
At 31 March 2019	**7,969**	**90**	**8,059**
Amortisation			
At 1 April 2018	3,209	149	3,358
Adjustments to opening balances	(943)	(117)	(1,060)
Charged in year	2,288	3	2,291
Upward Revaluations	95	7	102
At 31 March 2019	**4,649**	**42**	**4,691**
Carrying amount at 31 March 2019	**3,320**	**48**	**3,368**
Carrying amount at 31 March 2018	5,134	56	5,190

Asset Financing:

	Information Technology £'000	Other £'000	Total £'000
Owned	3,320	48	3,368
Carrying amount at 31 March 2019	**3,320**	**48**	**3,368**

Of the total:

Core Department	3,320	48	3,368
Agencies	-	-	-
Carrying amount at 31 March 2019	3,320	48	3,368

7 Intangible assets (continued)

2017-18	Information Technology £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2017	5,737	217	5,954
Additions	2,358	-	2,358
Disposals	(62)	(1)	(63)
Reclassifications	17	(17)	-
Revaluations	293	6	299
At 31 March 2018	8,343	205	8,548
Amortisation			
At 1 April 2017	1,945	140	2,085
Inter-business area transfers	17	(17)	-
Charged in year	1,220	23	1,243
Disposals	(62)	(3)	(65)
Revaluations	89	6	95
At 31 March 2018	3,209	149	3,358
Carrying amount at 31 March 2018	**5,134**	**56**	**5,190**
Carrying amount at 31 March 2017	3,792	77	3,869

Asset Financing:

	Information Technology £'000	Other £'000	Total £'000
Owned	5,134	56	5,190
Carrying amount at 31 March 2018	**5,134**	**56**	**5,190**

Of the total:

Core Department	5,134	56	5,190
Agencies	-	-	-
Carrying amount at 31 March 2018	**5,134**	**56**	**5,190**

8 Heritage Assets

2018-19	Land £'000	Buildings £'000	Other £'000	Total £'000
Cost or valuation				
At 1 April 2018	555	18	713	1,286
Additions	-	15	26	41
Reclassifications	-	-	14	14
At 31 March 2019	**555**	**33**	**753**	**1,341**
Amortisation				
At 1 April 2018	-	-	-	-
Charged in year	-	-	-	-
At 31 March 2019	**-**	**-**	**-**	**-**
Carrying amount at 31 March 2019	**555**	**33**	**753**	**1,341**
Carrying amount at 31 March 2018	555	18	713	1,286
Asset Financing:				
Owned	555	33	753	1,341
Carrying amount at 31 March 2019	**555**	**33**	**753**	**1,341**
Of the total:				
Core Department	555	33	753	1,341
Agencies	-	-	-	-
Carrying amount at 31 March 2019	555	33	753	1,341

2017-18	Land £'000	Buildings £'000	Other £'000	Total £'000
Cost or valuation				
At 1 April 2017	555	-	680	1,235
Additions	-	18	33	51
At 31 March 2018	555	18	713	1,286
Amortisation				
At 1 April 2017	-	-	-	-
Charged in year	-	-	-	-
At 31 March 2018	-	-	-	-
Carrying amount at 31 March 2018	555	18	713	1,286
Carrying amount at 31 March 2017	555	-	680	1,235
Asset Financing:				
Owned	555	18	713	1,286
Carrying amount at 31 March 2018	**555**	**18**	**713**	**1,286**
Of the total:				
Core Department	555	18	713	1,286
Agencies	-	-	-	-
Carrying amount at 31 March 2018	555	18	713	1,286

9 Impairments

	2018-19 £'000	2017-18 (Restated) £'000
Amount charged to the Statement of Comprehensive Net Expenditure	(22)	(1,239)
Amount taken through the revaluation reserve	(35)	(3,584)
Total Impairment charge for the year	**(57)**	**(4,823)**

10 Financial Instruments

As the cash requirements of the Department are met through the estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size. The majority of financial instruments relate to contracts to buy non-financial items in line with the Department's expected purchase and usage requirements and the Department is therefore exposed to little credit, liquidity or market risk.

Credit Risk

The Department manages its exposure to credit risk via credit risk management policies. Credit policies cover exposures generated from benefit overpayment receivables and Social Fund loans and are embedded within regulations governing Social Security benefits.

The maximum exposure to credit risk is represented by the carrying amounts of the financial assets in the Statement of Financial Position. For benefit overpayment receivables and Discretionary and Social Fund loans the exposure to credit risk is the amount of debt or loan not recovered from benefit customers.

For benefit overpayment receivable, Discretionary and Social Fund Loans, the exposure is limited to the extent that the receivable can be recovered from cash recoveries and deductions from benefit payments e.g. from State Pension Benefit and even from the estate on death. Some risk still remains as the level that can be recovered from each benefit payment is restricted to avoid causing hardship, and customers do not always have sufficient funds in their estate to cover the receivable. However, the Department has an active recovery process in place, in order to maximise the amounts recovered.

Liquidity risk

The Department's resource requirements are financed by resources voted by the Assembly and Parliament. Its capital expenditure is voted by the Assembly only. It is not, therefore, exposed to significant liquidity risks.

The Department has a statutory obligation to issue Discretionary and Social Fund loans and seek repayments in line with legislation. The Department is not permitted to withhold loans on the basis of poor credit rating nor is it able to seek collateral. The Department is therefore exposed to risk that some Discretionary and Social Fund loans will not be repaid.

Interest rate risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Department has discounted the forecast future cash flows for estimated recoveries and write offs for benefit overpayment receivables and Discretionary and Social Fund loans. The Treasury discount rate to be applied is the real rate of 2.2%. The Treasury's discount rate is substantially independent of changes in market interest rates.

The Department categorises the following account balances to be financial instruments:

(i) Cash and cash equivalents

- Programme and resource financing
- NIF receivable
- Cash in Transit

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions which are readily convertible to known amounts of cash and which are subject to insignificant changes in value. It also comprises funding voted by the Northern Ireland Assembly to meet the Department's resource requirements, the NI National Insurance Fund receivable and cash in transit. The NI National Insurance Fund (NIF) receivable represents the balance at the year end of the funding provided to the Department by Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits.

The fair value for these approximates to the current value stated in the Statement of Financial Position owing to the short maturity of this instrument.

(ii) Loans and Receivables

- Benefit overpayment receivables (including Housing Benefit)
- Discretionary and Social Fund loans
- NIHE loan receivable
- Housing association loans
- Local authority loans
- Get Britain Building loans

Loans and receivables are non derivative financial assets with fixed or determinable payments which are not quoted on an active market and which are not classified as available for sale. Loans and receivables are assessed at the end of each accounting period and reduced, where appropriate to their estimated recoverable amount through making an impairment based on forecast cash and benefit deduction recoveries and write off information. In addition, the Department applies a discount factor to estimate the present value of the cash flows. The discount factor for 2018-19 was 3.7%, (2017-18: 3.7%).

Financial instruments are carried at amortised cost using the effective interest method, with changes in value between 1 April 2018 and 31 March 2019 recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

Given the nature of the NIHE, local authority and housing association loan receivables, the reason for their existence and the Department's policy towards them, the fair value is not materially different from the book value.

The amounts included in the 2018-19 accounts are:

Statement of Financial Position	Gross Receivables £'000	Impairment & Discounting £'000	Net Receivables £'000
Loans & Receivables (amounts falling due less than one year):			
Other Loans	50,114	(492)	49,622
NIHE Loans	33,025	-	33,025
Housing Benefit	7,514	-	7,514
Non-contributory Benefits	8,976	(2,630)	6,346
Discretionary Loans	2,199	(79)	2,120
Housing Association Loans	952	-	952
Contributory Benefits	771	(129)	642
CRU Receivable	263	(74)	189
Get Britain Building Loans	915	(33)	882
Salary Overpayments	221	(165)	56
Tax Credit Receivable	5,342	(4,471)	871
Funeral Loans	44	(2,154)	(2,110)
Loans & Receivables (amounts falling due more than one year):			
NIHE Loans	185,102	-	185,102
NICHA FTC Funding	100,000	(36,182)	63,818
Non-contributory Benefits	101,423	(55,066)	46,357
Get Britain Building Loans	36,593	(8,874)	27,719
Other Loans	34,532	(5,829)	28,703
Housing Benefit	16,503	(2,604)	13,899
Contributory Benefits	10,966	(6,082)	4,884
Housing Association Loans	2,602	-	2,602
Funeral Loans	4,277	(2,102)	2,175
Tax Credit Receivable	6,730	(5,449)	1,281
Total	**609,064**	**(132,415)**	**476,649**

(iii) Other Liabilities
Programme and resource payables and accruals

Contractual programme and resource payables and accruals are non-derivative financial instruments. These amounts are due within one year and have no impairment indicators.

The Department has reviewed all contracts including service level agreements and letters of offer with third parties for any embedded derivatives. The review concluded that any embedded derivatives which exist are outside the scope of IAS 39.

11 Investments and loans in other public sector bodies

	Loans £'000	Other £'000	Total £'000
Balance at 1 April 2017	96,551	-	96,551
Repayments and Redemptions	(1,224)	-	(1,224)
Revaluations	3,274	-	3,274
Balance at 31 March 2018	98,601	-	98,601
Repayments and Redemptions	(3,964)	-	(3,964)
Revaluations	3,674	-	3,674
Impairments	(1,538)	-	(1,538)
Balance at 31 March 2019	**96,773**	**-**	**96,773**

Analysis of investments:

The balance of investments comprises:

Core Department	**2019**	**96,773**	**-**	**96,773**
Agencies	**2019**	**-**	**-**	**-**
Core Department	2018	98,601	-	98,601
Agencies	2018	-	-	-

Analysis by period:

	£'000
Not later than one year	1,834
Later than one year and not later than five years	28,290
Later than five years	66,649
Balance at 31 March 2019	**96,773**

12 Assets classified as held for sale

	Total £'000
Balance at 1 April 2017	1,904
Disposals	(685)
Reclassifications	(432)
Revaluations	(130)
Balance at 31 March 2018	657
Additions	-
Disposals	(31)
Reclassifications	452
Impairments	23
Revaluations	(2)
Balance at 31 March 2019	**1,099**
Asset Financing:	
Owned	1,099
Balance at 31 March 2019	**1,099**
Of the total:	
Core Department	1,099
Agencies	-
Balance at 31 March 2019	1,099

Assets held for resale comprise some of the assets falling within the New Town Lands of Antrim, Ballymena and Craigavon and in Belfast and Derry~Londonderry. The properties are being offered for sale in anticipation of disposals being confirmed in 2019-20.

13 Inventories

	Note	**2018-19 £'000**	2017-18 £'000
PRONI		53	123
Other		86	-
Total		**139**	123

14 Cash and cash equivalents

	2018-19 £'000	2017-18 £'000
Balance at 1 April	(2,574)	699
Net change in cash and cash equivalent balances	2,753	(3,273)
Balance at 31 March	**179**	**(2,574)**

The following balances at 31 March are held at:

	2018-19 £'000	2017-18 £'000
Commercial bank balances	143	(2,611)
Cash at bank and in hand	36	37
Balance at 31 March	**179**	**(2,574)**

14.1 Reconciliation of liabilities arising from financing activities

The Department has two main sources of financing - funding from the Assembly Vote and from the NI National Insurance Fund.

Any liability arising from the Assembly Vote funding is settled with the Department of Finance on an annual basis and so the year end liability shown in Note 16 is the difference between the Assembly drawdown shown in the Statement of Taxpayers Equity and the Net Cash Requirement detailed in SoAS3.

HMRC provides financing to the Department through the NI National Insurance Fund to cover contributory benefit expenditure and the costs incurred by the Department in the administration of these benefits. The funding (on a cash basis) from the NI National Insurance Fund is shown in the SoCITE and the benefit expenditure (calculated on an accruals basis) is shown in Note 4b. The Department maintains several accounts with the NI National Insurance Fund and the balance on these are reflected in Note 15.

15 Trade receivables and other current assets

(The figures quoted below are net of any impairment or discount. Gross amounts are at Note 10).

15.1 Amounts falling due within one year:

	Note	2018-19 £'000	2017-18 £'000
Benefit overpayments			
- Contributory benefits		642	706
- Non-contributory benefits		6,311	7,157
- Housing benefit		7,514	8,209
- Social Fund		35	41
Benefit prepayments			
- Contributory benefits		19,287	24,219
- Non-contributory benefits		8,681	15,999
Social Fund loans			
- Funeral loans		(2,110)	(2,084)
- Budget loans		34,005	36,970
- Crisis loans		3,928	7,735
- Discretionary Support Loans		2,120	1,565
NIHE receivable		33,025	38,443
Grant repayable by NICHA		10,945	9,597
NIF receivable		6,821	8,499
VAT		3,586	4,180
EU Receivable		248	3,109
Other receivables		16,579	4,371
Housing Benefit Rent and Rates Prepayment		7,197	7,483
Prepayments and accrued income		2,107	2,677
Contract Assets		9,353	7,325
Total amounts falling due within one year		**170,274**	186,201

15.2 Amounts falling due after more than one year:

	Note	2018-19 £'000	2017-18 £'000
Benefit overpayments			
- Contributory benefits		4,884	4,853
- Non-contributory benefits		46,357	46,251
- Housing benefit		13,899	13,067
Social Fund loans			
- Funeral loans		2,175	2,178
- Budget loans		22,334	20,911
- Crisis loans		4,487	4,655
NIHE receivable		185,102	217,570
Other receivables		10,985	5,738
Total amounts falling due after more than one year		**290,223**	315,223
Total trade receivables and other current assets		**460,497**	501,424

16 Trade payables and other current liabilities

16.1 Amounts falling due within one year:

	Note	2018-19 £'000	2017-18 £'000
Bank overdraft	14	-	2,611
Trade payables:			
- Non-capital		-	1
Benefit accruals:			
- Contributory benefits		42,663	33,833
- Non-contributory benefits		69,067	39,768
- Social Fund		4	30
Cash In Transit		51,370	17,464
NIHE payable		33,025	38,443
Vested Land Payable		3,622	3,569
Other payables		20,642	6,991
Grants accrual		41,122	30,275
Housing Benefit accrual		17,775	17,521
Financial Assistance Scheme accrual		5,500	5,475
Deferred Grant Income		1,351	2,635
Other accruals and deferred income		44,495	41,715
Contract Liabilities		382	1,054
Amounts issued from the Consolidated Fund for supply but not spent at year end		5,725	2,295
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
- Received		894	2,286
- Receivable		377	733
Total amounts falling due within one year		**338,014**	246,699

16.2 Amounts falling due after more than one year:

	2018-19 £'000	2017-18 £'000
NIHE payable	185,102	217,570
Other programme payables	305	435
Total amounts falling due after more than one year	**185,407**	218,005
Total payables and other current liabilities	**523,421**	464,704

17 Provisions for liabilities and charges

		2018-19				2017-18			
	Note	Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000	Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000
Balance at 1 April		-	243,215	13,933	257,148	4	238,984	2,323	241,311
Provided in the year	4	-	-	1,295	1,295	2	6,943	12,331	19,276
Provisions not required written back	4	-	(68,436)	(4,720)	(73,156)	-	-	(215)	(215)
Provisions utilised in the year		-	(5,500)	(2,115)	(7,615)	(6)	(5,475)	(542)	(6,023)
Borrowing Costs (Unwinding of discount)	4	-	939	26	965	-	2,763	36	2,799
Other	4	-	-	-	-	-	-	-	-
Balance at 31 March		**-**	**170,218**	**8,419**	**178,637**	-	243,215	13,933	257,148

17 Provisions for liabilities and charges (continued)

Analysis of expected timing of discounted flows

	2018-19				2017-18			
	Early Departure Costs £'000	**Financial Assistance Scheme £'000**	**Other Programme £'000**	**Total £'000**	Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000
Not later than one year	-	5,500	5,383	10,883	-	5,635	12,359	17,994
Later than one year and not later than five years	-	22,000	1,741	23,741	-	34,095	105	34,200
Later than five years	-	142,718	1,295	144,013	-	203,485	1,469	204,954
Balance at 31 March	**-**	**170,218**	**8,419**	**178,637**	-	243,215	13,933	257,148

Financial Assistance Scheme

The Financial Assistance Scheme provides financial assistance to members of certain occupational pension schemes who have lost part or all of their pensions as a consequence of their scheme ending without having enough money to pay full pensions benefits. The Department for Work and Pensions calculate the provision on behalf of the whole of the UK, including Northern Ireland, using statistical models. As some employees were quite young when their pension scheme ended the Department for Work and Pensions model has forecast payments up until 2100. The provision is calculated using a discount rate of 2.0% for inflation and a further rate for NPV, -0.47% for short-term, 0.11% for medium-term and 0.41% for long-term provisions.

18 Contingent Liabilities disclosed under IAS 37

The Department has entered into the following contingent liabilities:

Compensation Recovery Unit

The Department recognises recoveries of social security benefits from insurance companies in respect of ongoing compensation claims made by the benefit recipients. Once the recovery of the social security benefit is received by the Department's Compensation Recovery Unit (CRU), the insurance company has the right to appeal within one month. Should the appeal be successful the recovery is refunded to the insurance company. Analysis of historic data suggests it is reasonable to recognise a contingent liability of £0.390 million (2017-18: £0.184 million) for successful appeals from insurance companies.

Compensation Payments

The Department is accountable for lump sum compensation payments in relation to pneumoconiosis and certain other dust related diseases. Payments due under the Pneumoconiosis, etc., (Workers Compensation) (Northern Ireland) Order 1979 compensate those suffering from certain dust diseases where, at the time of submitting their claim to the scheme, they are unable to claim compensation by way of civil action in the courts. Award of Industrial Injuries Disablement Benefit (IIDB) is a precondition for payments to all sufferers and most dependants under this scheme.

Compensation payments due under the Mesothelioma, etc., Act (Northern Ireland) 2008 are made through the Mesothelioma Scheme (2008). This scheme was introduced on 1 October 2008 and compensates sufferers from mesothelioma who are not eligible for help from the 1979 Order. Payments made under this scheme are financed by recovery from civil damages paid to sufferers claiming under both schemes, and contributions from DWP towards meeting the costs of the scheme in Northern Ireland.

The diseases covered by both schemes have a long latency period which makes the number of years over which claims will continue to be made unclear. No reliable estimate of the financial effect can therefore be given.

Universal Credit - Severe Disability Premium

Universal Credit - Severe Disability Premium In line with recent developments in Great Britain the Department for Communities has identified an issue concerning the payment of Universal Credit to claimants who were previously entitled to Severe Disability Premium. New legislation has been introduced to resolve this issue going forward and work is underway to identify those customers already impacted to process the appropriate compensation due. The Department is currently undertaking work to identify the associated liability.

Lease Contracts

The Department is currently seeking advice from DSO with regards to an existing lease and a former lease contract. It is not possible at this time to establish whether a possible or present obligation exists, nor to reliably measure the possible outflow of resources.

Judicial Review

We have contingent liabilities arising from payment that may become due as a result of judicial review claims against us. We can’t be sure of the timing, likelihood or amount of any settlements at this stage.

Court of Appeal judgement on backdated PSNI Holiday Pay

On 17th June 2019 the Court of Appeal ruled in respect of Northern Ireland Industrial Tribunal’s November 2018 decision on cases taken against the PSNI on backdated Holiday Pay. It is recognised that the final detail remains to be determined by the Industrial Tribunal who will be guided by the Court of Appeal’s judgement.

This is an extremely rare and complex case with a significant number of issues that still need to be resolved, including further legal advice with regards to the judgement; the scope; timescales; process of appeals and engagement with Trade Unions. The legal issues arising from this judgement and the implications for the Northern Ireland Civil Service (NICS) and wider public sector will need further consideration. The Department of Finance (DoF) is leading a piece of work across the NICS, reviewing the implications for each of the major staffing groups across the public sector.

Until there is further clarity when this work has concluded, and based on the inherent uncertainties in the final decision that will be made, a reliable estimate cannot be provided at this stage.

Financial Guarantees, Indemnities and Letter of Comfort

The Department has entered into the following quantifiable indemnities. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39. Managing Public Money Northern Ireland requires that the full potential costs of such contracts be reported to the Assembly.

