Department for Communities
An Roinn Pobal
Männystrie o Communities
www.communities-ni.gov.uk

Annual Report and Accounts

for the year ended 31 March 2020

Annex includes Child Maintenance Service Client Funds Account 2019–20

Department for Communities

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for the year ended 31 March 2020

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

The Overview section provides a summary of the structure of the organisation, its purpose, performance and key risks during the year.

Accounting Officer's Report

These accounts consolidate the financial information of the Department for Communities (DfC) for the financial year to 31 March 2020. DfC was formed on 9 May 2016 following the restructuring of Northern Ireland (NI) Departments.

The Department had an opening budget of £7.4 billion and employs over 8,000 staff.

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 include 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 contributed to a wide range of NI Programme for Government (PfG) actions and commitments, and worked in partnership with other statutory and non-statutory bodies.

The Department operated in a challenging financial and political environment during much of the 2019-20 year and welcomed the return of the NI Executive on 11 January 2020, and the appointment of Deirdre Hargey MLA as Minister for Communities.

Despite this environment, the Department made good progress against many of its targets in 2019-20, although some were impacted at the end of the year by the onset of Covid-19.

Purpose and Activities of the Department

DfC is the largest of the 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:

- Arts & Culture
- Benefits and pensions
- Child maintenance
- Helping people find employment
- Historic environment
- Housing
- Local government
- Museums and libraries
- Poverty and promoting social inclusion
- Public Record Office
- Sport
- Ulster Scots, Irish Language and British/Irish Sign Language
- Urban regeneration
- Voluntary and community sector and the regulation of charities

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. 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.

The DfC NDPBs are:

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 interests 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.

Northern Ireland 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.

Northern Ireland 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.

Northern Ireland 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.

Northern Ireland Housing Executive (NIHE)

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.

Northern Ireland Events Company (NIEC)

The 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 judgment has been applied preventing them from acting as Company Directors. The company was wound up on 22 September 2020.

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 on Architecture and Built Environment (MAG) is an advisory body. Members contribute expertise as Architects, Planners, Landscape Architects, Urban Designers, Ecologists, Conservation and Transport Consultants and Archaeologists.

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 2019-20, the Departmental Management Board (DMB) conducted an end of year review of its Corporate Risk Register for 2018-19, alongside the Department's Balanced Scorecard for 2018-19, and agreed the key corporate risks for 2019-20. Key risks to the Department achieving its objectives are outlined in the Governance Statement.

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

Key issues faced during 2019-20

During 2019-20 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 Arms Length Bodies (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, including the impact of Covid-19 towards the end of the year, the Department has made good progress against the 46 targets contained in the 2019-20 Business Plan. A total of 27 (59%) of the targets for 2019-20 have been achieved. 3 targets were not achieved due to Covid-19.

Programme for Government

During 2019-20, DfC contributed 29 unique actions (some actions were included against multiple outcomes) to support the delivery of eight Programme for Government (PfG) Outcomes, namely Outcomes 3, 4, 5, 6, 8, 9, 10 and 11. Progress was initially measured against the Outcomes Delivery Plan until January 2020 when following the New Decade New Approach (NDNA) agreement, and the restoration of the NI Executive, work commenced on the development of a new PfG. This work was suspended in March 2020 due to Covid-19.

The DfC Permanent Secretary is the owner for Outcomes 8 (We care for others and help those in need) and 9 (We are a shared, welcoming and confident society that respects diversity) and has responsibility for reporting on performance against these Outcomes. Significant progress was made in relation to these two Outcomes during 2019-20, including actions contributed from other Departments including the Department of Health, the Executive Office and the Department for Infrastructure. Examples of successful DfC performance during 2019-20 include:

- Through Housing Rights Service, assisting 8,095 people tackle homelessness and housing problems
- Connecting with 31,529 people through the Make the Call campaign to ensure they are receiving the help and support they are entitled to

- Delivery of employability programmes and services to 15,538 people to help secure sustainable employment for the economically inactive and the unemployed in society
- Engagement with approximately 133,000 people to participate in sport and physical activity through the Sports Matters Strategy

The Department faced a challenge in 2019-20 in seeking to reduce the number of households in housing stress and failed to meet the 1,850 target of new social home starts (761 social home starts by 31 March 2020 achieved). There were a number of factors involved including planning and infrastructure issues, compounded by the Covid-19 outbreak.