Statutory Guarantees

The Department has entered into a Guarantee Agreement with the Northern Ireland Local Government Officers' Superannuation Committee (NILGOSC) in respect of the Governors of the Armagh Observatory and Planetarium, Arts Council of Northern Ireland and Northern Ireland Library Authority. The Department has guaranteed any and all obligations in respect of pension liabilities if any of these NDPBs ceases to exist or is otherwise unable to discharge its liabilities under the Local Government Pension Scheme Regulations (Northern Ireland) 2002.

Statutory indemnities

Indemnities to cover local museums borrowing objects for exhibitions to the value of £1.542 million at 31 March 2019.

19 Leases

19.1 Finance leases

The Department has no finance lease obligations.

19.2 Operating leases

£2.013 million (2017:18 £2.245 million) was included as an expense on operating leases in the Statement of Comprehensive Net Expenditure.

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2018-19 £'000	2017-18 £'000
Obligations under operating leases comprise:		
Land:		
Not later than one year	2	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	2	-
Buildings:		
Not later than one year	2,053	2,122
Later than one year and not later than five years	8,330	8,460
Later than five years	7,766	9,757
Total	18,149	20,339
Other:		
Not later than one year	17	3
Later than one year and not later than five years	19	-
Later than five years	-	-
Total	36	3
Total obligations under operating leases	**18,187**	20,342

20 Capital and other commitments

20.1 Capital commitments

	2018-19 £'000	2017-18 £'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Implementation of Regional Stadium Development Programme	52,231	52,655
Other	264	1,645
Total	**52,495**	54,300

20.2 Other Financial Commitments

The Department has entered into non-cancellable contracts (which are not leases or PFI contracts or other service concession arrangements) for the services outlined below. The payments to which the Department is committed are as follows:

	2018-19 £'000	2017-18 £'000
Not later than one year	29,100	56,531
Later than one year and not later than five years	17,891	27,916
Later than five years	1,717	1,797
Total	**48,708**	86,244

Included within Other Financial Commitments are:	**£'000**
Medical Support Services (MSS)	20,776
Standard Service Business Allocation	12,969
Post Office Card Account	7,089
Personal Independence Payment (PIP) / Capita Contract	4,407
i-movo	110
Landlord Registration Database	375
PRONI Specialist Storage	2,982
	48,708

21 Government grant commitments

	2018-19 £'000	2017-18 £'000
Government grant commitments at 31 March for which no provision has been made	24,548	23,947
Total	**24,548**	23,947

22 Related-party transactions

The Department for Communities sponsors those bodies listed in Note 25. All these bodies are regarded as related parties with which the Department has had material transactions during the year.

In addition, the Department has had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with the Department of Health and the Department for Infrastructure. Other entities include the Department for the Economy, the Department of Finance and the Department for Work and Pensions in Great Britain.

No Minister, board member, key manager or other related parties has undertaken any material transactions with the Department during the year.

23 Payment Accuracy

This note provides detail on the area of Payment Accuracy (benefit fraud and error), and the relevant estimated amounts of overpayments and underpayments across all Department for Communities benefits and Housing Benefit.

Department for Communities ('the Department')

Social Security legislation lays out the basis on which the Department calculates and pays benefits. However, the complexity of the benefit systems and inherent risks associated with the award and payment of benefits can result in inaccurate payments being made in a small proportion of the awards made. The Department has well developed mechanisms in place to tackle incorrectness and measure results. The focus is on the prevention, detection, and correction of fraud and error, with investigation and prosecution where appropriate. Further information on the range and detail of the Department's counter fraud and error activities is set out in Part B - Strategies to Reduce Fraud and Error.

During the calendar year 2018 the Department has continued its regular monitoring and measurement of the levels of fraud and error. The figures are calculated on a rolling annual basis and the figures do not vary significantly between quarters. The calendar year figures for Fraud and Error are processed and produced by March of the following year, to facilitate production and publication of the Department's accounts. This calendar year approach to measurement has been in place for many years. Essentially this involves two main activities – Financial Accuracy Monitoring and Benefit Reviews.

An estimate of total fraud and error is derived by combining the results from Financial Accuracy monitoring, which provides a measure of Official Error, with results from the Benefit Reviews which provide a measure of Customer Fraud and Customer Error.

The tables in this section show estimates for Customer Fraud, Customer Error and Official Error in terms of overpayments and underpayments. For clarity additional tables have also been included within the 2018 Payment Accuracy note to show the totals of estimated overpayments and underpayments for the previous calendar year.

Notes to the Tables for Official Error, Customer Error and Customer Fraud

Roundings: In tables throughout the report figures may have been calculated to more decimal places than shown and have been rounded for presentational purposes. This means that where a breakdown of a total is given the rounded individual parts may not sum to the rounded total.

Confidence Intervals around the statistical estimates provided in the tables. The Department reviews a sample of claims; this is a sampling approach as it would be impractical to assess every case, and therefore requires a level of statistical certainty to underpin the estimates. This level of certainty is quantified with **confidence intervals** or tolerances within which the central estimates are produced. These give the range in which the Department has a **confidence level** of 95%. This means the Department can be 95% sure that the true value lies for each of the estimates presented. In our commitment to continuous improvement the Department is targeting sample size numbers to ensure the best use of available resources focused on those benefits with more variability. The results still maintain a 95% confidence level. Each of the following tables shows the monetary value of error (MVE) and the MVE as a percentage of expenditure. The associated ‘range’ or ’lower’ and ‘upper‘ confidence intervals are also provided. The figures also account for additional uncertainty that has been introduced into the overall estimates by the introduction of data from previous years.

The confidence intervals quoted for each error category relate to the individual error category Monetary Value of Error. The table also quotes a total Monetary Value of Error figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Error should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Error. The upper confidence interval quoted for the total Monetary Value of Error should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Error.

Estimating Unreviewed Benefits

The Department is committed to continuous improvement in its measurement of fraud & error. In 2018, once again, the Department have applied proxy figures to Social Fund, Attendance Allowance, Industrial Injuries Disablement Benefit, and Other Expenditure (Non-NIF).

Tables 1 and 2 show the unreviewed benefits and the benefits used to provide an estimate for these benefits. These are known as Proxy Benefits as they provide an approximate estimate for the unreviewed benefit. Table 3 shows the individual elements of the Other Expenditure element and the benefits used to provide an estimate for these elements. The Proxy Benefits used are in line with the Department for Work and Pensions (DWP).

Table 1: Unreviewed Benefits and Their Proxy Measures (Official Error)

Main Benefit	Proxy Measure	Official Error Period
Universal Credit	JSA	Jan 18 – Dec 18

Table 2: Unreviewed Benefits and Their Proxy Measures (Benefit Review)

Main Benefit	Proxy Measure	Benefit Review Period
Bereavement Benefit	JSA	Jan 18 - Dec 18
Maternity Allowance	ESA	Jan 18 - Dec 18
Widows Benefit	JSA	Jan 18 - Dec 18
Attendance Allowance	DLA	Jan 08 - Dec 08
Industrial Injuries Disablement Benefit	DLA	Jan 08 - Dec 08
Personal Independence Payment	DLA	Jan 08 - Dec 08
Universal Credit	JSA	Jan 18 - Dec 18

Table 3: Other Expenditure Elements and Their Proxy Measures

Other Expenditure Item	Proxy Measure	Official Error Period	Benefit Review Period
Christmas bonus (Contributory)	Overall*	Jan 18 - Dec 18	Jan 18 - Dec 18
Other Expenditure (excl. Christmas Bonus Contributory)	Overall*	Jan 18 - Dec 18	Jan 18 - Dec 18

*The Overall result is based on the State Welfare Benefits and does not include Housing Benefit – Northern Ireland Housing Executive or Housing Benefit – Land and Property Services.

Table 4: Social Fund Fraud and Error Proxies (Benefit Review)

To provide a better reflection of fraud and error rates within Social Fund, the Department uses different proxies for different customer groups.

Customer Group	Proxy Measure	Benefit Review Period
Pensioners	SPC	Jan 18 – Dec 18
Unemployed	JSA	Jan 18 – Dec 18
Disabled	DLA	Jan 08 – Dec 08
Lone Parent	IS	Jan 12 – Dec 12
Others	Overall*	Jan 18 – Dec 18

*The Overall result is based on the State Welfare Benefits and does not include Housing Benefit – Northern Ireland Housing Executive or Housing Benefit – Land and Property Services.

Social Security Benefits

Official Error: The official error estimates for 2018 are based on the results of the Department's Financial Accuracy Exercises completed in 2018 with the exception of Disability Living Allowance, Income Support, Attendance Allowance, Bereavement Benefit, Carer's Allowance, Industrial Injuries Disablement Benefit, Maternity Allowance, Social Fund, Widow's Benefit, and Universal Credit.

Income Support is based on results from 2016. Disability Living Allowance is based on results from 2015. Attendance Allowance, Bereavement Benefit, Carer's Allowance, Industrial Injuries Disablement Benefit, and Maternity Allowance and based on 2014 results. Widow's Benefit is based on results from 2012. Universal Credit has never been measured; these results are based on other benefits as per Table 1 (above). Social Fund is no longer measured; the Budgeting Loans estimates are based on the 2016 exercise, but the Funeral Payments and Sure Start Maternity Grants elements estimates are based on the 2013 exercise.

Customer Error and Customer Fraud: Customer Fraud and Customer Error are measured by a Benefit Review Exercise. In 2018, Benefit reviews were carried out on Jobseeker's Allowance, Employment & Support Allowance, State Pension Credit, Housing Benefit – Northern Ireland Housing Executive, and Housing Benefit – Land and Property Services. Estimates for 2018 customer fraud and customer error in Disability Living Allowance are based on the 2008 Benefit Review exercise. Estimates for Incapacity Benefit and State Pension are based on the 2009 Benefit Review exercise. Estimates for Carers Allowance are based on the 2010 Benefit Review exercise. Estimates for Income Support are based on the 2012 Benefit Review exercise.

In this paper estimates have been assigned to unreviewed benefits using current or historic estimates for other benefits. For the following benefits, Customer Fraud and Customer Error has never been measured – Attendance Allowance, Social Fund, Industrial Injuries Disablement Benefit, Bereavement Benefit, Maternity Allowance, and Widows Benefit. Details of the benefits used to estimate the above are in Table 2.

Universal Credit was recently introduced and Customer Fraud, Customer Error and Official Error have not yet been measured. Estimates have been assigned to this benefit using current or historic estimates for other benefits as detailed in Table 1 and 2. In relation to Personal Independence Payment Official Error was measured in 2018. Estimates for Customer Fraud, Customer Error have been assigned using Disability Living Allowance as the proxy measure.

Other Expenditure and Contributory Only Christmas Bonus are also unreviewed and details of the benefits used to estimate these are also in Table 3.

For Social Fund, Jobseeker's Allowance customer fraud and error levels (3.7% in 2017) were initially applied to the entire Budgeting Loans / Funeral Payments / Maternity Grants customer base. However, in looking in more detail at that customer group, the breakdown of applicants is in fact quite varied and diverse, and not exclusively, or even primarily, working age jobseekers. A more reliable estimate of the level of customer fraud/error across this Social Fund expenditure is therefore assessed against more customer specific groups and this breakdown is shown in Table 4 (above).

Benefit Expenditure: In summary the expenditure stated for 2018 includes expenditure on 16 benefits, a total of £5,391 million, plus an amount of £64.5 million on other benefit expenditure in year. Total annual expenditure is £5,455 million.

Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2018 includes, Retirement Pension £4.6 million, Severe Disablement Allowance £5.3 million, Winter Fuel Payments £51.5 million, Cold Weather Payments £1.5 million, and Christmas Bonus (Non-contributory) £1.6 million.

Jobseeker's Allowance Training Allowances: The figures quoted in the tables below for the annual benefit expenditure amounts for Jobseeker's Allowance include the associated expenditure for Jobseeker's Training allowances as provided by the Department.

Social Fund: Social Fund financial accuracy for Budgeting Loans (BL), was measured in 2016. Social Fund Funeral Payments (FP) and Sure Start Maternity Grants (SSMG) are based on 2013 results. This does not affect the statistical validity of the Social Fund result as the remaining elements are still measured to a 95% confidence level.

Accounting Adjustments: The expenditure for Incapacity Benefit is £0, but separate accounting adjustment related to the benefits has resulted in negative expenditures.

Housing Benefit

1. **For Tenants**
2. **For Owner Occupiers**

1. Housing Benefit – for tenants: **is administered by the Northern Ireland Housing Executive** on behalf of the Department. From 2009 Housing Benefit monitoring and review processes are consistent with the measurement approach adopted for all other social security benefits. Financial Accuracy Exercise measures Official Error. Benefit Review measures Customer Fraud and Customer Error. The results provide estimates of fraud and error in Housing Benefit for tenants. The 2018 benefit expenditure on Housing Benefit for tenants was £616.4 million.

It is estimated that there was a total amount of approximately £22.4 million overpaid through fraud and error in Housing Benefit for tenants for the year 2018. This represents approximately 3.6% of the related expenditure for the calendar year, of which £17.5 million (2.8%) is Customer Fraud, £3.7 million (0.6%) is Customer Error and £1.2 million (0.2%) is Official Error. The overall percentage has decreased from 3.7% in 2017 to 3.6% in 2018.

2018 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2018. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2018.

2. Housing Benefit – for owner occupiers: **by legislation this benefit is administered by the Department of Finance (DoF)**. **Operationally, this function is carried out by the Land & Property Services**, part of the DoF. The 2018 benefit expenditure on Housing Benefit for owner occupiers was £37.5 million.

It is estimated that there was a total amount of approximately £4.5 million overpaid through fraud and error in Housing Benefit for owner occupiers for the year 2018. This represents approximately 12.1% of the related expenditure for the financial year, of which £1.6 million (4.4%) is Customer Fraud, £1.6 million (4.3%) is Customer Error and £1.3 million (3.4%) is Official Error. The overall percentage has increased from 11.4% in 2017 to 12.1% in 2018.

Housing Benefit for owner occupiers has been included in the Resource Accounts of the Department from 2006-07.

2018 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2018. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2018.

Total Departmental Benefit Expenditure (all social security benefits including Housing Benefit)

Total Departmental benefit expenditure has increased from £5,897 million in 2017, to £6,109 million in 2018.

A: Overpayments

Benefit Overpayments

The table below shows the Department's total estimates of benefit overpayments for the last 2 years, 2018 and 2017 (all social security benefits including Housing Benefit).

Estimates of benefit overpayments for 2018 and 2017

2018	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	6,108,956,499	23,116,046	16,331,207	31,567,328	0.4%	0.3%	0.5%
Customer Error	6,108,956,499	13,034,091	9,345,401	17,524,768	0.2%	0.2%	0.3%
Customer Fraud	6,108,956,499	56,186,575	41,881,562	73,390,609	0.9%	0.7%	1.2%
Total Overpayments	**6,108,956,499**	**£92,336,712**	**76,080,210**	**112,023,487**	**1.5%**	**1.2%**	**1.8%**

2017	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	5,897,372,783	23,459,368	15,962,492	32,765,902	0.4%	0.3%	0.6%
Customer Error	5,897,372,783	12,849,918	8,430,654	18,414,556	0.2%	0.1%	0.3%
Customer Fraud	5,897,372,783	55,062,800	41,243,530	72,124,202	0.9%	0.7%	1.2%
Total Overpayments	**5,897,372,783**	**91,372,086**	**75,040,973**	**111,587,629**	**1.5%**	**1.3%**	**1.9%**

The Department estimates that approximately £92.3 million overpaid through fraud and error in social security benefits (including Housing Benefit) for 2018. This represents approximately 1.5% of the total benefit expenditure, including housing benefit, for 2018, of which £56.2 million (0.9%) is Customer Fraud, £13.0 million (0.2%) is Customer Error and £23.1 million (0.4%) is Official Error.

The comparative estimate for 2017 is that there was approximately £91.4 million overpaid through fraud and error in social security benefits (including housing benefit). This represents approximately 1.5% of the total benefit expenditure for 2017, of which £55.1 million (0.9%) is Customer Fraud, £12.8 million (0.2%) is Customer Error and £23.5 million (0.4%) is Official Error.

In summary, Departmental loss in 2017 remains unchanged at 1.5% of total expenditure. The levels of loss due to official error remained at 0.4%. Levels of loss due to customer fraud and error combined decreased from 1.2% in 2017 to 1.1% of total benefit expenditure in 2018.

Social Security Benefits (Excluding Housing Benefit): From the total £92.3 million overpayments, the 2018 estimate for overpayment through fraud and error which is attributable to social security benefits (excluding Housing Benefit) is £65.4m. This represents approximately 1.2% of the total social security benefit expenditure for 2018, of which £37.1 million (0.7%) is Customer Fraud, £7.7 million (0.1%) is Customer Error and £20.7 million (0.4%) is Official Error. In summary, loss in 2018 in monetary terms remained static at 1.2% of expenditure.

A detailed breakdown of the total overpayment amount for 2018 of £92.3 million, which **includes Housing Benefit**, is disclosed in the following tables. The tables are produced to depict the individual totals arising from the three main elements of benefit overpayments, i.e. Official Error, Customer Error and Customer Fraud. In addition tables are also included at Part C that disclose the estimated amount of underpayments that have arisen from both Official and Customer Error in 2018.

Official Error - Overpayments

Official Error occurs where benefit awards are miscalculated as a result of an official not applying the benefit specific rules correctly or not taking into account all the circumstances applicable to an individual. The table below sets out the estimate of Official Error in 2018.

Estimates of official error overpayments across all benefits in 2018

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)	Period of Financial Accuracy Exercise
Disability Living Allowance	688,668,771	901,026	-	3,872,066	0.1%	0.0%	0.6%	Jan 15 – Dec 15
Employment and Support Allowance	892,370,083	11,865,838	6,053,872	18,594,994	1.3%	0.7%	2.1%	Jan 18 – Dec 18
Income Support	126,664,072	768,094	-	2,230,626	0.6%	0.0%	1.8%	Jan 16 – Dec 16
Jobseeker's Allowance	83,700,614	1,278,030	372,938	2,430,028	1.5%	0.4%	2.9%	Jan 18 – Dec 18
State Pension	2,328,477,562	1,104,439	23,321	3,089,397	0.0%	0.0%	0.1%	Jan 18 – Dec 18
Pension Credit	243,717,624	2,322,039	942,960	4,226,948	1.0%	0.4%	1.7%	Jan 18 – Dec 18
Attendance Allowance	202,889,576	-	-	-	0.0%	0.0%	0.0%	Jan 14 – Dec 14
Bereavement Benefit	16,110,710	49,874	-	225,925	0.3%	0.0%	1.4%	Jan 14 – Dec 14
Carer's Allowance	168,624,294	-	-	-	0.0%	0.0%	0.0%	Jan 14 – Dec 14
Industrial Injuries Disablement Benefit	29,816,824	-	-	-	0.0%	0.0%	0.0%	Jan 14 – Dec 14
Maternity Allowance	11,954,759	-	-	-	0.0%	0.0%	0.0%	Jan 14 – Dec 14
Social Fund	61,837,073	263,901	7,047	625,220	0.4%	0.0%	1.0%	Jan 16 - Dec 16 (BL, CL, CCG) / Jan 13 - Dec 13 (FP, SSMG)
Widow's Benefit	1,009,810	2,575	-	8,146	0.3%	0.0%	0.8%	Jan 12 – Dec 12
Personal Independence Payments	470,016,471	1,031,037	98,983	2,299,567	0.2%	0.0%	0.5%	Jan 18 – Dec 18
Universal Credit	61,307,600	936,110	-	2,623,701	1.5%	0.0%	4.3%	JSA (2018) Proxy
Other Expenditure (Non-NIF)	64,501,038	125,722	35,684	251,581	0.2%	0.1%	0.4%	Proxied using combination of results
Christmas Bonus (Contributory Only)	3,519,259	13,388	8,961	18,903	0.4%	0.3%	0.5%	Proxied using overall results
Incapacity Benefit	(143,523)	-	-	-	-	-	-	-
Social Security Benefits	**5,455,042,618**	**20,662,075**	**13,957,597**	**29,015,399**	**0.4%**	**0.3%**	**0.5%**	

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)	Period of Financial Accuracy Exercise
Housing Benefit Tenants (NIHE)	616,388,047	1,162,261	290,120	2,266,106	0.2%	0.0%	0.4%	Jan 18 – Dec 18
Housing Benefit Owner Occupier (LPS)	37,525,835	1,291,711	723,039	1,945,667	3.4%	1.9%	5.2%	Jan 18 – Dec 18
Total	**6,108,956,499**	**23,116,046**	**16,331,207**	**31,567,328**	**0.4%**	**0.3%**	**0.5%**	

Customer Error - Overpayments

Customer error occurs where there has been a failure by the customer to notify a reportable change that affects the benefit in payment but there is no suspicion of fraud/fraudulent intent. The table below sets out the estimate of Customer Error overpayments in 2018.

Estimates of customer error overpayments across all benefits in 2018

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)	Period of Benefit Review Exercise
Disability Living Allowance	688,668,771	-	-	-	0.0%	0.0%	0.0%	Jan 08 – Dec 08
Employment and Support Allowance	892,370,083	2,888,483	1,168,347	4,915,954	0.3%	0.1%	0.6%	Jan 18 – Dec 18
Income Support	126,664,072	555,569	-	1,357,971	0.4%	0.0%	1.1%	Jan 12 – Dec 12
Jobseeker's Allowance	83,700,614	-	-	-	0.0%	0.0%	0.0%	Jan 18 – Dec 18
State Pension	2,328,477,562	-	-	-	0.0%	0.0%	0.0%	Jan 09 – Dec 09
Pension Credit	243,717,624	3,925,801	2,181,214	5,987,431	1.6%	0.9%	2.5%	Jan 18 – Dec 18
Attendance Allowance	202,889,576	-	-	-	0.0%	0.0%	0.0%	DLA (2008) Proxy
Bereavement Benefit	16,110,710	-	-	-	0.0%	0.0%	0.0%	JSA (2018) Proxy
Carer's Allowance	168,624,294	92,539	-	472,432	0.1%	0.0%	0.3%	Jan 10 – Dec 10
Industrial Injuries Disablement Benefit	29,816,824	-	-	-	0.0%	0.0%	0.0%	DLA (2008) Proxy
Maternity Allowance	11,954,759	38,696	-	93,019	0.3%	0.0%	0.8%	ESA (2018) Proxy
Social Fund	61,837,073	164,839	-	961,660	0.3%	0.0%	1.6%	Proxied using combination of results
Widow's Benefit	1,009,810	-	-	-	0.0%	0.0%	0.0%	JSA (2018) Proxy
Personal Independence Payments	470,016,471	-	-	-	0.0%	0.0%	0.0%	DLA (2008) Proxy
Universal Credit	61,307,600	-	-	-	0.0%	0.0%	0.0%	JSA (2018) Proxy
Other Expenditure (Non-NIF)	64,501,038	19,415	-	43,549	0.0%	0.0%	0.1%	Proxied using combination of results
Christmas Bonus (Contributory Only)	3,519,259	4,957	3,278	6,956	0.1%	0.1%	0.2%	Proxied using overall results
Incapacity Benefit	(143,523)	-	-	-	-	-	-	
Social Security Benefits	**5,455,042,618**	**7,690,298**	**5,139,055**	**10,818,810**	**0.1%**	**0.1%**	**0.2%**	
Housing Benefit Tenants (NIHE)	616,388,047	3,741,067	1,217,322	6,792,268	0.6%	0.2%	1.1%	Jan 18 – Dec 18
Housing Benefit Owner Occupier (LPS)	37,525,835	1,602,725	749,318	2,636,538	4.3%	2.0%	7.0%	Jan 18 – Dec 18
Total	**6,108,956,499**	**13,034,091**	**9,345,401**	**17,524,768**	**0.2%**	**0.2%**	**0.3%**	

Customer Fraud – overpayments

Customer Fraud occurs where the basic conditions of entitlement have not been met, where the customer could reasonably be expected to be aware of the effect on entitlement to benefit and the customer has deliberately not reported relevant information. The table below sets out the estimate of Customer Fraud in 2018.

Estimates of customer fraud overpayments across all benefits in 2018

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)	Period of Benefit Review Exercise
Disability Living Allowance	688,668,771	-	-	-	0.0%	0.0%	0.0%	Jan 08 – Dec 08
Employment and Support Allowance	892,370,083	20,749,065	12,265,567	30,432,491	2.3%	1.4%	3.4%	Jan 18 – Dec 18
Income Support	126,664,072	922,656	-	2,288,950	0.7%	0.0%	1.8%	Jan 12 – Dec 12
Jobseeker's Allowance	83,700,614	3,065,161	1,179,113	5,416,512	3.7%	1.4%	6.5%	Jan 18 – Dec 18
State Pension	2,328,477,562	-	-	-	0.0%	0.0%	0.0%	Jan 09 – Dec 09
Pension Credit	243,717,624	6,238,160	3,892,808	9,088,280	2.6%	1.6%	3.7%	Jan 18 – Dec 18
Attendance Allowance	202,889,576	-	-	-	0.0%	0.0%	0.0%	DLA (2008) Proxy
Bereavement Benefit	16,110,710	589,983	-	1,495,160	3.7%	0.0%	9.3%	JSA (2018) Proxy
Carer's Allowance	168,624,294	2,030,391	-	6,227,474	1.2%	0.0%	3.7%	Jan 10 – Dec 10
Industrial Injuries Disablement Benefit	29,816,824	-	-	-	0.0%	0.0%	0.0%	DLA (2008 Proxy
Maternity Allowance	11,954,759	277,968	50,667	537,418	2.3%	0.4%	4.5%	ESA (2018) Proxy
Social Fund	61,837,073	699,370	181,889	1,334,478	1.1%	0.3%	2.2%	Proxied using combination
Widow's Benefit	1,009,810	36,980	-	93,716	3.7%	0.0%	9.3%	JSA (2018) Proxy
Personal Independence Payments	470,016,471	-	-	-	0.0%	0.0%	0.0%	DLA (2008) Proxy
Universal Credit	61,307,600	2,245,117	-	5,689,673	3.7%	0.0%	9.3%	JSA (2018) Proxy
Other Expenditure (Non-NIF)	64,501,038	188,111	67,298	329,972	0.3%	0.1%	0.5%	Proxied using combination of results
Christmas Bonus (Contributory Only)	3,519,259	23,893	17,238	31,703	0.7%	0.5%	0.9%	Proxied using overall results
Incapacity Benefit	(143,523)	-	-	-	-	-	-	
Social Security Benefits	**5,455,042,618**	**37,066,855**	**26,981,994**	**48,902,455**	**0.7%**	**0.5%**	**0.9%**	

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)	Period of Benefit Review Exercise
Housing Benefit Tenants (NIHE)	616,388,047	17,486,007	7,362,867	29,948,058	2.8%	1.2%	4.9%	Jan 18 – Dec 18
Housing Benefit Owner Occupier (LPS)	37,525,835	1,633,713	962,139	2,404,830	4.4%	2.6%	6.4%	Jan 18 – Dec 18
Total	**6,108,956,499**	**56,186,575**	**41,881,562**	**73,390,609**	**0.9%**	**0.7%**	**1.2%**	

B: Strategies to Reduce Social Security Benefit Fraud and Error

The Department for Communities administers a total benefit spend of £5,455 million.

Reduction of fraud and error has been a long-standing commitment at the core of the Department's business priorities. The strategy is underpinned by five key principles, these are:

PREVENT	DETECT	CORRECT	PUNISH	DETER
Stopping fraud and error getting into the system in the first place	Increasing the likelihood of finding incorrect and fraudulent claims	Quickly putting incorrect cases right, getting back what we're owed	Strengthening sanctions for those caught	Publicising tough punishments and the high likelihood of being caught

The Department's performance in reducing and maintaining low levels of fraud and error demonstrate the long term strategies are working. Total overpayments from fraud and error have been maintained at 1.2% of total expenditure or lower for the past decade. Nevertheless, the commitment to further reduce fraud and error remains.

Current and proposed activities are designed to be proportionate, represent value for money with regard to the cost of control, facilitate customer accessibility, ensure timely benefit payments, and deliver impacts on fraud and error. The Department also seeks to reduce customer mistakes by influencing customer behaviour to report changes promptly where failure to do so may lead to over and underpayments.

Benefit & Information Security Board

The Department's counter-fraud activities are overseen by the Benefit & Information Security Board. This Board's membership comprises a wide selection of internal stakeholders and guides the Department's priorities to address the areas of highest risk. Ultimately responsible to the Departmental Management Board, they share the wider Departmental aim of providing assurance of effective counter fraud and error activities. Mitigating the losses from fraud and error is one of the Department's key priorities. The approach to the challenge is multi-dimensional.

Benefit Security Division

Bringing together all Counter Fraud & Error activities, the Department's Benefit Security Division was established in April 2018. The new structure was aimed at creating an organisation more responsive to changing areas of risk such as new benefits.

Official Error Strategy and Activities

For 2018, financial accuracy (excluding housing benefit) was 99.1%. Benefit Security Division's Error Reduction Division allocates funds to Error Reduction Teams located in the Regions and Central Benefits dedicated to performing checking on cases which, through statistical analysis are considered to be at the greatest risk of error. This work aims to reduce staff error and ensure strong levels of accuracy. Funding is allocated on the basis of risk and takes into consideration the monetary value of error in each benefit alongside factors such as the deployment of resources and priorities within the Department.

Improving financial accuracy is as much about detecting and correcting underpayments as it is about overpayments. Addressing overpayments and underpayments are key functions of Error Reduction activity. During 2018-19, error reduction activity amounted to over 51,500 actions. This led to the adjustment of benefit in 6,425 cases, with a total monetary value of over £22.5 million.

Benefit Security Division's Standards Assurance Unit (SAU) measure and report the levels of fraud and error in benefits to influence the direction to be undertaken to combat fraud and error. SAU examines the work undertaken by the Error Reduction Teams in the

Regions and Central Benefits to provide an independent assurance to Error Reduction management that work is completed in an accurate manner.

The Department is committed to the reduction of staff error and has a wide range of control mechanisms built into benefit administration to ensure high levels of financial accuracy. These mechanisms include extensive training and consolidation following training; the application of benchmark standards for staff; a programme of regular checks and controls to prevent potential incorrectness; and the measurement and reporting on Department performance within this area.

Customer Fraud and Error

Using information from diverse sources, the Benefit Security Division's Fraud & Compliance Operations Unit identifies and focuses on threats posing greatest risk. Cases are managed through a number of risk based approaches - customer compliance, case cleanse and criminal fraud investigation, to detect and correct fraud and error and apply penalties where appropriate to deter further abuse.

Criminal Investigation: During 2018-19, 2,906 fraud investigations were undertaken leading to 383 penalties, formal cautions, or convictions. In 2018-19 the monetary value of adjustments arising from the discovery of fraud was estimated to be £7.8 million.

Customer Compliance interviews have continued to generate very positive outcomes in the correction and prevention of customer error. In the past year (2018-19) Customer Compliance Officers within Benefit Security Division carried out 4,056 Compliance Interviews resulting in changes in 36% of cases and led to over £6.3 million in benefit adjustments. This in turn freed up investigators to focus on high risk fraud cases and to maximise results from criminal investigations.

Case Intervention involves contacting customers by phone or post to establish whether the circumstances of the benefit claim have changed and if necessary making correction. Benefit Security Division undertook 1,124 case interventions achieving a 51% change rate with 571 adjustments. The estimated monetary value of adjustments in these cases equated to £3.3 million. With the formation of Case Cleanse Centres in 2019-20, Case Intervention activity is being phased out.

Financial Investigation Unit: For higher value fraud convictions, Debt Management's Financial Investigation Unit (FIU) uses powers granted under the Proceeds of Crime Act 2002 to recover assets. The table below presents the results of the FIU for 1 April 2018 to 31 March 2019.

	2018-19 £'000's	2017-18 £'000's
Confiscation order recoveries	225	350
Voluntary payments	146	140
Total recovery	**371**	489

Total may not equal sum of figures due to rounding.

Real Time Information Initiatives

The Department has now limited its intake of new National Fraud Initiative (NFI) referrals to Housing Benefit non-passported cases, in favour of directing resources towards the new Real Time Information (RTI) matching systems that utilise real time HM Revenue & Customs (HMRC) information in respect of earnings and non-state pension income.

This referral source is a significant step forward in the Department's drive for continual improvement and maintaining low levels of customer fraud and error. The Department continues to proactively engage with DWP to confirm arrangements for the continuation of the initiative through the remainder of 2019 and beyond.

Verify Earnings and Pensions (previously Wider Use of RTI) is being used within State Pension Credit and Housing Benefit. This provides the Department with the ability to detect undeclared earnings or non-state pension income at the point of claim and ensure the claim is correct before it is put into payment. The Department continues to liaise with DWP with a view to expanding VEP to other benefits.

Future Benefit Security Division Initiatives

The Department continues to explore new initiatives to strengthen counter fraud and error activities, and maintain readiness for future risks. These include:

- **Expansion of Counter Fraud & Error Operational Capacity** – The Department recognises the value from investing in Counter Fraud & Error activities. Building upon the organisational effectiveness of Benefit Security Division and using a model tested by DWP, the Department is engaging in a 4 year Invest-to-Save programme. This will boost Fraud & Error Operational Capacity and target areas of high risk across customer fraud, customer error, and official error. With recruitment of additional staff well underway, positive outcomes are expected in 2019 and going forward.

- **Formation of Case Cleanse Centres** – As part of the Invest-to-Save initiative, Benefit Security Division has established a number of Case Cleanse Centres. These centres will initially carry out targeted checks on Income Support, Jobseeker's Allowance, and Employment Support Allowance, by comparing HMRC Real Time earnings and pension data against that held on the social security benefit systems. If necessary, benefit systems will be updated accordingly.

- **Joined up working** – The Department remains vigilant to the threat of organised attempts to defraud the benefit system and takes proactive steps to prevent same. The Department's Benefit Security Division is working towards a more joined up approach with other public sector bodies and is pursuing closer working relationships with other organisations such as HMRC, Gangmasters Licensing Authority, and the PSNI.

- **Cyber Fraud** – The introduction of Universal Credit as an online benefit brings new risks from cyber fraud. The Department has been working closely with Cabinet Office to introduce an Identity Assurance solution to secure the gateway to benefits. Verify.gov.uk uses independent certified companies to build a profile to provide assurance users are who they say they are and is vital in preventing identity theft and benefit fraud.

- **Collaborating and Partnering** – The Department recognises there are significant opportunities for collaboration between public sector authorities such as Legal Services Agency, NI Housing Executive, and Health & Social Care Business Services Organisation in the fight against customer fraud and error. These partnerships enable other organisations to benefit from expertise and experience within Benefit Security Division and promote a fairer society where public sector fraud, including benefit fraud is not tolerated.

- **Cross Border Fraud** – The Department alongside the Department of Employment Affairs and Social Protection and the Department for Work and Pensions participate in a Cross Border Operational Forum. The Forum meets 3-4 times per year to share best practice, identify areas of risk, and explore data matching opportunities with a strategic aim of minimising cross jurisdictional fraud and protecting each other's social security welfare programmes.

C: Underpayments

Benefit Underpayments

The table below shows the Department's total estimates of benefit underpayments for the last two years, 2018 and 2017 (all social security benefits including Housing Benefit).

Overall the figure for estimated amounts of underpayments is £48.3 million, or 0.8% of expenditure in 2018 compared to £27.7 million (0.5%) in 2017.

Estimates of underpayments across all benefits for 2018 and 2017

2018	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	6,108,956,499	30,504,898	23,303,037	38,703,963	0.5%	0.4%	0.6%
Customer Error	6,108,956,499	17,803,508	8,373,666	31,817,881	0.3%	0.1%	0.5%
Total Underpayments	**6,108,956,499**	**48,308,406**	**36,442,964**	**64,545,011**	**0.8%**	**0.6%**	**1.1%**

2017	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	5,897,372,783	16,941,177	11,900,534	23,771,865	0.3%	0.2%	0.4%
Customer Error	5,897,372,783	10,715,624	2,417,315	23,448,307	0.2%	0.0%	0.4%
Total Underpayments	**5,897,372,783**	**27,656,802**	**17,947,526**	**42,106,006**	**0.5%**	**0.3%**	**0.7%**

The Department monitors and estimates the level of underpayments arising from Official and Customer Error. Identifying those cases not receiving their full entitlement and correcting benefit payments is an integral part of the Department's strategy which gives equal priority to identifying and correcting underpayments and overpayments.

Official Error – Underpayments

The table below sets out the estimate of benefit underpayments due to Official Error in 2018.

Estimates of official error underpayments across all benefits in 2018

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)	Period of Financial Accuracy Exercise
Disability Living Allowance	688,668,771	280,571	-	1,427,265	0.0%	0.0%	0.2%	Jan 15 – Dec 15
Employment and Support Allowance	892,370,083	18,228,063	11,877,843	24,939,504	2.0%	1.3%	2.8%	Jan 18 – Dec 18
Income Support	126,664,072	272,602	-	1,043,011	0.2%	0.0%	0.8%	Jan 16 – Dec 16
Jobseeker's Allowance	83,700,614	1,030,605	238,247	2,075,881	1.2%	0.3%	2.5%	Jan 18 – Dec 18
State Pension	2,328,477,562	3,620,352	1,633,800	6,142,244	0.2%	0.1%	0.3%	Jan 18 – Dec 18
Pension Credit	243,717,624	1,211,619	581,532	1,986,397	0.5%	0.2%	0.8%	Jan 18 – Dec 18
Attendance Allowance	202,889,576	401,166	-	2,067,205	0.2%	0.0%	1.0%	Jan 14 – Dec 14
Bereavement Benefit	16,110,710	54,793	-	232,529	0.3%	0.0%	1.4%	Jan 14 – Dec 14
Carer's Allowance	168,624,294	-	-	-	0.0%	0.0%	0.0%	Jan 14 – Dec 14
Industrial Injuries Disablement Benefit	29,816,824	62,227	-	340,885	0.2%	0.0%	1.1%	Jan 14 – Dec 14
Maternity Allowance	11,954,759	23,010	-	94,671	0.2%	0.0%	0.8%	Jan 14 – Dec 14
Social Fund	61,837,073	139,239	-	700,894	0.2%	0.0%	1.1%	Jan 16 - Dec 16 (BL,CL, CCG) / Jan 13 - Dec 13 (FP, SSMG)
Widow's Benefit	1,009,810	18,260	-	61,559	1.8%	0.0%	6.1%	Jan 12 – Dec 12
Personal Independence Payments	470,016,471	1,407,043	-	3,283,726	0.3%	0.0%	0.7%	Jan 18 – Dec 18
Universal Credit	61,307,600	754,880	-	2,286,132	1.2%	0.0%	3.7%	JSA (2018) Proxy
Other Expenditure (Non-NIF)	64,501,038	221,979	102,461	364,447	0.3%	0.2%	0.6%	Proxied using combination of results
Christmas Bonus (Contributory Only)	3,519,259	18,084	13,419	23,361	0.5%	0.4%	0.7%	Proxied using overall results
Incapacity Benefit	(143,523)	-	-	-	-	-	-	-
Social Security Benefits	**5,455,042,618**	**27,744,494**	**20,679,421**	**35,750,685**	**0.5%**	**0.4%**	**0.7%**	
Housing Benefit Tenants (NIHE)	616,388,047	2,382,353	1,011,873	4,113,367	0.4%	0.2%	0.7%	Jan 18 – Dec 18
Housing Benefit Owner Occupier (LPS)	37,525,835	378,051	107,247	737,460	1.0%	0.3%	2.0%	Jan 18 – Dec 18
Total	**6,108,956,499**	**30,504,898**	**23,303,037**	**38,703,963**	**0.5%**	**0.4%**	**0.6%**	

Customer Error – Underpayments

The table below sets out the estimate of benefit underpayments due to Customer Error in 2018.