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 2019-20 was £4.6 billion. The financial results of the Department are set out on pages 117 to 204.

The outturn was £232.8 million less than the Estimate. This can be explained as follows:

The DEL outturn is £5.3 million (0.8%) less than the Estimate. The variance was primarily due to underspends across a range of housing (£1.8 million) and urban projects (£1.1 million) along with an easement on Housing Benefit Rates (administered by NIHE) (£1.7 million).

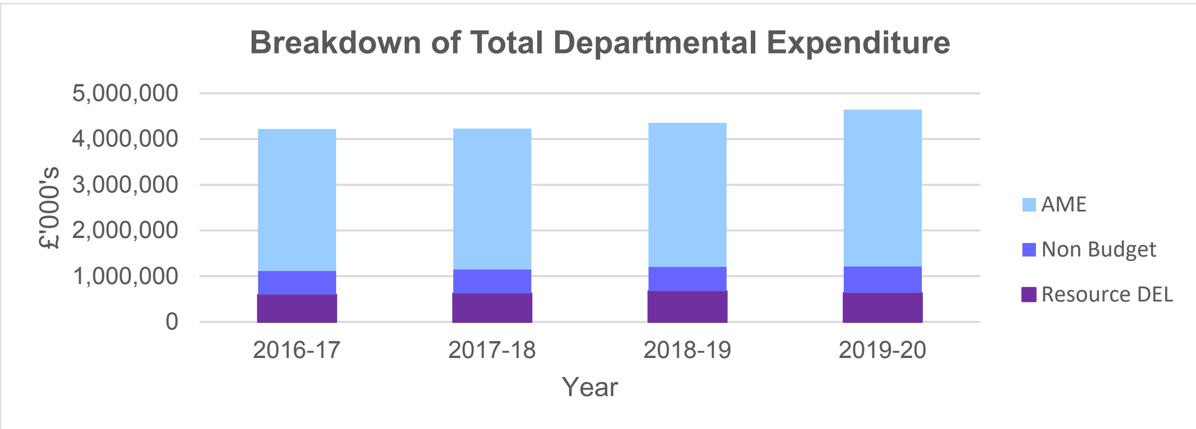
The AME outturn is £204.7 million (5.6%) less than the Estimate due to the nature of this spend being demand led and difficult to predict.

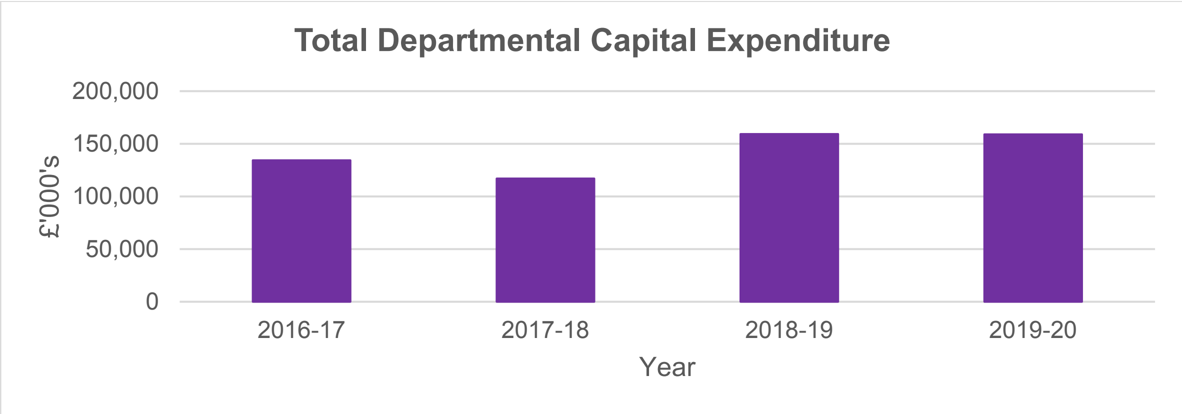
The Non-budget outturn is £22.8 million (3.8%) less than the Estimate mainly due to payments into the Social Fund (£16.9 million) as a result of Social Fund Cold Weather payments not being triggered (£8.6 million) and loan recoveries exceeding payments. There was also a small reduced requirement for the Housing Regional Services cash drawdown due to the difficulty of forecasting accurately (£1.4 million), an easement in Libraries Grant in Aid due to higher than anticipated year end accruals and underspends on resource and capital projects (£1.3 million) and the notional Enterprise Shared Service costs being less than anticipated (£1.5 million).