Estimates of customer error underpayments across all benefits in 2018

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)	Period of Benefit Review Exercise
Disability Living Allowance	688,668,771	-	-	-	0.0%	0.0%	0.0%	Jan 08 – Dec 08
Employment and Support Allowance	892,370,083	6,311,327	2,576,059	10,903,027	0.7%	0.3%	1.2%	Jan 18 – Dec 18
Income Support	126,664,072	90,714	-	467,615	0.1%	0.0%	0.4%	Jan 12 – Dec 12
Jobseeker's Allowance	83,700,614	4,651	-	13,944	0.0%	0.0%	0.0%	Jan 18 – Dec 18
State Pension	2,328,477,562	4,319,608	-	16,946,007	0.2%	0.0%	0.7%	Jan 09 – Dec 09
Pension Credit	243,717,624	1,951,067	832,793	3,333,422	0.8%	0.3%	1.4%	Jan 18 – Dec 18
Attendance Allowance	202,889,576	-	-	-	0.0%	0.0%	0.0%	DLA (2008) Proxy
Bereavement Benefit	16,110,710	895	-	4,473	0.0%	0.0%	0.0%	JSA (2018) Proxy
Carer's Allowance	168,624,294	-	-	-	0.0%	0.0%	0.0%	Jan 10 – Dec 10
Industrial Injuries Disablement Benefit	29,816,824	-	-	-	0.0%	0.0%	0.0%	DLA (2008) Proxy
Maternity Allowance	11,954,759	84,551	-	207,577	0.7%	0.0%	1.7%	ESA (2018) Proxy
Social Fund	61,837,073	94,430	27,685	402,375	0.2%	0.0%	0.7%	Proxied using combination of results
Widow's Benefit	1,009,810	56	-	280	0.0%	0.0%	0.0%	JSA (2018) Proxy
Personal Independence Payments	470,016,471	-	-	-	0.0%	0.0%	0.0%	DLA (2008) Proxy
Universal Credit	61,307,600	3,406	-	17,020	0.0%	0.0%	0.0%	JSA (2018) Proxy
Other Expenditure (Non-NIF)	64,501,038	145,559	-	570,032	0.2%	0.0%	0.9%	Proxied using combination of results
Christmas Bonus (Contributory Only)	3,519,259	8,437	2,496	17,366	0.2%	0.1%	0.5%	Proxied using overall results
Incapacity Benefit	(143,523)	-	-	-	-	-	-	
Social Security Benefits	**5,455,042,618**	**13,014,700**	**4,021,053**	**26,537,021**	**0.2%**	**0.1%**	**0.5%**	
Housing Benefit Tenants (NIHE)	616,388,047	4,559,631	1,731,868	8,230,310	0.7%	0.3%	1.3%	Jan 18 – Dec 18
Housing Benefit Owner Occupier (LPS)	37,525,835	229,176	29,249	504,204	0.6%	0.1%	1.3%	Jan 18 – Dec 18
Total	**6,108,956,499**	**17,803,508**	**8,373,666**	**31,817,881**	**0.3%**	**0.1%**	**0.5%**	

D: Disability Living Allowance (DLA) - 'Change in Customers' Circumstances' cases

The 2006 DLA Benefit Review identified cases where the change in customers' needs had been so gradual that it would have been unreasonable to expect the customer to know at which point their entitlement to DLA might have changed. These cases do not result in a recoverable overpayment as the Department cannot quantify or define when the customer's change occurred. Under the specific terms of benefit legislation (to establish a recoverable overpayment) it is necessary for the Department to prove that entitlement to DLA is incorrect. Cases in this sub-category are therefore technically and legally correct but are reassessed after review activity. (For further clarification on this issue see regulation 7(2)(c)(ii) of the Social Security and Child Support (Decisions and Appeals) Regulations (Northern Ireland) 1999 (S.R. 1999 No. 162); regulation 7(2)(c)(ii) was substituted by regulation 2(5) of S.R. 1999 No. 267).

The difference between what claimants in these 'change in customers' circumstances' cases are receiving in excess of DLA entitlement and what they would potentially receive if their benefit was reassessed was estimated to be around £38.0 million, 5.7% of DLA expenditure in 2008. Since there was no DLA Benefit Review in 2018, the 2018 estimate for DLA 'change in customer circumstances' overpayments is estimated by applying the 2008 percentage. The 2018 estimate is £39.0 million, 5.7% of expenditure. In comparison the 2017 estimate was £53.6 million, 5.7% of expenditure. These figures are not included in the total figures in the respective tables above.

The difference between what claimants in the DLA 'change in customers' circumstances' cases are receiving below their DLA entitlement and what they would potentially have been due to receive if their benefit was reassessed was estimated to be £19.4 million, 2.9% of expenditure in 2008. Since there was no DLA Benefit Review in 2018, the 2018 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. The 2018 estimate is £19.9 million, 2.9% of expenditure. In comparison the 2017 estimate was £27.4 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

With the introduction of Personal Independence Payment in June 2016 the Department concluded its Periodic Enquiry process.

24 Third-Party Assets

The Child Maintenance Service operates a Client Funds Account to control the receipt of child maintenance and fees from non-resident parents and parents with care. Child maintenance and fees are collected and paid over respectively to persons with care or to the Department (maintenance and fees). These are not Departmental assets and are not included in the statement of financial position.

The Client Funds Account is attached to these accounts at Annex A.

25 Entities within the departmental boundary

The entities within the boundary during 2018-19 were as follows:

Independent Statutory Bodies

Office of the Discretionary Support Commissioner

Advisory Non-Departmental Public Bodies

Historic Monuments Council
Historic Buildings Council

Advisory Bodies

Charities Advisory Committee
Ministerial Advisory Group

26 Events after the Reporting Period

There were no adjusting or non-adjusting events between the end of the reporting period and the date the financial statements were authorised for issue.

The Accounting Officer authorised the issue of these financial statements on 4 July 2019.

Report of the Comptroller and Auditor General

Introduction

1 The Department for Communities (the Department) is responsible for housing, urban regeneration, community development, social security and child support. The annual budget for the Department is approximately £7 billion.

2 I am required under the Government Resources and Accounts Act (Northern Ireland) 2001 to report my opinion as to whether the financial statements give a true and fair view. I am also required to report my opinion on regularity, that is, whether in all material respects the expenditure and income have been applied to the purposes intended by the Northern Ireland Assembly and the financial transactions conform to the authorities that govern them.

3 This Report reviews the results of my 2018-19 audit of the Department's accounts and sets out the reasons why I am qualifying my regularity audit opinion.

4 The Department administers £5.5 billion[1] of benefits directly. Housing benefits of £0.6 million are administered by the Northern Ireland Housing Executive (the Housing Executive) and Land and Property Services (LPS). Benefit payments are susceptible to deliberate fraud by claimants. They are also susceptible to unintended error by claimants and the Department.

5 The Department's estimate of the overall level of overpayments in 2018-19 was £92.3 million, which represents 1.5 per cent of total annual benefit expenditure (2017-18: £91.4 million or 1.5 per cent). The Department's estimate of the overall level of underpayments due to official error in 2018-19 was £30.5 million, which represents 0.5 per cent of total annual benefit expenditure (2017-18: £16.9 million or 0.3 per cent).

6 When considering qualifying my audit opinion on the regularity of benefits expenditure due to these significant levels of estimated overpayments and underpayments, I exclude State Pension expenditure. This is because the estimated level of error is much lower for this benefit than in other benefits (£1.1 million of overpayments and £3.6 million of underpayments) in an expenditure of £2.3 billion, see paragraphs 1.35 to 1.37).

[1] These figures are from Note 23 to the accounts as the Department measures the level of estimated fraud and error in benefits expenditure on a calendar year basis. The financial statements disclose overall benefits expenditure for 2018-19 of £6.7 billion, which are on a financial year basis.

7 I have qualified my opinion on the regularity of the benefits expenditure of £3.8 billion, excluding State Pension, due to estimated overpayments of £91.2 million and underpayments of £26.9 million. Further detail is set out in Part 1 of this Report.

8 The Affordable Warmth Scheme addresses fuel poverty in the private sector. The aim of the Scheme is to help alleviate fuel poverty in targeted vulnerable households in the owner- occupied and private rented sector. Expenditure on this scheme amounted to approximately £65.2 million over the years 2015-16 to 2018-19. The Department of Finance (DoF) approved the original business case for this Scheme in September 2014 subject to the condition that no significant changes would be made to the project. When substantial changes were made in 2015-16, the Department should have consulted with DoF. The Department sought retrospective approval for the expenditure on this Scheme from DoF in November 2018 and were advised that £56.5 million of expenditure incurred between 2015-16 and mid-September 2018 was irregular. Of the £14.5 million spent on the Scheme in 2018-19, £6 million was irregular. I have not qualified my regularity opinion this year, as the irregular expenditure of £6 million is not material to the Department's 2018-19 accounts. However, I am concerned at the level of the irregular expenditure of £56.5 million on this Scheme since 2015-16. Particularly, as the Scheme was set up to meet a Programme for Government target that should have required greater scrutiny. Further detail is set out in Part 2 of this Report.

9 The Department sponsors 15 arm's length bodies, one of which is Sport NI. I intend to publish a report on the adequacy of the governance, leadership and Departmental oversight of Sport NI shortly.

10 My Report sets out:

- the reasons and context for my qualified regularity audit opinion;
- the trends in and reasons for the estimated level of fraud and error;
- other benefits issues; and
- background on the irregular expenditure in respect of the Affordable Warmth Scheme.

Part 1 Benefits expenditure

Qualified opinion due to estimated levels of fraud and error in benefits expenditure (excluding State Pension)

Key Points:

- In 2018-19, the Department's total benefit expenditure was £6.1 billion, £2.3 billion of this related to State Pension and £654 million for Housing Benefit.
- The overpayment rate for **all** benefits due to estimated fraud and error is 1.5 per cent, in line with the previous year.
- The underpayment rate due to official error for **all** benefits increased to 0.5 per cent in 2018-19 from 0.3 per cent in 2017-18.
- My audit opinion continues to be qualified due to the material level of estimated fraud and error in benefit expenditure, excluding State Pension.

Background

1.1 The criteria used to determine entitlement to each benefit, and the method used to calculate the amount due to be paid, are set out in legislation. The Department relies on claimants' accurate and timely notification of changes of circumstances and the complexity of benefits can cause confusion and genuine error, especially for those with means-tested entitlements.

1.2 The Department analyses over and underpayments of benefits into the following categories:

- **Customer Fraud**, which arises when customers deliberately seek to mislead organisations which administer benefits, to claim money to which they are not entitled;
- **Customer Error,** which arises when customers make inadvertent mistakes with no fraudulent intent; and

- **Official Error,** which arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department or organisation administering the benefit. Official error can result in both over and underpayments.

1.3 Where fraud or error has resulted in an over or underpayment of benefit to an individual who is either not entitled to that benefit, or is paid at a rate that differs from that specified in the legislation, the payment does not conform with the Northern Ireland Assembly's intention. I consider overpayments arising from fraud, official error or customer error and underpayments arising from official error, to be irregular. Underpayments due to customer error are not irregular as customers can decide not to claim benefits. Overpayments of benefits increase costs for taxpayers and reduce public resources available for other purposes. Underpayments mean individuals are not getting the support they are entitled to receive.

1.4 The Department's Standards Assurance Unit (SAU) regularly monitors and provides estimates of the levels of fraud and error within the benefits processed by the Department, the Housing Executive and LPS as outlined in Note 23 to the accounts. In order to facilitate the timetable for the production of the accounts, the Department's testing of payment accuracy is reported on a calendar year basis, not on a financial year basis. I am satisfied that this approach is reasonable and that the results produced by the SAU are a reliable estimate of the total fraud and error in the benefits system.

1.5 The Department estimates total fraud and error by combining the results from its financial accuracy monitoring which provides a measure of official error and the results of benefit reviews that provide a measure of customer fraud and error.

1.6 The estimates are based on a random sample of the total benefit caseload and are therefore subject to statistical uncertainties. This uncertainty is quantified by the estimation of 95 per cent confidence levels surrounding the estimate. These show that the Department is 95 per cent sure that the true value of fraud and error lies within these intervals.

1.7 I am satisfied with the results produced by SAU and note that, as is the case for any sampling methodology for fraud and error, other factors[2] may impact on the reported levels of fraud and error, for example:

- estimates derived from the sample may differ from what would be seen if the entire caseload was examined;
- newest cases may be excluded from review because of the time taken to process these benefit claims; and
- some incorrect payments may be unavoidable. The way of measuring the benefit may result in a case being treated as incorrect even where the claimant has promptly reported a change and there is only a short processing delay.

The Department highlighted that the sampling approach is utilised as it is not possible to test every benefit case for payment accuracy on an annual basis, as the costs of doing so would be disproportionate and not represent value for money. Accordingly, the Department applies a sampling methodology that attracts a confidence level of 95 per cent.

Estimated level of fraud and error in benefit expenditure

1.8 Benefits expenditure for 2018-19 and 2017-18 is analysed in **Figure 1**. The Department told me that nearly 70 per cent of the increase in overall benefit expenditure of £0.2 billion this year is due to benefit uprating[3]. I note there has also been a significant increase in expenditure on the Personal Independence Payment, which replaces Disability Living Allowance (DLA) for working-age claimants (see paragraph 1.24 for further detail) and Universal Credit (see paragraph 1.28 for further detail). Expenditure on DLA has decreased from £0.9 billion last year to £0.7 billion this year. I asked the Department why the level of expenditure on DLA continues to be significant, although decreasing, when PIP expenditure has increased from £123 million to £470 million. The Department told me that DLA is still available for children under 16 years of age and claimants over pension age receiving DLA prior to May 2016, as long

[2] DWP Fraud and Error in the Benefit System: Background information and methodology, May 2018.

[3] Social Security legislation requires the Secretary of State in DWP to undertake an annual review of benefits and pensions and to uprate certain disability benefits at least in line with process. The Department has no power to set different benefit rates for Northern Ireland.

as they continue to meet the conditions for entitlement. In line with the legislation, DLA awards are either for a fixed period, at which point the award is reviewed or for an indefinite period with no review scheduled.

Figure 1: Analysis of benefit expenditure in 2018-19 and 2017-18

	2018–19 £m	2017-18 £m
State Pension	2,328	2,256
Disability Living Allowance	689	946
Employment and Support Allowance	892	865
Housing Benefit (NIHE)	616	623
State Pension Credit	244	253
Attendance Allowance	203	200
Carer’s Allowance	169	161
Income Support	127	141
Personal Independence Payment	470	123
Jobseeker’s Allowance	84	106
Social Fund	62	58
Universal Credit	61	0[4]
Winter Fuel Payments	52	52
Bereavement Benefit	16	18
Housing Benefit (LPS)	38	38
Miscellaneous Benefits expenditure	15	15
Industrial Injuries Disablement Benefit	30	29
Other Expenditure (Non NIF)	13	13
Total benefits expenditure	6,109	5,897

Source: Department for Communities accounts, 2017-18 and 2018-19.

Note: These figures are from Note 23 and based on the calendar year not the financial year.

[4] The expenditure in 2017-18 was £300,000 but has been recorded as zero due to rounding’s.

1.9 The Department estimates that:

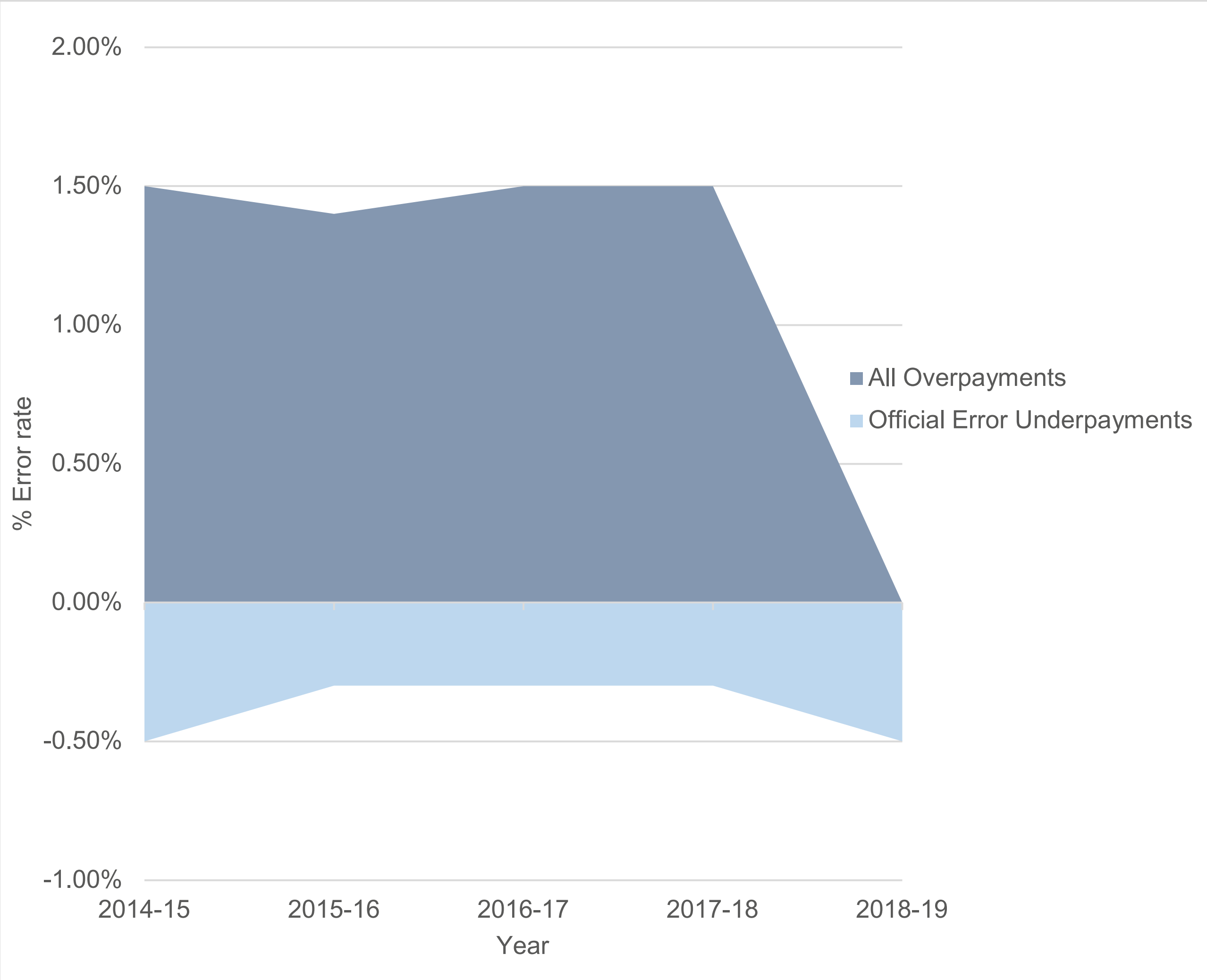
- total overpayments due to fraud and error[5] in 2018-19 remained at 1.5 per cent of total benefit expenditure (2017-18: 1.5 per cent)

- underpayments due to official error[6] in 2018-19 increased to 0.5 per cent of total benefit expenditure (2017-18: 0.3 per cent).

Figure 2 sets out the equivalent percentage error figures since 2014-15. This figure shows that the level of total overpayments and underpayments due to official error has been relatively stable since 2014-15.

[5] Fraud and error figures quoted in this report are central estimates (or 'mid-points') within a 95% confidence interval. This range reflects the uncertainty within the Fraud and Error in the benefits system estimates.
[6] Underpayments due to customer error are not irregular and are excluded from these figures; only underpayments arising from official error are considered irregular.

Figure 2: Estimated incorrect benefit payments as a percentage of total benefit expenditure for the five years ending 31 March 2019



Source: Department for Communities accounts, 2014-15 to 2018-19.

1.10 Estimated overpayments for 2018-19 are £92.3 million (2017-18: £91.4 million).SAU has estimated this figure lies within the range of £76 million and £112 million. Also, underpayments of benefits of £30.5 million (2017-18: £16.9 million) which SAU has estimated lies within the range of £23 million and £39 million. **Figure 3** shows the value of estimated fraud and error over the past five years.

Figure 3: Benefits expenditure and estimated fraud and error for the 5 years ending 2018-19

£million's	2018-19	2017-18	2016-17	2015-16	2014-15
Total expenditure	6,108	5,897	5,896	5,790	5,670
Total Est fraud and error	122.8	108.3	107.4	97.3	110.7
Overpayments	92.3	91.4	87.7	78.8	82.4
Underpayments[7]	30.5	16.9	19.7	18.5	28.3

Source: Department for Communities accounts, 2014-15 to 2018-19.

1.11 The Department does not pay all benefits directly to claimants. The Housing Executive pays housing benefit to tenants who are unemployed, on low income or claiming benefits to assist with their rent. This expenditure is included in both the Department's accounts and the Housing Executive's accounts. By legislation, housing benefit is paid to owner-occupiers by the DoF and Land and Property Services (LPS) carries this function out on DoF's behalf. LPS pays housing benefit to claimants who own their home and are entitled to apply for a rates rebate if they have low income and are suffering financial hardship. This expenditure is included in both the Department's accounts and the LPS Statement of Rate Levy Account.

[7] Underpayments due to customer error are not viewed as irregular and are excluded from these figures; only underpayments arising from official error are considered irregular.

Figure 4: Breakdown of expenditure paid out during 2018-19

£million's	Department		Housing Executive		LPS		Total	Total
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Amount paid directly	5,455	5,236	616	623	38	38	6,109	5,897
Estimated overpayments	65.4	64.2	22.4	22.9	4.5	4.3	92.3	91.4
% of total paid	1.2%	1.2%	3.6%	3.7%	11.8%	11.3%	1.5%	1.5%
Estimated underpayments (official error)	27.7	13.2	2.4	3.6	0.4	0.1	30.5	16.9
% of total paid	0.5%	0.3%	0.4%	0.6%	1.1%	0.3%	0.5%	0.3%

Source: Department for Communities accounts, 2017-18 and 2018-19.

1.12 **Figure 4** shows that the Department directly paid social security benefit claimants £5,455 million (89 per cent of total benefit expenditure) in 2018-19. The estimated level of overpayments in this expenditure was £65.4 million (1.2 per cent of benefit expenditure), an increase of £1.2 million (1.8 per cent) since last year. The estimated level of underpayments was £27.7 million (0.5 per cent of benefit expenditure) which is more than double the level last year.

1.13 Similarly, the Housing Executive paid housing benefit claimants £616 million (10 per cent of total benefit expenditure) in 2018-19 on behalf of the Department. The estimated level of overpayments within this expenditure was £22.4 million (3.6 per cent of housing benefit expenditure) which is broadly in line with last year. The estimated level of underpayments was £2.4 million (0.4 per cent of housing benefit expenditure) a decrease of £1.2 million (50 per cent) since last year.

1.14 LPS paid housing benefit claimants £38 million (one per cent of total benefit expenditure) in 2018-19 on behalf of the Department of Finance. The estimated level of overpayments due to fraud and error within these payments was £4.5 million (11.8 per cent of LPS housing benefit expenditure) an increase of £0.2 million (4.5 per cent) since last year. The estimated level of underpayments is estimated to be £0.4 million (1.1 per cent of LPS housing benefit expenditure) and is a considerable increase on the year before.

1.15 I asked why estimated underpayments have increased so significantly for payments made directly by the Department and LPS, whereas estimated underpayments have decreased for the Housing Executive. The Department has advised me it was disappointed with the increase in underpayments but reaffirmed its commitment to minimising official error, reflected through an extensive checking regime. The Department recognises the risk posed by Employment and Support Allowance (ESA) – now accounting for two-thirds of all official underpayments paid directly by the Department. The Department's Benefit Security Board has been monitoring the position during the year and has already allocated extra error reduction funding to ESA to help support further accuracy improvement activity during the coming year. I intend to review progress in reducing official underpayments in ESA next year.

Benefit expenditure errors by type

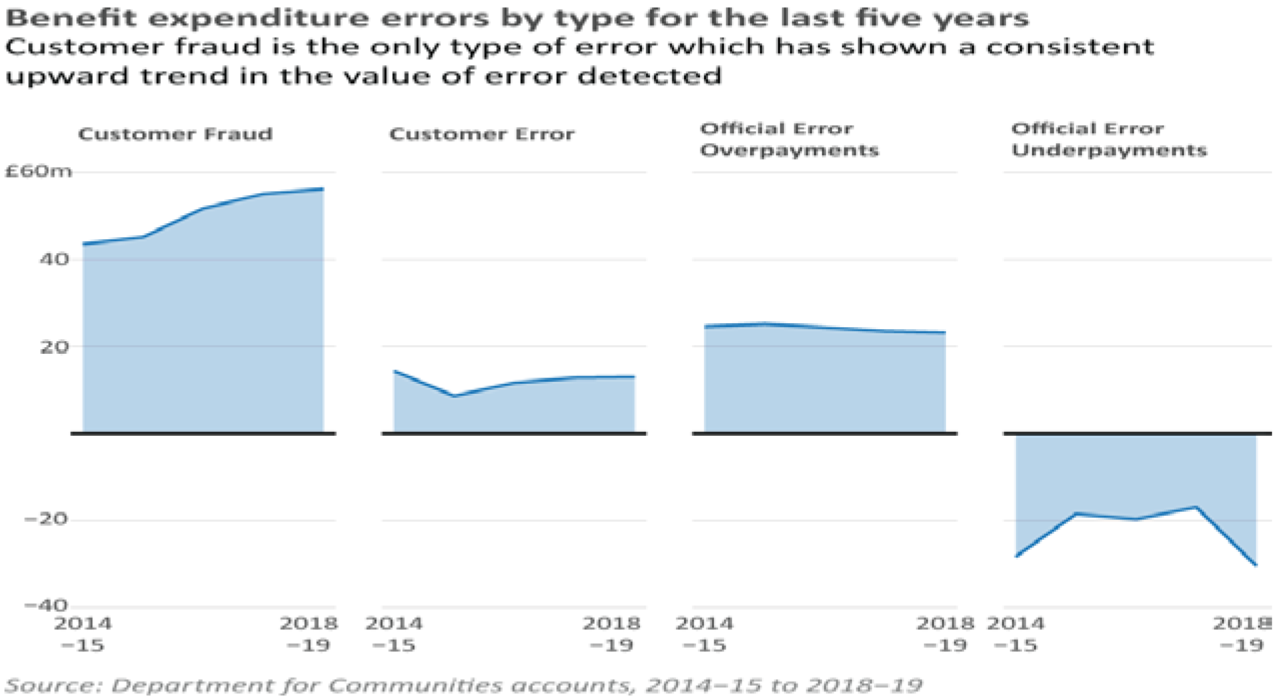
1.16 Means-tested benefits such as State Pension Credit, Income Support, Jobseeker's Allowance and Employment and Support Allowance tend to have the highest rates of customer fraud and error, as they require the claimant to provide complete and accurate information in order to establish entitlement to benefit. The Department has told me previously that one of the main reasons for customer error is the complexity of, and lack of understanding, of the benefit system by the claimant.

1.17 Official errors are those that are attributable to the actions or inactions of the Department. These errors can take time to identify, then correct, and as a result have a cumulative impact. The main reasons for official errors continue to be:

- incorrect recording of a claimant's income;
- incorrect application of complex benefit rates; and
- errors in establishing the claimant's status (for example their fitness for work, or living arrangements etc.).

1.18 **Figure 5** shows the level of estimated fraud and error in benefits expenditure for the last five years broken down by cause.

Figure 5: Benefit expenditure errors by type for the last five years



£ millions	2018-19	2017-18	2016-17	2015-16	2014-15
Official Error	23.1 (0.4%)	23.5 (0.4%)	24.3 (0.4%)	25.1 (0.4%)	24.5 (0.4%)
Customer Error	13 (0.2%)	12.8 (0.2%)	11.7 (0.2%)	8.7 (0.1%)	14.4 (0.3%)
Customer Fraud	56.2 (0.9%)	55.1 (0.9%)	51.7 (0.9%)	45.1 (0.8%)	43.5 (0.8%)
Total Overpayments	**92.3 (1.5%)**	**91.4 (1.5%)**	**87.7 (1.5%)**	**78.9 (1.4%)**	**82.4 (1.5%)**
Underpayments (Official Error)	-30.5 (0.5%)	-16.9 (0.3%)	-19.7 (0.3%)	-18.5 (0.3%)	-28.3 (0.5%)

Source: Department for Communities accounts, 2014-15 to 2018-19.

1.19 Customer fraud is estimated to have increased by £1.1 million to £56.2 million, while remaining at 0.9 percent of total benefit expenditure. The Department acknowledges that, despite the relatively low level of customer fraud as a percentage of overall expenditure, this represents a significant amount of money.

1.20 Estimated overpayments due to official error have decreased slightly to £23.1 million. The significant increase in underpayments due to official error is explained in paragraph 1.15.

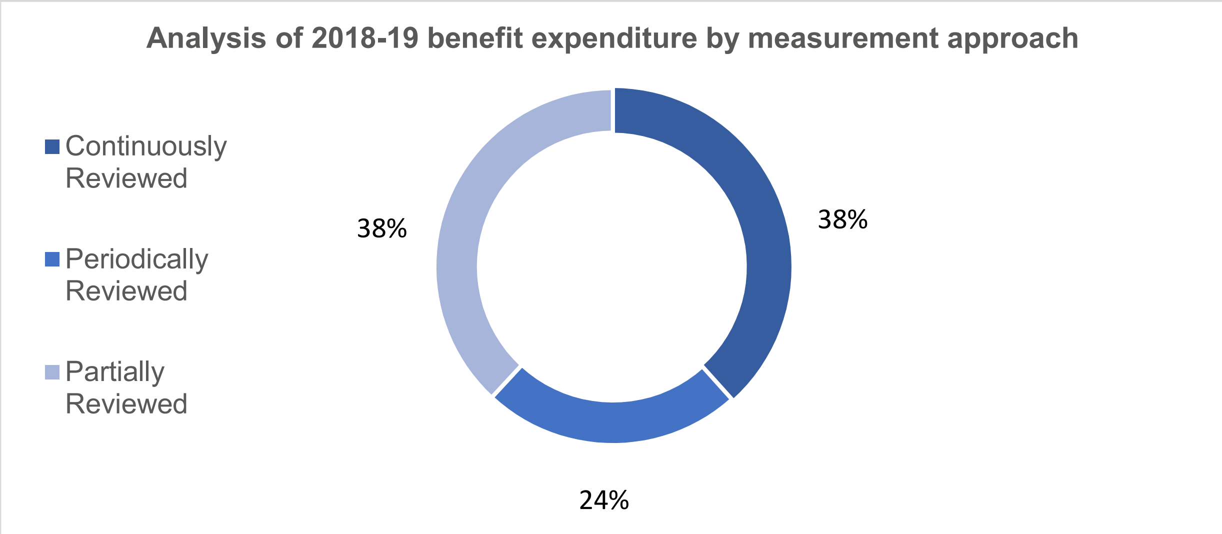
The Department's approach to measuring fraud and error in benefits

1.21 The Department does not examine all benefits for fraud and error every year. From 2018, it measures fraud and error continuously for five benefits representing 38 per cent of total benefits expenditure, to support annual estimates.

1.22 State Pension is reviewed partially as although it is subject to an annual review for official error, the estimate for the level of customer fraud and error is based on the 2009 benefits review when customer error was estimated to be 0.2 per cent and customer fraud was estimated to be zero per cent.

1.23 A number of benefits are measured periodically for which estimated official error rates have been calculated using results of prior year financial accuracy reviews. Previous benefits reviews are used to provide an estimate where customer fraud and error has been measured in the past. Where benefits have never been measured the estimated level of fraud and error is based on what is known about measured benefits (known as proxy values). The measurement approach by percentage of benefits is shown in Figure 6.

Figure 6: Analysis of 2018-19 benefit expenditure by measurement approach



	£m		£m
Employment and Support Allowance (ESA)	892	Disability Living Allowance (DLA)	689
Housing Benefit (NIHE)	616	Attendance Allowance	203
Personal Independence Payment	470	Carer's Allowance (CA)	169
State Pension Credit	244	Income Support (IS)	127
Jobseeker's Allowance (JSA)	84	Social Fund	62
Housing Benefit (LPS)	38	Universal Credit	61
Continuously Reviewed (38%)	**2,334**	Other Expenditure	126
		Periodically Reviewed (24%)[8]	**1,437**
State Pension (2009)	2,328	**Total Benefits (100%)**	
Partially Reviewed (38%)	**2,328**		**6,109**

Source: Department for Communities accounts, 2018-19.

Disability Living Allowance (DLA) has not been subject to a benefit review since 2008

1.24 In Northern Ireland DLA expenditure in 2018-19 was £689 million (2017-18: £946 million) 11 per cent of benefit expenditure (2017-18: 16 per cent). The reduction in

[8] Note 23 discloses the dates of the previous financial accuracy exercises and benefit reviews used to provide estimates of fraud and error.

expenditure follows the introduction of the new Personal Independence Payment (PIP) in June 2016. Since then, PIP has been replacing DLA for all new working-age claimants and existing DLA working-age claimants reporting a change in circumstances. The process of re-assessing existing working–age claimants started in December 2016 and is due to be completed in summer 2019.

1.25 Note 23 to the Department's accounts outlines cases where a gradual change in a DLA claimant's needs means their entitlement to benefits may have changed. The Department considers it unreasonable to expect the DLA claimant to know at which point that benefit change occurs and therefore it is likely that the Department will only become aware of this when the DLA claimant's benefit entitlement is subject to reassessment.

1.26 SAU last carried out a full benefit review of DLA in 2008. The Department has highlighted the finite nature of resources available for measurement and the need to continue directing measurement at those benefits with highest risk of customer fraud/error, specifically Jobseeker's Allowance, Employment and Support Allowance, and State Pension Credit.

1.27 I acknowledge that these DLA cases are legally and procedurally correct and that the number of DLA cases are reducing as claimants transfer to PIP. However, I am concerned by the amounts that could be involved in potential adjustments to DLA benefit due to changes in circumstances and the period since the last benefit review. The Department told me that potential adjustments are excluded from the reported fraud and error figures as these cases are not over and under payments; the benefit amount in payment to the claimant is correct and there is no irregularity.

Progress in reviewing fraud and error on new benefits

1.28 Universal Credit replaces Child and Working Tax Credits, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit (working-age) and Income Support. It was rolled out across Northern Ireland between September 2017 and December 2018 for new claimants or existing claimants with a change in circumstances. The next stage, known as managed migration, is the transfer of existing claimants of any of the legacy benefits over to Universal Credit. This was to start in July 2019 but has been delayed following the Department of Work and Pensions' announcement that it would commence a pilot before starting managed migration. The Department told me that Northern Ireland is not part of the DWP pilot. However, on completion of the pilot, the move to Universal Credit is planned to start in late 2020.

1.29 Note 23 to the accounts discloses that Universal Credit has not yet been measured for customer fraud, customer error or official error. Estimates have been used for official error using current or historic estimates for other benefits. Of the total expenditure of £61.3 million in 2017-18 the estimated level of fraud and error is:

- Overpayments due to official error of £0.9 million (1.5 per cent);
- Overpayments due to customer fraud of £2.2 million (3.7 per cent); and
- Underpayments due to official error of £0.7 million (1.2 per cent).

The Department told me that measurement of Universal Credit for official error, customer fraud and customer error will take place in 2019 and details of results will be available for publication in the Department's annual accounts in 2019-20.

Underpayments in benefits

Employment and Support Allowance

1.30 A 2018 National Audit Office (NAO) report[9] found that errors had occurred in payments made by DWP when migrating claimants from Incapacity Benefit to ESA. These errors are additional to those identified by the Department through annual financial accuracy exercises and benefit review. Last year I reported[10] that the Department's analysis estimated that just over 3,500 claimants might have been affected in Northern Ireland at a cost of £17.5 million. During 2018-19, a specialist team within the Department reviewed claims that migrated to ESA. This work was completed as planned on 1 April 2019. In total, the Department told me that it paid almost £19 million in arrears to just under 3,000 ESA claimants with average payments of £6,450.

[9] https://www.nao.org.uk/press-release/investigation-into-errors-in-employment-and-support- allowance/

[10] Welfare Reforms in Northern Ireland, NIAO, 17 January 2019.

Personal Independence Payment

1.31 In January 2018, DWP decided not to challenge a High Court ruling regarding PIP and started to reconsider around 1.6 million claims in GB to ensure that the claimant received the correct award. I reported[9] earlier this year that the Department has followed DWP's approach to reviewing existing cases and estimated that 8,000 claimants were affected in Northern Ireland at a cost of £15 million. Since then the Department has told me that all PIP applications made prior to the 26 June 2018 are being reviewed (with the exception of those already receiving the maximum rate). As at 30 April 2019, the Department told me it had reviewed 30,165 out of 83,000 claims with around 600 payments made to qualifying customers. The total amount of additional payments to date is around £1.9 million with an average payment of £3,300. The Department expects to complete this exercise by 2020 and has estimated that remaining payments will cost around £7 million.

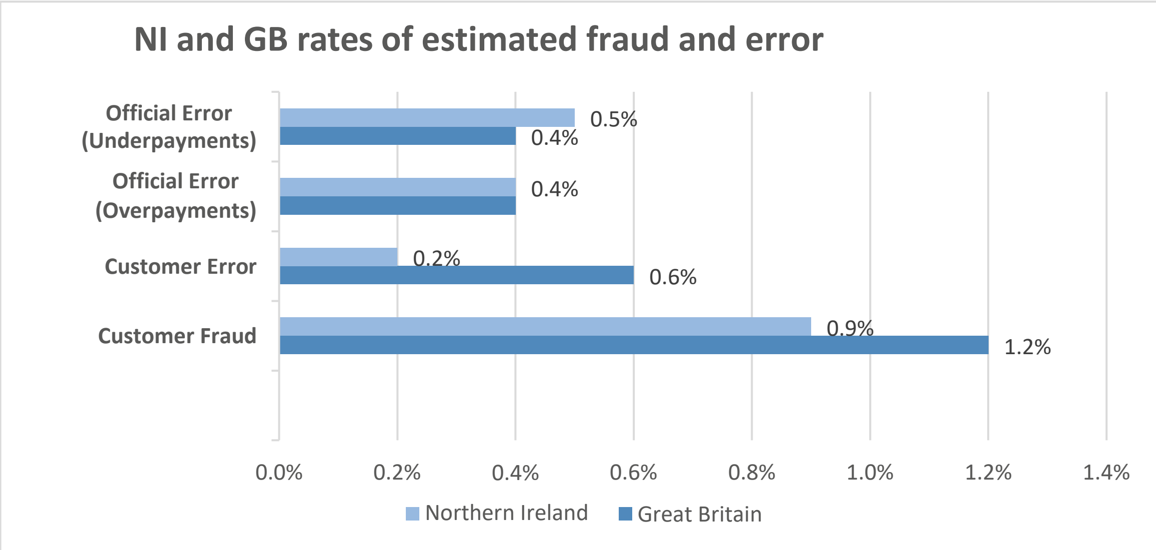
Universal Credit

1.32 In a new judgment on 3 May 2019, the High Court ruled that Universal Credit migration arrangements for those who previously received the severe disability premium and naturally migrated to universal credit before 16 January 2019 are unlawful. The Department has advised that DWP is considering this judgement and it is working closely with them to monitor the position.

Comparisons between Northern Ireland and Great Britain

1.33 Since 2010, the Westminster Government has been implementing an extensive programme of welfare reforms involving changes to benefit rates, entitlements and administration of payments. These reforms aim to simplify the benefits system, making it more affordable and create stronger financial incentives for individuals to move from benefits to employment. Key welfare reforms, proposed in 2010, were introduced in the rest of the UK from April 2012. However, the lack of political consensus delayed their introduction in Northern Ireland until 2016. As a result comparing the performance of the Department of Work and Pensions (DWP) in relation to estimated levels of fraud and error to that of the Department is less meaningful than it would have been due to this delay. However, the comparison does provide an indication of the Department's performance against that of the DWP in processing similar benefits in Great Britain. Key comparisons are set out in the **Figure 7**.

Figure 7: Northern Ireland and GB 2018-19



Source: Department for Communities accounts, 2018-19 and DWP: Fraud and Error 2018-19 Estimates

1.34 The estimated error rate for overpayments arising from official error for both Northern Ireland and Great Britain are in line with the rates for 2017-18 and are equivalent. Official error due to underpayments has increased from 0.3 per cent to 0.4 per cent for GB this year with a higher increase for Northern Ireland of 0.3 per cent to 0.5 per cent. For both customer fraud and error, Northern Ireland continues to have lower estimated rates of overpayments than Great Britain.