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

Long-term Expenditure Trends

The graphs below show the trends in departmental expenditure. DfC was only formed at the beginning of the 2016-17 year and so only 4 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 the **Notes to the Financial Statements – 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 the **Notes to the Financial Statements – Note 18**.

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 2019-20 identified 9 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.**

Demand for social housing continues to be high with waiting lists of around 38,000. During 2019-20 the Department delivered 761 social new build starts against the target of 1,850. Covid-19 had a considerable impact on delivery - the majority of new social build activity takes place in the final quarter of the financial year, which this year coincided with the pandemic.

Through our Co-ownership Scheme the Department has delivered 1,102 additional affordable homes, meeting our target of 1,091. A further 37 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 £159 million in maintaining the NIHE's 85,000 social homes. The Department also provided the NIHE with additional capital (£5.6 million) from in-year bids to invest in the maintenance of its homes. The Department has also provided approximately £28 million to NIHE programmes to provide disabled adaptations and private sector grants.

The Department has developed an Interdepartmental Homelessness Action Plan and Year

3 actions are currently being agreed with the other Departments alongside a review of the work that took place in Year 2. The Supporting People programme continued to assist more than 19,000 vulnerable householders in 2019-20 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 (£0.9 million in 2019-20) to Housing Rights to provide free, independent advice to people experiencing difficulty with housing and mortgage debt issues, and to help prevent homelessness in Northern Ireland. The funding also includes the provision of the landlord helpline.

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 2019-20, DfC managed a social welfare budget of over £6 billion whilst ensuring public funds were utilised efficiently. Reducing fraud and error within the benefit system, including Housing Benefit, remains a key focus and in 2019-20, overpayments were recorded at 2% while underpayments were 0.9%.

The State Pension claim clearance achievement in 2019-20 was 98.3% 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 9.2 days.

The average clearance time for Jobseekers Allowance applications was 7.9 days, Employment Support Applications 11.2 days and Income Support 3.4 days.

In 2018, the Department successfully completed a significant work programme to roll out Universal Credit (UC) across 35 local offices, three service centres and an operational control centre throughout Northern Ireland. Since then, the Department has continued to consolidate its position as it prepares for the next phase when legacy cases will move across to UC. Whilst no date is yet agreed for this, it is expected that it will commence in 2021.

During the year, approximately 860 new claims for Universal Credit became due for their first payment each week, with 95% of these paid on-time at the end of their first 5 week period. This performance was maintained for the 50,000 new UC claims made during March alone, as applications increased in some cases by tenfold, as the Covid-19 crisis developed.

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

The Department spends circa £16.8 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. During the year, the Department transformed a number of its Jobs & Benefit offices into work and well-being hubs, as offices created new partnerships with local statutory and non-statutory providers, to help the Department prepare people for and move them closer to the labour market.