Estimated fraud and error in State Pension expenditure is insignificant

1.35 In 2018-19 State Pension expenditure amounted to £2.3 billion; 38 per cent of the Department's total annual benefit spend – see **Figure 8**. The Department estimates that the level of overpayments due to official error increased to £1.1 million from £0.2 million in 2017-18. State Pension underpayments due to official error increased substantially in monetary terms to £3.6 million from £1.9 million. The Department has found no evidence of fraud within State Pension payments and the estimated level of error within State Pension is not significant.

Figure 8: Estimated overpayments and underpayments within state pension compared with all other benefits

	State Pension £million	All other benefits £million	Total £million
Expenditure	**2,328**	**3,781**	**6,109**
Overpayments	1.1 (0%)	91.2 (1.5%)	92.3 (1.5%)
Underpayments	3.6 (0.2%)	26.9 (0.3%)	30.5 (0.5%)

Source: Department for Communities accounts 2018-19.

1.36 The level of estimated error in State Pension expenditure is not material to my audit opinion and I have excluded it from my regularity qualification.

The Department's progress in reducing fraud and error

1.37 I acknowledge the considerable effort and resources the Department has put into reducing the estimated levels of fraud and customer error, as outlined in the Corporate Governance section of its Annual Report and Note 23 to the accounts.

Conclusion

1.38 In considering my audit opinion on benefits, I refer to absolute figures derived from the Department's estimates. As explained in paragraph 1.7 there are a number of factors that may affect the reported levels of fraud and error. I acknowledge that 38 per cent of benefits are measured annually for fraud and error and that State Pension is measured annually for official error. Furthermore estimated levels of fraud and error in benefits reviewed periodically, which represents 24 per cent of total benefit expenditure, are a number of years old.

1.39 I have qualified my opinion on the regularity of the 2018-19 Departmental Resource Accounts benefits expenditure of £3.8 billion (excluding State Pension) due to the material level of fraud and error. This comprises overpayments of £91.2 million and underpayments of £26.9 million.

1.40 The estimated levels of fraud and error in housing benefit expenditure included in the Department's financial statements is material and forms part of the qualification. As this benefit is paid to claimants out of the Housing Executive's accounts and the LPS Statement of Rate Levy Account my regularity audit opinion on these accounts is also qualified in respect of housing benefit expenditure. I have also reported on this matter in these accounts.

Part 2 Irregular expenditure on the Affordable Warmth Scheme

2.1 The Affordable Warmth Scheme (previously the Warm Homes Scheme) is the Department's Scheme for addressing fuel poverty in the private sector. The Housing Executive and District Councils deliver this Scheme across Northern Ireland on the Department's behalf.

2.2 The then Department of Finance and Personnel, now DoF, approved the business case for the Scheme in September 2014 on the basis that the Programme for Government (PfG) target to assist 9,000 households per year (22,500 households in total) would be met. Approval was subject to the condition that there would be no substantial changes to the scope or scale of the project as described in the business case. Early, in the life of the new Scheme, the investment per household increased from an average of £1,400 in the Warm Homes Scheme to over £4,000 in the Affordable Warmth Scheme. DoF should have been notified of the substantial change to the project at this stage. As the PfG target would not be achievable within the available budget the then Minister for Social Development commissioned a comprehensive review of the Scheme which anticipated changes to its design and targets.

2.3 Despite being alerted by the Department's Internal Audit in December 2016[11] the Department did not seek retrospective approval for the change until November 2018. In the absence of a revised business case, DoF considered the expenditure to be irregular and refused to approve it retrospectively. From April 2015 to mid-September 2018, the expenditure was approximately £56.5 million. The irregular expenditure in 2018-19 is £6 million. See **Figure 9**.

[11] Internal Audit Consultancy Review of the Affordable Warmth Scheme 2016-17.

Figure 9: Irregular Expenditure on the Affordable Warmth Scheme

	Irregular expenditure £m
2015-16	12
2016-17	20.5
2017-18	18
1 April 2018 - mid September 2018	6
Total	**56.5**

Source: Department for Communities

2.4 I have not qualified my regularity opinion as the irregular expenditure of £6 million this year is not material to the Department's accounts. I am disappointed that irregular expenditure of £56.5 million has been incurred since 2015-16:

- Particularly as it was to meet a PfG target that should have been subject to greater scrutiny;
- There were changes to the scope of the project within a year of DoF approval; and
- Internal Audit alerted the Department of this issue in December 2016.

Clearly, there was a breakdown in the Department's procedures resulting in the delay in requesting approval from DoF. This is compounded by the fact that recommendations to obtain the necessary approvals raised by Internal Audit in 2016 were not immediately acted upon. Internal Audit plays a key role in providing the Accounting Officer with independent and objective assurance. It is concerning that the Department's arrangements for implementing Internal Audit recommendations were not as robust as I would have expected given the significance of the matter raised.

2.5 The Department has noted in the Corporate Governance section of its Annual Report that it intends to strengthen controls in this area.

Part 3 Conclusion

3.1 I have qualified my regularity opinion on the 2018-19 Departmental Resource Accounts due to material levels of fraud and error in benefit expenditure, excluding State Pension. State Pension continues to demonstrate a very low level of error, while overpayments in other benefits remained at 1.5 per cent of benefit expenditure.

3.2 Overpayments increase costs to the taxpayer and reduce public resources that could be made available for other purposes, and underpayments mean that individuals may not be getting the support that they are entitled to. The Department should continue in its efforts to prevent, detect and reduce the levels of over and underpayments within each benefit.

3.3 Issuing an audit qualification is a serious matter, and the fact that similar qualifications have been in place for a significant period does not lessen that seriousness. I consider that the overall value of fraud and error in benefit expenditure remains unacceptably high, and the qualification of my audit opinion reflects that.

K J Donnelly

KJ Donnelly
Comptroller and Auditor General

4 July 2019

Northern Ireland Audit Office
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Belfast
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ANNEX A
Child Maintenance Service (CMS) Client Funds Account 2018–19

Management Commentary

1.1 Major Reforms

The Child Maintenance Service (CMS) is part of the Department for Communities; the CMS promotes the financial responsibility parents have for their children, providing information and advice about the different child maintenance options available to parents and administers the Statutory Child Maintenance Scheme in NI.

The CMS is responsible for the management of client funds relating to both the 2012 statutory child maintenance scheme operated by the Child Maintenance Service (CMS) and the 1993 and 2003 schemes (Legacy schemes) operated by the previous Child Support Agency. These schemes support children by collecting money from the paying parent and paying these funds to the receiving parent.

The Department for Communities (the Department) CMS is determined to maximise the number of effective maintenance arrangements for children who live apart from one or both of their parents. To do this it has a two-pronged approach: more support for separated families to work together and reach family-based arrangements; and for those that cannot the 2012 statutory scheme, which can collect money on behalf of parents. In addition, the Child Maintenance Choices service operates as the official 'gateway' to the statutory scheme and helps separated parents to make informed choices about their maintenance arrangements.

The 2012 scheme offers one simpler assessment type based on gross income and benefits in payment. The system retrieves this data automatically from HM Revenue and Customs (HMRC) and the Department's social security benefits system to carry out the assessment calculations.

Following the introduction of the 2012 scheme on a pathfinder approach in December 2012, the scheme opened to all new applicants in November 2013. The Department was then able to proceed to its second phase of reform on 30 June 2014. This included the introduction of collection and enforcement charges as part of a package of financial incentives to encourage parents to take greater financial responsibility for their children. The charging structure per the Scheme adds 20% to each of the paying parents' child maintenance payments and deducts a 4% charge from the payment made to the receiving parents.' The intention is that only those clients, who are unable to reach a family-based arrangement or where the paying parent has failed to pay using Direct Pay, utilise the Collect and Pay statutory service.

Once an application is made to the 2012 scheme, both parents can avoid collection charges entirely by using the Direct Pay service (where parents organise payments between themselves based upon a CMS calculation), this can be a step towards a more collaborative relationship. It is encouraging to see that, at March 2019, two out of three parents using the 2012 statutory scheme are already using this service and thus avoiding charges completely.

Throughout the 2018-19 year the Child Maintenance Service (CMS) has continued to progress major reforms to child maintenance. This includes ongoing implementation of the 2012 scheme, while at the same time administering the 1993 and 2003 schemes and preparing them for eventual closure.

Closure Activity has continued throughout the 2018-19 year with all on-going liabilities under the Legacy Schemes ended by December 2018; a total of approximately 4,935 cases were closed on the Legacy Schemes throughout the year (2017-18: 4,421 cases). The live caseload on the 1993 and 2003 schemes at the end of March 2019 was 2,291 cases (31 March 2018: 7,226). This caseload represents nine cases which are awaiting transition to the CMS 2012 system and all the remaining cases are arrears only cases; arrears only cases are those cases where regular maintenance has ceased and no longer charges but arrears remain outstanding on the case.

In 2018-19 NI CMS, in line with the approach adopted by the GB Department for Work and Pensions (DWP) Child Maintenance Group (CMG), moved to the next phase of the Child Maintenance Reform Programme with the implementation of the NI Compliance and Arrears Strategy. The Strategy received approval from the Department of Finance in November

2018. The associated legislation, package one of the Regulations (the Child Support (Miscellaneous Amendments) Regulations (Northern Ireland) 2018) came into operation on 13th December 2018.

The Strategy focuses on appropriately treating historic arrears which have built up on the Child Support Agency (CSA) 1993 and 2003 statutory child maintenance schemes (also known as the Legacy schemes). This will allow all cases on the 1993 and 2003 statutory schemes to be closed and enable the 1993/2003 IT systems to be decommissioned.

Following a UK wide public consultation in 2017-18 by the Department for Work and Pensions on the proposals for the compliance and arrears strategy, it was determined that the best approach to address the historic arrears was to:

- restate all arrears owed to the Department;
- restate arrears owed to the Parent with Care on non-paying cases where the arrears are under £1,000 and the case began on or before 1 November 2008;
- restate arrears owed to the Parent with Care on non-paying cases where the arrears are under £500 and the case began after 1 November 2008.

Where arrears are greater than £1,000/£500 NI CMS will offer clients the opportunity to make representations if they wish NI CMS to attempt a final collection of their arrears. If clients do not wish NI CMS to take this action, NI CMS will restate those arrears. NI CMS aim to have the representation activity completed by December 2019.

In November 2018 NI CMS commenced addressing arrears owed to the Department and at the end of March 2019 5,549 cases have been selected with an amount of £13.972 million restated in total. The number of cases restated for the year represents approximately 73% of the anticipated restatement total. (For further information please see Note 4 to the accounts). In 2019-20 NI CMS will switch focus to arrears owed to Parents with Care and where possible restate those arrears.

Once all representation and restatement activity has been completed the 1993 and 2003 computer systems can be retired, as they will no longer be required. However, as historical information about the case may still be needed once it has transitioned, some key information will be archived on the CMS 2012 IT system. Archiving commenced in December 2018 and is due to be completed by September 2019. The aim is to decommission and retire the core 1993 and 2003 systems by May 2021.

The NI Compliance and Arrears Strategy also aims to minimise arrears accruing on the 2012 statutory child maintenance scheme. The regulations that came into operation on 13th December 2018 included additional collection powers to close some gaps and maximise chances of collection on the CMS 2012 Scheme. This included changes to:

- Take into account notional income derived from assets to ensure complex earners in CMS cases, who can afford to, will pay more maintenance;
- Enable deductions from joint and unlimited partnership business accounts.

The second package of Regulations aligned to the Compliance and Arrears Strategy will make changes to deductions from benefit powers, extending these powers to allow the collection of arrears of unpaid maintenance when ongoing maintenance has ended. These powers will also be applied to a broader range of benefits, including Universal Credit. It is intended that these Regulations will come into operation in Summer 2019.

Performance during 2018-19 - 2012 Scheme

The caseload at 31 March 2019 was 15,355 (2018:13,746). At that point 91.6% of case groups were contributing towards their current liability (31 March 2018: 91.9%).

Parents using the 2012 scheme may elect to use either the Direct Pay or the Collect and Pay service. In total, the Department estimates that £18.302 million (2017-18: £14,956 million) was paid between parents:

- £15.108 million through Direct Pay; and
- £3.194 million through Collect and Pay

1.1.1 Direct Pay

A case is classed as Direct Pay when the maintenance calculation has been derived by CMS (after assessment of the case) and the paying parent pays maintenance direct to the receiving parent. Parents are incentivised, through fees on the Collect and Pay service, to choose Direct Pay.

As at 31st March 2019, 69% (31 March 2018: 69%) of those parents due to pay their liability were using Direct Pay rather than the collection service. Payments made through Direct Pay do not flow through the Client Funds Bank Account; payments due under Direct Pay are considered to be made in full and on time unless CMS is informed otherwise.

Where a payment is reported as missed, both clients are asked to provide evidence of the missed payment. Where it is deemed the paying parent is unlikely to pay, the case may be changed to collect and pay where enforcement tools are available to re-establish compliance and recover any outstanding arrears, including any arrears which accrued while the case was Direct Pay.

1.1.2 Receipts of child maintenance – Collect and Pay

During 2018-19, approximately £0.062 million (2017-18: £0.053 million) individual receipts were recorded. Total monies received (including collection charges) were £4.353 million (2017-18: £3.320 million (restated)) with 99% of receipts by volume received electronically.

1.1.3 Payments of child maintenance – Collect and Pay

During 2018-19, approximately £0.059 million (2017-18: £0.051 million (restated)) individual payments were made to parents with care with a total value of £3.405 million (2017-18: £2.631 million). One hundred per cent of payments are made by funds transferred electronically to clients' bank accounts.

1.2 Performance during 2018-19 - 1993 and 2003 Schemes

The live caseload on the 1993 and 2003 schemes was 2,291 by the end of March 2019 (7,226 at 31 March 2018). By December 2018, all on-going liabilities under the 1993 and 2003 schemes were ended.

As part of the Case Closure Programme during 2018-19, NI CMS continued to contact 1993 and 2003 system clients parents with care to ask them to consider if they would like their arrears managed on the 2012 system, or if they would prefer the arrears to be written off. (There are several reasons why a parent with care may ask for arrears to be written off, for example they may have reconciled with their partner).

For clients who decide to have their arrears managed on the 2012 system, the current process is to transfer arrears from the 1993 and 2003 systems to the 2012 system. Financial controls exist to ensure the values migrating between systems are accurately received and correctly attributed as either due to the parent with care or the Department (for cases where benefits were in payment prior to 2008).

During the reporting year to 31 March 2019 £3.293 million of arrears had transferred to the 2012 system (2017-18: £4.378 million) with only £0.115 million in transit between schemes at the year-end due to timing on the case build process on the 2012 system (2017-18: £0.080 million).

1.3 Outstanding Arrears of Child Maintenance

In addition to reporting the receipts and payments of maintenance monies, the Department is required to report on the value of outstanding child maintenance arrears, which totalled £29.711 million at 31 March 2019 (31 March 2018: £61.203 million).

1.4 Assessment Accuracy

Assessment accuracy compares the aggregate weekly value of correct and incorrect assessments made by caseworkers to calculate the percentage of accurate cases.

Due to the closure of Legacy cases (1993 and 2003 Schemes) over the last three years it is not possible to generate a statistically valid sample of cases to test and determine the assessment accuracy. The last accuracy measurement for the Legacy Schemes was for the 2015-16 year and this was 96.2%.

The 2012 scheme simplified the way the Department administers child maintenance. For example, it has significantly reduced the number of procedures and manual interventions involved in its administration, and built direct digital interfaces with Her Majesty's Revenue and Customs and the Department's benefit systems to establish parental income and calculate maintenance.

For the year to 31 March 2019, the reported accuracy for the 2012 Scheme was 97.2% (2017-18: 97.1%). This figure does not take account of fully automated transactions in the assessment calculation; i.e. where a caseworker does not intervene. In the 2018-19 year extensive work was undertaken to establish the process to identify the NI CMS automated case transactions and to determine the impact on the overall assessment accuracy for the 2012 Scheme.

In addition the Department has completed a review of its accuracy assessment methodology with the view to moving to a different approach. From April 2019 NI CMS will calculate child maintenance accuracy assessments using the Monetary Value of Error (MVE) approach. This will provide an overall accuracy assessment result on caseworker error that incorporates both manual and fully automated transactions. This will bring consistency to the reporting of official error performance both within the Department and within the Department for Work and Pensions CMG.

Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the Department of Finance has directed the Department for Communities to prepare a Statement of Client Funds Account for each financial year in the form and on the basis set out in the Accounts Direction. The Clients Fund accounts must comprise a Receipts and Payments Account, a Statement of Cash Balances and must properly present the receipts and payments for the financial year and the balances held at the year-end.

The notes to the Client Funds Account must include a summary of the maintenance assessment balances at the beginning and the end of the year and movements thereon during the year. The summary must also disclose the extent to which any outstanding maintenance arrears are likely to be collected. In addition the amount of the arrears must be categorised as to its collectability.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Department of Finance, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Department of Finance has appointed the Head of the Department for Communities as Accounting Officer of the Department. The Accounting Officer for the Department for Communities is also the Accounting Officer for the Child Maintenance Service Client Funds. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Department for Communities' assets, are set out in Managing Public Money Northern Ireland published by the Department of Finance.

The Accounting Officer confirms that, as far as she is aware, there is no relevant audit information of which the Department's auditors are unaware, that she has taken all the steps necessary to make herself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

She also confirms that the accounts as a whole are fair, balanced and understandable and takes personal responsibility for the accounts and the judgements required for determining that they are fair, balanced and understandable.

Tracy Meharg

TRACY MEHARG

ACCOUNTING OFFICER

27 JUNE 2019

Governance Statement

Introduction

The Department for Communities has responsibility for the management of client funds relating to the 1993, 2003 and 2012 statutory child maintenance schemes, which include the flow of receipts from non-resident parents, payments to persons with care of the children and the Department, and the accumulated maintenance arrears. The Department is required to publish a separate Client Funds Account, in accordance with the Department of Finance Accounts Direction under Section 11(2) of the Government and Resources and Accounts Act (Northern Ireland) 2001. The Department operates the statutory child maintenance scheme through the Child Maintenance Service.

The governance arrangements set out in the Departmental Resource Account for the year ended 31 March 2019 relate to the Child Maintenance Service as part of the Department.

This statement provides comment on issues which are specific to the Child Maintenance Service operating within the Department with specific reference to the significant control weaknesses relevant to the Child Maintenance Service.

Legacy Schemes - Case Closure Programme

Many of the control weaknesses highlighted in previous years accounts and documented below, arise as a result of the limitations in the systems underpinning the 1993 and 2003 statutory schemes (also known as the Legacy schemes), which have led to repeated qualified audit opinions by the Comptroller and Auditor General. Whilst this statement records the action which the Department has taken to manage these control weaknesses, a key part of the strategic solution remains the full implementation of the 2012 scheme.

The 2012 Statutory Scheme opened on a pathfinder basis in December 2012 and then to all new applicants on 25 November 2013. On 30 June 2014 the second phase of the reform programme introduced collection and enforcement charges for clients using the new statutory scheme.

Following on from the Case Closure Programme, which commenced in 2014, NI CMS moved onto the next phase of Child Maintenance Reform Programme with the implementation of the NI Compliance and Arrears Strategy in 2018-19. The Strategy received approval from the Department of Finance in November 2018. The associated legislation, package one of the Regulations (the Child Support (Miscellaneous Amendments) Regulations (Northern Ireland) 2018 came into operation on 13th December 2018.

The Strategy, focuses on appropriately treating historic arrears which have built up on the Child Support Agency (CSA) 1993 and 2003 statutory child maintenance schemes. Specific criteria will identify categories of arrears for restatement activity. Where arrears are greater than £1,000/£500 NI CMS will offer clients the opportunity to make representations to NI CMS to make a final attempt to collect their arrears. If clients do not wish NI CMS to take this action, NI CMS will restate those arrears. NI CMS aim to have the representation activity completed by December 2019.

This will allow all cases on the 1993 and 2003 statutory schemes to be closed and enable the 1993/2003 IT systems to be decommissioned. The NI Compliance and Arrears Strategy will also seek to minimise arrears accruing on the 2012 statutory child maintenance scheme.

In November 2018 NI CMS commenced addressing arrears owed to the Department and have so far selected 5,549 cases and restated £13.972 million in total. In 2019-20 NI CMS will switch focus to arrears owed to Parents with Care with arrears either being collected following representation, or restated. NI CMS also aim to introduce additional regulations in July 2019 to improve compliance on the 2012 statutory scheme.

Once all representation and restatement activity has been completed the 1993 and 2003 computer systems can be retired, as they will no longer be required. However, as historical information about the case may still be needed once it has transitioned, some key information will be archived on the CMS 2012 IT system. Archiving commenced in

December 2018 and is due to be completed by September 2019. The aim is to decommission and retire the core 1993 and 2003 systems by May 2021.

Internal Audit Opinion

During 2018-19, Internal Audit carried out a review of the reported performance figure against the Cash Value Accuracy target for 2017-18 as well as an examination of the handling of applications for Child Maintenance - NI CMS 2012 New Applications (Initial Clearance). Both internal audit assignments resulted in a satisfactory opinion.

Significant Governance and Internal Control Challenges

Accuracy of Maintenance Assessments

Assessment accuracy was an issue for the 1993 and 2003 schemes. The inaccuracy of maintenance assessments and consequent uncertainty around the reported arrears have contributed to the ongoing qualification of the CMS Client Funds accounts. The accumulated inaccuracies arising mainly from earlier years continue to affect the current arrears balances.

It is not possible to identify, review and correct all errors on previous cases from earlier years. Additionally, as the Department is wholly reliant on the Department for Work and Pensions for the provision of IT systems, the Department is not in a position to correct the underlying deficiencies which have contributed to these errors. In 2018-19 the Cash Value Accuracy remained an area of focus particularly during the challenging conditions brought about by the movement of work relating to the closure of cases on the 1993 and 2003 schemes, while maintaining the growing 2012 Scheme caseload.

In respect of the 2012 Scheme, internally reported assessment accuracy for 2018-19 is 97.2% (2017-18: 97.1%). This does not however fully reflect the automation of the CMS 2012 system. A review was completed in 2018-19 to enable NI CMS to adopt a new accuracy assessment methodology for the forthcoming financial year, this is the Monetary

Value of Error approach. This methodology will take account of both 2012 manual and fully automated assessment cases.

Accounting Information

Due to the limitations of the CMS Child Support Computer Systems (CSCS and CS2) supporting the 1993 and 2003 schemes, the evidence available to support the accuracy and completeness of outstanding maintenance arrears balances continues to be limited or unavailable. There continues to be significant uncertainty over the accuracy and completeness of the arrears balances.

Due to the absence of a satisfactory audit trail to support the outstanding maintenance arrears balances recorded in note 5.1 of the Account, the Comptroller and Auditor General is unable to conclude on the accuracy and completeness of maintenance arrears balances and has disclaimed his audit opinion in respect of this note alone. This is on the basis that he considers the uncertainties in relation to maintenance arrears to be both material and pervasive to this note.

Statement of Balances

Due to insufficient information being available in underlying IT systems, the Client Funds Receipts and Payments Account and Statement of Balances have historically been prepared using bank statements. The Statement of Balances discloses the balance on the bank account at the year end. The year-end bank balance is then broken down between funds received into the bank which are awaiting clearance and cleared funds which are awaiting distribution.

The analysis of cleared funds is heavily reliant on system generated reports. While the Department can provide a full and detailed breakdown of cash transactions for the current year and historic banking transactions will have been subject to full management and audit scrutiny, the Department is not able to fully reconcile the outstanding bank balance in respect of the 1993 and 2003 schemes to reports generated from the client systems. This un-reconciled balance will be subject to fluctuations. The Department will continue to take the appropriate action to attempt to resolve this issue as far as possible and to assess the impact of the activity from the Compliance and Arrears Strategy on the Statement of Balances.

Reimbursements to Clients

Where cases are subject to significant delay or maladministration, the Department can incur costs in the form of special payments for compensation for delay, maladministration or financial loss, where appropriate. Such costs are reflected within the Accountability Report of the DfC Resource Account. This totalled £0.027 million in 2018-19 (2017-18: £0.046 million).

Conclusion

The Department will continue to work with the Department for Work and Pensions in Great Britain on the continued development of the 2012 Child Maintenance system and the actions, to address the longstanding arrears balance on the Legacy systems. During 2018-19 progress on this issue has been achieved with the implementation of the NI CMS Compliance and Arrears Strategy and the introduction of new legislation. This work focused on the appropriate treatment of historic debt arrears on the Legacy systems and actions to minimise debt arrears accruing on the 2012 statutory child maintenance scheme. This activity will continue throughout the next financial year.

I am satisfied that the Child Maintenance Service has effective governance arrangement in place that I can rely on as Accounting Officer to provide assurance that the public funds and other resources for which I am accountable are deployed effectively. Where significant issues have arisen I am satisfied that the appropriate action is being taken to address the issues concerned.

Tracy Meharg

TRACY MEHARG

ACCOUNTING OFFICER

27 JUNE 2019

Certificate of the Comptroller and Auditor General to the Northern Ireland Assembly

CHILD MAINTENANCE SERVICES CLIENT FUND ACCOUNT 2018-19

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of the Child Maintenance Service Client Funds for the year ended 31 March 2019 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise the Receipts and Payments Account, Statement of Balances and the related notes including significant accounting policies. These financial statements have been prepared under the accounting policies set out within them.

In my opinion the financial statements:

- properly present the receipts and payments of the Child Maintenance Service Client Funds Account for the year then ended and the cash balances held at 31 March 2019; and
- have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance directions issued thereunder, except for the Outstanding Maintenance Arrears at Note 5.1, as further detailed below in "Basis of opinions".

Disclaimer of opinion on maintenance arrears balance

Due to the significance of the issues described in the "Basis of opinions" below, I have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the maintenance arrears balance at Note 5.1 so therefore have not expressed an opinion on this balance.

Qualified opinion on regularity

In my opinion, except for the receipts and payments that have arisen from the proportion of the maintenance assessments calculated in error, in all material respects the receipts and payments and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

My opinion on the maintenance arrears balance of £29.7 million is disclaimed as my audit examination of maintenance arrears balances was limited. This is because there was insufficient evidence to substantiate the level of maintenance arrears included within Note 5.1 to the Account. The Department does not maintain adequate accounting records to support the level of outstanding maintenance arrears. I have not therefore received all the information and explanations I require for my audit.

I was also not able to confirm the accuracy and completeness of the maintenance assessments, which form the basis of the maintenance arrears balance. I am not able to provide a precise estimate of the level of error but consider it material.

As the Client Fund Account is not prepared on an accruals basis, the maintenance arrears figures in Note 5.1 do not affect any other disclosures within the Account. Consequently, the disclaimer of my audit opinion is in respect of Note 5.1 only.

My opinion on regularity is qualified as the Department for Communities (the Department) is required to calculate maintenance assessments in accordance with the relevant legislation. My examination of maintenance assessments has identified cases that have been calculated incorrectly. Receipts have been obtained, and payments have been made, based on these incorrect assessments. It is not practicable to quantify the overall irregularity in £3.9 million of receipts and £3.5 million of payments based on maintenance assessment calculations, however I consider it to be material.

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Department in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. Except for Note 5.1, I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the information given in the Management Commentary and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they properly present the receipts and payments during the year.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001.

My objectives are to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Matters on which I report by exception

Due to the matters leading to my disclaimer I report to you that, in my opinion:

- adequate accounting records have not been kept; and
- I have not received all of the information and explanations I require for my audit.

I have nothing to report in respect of the following matter which I report to you if, in my opinion:

- the financial statements are not in agreement with the accounting records; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

My detailed observations are included in my report attached to these financial statements.

KJ Donnelly

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

4 July 2019

Financial Statements

CHILD MAINTENANCE SERVICE (CMS) CLIENT FUNDS ACCOUNT

Receipts and Payments Account for the year ended 31 March 2019

	Notes	2018-19 £'000	2017-18 £'000
Receipts	**2**	4,725	5,540
Total Receipts		**4,725**	**5,540**
Less Payments to :			
Parents With Care	**2**	3,587	4,505
the Department (including fees)	**2**	1,008	712
Department for Work and Pensions (DWP)	**2**	130	25
Non Resident Parents	**2**	113	213
Total payments		**4,838**	**5,455**
Net (Payments)/Receipts		**(113)**	**85**
Balance as at 1 April		291	206
Balance as at 31 March	**3**	**178**	**291**

Statement of Balances as at 31 March 2019

	Notes	2018-19 £'000	2017-18 £'000
Funds awaiting clearance	**3**	**58**	**166**
Cleared funds awaiting distribution	**3**	**120**	**125**
Balance on bank account		**178**	**291**

The notes on pages 242 to 252 form part of these accounts.

Tracy Meharg

TRACY MEHARG

ACCOUNTING OFFICER

27 JUNE 2019

NOTES TO THE ACCOUNT

1. Accounting Policies

1.1 This Receipts and Payments Account has been prepared on a cash basis and in the form directed by the Department of Finance.

1.2. The Client Funds Account properly presents the receipts and payments and cash balances of the CMS Client Funds. The Client Funds Account is required to be published along with the Department's Resource Accounts and includes a Statement of Accounting Officer's Responsibilities and a Governance Statement.

1.3. The notes to the CMS Client Funds Account include a summary of the maintenance assessment balances at the beginning and end of the year and the movements thereon during the year both for the current year and the previous year. CMS is required to disclose the extent to which any outstanding maintenance arrears are likely to be collected with the total amount of arrears categorised as to its collectability.

1.4. The outstanding maintenance arrears note has been prepared on an accruals basis.

2. Receipts and Payments

Receipts

2.1 Receipts from clients relate to child maintenance collected from non-resident parents, 2018-19 £3.898 million (2017-18: £4.933 million); and the receipt of collection and enforcement charges, 2018-19 £0.751 million (2017-18: £0.469 million. Receipts also include drawdowns and receipts from the Department; for the 2018-19 financial year these were £0.076 million (2017-18: £0.138 million).

2.2 The receipts quoted in the Receipts and Payments Account differ from the receipts total shown in movements on outstanding maintenance arrears (see Notes 5.1 and

5.2). This is due principally to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Account.

Payments

2.3 Payments to persons with care include payments made per the 2012 Collect and Pay scheme £3.272 million (2017-18: £2.631 million) and per the Legacy Schemes £0.182 million (2017-18: £1.874 million).

2.4 The payments to the Department of £1.008 million, include payments of £0.176 million (2017-18: £0.225 million (restated)) that have been made in respect of funds received on 1993 and 2003 scheme cases where clients were in receipt of benefit at the time of the assessment, pre-October 2008. When funds are received which relate to periods when clients were in receipt of benefits these payments continue to be made to the Department.

Payments to the Department also include £0.819 million of collection and enforcement charges received from parents using the 2012 Collect and Pay Scheme (2017-18: £0.459 million).

A sundry amount of £0.013 million consists of £0.007 million for DNA fees (2017-18: £0.020 million) and £0.006 million for CFER receipts (2017-18: £0.008 million) also paid to the Department.

2.5 Payments to the Department for Work and Pensions (DWP) relate to maintenance transactions between the Department and the Child Maintenance Group in DWP/GB. This amount includes Direct Earnings Attachment (DEA) child maintenance payments and benefit deductions for child maintenance that require reimbursement back to DWP CMG.

2.6 Refunds are made to Non-Resident Parents under a number of different circumstances. In the year £0.027 million (2017-18: £0.142 million) relates mainly to clerical cases under the 1993 and 2003 schemes processed through the case closure process and £0.086 million (2017-18: £0.071 million) relates to refunds on cases on the 2012 Scheme.

Money is received from the Department to refund Non-Resident Parents in cases where an overpayment has been made, and the amount is irrecoverable as the case has been closed under the 1993 and 2003 schemes. This totalled £0.027 million (2017-18: £0.046 million (restated)) and includes any amounts paid for maladministration or financial loss. This amount is disclosed within the Accountability Report of the Department's Resource Account.

3. Statement of Balances

3.1 These balances relate to sums collected from Non-Resident Parents and interest received which had not been paid over to Persons With Care, the Department, the Department for Work and Pensions or Non-Resident Parents at year end.

3.2 The balances relating to funds awaiting clearance, 2018-19 £0.058 million (2017-18: £0.166 million) are amounts that CMS has received into its bank account but have not yet cleared through the bank's clearance processes.

3.3 The balances relating to cleared funds awaiting distribution, 2018-19 £0.120 million (2017-18: £0.125 million) are amounts that CMS has received into the Client Funds bank account but have not yet been paid out to Persons with Care, the Department, the Department for Work and Pensions or Non-Resident Parents.

4. Outstanding Maintenance Arrears at 31 March 2019

4.1 Under the Accounts Direction, issued by the Department of Finance, the Department is required to disclose the balances outstanding from non-resident parents at the year end, the movements in the balances outstanding between the beginning and end of the year and to categorise those balances by reference to their collectability.

4.2 ***1993 and 2003 schemes***

There are four types of maintenance assessments:

- Full maintenance assessments – where the 1993 rules apply and both the parent with care and the non-resident parent provide all the information requested.
- Interim maintenance assessments – where the 1993 rules apply and it has not been possible to obtain sufficient information to make a full maintenance assessment.
- Maintenance calculation – where the 2003 rules apply and both the parent with care and the non-resident parent provide all the information requested.
- Default maintenance decision – where the 2003 rules apply and it has not been possible to obtain sufficient information to make a maintenance calculation.

The majority of interim maintenance assessments were set at punitive rates to encourage contact from, and compliance by, the non-resident parent, and hence take no account of their income or ability to pay.

Where the statutory maintenance service is in contact with a non-resident parent on whom an interim maintenance assessment has been imposed, a proportion of the amount outstanding may prove collectable. This is particularly likely where the non-resident parent is co-operating with us and we are able to replace the interim maintenance assessment with a full maintenance assessment.

Where an interim maintenance assessment has been imposed on or after 18 April 1995, the subsequent full maintenance assessment will be backdated and will replace the interim maintenance assessment. Any amounts collected under the interim maintenance assessment will be offset against the full maintenance assessment due.

A default maintenance decision is a calculation based on a weekly average wage and is not set at punitive rates.

4.3 ***2012 scheme***

The 2012 scheme offers one simple assessment type based on gross income and benefits in payment. The system pulls data automatically from HM Revenue and Customs and the Department's benefits systems to carry out the assessment calculations.

Collectability of Outstanding Maintenance Arrears

4.4 In line with the Accounts Direction, CMS undertook an "Outstanding Maintenance Arrears Analysis Exercise" during 2018-19 to estimate the collectability of outstanding maintenance arrears. The results have been used as the basis to estimate the collectability of outstanding maintenance arrears as at 31 March 2019 and are included in Note 5. (The prior year collectability figures are based on the results of an exercise completed in 2014-15).

The collectability exercise establishes three categories for the total outstanding maintenance arrears balance; these are likely to be collectable, possibly uncollectable and probably uncollectable.

Likely to be Collectable

This relates to amounts outstanding which the Exercise suggested are likely to be collected. This takes into account factors such as regular contact with the Non-Resident Parent, where regular payments are being made or an arrears agreement has been set up.

Possibly uncollectable

This relates to amounts outstanding where the Exercise suggested some uncertainty over whether arrears will be collected. The amounts are considered possibly uncollectable where, for example, payments have been infrequent or it has not been possible to establish an arrears agreement or impose a Deduction from Earnings Order. An estimate has been calculated, assessing the difficulty of collecting the outstanding maintenance arrears. Where it is likely to be difficult to collect, due to, for example, unsuccessful attempts to trace a client but the NRPs address or bank account details are known, a proportion of these amounts has been estimated as possibly uncollectable.

Probably uncollectable

This relates to amounts outstanding where the Exercise suggested there is significant uncertainty over whether arrears will be collected due to, for example, the lack of contact with, or the personal circumstances of, the Non-Resident Parent. In many of these cases the Department has suspended recovery action until such time as the individuals' circumstances change. Under such circumstances the outstanding maintenance arrears in this category have been estimated as probably uncollectable.

4.5 In Note 5 the total Outstanding Maintenance Arrears (OMA) balances for the 1993 CSCS Scheme, the 2003 CS2 Scheme and the Legacy Arrears hosted on the 2012 scheme are categorised under the three groups - likely to be collectable, possibly uncollectable and probably uncollectable.

The results of the Collectability Exercise are estimates only and at this stage it is not possible to assess the impact of the further representation work on OMA balances which will be progressed in 2019-20 under the NI Compliance and Arrears Strategy.

4.6 The outstanding arrears for 2012 Scheme cases are considered likely to be collected based on these arrears primarily accruing within the last six years. In addition the Compliance and Arrears Strategy introduces further reforms that seek to minimise arrears accruing on the 2012 statutory child maintenance scheme. This position will continue to be reviewed.

4.7 On 10 December 2012, powers within the Child Maintenance Act (Northern Ireland) 2008 were introduced, which allowed for the writing off of some arrears in certain circumstances. These are circumstances when the parent with care specifically requests us not to collect the arrears, or when collection is impossible because, for example the non-resident parent has died and the arrears cannot be recovered from the estate. There are several reasons why a parent with care would ask for the arrears to be written off, for example, they may have reconciled with their former partner.

4.8 Provision has also been made for the parent with care to accept part payment in full and final satisfaction of the outstanding arrears. These arrangements will be made on a case-by-case basis and, where CMS is considering use of these powers, the parent with care will be required to provide their consent to the part-payment arrangement and the amount to be paid.

4.9 Per the NI CMS Compliance and Arrears Strategy and associated regulations the Department has taken forward restatement activity on the historic arrears which have built up on the Child Support Agency (CSA) 1993 and 2003 statutory child maintenance schemes (also known as the Legacy schemes). The restatement amounts per Scheme are disclosed below and are included within the Outstanding Maintenance Arrears (OMA) in Note 5 to the accounts. Also included within the OMA note are the business as usual write-off amounts actioned under the pre-existing write-off arrangements.

4.10 In total £15.165 million has been restated /written off for the 2018-19 financial year and details of this are included below:

	Restatement Amount £'000	Write-off Amount £'000	Total £'000
1993 CSCS	4,866	122	4,988
2003 CS2	4,969	156	5,125
Legacy Arrears on 2012	4,137	740	4,877
CMS 2012	-	175	175
Total	**13,972**	**1,193**	**15,165**

Note 5.1 Outstanding Maintenance Arrears as at 31 March 2019

	1993 Scheme (CSCS) £'000	2003 Scheme (CS2) £'000	Legacy Arrears hosted on 2012 Scheme £'000	2012 Scheme £'000	Total £'000
Opening balances as at 1 April 2018	**11,153**	**32,291**	**14,365**	**3,394**	**61,203**
Transfer between schemes *(Note a)*	(1,271)	(2,022)	3,293	-	-
Write Off *(5.iii)*	(122)	(156)	(740)	(175)	(1,193)
Restatement *(5.3iii)*	(4,866)	(4,969)	(4,137)	-	(13,972)
Maintenance Charged in Year *(5.i)*	90	5,872	-	5,141	11,103
Maintenance Adjustments *(Note b) (5.ii)*	(131)	(22,852)	(272)	(317)	(23,572)
Maintenance Received in Year *(5.iv)*	(113)	(82)	(469)	(3,194)	(3,858)
Closing balances as at 31 March 2019	**4,740**	**8,082**	**12,040**	**4,849**	**29,711**
Collectability analysis					
Likely to be collected	476	2,468	5,006	4,849	12,454
Possibly uncollectable	425	1,302	3,068	-	4,143
Probably uncollectable	3,839	4,312	3,966	-	13,114
	4,740	**8,082**	**12,040**	**4,849**	**29,711**

Note a

Transfer between schemes relates to movement of arrears balances from 1993 and 2003 schemes to the 2012 scheme.

Note b

Maintenance adjustments include outstanding maintenance arrears transferred to and from the Child Maintenance Group in Great Britain, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due.