The main work and wellbeing programmes delivered by the Department in 2019-20 were:

- Steps 2 Success – the Department spent £6.3 million and supported 11,880 benefit recipients towards finding and sustaining work thereby supporting the needs of employers and the economy

- Workable NI – the Department spent £3.1 million through our disability employment programme supporting 1,185 people with a disability enabling them to find and stay in work

- Employment Support – the Department spent £3.2 million assisting 410 people with a disability to remain in work

- Condition Management Programme – the Department spent £2.5 million supporting 1,199 people on our health and wellbeing 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 – the Department spent £2.1 million supporting 864 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

- £1.5 million was spent on European Social Fund match funding 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, or return to work

In addition to Work and Wellbeing programme provision, the Department continues to work in partnership with employers, statutory bodies, local councils and other partners across Northern Ireland to offer tailored recruitment initiatives.

The main delivery themes for 2019-20 were:

- The use of Strategic Employer Accounts to highlight that these are key employers of a certain size that the Department identified and engaged with to offer recruitment advice and deliver a range of service interventions that promote, attract, identify and support jobseekers to move into employment
- Delivery of 7 regional Job Fairs across Northern Ireland in partnership with local councils, attended by over 300 employers from a range of sectors, promoted over 5,300 live employment opportunities, with over 4,300 jobseekers in attendance
- Collaborated with councils and local partners through 8 Local Works Forums, pooling collective resources to promote Inclusive Growth and develop employability pipelines to address local labour market demand

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

The 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 ten shared social housing schemes under the NI Executive Together: Building a United Community Strategy, and the programming of a further 26 shared social housing schemes in the current (Draft) Programme for Government. Each shared housing scheme is supported through the establishment of an Advisory Group and the development and delivery of a five-year Good Relations Plan. The Good Relations Plans are delivered to all of the communities within a five-mile radius of the shared schemes. The Department also seeks to progress major regeneration schemes aimed at delivering vibrant, attractive environments for our communities in our towns and city centres. These include:

- St Patrick's Barracks, Ballymena – the acquisition of lands necessary for the delivery of the new spine road is progressing and procurement of a contractor will commence shortly. Site demolitions and remediation are almost complete and Radius Housing Association has been appointed to deliver the (mixed tenure) shared social housing. Stakeholder investment plans are also well developed.

- Queen's Quay, Belfast – this site is the last major development site in the Laganside Designated Area. The Department has appointed an Integrated Consultancy Team to deliver outline planning for mixed use on the site with the expectation this will be delivered by mid 2021.

- Queens Parade, Bangor – a planning application for the multi-use regeneration of the waterfront site has been submitted. The proposed development includes residential units, retail space, an extensive public realm scheme, a hotel, and arts/ leisure facilities.

- A number of key projects in the £17 million Portrush Regeneration programme were successfully completed prior to The 148th Open in July 2019. Work continues to deliver the Urban Development Grant programme and further public realm projects to ensure Portrush is in a position to maximize the economic return that the legacy of the Open presents.

- Fort George, Derry~Londonderry - The Department has been considering options regarding the longer term regeneration for the wider Fort George site. In tandem to this, the Western Health and Social Care Trust has also been developing a business case in respect of a Primary Care Hub proposal on part of the site.

- Across a number of Northern Ireland towns and cities the three Urban Regeneration Directorates (Belfast Regeneration Directorate, Regional Development Office and North West Development Office) have continued the development of Public Realm, Environmental Improvement and Revitalisation Schemes alongside local government and other statutory partners.
- As an Accountable Department for Action 3.1. of the PEACE IV programme, approved funding of €60 million for the creation of nine new shared civic spaces that will be used by all sections of the community, changing attitudes and behaviours and reducing segregation.

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.
At the end of November 2019 all of the Community Planning Partnerships published the first Statements of progress on their community plans. To help all organisations understand and contribute to the community planning process, the Department engaged with other Departments at Board level to promote the recently developed NICS guide and video to Community Planning. The guidance describes the policy aims and opportunities these present for Outcomes delivery.

The Department has established a Community Planning working group comprising senior NICS officials and representatives from local government, one of whom co-chairs the group. A reference group comprising community planning partners from both the statutory and voluntary sectors also contributed to the discussions. When complete the report will be presented to the Permanent Secretaries’ Group / Society of Local Authority Chief Executives’ Engagement Forum (central and local government) which commissioned the work.

2019-20 was a review year for Community Planning. The reviews from each Community Planning partnership highlighted a range of successful projects in a wide range of areas.

The Department provided the following grant funding to Councils in respect of the 2019-20 financial year:

- De-Rating Grant £31 million
- Rates Support Grant £16 million
- Transferred Functions Grant £5 million

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

Culture and arts play an important part in promoting cohesive communities to help the achievement of positive health and socio-economic outcomes.

In 2019-20, the Department provided:

- over £15 million to the Arts Council and Northern Ireland Screen to deliver support and development for the arts and creative industries sectors
- £5.2 million to the North South Language Body comprising the Ulster-Scots Agency and Foras na Gaeilge
- £0.2 million for the Sign Language Partnership Group fund to support and develop local sign language communities and families in a cultural and linguistic context
- £0.4 million for the Community Festivals' Fund, which supports community led cultural festivals across Northern Ireland

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

In January 2020 the NDNA committed to the development and delivery of a range of social policy strategies to support the Programme for Government (PfG). The Department is responsible for leading on:

- an Anti-Poverty Strategy
- a Disability Strategy
- a Gender Strategy
- a Sexual Orientation Strategy
- an Active Ageing Strategy
- a Child Poverty Strategy

In the final quarter of 2019-20 work commenced on the development of a co-design approach which will be embedded from the outset of the development of the suite of social policy strategies for which the Department is responsible.

NDNA also referenced a commitment that, within three months, a comprehensive timetable would be published for the development and delivery of these strategies and that the Anti-Poverty Strategy, as a key supporting strategy of PfG, would be underpinned by a budget and be ready for Executive sign-off and endorsement by the end of March 2020.

This work has been impacted by the Covid-19 pandemic and the unprecedented pressures it placed on the Department, as a result the timetable for development of the strategies will be kept under continual review, with a view to publishing at the earliest opportunity.

Poverty and Child Poverty Policy

The Department has responsibility for two statutory commitments related to Poverty and Child Poverty (1) The Life Chances Act 2010 and (2) Section 28e of the NI Act 1998. Requirements to publish a revised Child Poverty Strategy under the Life Chances Act 2010 ended 31 March 2020. The Department continued to implement and monitor the actions set out in the Executive’s Child Poverty Strategy (2016-19). This Strategy aimed 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. A Child Poverty Annual Report for 2019-20 was compiled and will be published and laid in the Assembly following Executive agreement.

The Department marked the ‘United Nations Day for the Eradication of Poverty’ in October 2019 by facilitating and participating in an event with the Belfast Youth Forum. DfC joined other Departments to meet and discuss what the Department is doing collectively to tackle poverty and to listen to the Belfast Youth Forum and discuss the Forum’s campaign ‘Poverty: It’s not a Choice’.

Disability Policy

In relation to its responsibilities in respect of disability policy, the Department has coordinated the NI input to the UK responses to a number of queries from the United Nations Convention on the Rights of Persons with Disabilities (UNCRPD). These include input to:

- the UK’s August 2019 report to the United Nations on implementation of the recommendations of the First Periodic Review of UNCRPD
- the UK response to recommendations made by the UNCRPD Committee in its concluding observations relating to the findings of the 2016 UN Inquiry Report carried out under article 6 of the Optional Protocol to the Convention

On 3 December 2019, in partnership with Disability Action NI, the Department held an event to celebrate the United Nations International Day of Persons with Disabilities.