Note 5.2 Outstanding Maintenance Arrears as at 31 March 2018

	1993 Scheme (CSCS) £'000	2003 Scheme (CS2) £'000	Legacy Arrears hosted on 2012 Scheme £'000	2012 Scheme £'000	Total £'000
Opening balances as at 1 April 2017	**13,200**	**35,105**	**11,346**	**2,007**	**61,658**
Transfer between schemes *(Note a)*	(257)	(4,121)	4,378	-	**-**
Write Off *(5.iii)*	(391)	(1,118)	(619)	(118)	**(2,246)**
Maintenance Charged in Year *(5.i)*	102	6,718	-	4,250	**11,070**
Maintenance Adjustments *(Note b) (5.ii)*	(1,154)	(2,916)	(399)	(220)	**(4,689)**
Maintenance Received in Year *(5.iv)*	(347)	(1,377)	(341)	(2,525)	**(4,590)**
Closing balances as at 31 March 2018	**11,153**	**32,291**	**14,365**	**3,394**	**61,203**
Collectability analysis					
Likely to be collected	1,377	7,675	956	3,394	**13,402**
Possibly uncollectable	832	4,336	557	-	**5,725**
Probably uncollectable	8,944	20,280	12,852	-	**42,076**
	11,153	**32,291**	**14,365**	**3,394**	**61,203**

Note a

Transfer between schemes relates to movement of arrears balances from 1993 and 2003 schemes to the 2012 scheme.

Note b

Maintenance adjustments include outstanding maintenance arrears transferred to and from the Child Maintenance Group in Great Britain, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due.

Note 5.3 Movements in outstanding maintenance arrears

The following notes explain movements from the opening outstanding maintenance arrears balance to the closing balance:

i) Maintenance charged in year relates to assessments made on non-resident parents during the year. The amount charged in 2018-19 was £11.103 million (2017-18: £11.070 million). The increase for the 2012 scheme reflects the small rise in the 2012 Collect and Pay activity. The reduction in CSCS and CS2 maintenance charged relates primarily to case closure activity.

ii) Maintenance adjustments comprises outstanding maintenance arrears transferred to and from the Child Maintenance Group in Great Britain, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due. The maintenance adjustments in 2018-19 totalled £23.572 million (2017-18: £4.689 million); this increase is primarily attributable to CS2 restatement activity as per part i) above.

iii) CMS has continued to make use of business as usual write off powers introduced as part of the Write off and Part Payment legislation. In addition new restatement powers were introduced in December 2018 as part of the NI CMS Compliance and Arrears Strategy. The total amount written off on 1993, 2003 and 2012 schemes in 2018-19 is £15.165 million (2017-18: £2.246 million); this increase is primarily as a result of the restatement activity carried out on all three schemes as described in paragraphs 4.9 - 4.10.

iv) Maintenance received during the year comprises amounts received from non-resident parents, and the Child Maintenance Group in Great Britain during the year. When a receipt is subsequently allocated to a case by the child support computer systems, the receipt becomes a constituent of the arrears balance for that case. The timing difference between receipt, assignment and allocation contributes to the difference between the value of the receipts in the Receipts and Payments Account and the receipt amounts in Note 5. The total value of receipts allocated to cases in 2018-19 was £3.858 million (2017-18: £4.590 million). Additionally the Receipts and Payments Account includes payments of non-child maintenance not reported in Note 5, which purely covers child maintenance.

Report of the Comptroller and Auditor General

Introduction

1. The Department for Communities (the Department) is responsible for administering the statutory child maintenance scheme in Northern Ireland and the management of client funds relating to these schemes. The Department's Child Maintenance Service (CMS) also promotes parents' financial responsibility for their children and provides information and advice on the different child maintenance options available to parents.

2. Under the Government Resources and Accounts Act (NI) 2001, the Department of Finance has directed the Department to prepare a Statement of Client Funds Account. This is a receipts and payments account that mainly shows receipts of child maintenance from non-resident parents and payments[1] to persons with care responsibilities for children.

3. The Department is also required to provide a summary of the amounts due in respect of unpaid maintenance assessments together with its assessment of the extent to which they are likely to be collected. The administration costs of running the CMS are accounted for through the Department's Resource Account.

4. I am required to examine and certify the CMS Client Funds Account and report the results to the Northern Ireland Assembly. Every year since the creation of the Northern Ireland Child Support Agency[2] in April 1993, I have qualified my audit opinion on this Account. My work this year has led to my conclusion that a qualified audit opinion continues to be required in relation to:

    - the regularity of the receipts and payments reported in the Account, which do not comply with the regulations governing them. This is because such receipts and payments are based on maintenance assessments calculated over several years and I consider the historic level of error in these maintenance assessments to be material (see paragraphs 5 to 17); and
    - the accuracy and completeness of the outstanding maintenance arrears at 31 March 2019 as shown in note 5.1 to the accounts. My examination of the

[1] In some instances, parents also pay back benefits they have received from the Department (or the Department of Work and Pensions) to support their children.
[2] The Northern Ireland Child Support Agency was the government body responsible for the calculation, enforcement and collection of Child Maintenance in Northern Ireland and was established in 1993. In April 2008, the Agency ceased to exist and became an integral part of the Department.

arrears balance was severely limited because of an inadequate audit trail. Therefore, I was unable to obtain enough evidence to satisfy myself as to the accuracy and completeness of the outstanding maintenance arrears balance of £29.7 million (see paragraphs 18 to 22).

The receipts and payments part of the Account has been properly presented and I have not qualified my opinion on this. Further details of the basis for my qualified opinions and an update on issues reported last year is provided below.

Qualified Audit Opinion due to irregular receipts and payments

Accuracy of maintenance assessments and absence of satisfactory audit trail

5. The original 1993 legislation required up to 148 different pieces of information to calculate a maintenance assessment. An error in any element of an assessment impacts on its accuracy and therefore amounts collected from non-resident parents (receipts) and subsequently paid to the person with care in the current year (payments) will be incorrect. There are normally multiple assessments throughout the lifetime of a case. The likelihood of error also increases if there is manual case worker intervention.

6. The Department relies on IT systems developed by the Department of Work and Pensions (DWP) to calculate maintenance assessments and maintains accounting records on the:

    - Child Support Computer System (CSCS), used for cases opened before 3 March 2003;
    - Child Support 2 system (CS2), used for cases opened after 3 March 2003 until 24 November 2013 (excluding those on the new system); and
    - Child Maintenance Scheme 2012 (CMS 2012), initially opened on 10 December 2012 and open to all cases since 25 November 2013.

    Both CSCS and CS2 have a long history of problems and are unable to generate the information needed to prepare the Account or provide accurate assessments. With the Department relying on DWP for the provision of IT systems it is not in a position to correct the underlying deficiencies that have contributed to this error. I note that the Accounting Officer has reported in her Annual Governance Statement that a key part of the strategic solution to address these control weaknesses is the full implementation of the CMS 2012 Scheme.

Implementing the new CMS 2012 Scheme

7. The 2012 statutory scheme was introduced during the first phase of the Department's reform programme for child support. It uses a new computer system, separate from the two previous systems. It is able to obtain information on income directly from Her Majesty's Revenue and Customs' records and the Department's social security systems. The Department told me that this reduces the administrative burden in the process, creates assessments that are more accurate and operates more efficiently.

8. In June 2014, the second phase of the reform programme introduced collection and enforcement charges for parents using the new statutory scheme. Parents are able to avoid collection fees completely if they chose to set up a family-based arrangement or pay by Direct Pay[3].

9. Parents with a new case now choose between making their own, family-based arrangement and applying to the CMS 2012 scheme. The Department told me that, through reactive and proactive case closure activity, cases on the legacy systems have also transitioned to the CMS 2012 Scheme. For example, where parents seek a reassessment, arrears that are recorded on CSCS and CS2 are either transferred to CMS 2012 or written-off (if the person with care consents). Since December 2018, in line with the Department's target, all cases are now managed on CMS 2012 with the exception of those legacy cases that have arrears but no ongoing liability. The latter cases remain on the 1993 and 2003 IT systems.

10. Before a legacy case is transferred to the new CMS 2012 system:

    - the Department completes an arrears cleanse process. This includes management checks to ensure no action is outstanding on the case and that all payments and non-payments are included in the arrears total. This check does not, however, include a validation of the accuracy of the amount transferred;

[3] In a Direct Pay arrangement parents arrange payments between themselves based on a calculation and payment schedule provided by CMS.

- on the CS2 system, an internal check is performed to ensure the arrears balance is accurate; and
- finally, a check is completed by the Department teams to ensure that the arrears balance leaving the legacy computer systems is accurately transferred.

Measurement of the level of error in maintenance assessments

11. The Department has established a Case Monitoring Team (CMT) within CMS to provide estimates of the level of error in maintenance assessments. This is known as Cash Value Accuracy (CVA) and is a percentage of the number of correct assessments against the total number of assessments. I am satisfied with the rationale for the Department's approach. I also consider that the results produced by CMT represent the best available measure of CVA and are a reasonable estimate of the rate of errors in maintenance assessments.

12. The Department has set a target for CVA of 97 per cent. Since 2016-17, the CVA figures contain the results of CMS 2012 cases only. While most CMS 2012 decisions are fully automated some of the more complex cases require manual intervention. The volume of cases selected for assessment is based on a formula provided by the Department's statisticians and at 31 March 2019, the accuracy for CMS 2012 user intervention cases was 97.2 per cent.

13. The Department has advised that the closure of existing cases during the year means it is not possible to generate a statistically valid sample of cases on the legacy schemes (CSCS and CS2). **Figure 1** shows accuracy performance against the CVA target over the last five years.

Figure 1: Cash Value Accuracy of Maintenance Assessments

	2018-19	2017-18	2016-17	2015-16	2014-15
Cash Value Accuracy Target	97%	97%	97%	97%	97%
CSCS and CS2 Cash Value Accuracy	n/a	n/a	n/a	96.2%	98.0%
CMS 2012 Cash Value Accuracy	97.2%	97.1%	97.1%	93.0%	n/a

Source: Case Monitoring Team

14. I welcome the Department's intention from April 2019 to calculate the accuracy of maintenance assessments using a similar approach to that in place for other social security benefits. This will provide an overall accuracy assessment of caseworker error that incorporates both manual and fully automated transactions that should be a more reliable estimate of error.

Trends in receipts and payments

15. More than two-thirds of parents using the CMS 2012 system use the Direct Pay service and avoid collection charges. As a result, the level of receipts and payments disclosed in the Client Funds Account has steadily declined over the past five years. **Figure 2** shows receipts and payments since 2014-15.

Figure 2: Receipts and Payments for the five years ending 31 March 2019

	2018-19	2017-18	2016-17	2015-16	2014-15
	£millions				
Total Receipts	4.7	5.5	9.9	13.1	17.1
Totals Payments	**4.8**	**5.5**	**10.1**	**13.3**	**17.4**

Source: CMS Accounts 2014-15 to 2018-19

16. The Department is required to calculate maintenance assessments in accordance with relevant legislation. Where an error is made in a maintenance assessment, both the receipt and associated payment are incorrect and therefore have not complied with the relevant legislation. In my opinion, the amount of error in relation to maintenance receipts and associated payments this year are significant because errors in assessments in previous years continue to impact on the current year. Furthermore, CMS has assessed an error of 2.8 per cent in CMS 2012 manual intervention cases in the current year.

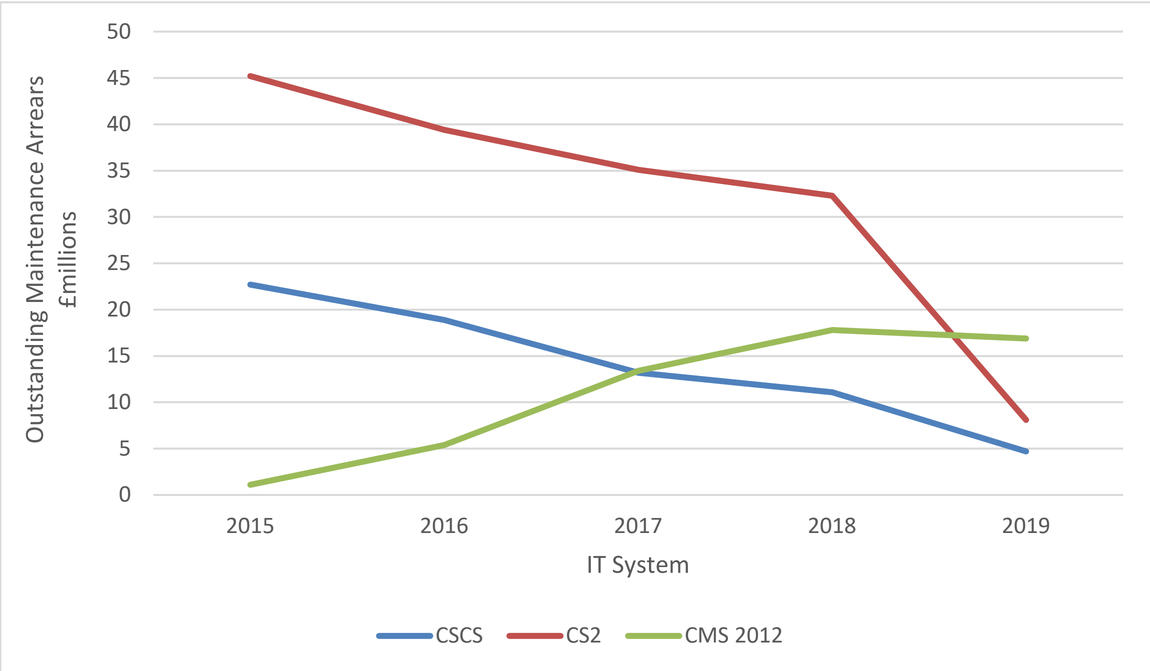
17. Although the Account properly presents the amount of child maintenance received and paid in the year, I have qualified my audit opinion on the regularity of maintenance assessments on which the receipts of £3.9 million and payments of £3.5 million reported in the Account are calculated. The assessments are not in accordance with the legislation governing them.

Disclaimed Audit Opinion - Note 5.1 Outstanding maintenance arrears balance

18. The Department is required to disclose the amount owed by non-resident parents in respect of maintenance assessments. Where a non-resident parent does not make payments in accordance with the maintenance assessment and the Department is responsible for collecting those payments, any missed or shortfall in payment is recorded as debt. The total amount of unpaid maintenance assessments is shown in note 5.1 to the accounts – see **Figure 3**. This figure is based on the accounting records from the three systems referred to above (CSCS, CS2 and CMS 2012) and at 31 March 2019, the total was £29.7 million. As expected maintenance arrears from the legacy systems have been decreasing over the past five years while arrears from CMS 2012 have been increasing.

Figure 3: Outstanding Maintenance arrears over the last five years

	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016	At 31 March 2015
System	**£millions**				
CSCS (introduced 1993)	4.7	11.1	13.2	18.9	22.7
CS2 (introduced 2003)	8.1	32.3	35.1	39.4	45.2
CMS 2012 (introduced December 2012)	16.9	17.8	13.4	5.4	1.1
Total	**29.7**	**61.2**	**61.7**	**63.7**	**69.0**



Source: CMS Accounts 2014-15 to 2018-19

19. The total arrears at 31 March 2019 represents the cumulative amount of arrears since child support arrangements were established in 1993. In line with legislation, the Department can only write-off arrears in very limited circumstances. The

considerable reduction in the arrears balance of £31.5 million this year has been partially achieved by CMS making use of new 'restatement[4]' /write-off powers that came into operation in December 2018 (see paragraphs 23 to 28 for further detail).

20. As noted earlier both the CSCS and CS2 have a long history of problems and cannot directly generate the information, on a case-by-case basis, needed to prepare the arrears figure in the Account. The outstanding maintenance arrears balances for CSCS and CS2 at 31 March 2019 comprise numerous individual cases and can only be derived from these legacy systems using a series of complex manual workarounds. My examination of this balance was severely limited as there is no accurate information available to support the outstanding maintenance arrears balance from CSCS and CS2.

21. The Department is able to substantiate the balances of maintenance arrears on a case-by-case basis from the CMS 2012 system. However, the Department is not reviewing the arrears balances transferred to CMS 2012 for case accuracy due to the limitations of legacy systems. There were 15,355 cases on the CMS 2012 system at 31 March 2019 with an outstanding maintenance arrears balance of £16.9 million; of this amount, £12 million was transferred from CSCS and CS2. The balance of arrears of £4.9 million may not contain a material level of error. As it is insignificant in comparison to the £29.7 million total of outstanding maintenance arrears at note 5.1, the entire arrears balance is included in my qualification.

22. In relation to note 5.1 only, I was unable to conclude on the accuracy and completeness of the maintenance arrears balances and therefore my audit opinion in respect of this note is disclaimed. This type of audit qualification reflects the fact that I consider the uncertainties in relation to the maintenance arrears balance to be both material and pervasive to that note.

Other issues

Powers to 'restate'/ write-off debt amounts

23. Powers introduced in December 2012[5] resulted in £1.2 million of outstanding arrears being written-off in 2018-19 (2017-18: £2.2 million).

[4] The terminology used by both the Department and DWP to describe the process of changing an arrears figure following new information. In line with DWP, CMS use this term where write-off was previously used, that is, rather than writing-off arrears in a case the Department will 'restate' the arrears balance on the case.
[5] Set out in the Child Maintenance Act (Northern Ireland) 2008.

24. During 2018-19, the Department introduced the Northern Ireland Compliance and Arrears Strategy[6], following approval from the Department of Finance. From November 2018, CMS was able to start using new powers to 'restate' /write-off arrears owed to the Department. Regulations,[7] introduced on 10 December 2018, provided new powers to address arrears owed to persons with care. Similar legislation and approvals were also in place in GB for DWP.[8]

25. The Strategy includes proposals for dealing with historic arrears and has led to an additional £13.9 million, due to the Department, being 'restated'/written-off in 2018-19. These arrears were due from parents in receipt of benefit at the time their maintenance was assessed. Following a repeal of legislation in October 2008, all cases were re-classified as private cases so had no involvement with the benefit system. There is no new debt from this date but arrears continue to be owed to the Department, for cases prior to October 2008.

26. CMS's initial focus during 2018-19 has been on writing-off arrears owed to the Department. Their focus will now move to addressing the arrears balances owed to persons with care. The Department told me, that subject to specific criteria, this activity offers persons with care the opportunity to say if they wish the Department to attempt a final collection of their arrears. Should the person with care not wish this action to be taken, the arrears will be restated. As arrears on the legacy systems reduce, the Department, in line with DWP, hopes to be able to decommission and retire the core 1993 and 2003 systems by May 2021.

27. The Strategy also includes measures for minimising the level of initial arrears that accumulate on the CMS 2012 system. For example, the Department now has the power to allow CMS to calculate a notional income based on assets held by the non-resident parent that will reduce the scope for efforts to be made to minimise financial liability.

28. The Department told me that their approach to addressing the longstanding legacy arrears includes a number of wider positive impacts, which support the approach being taken. These include maintaining parity with GB for persons with care in Northern Ireland, together with financial savings to be realised once the legacy IT

[6] Department for Communities, March 2019.

[7] Package one of the Regulations (the Child Support (Miscellaneous Amendments) Regulations (Northern Ireland), December 2018).

[8] Child Support Agency: Information for parents with historic debt and Child Maintenance: Changes to Compliance Measures, 14 December 2018.

systems are decommissioned.

Collectability of outstanding maintenance arrears

29. The Department undertook a review of maintenance arrears outstanding from the legacy schemes during 2018-19 to estimate collectability of these balances. The Department estimates that, based on its assumptions, £7.6 million of the legacy arrears balance of £24.9 million could be categorised as likely to be collected at 31 March 2019. This means that the Department now estimates that it is likely to collect around 31 per cent of legacy maintenance arrears.

30. The Department highlighted that the collectability review is based on a snapshot of cases at a point in time, set against a fluid backdrop of ongoing 'restatement'/ write-off activity. Furthermore, it told me that, at this stage, it is not possible to assess the impact of further work to be carried out in 2019-20 on the arrears balances.

Conclusion

31. I welcome the progress the Department is making in resolving longstanding issues with the legacy systems and the proactive approach being taken to reduce the level of new arrears that arise. I shall continue to monitor progress in implementing the proposals set out in the Compliance and Arrears Strategy.

32. I have qualified my opinion on the regularity of receipts (£3.9 million) and payments (£3.5 million) because I consider the historic level of error in maintenance assessments to be material and therefore the receipts and payments do not conform to the authorities that govern them. In respect of my work relating to the outstanding maintenance arrears balance of £29.7 million within note 5.1, I was unable to obtain sufficient evidence to support this balance and accordingly I am unable to express an opinion on this note.

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4 July *2019*

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