Active Ageing Policy

To support delivery of the Active Ageing Strategy’s vision of making NI an age friendly region, the Department co-designed an Age Friendly Network with Age NI and the Public Health Agency.

The Department also undertook online activity to promote UN International Day of Older Persons on 1 October 2019.

Gender Policy

During 2019-20, the Department reviewed the concluding observations published by the United Nations Committee for the Convention of the Elimination of All Forms of Discrimination Against Women (CEDAW) on the 8th periodic report following the oral examination in Geneva. The report contained over 70 recommendations to be reported within the UK State Party's 9th periodic report due by March 2023. Additionally, the CEDAW Committee requested earlier reports to be submitted in 2021 on four of these recommendations.

While most are for the State Party, many apply to Northern Ireland both generally, e.g. impact of withdrawal from the European Union (EU), and specifically, e.g. abortion. The Department engaged with officials from other Departments to agree responsibility for the recommendations.

On behalf of the NICS, the Department contributed to the 3rd 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 31 October 2019.

Throughout 2019, the Department delivered a programme of events to mark the Centenary of the Representation of the People Act 1918.

Sexual Orientation Policy

During 2019-20 the Department hosted the Departmental Information Stalls at Trans Pride, Belfast Pride and Newry Pride.

In conjunction with The Rainbow Project (TRP), the Department hosted a series of LGBT awareness sessions across the NICS.

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

In 2019-20, the Child Maintenance Service (CMS) in Northern Ireland supported 17,800 children, with £21.6 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 employed an average of over 830 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.

In 2019-20, the Department provided in the region of £17 million supporting a range of objectives to make a real difference in the lives of the population. The Department continued to work within the spirit and the commitments of the Concordat between the Voluntary and Community Sector and Government, facilitating the work of the Joint Forum in partnership with the Northern Ireland Council for Voluntary Action (NICVA).

£1 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. The Department provided £1.8 million to enable access to independent generalist advice services and a further £2.3 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:

- Universal Credit Awareness Sessions delivered to 4,200 people affiliated with Welfare Reform

- Several targeted projects were supported for specific vulnerable and difficult to reach groups such as the homeless, migrants and the deaf community

£1.5 million was provided through a levy on the Financial Services sector by HM Treasury to help people struggling with debt. The advice sector provided free independent debt advice to help find solutions where people find keeping up with their bills and credit commitments a heavy burden.

The Department provided £0.5 million for the Volunteering Small Grants programme which funded 661 successful applicants with amounts ranging from £200 to £960 to support volunteer involving organisations across Northern Ireland.

During the year £0.4 million funding enabled 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.

£4.2 million was provided through the Community Support programme to the 11 district councils. The funding of £4.2 million provided by the Department is matched by councils and provides support for community centres, advice services, resource centres, and grants to community groups and the employment of Community Services staff in councils.

The Department manages the Women's Intervention Partnership to deliver the Women Involved in Community Transformation programme which has now completed its third year. This £1.5 million programme delivers on our Fresh Start Agreement obligation - B5 of the Executive Action Plan on tackling paramilitarism, criminality and organised crime. Consolidating the learning from phase 1 and phase 2, 501 women have commenced phase 3 which involves participants choosing individual pathways to enhance their confidence and capacity within the community.

Under A3 of the Executive Action Plan, the Department delivered a number of initiatives to promote a culture of lawfulness and active citizenship. These included delivery of a Small Steps phase 2 citizenship programme and a safer borrowing pilot which engaged with Primary 7 children in schools in Northern Ireland located in areas which are particularly vulnerable to paramilitary activity and control.

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 2019-20 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, the Department provided approximately £0.8 milion to support 76,000 two-hour child care places for families in need.

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

DfC leads work across the historic environment sector. The Department convenes a broad Historic Environment Stakeholder Group which during the year has focused on progressing a range of actions in a sectoral delivery plan, in support of PfG Outcomes. The Department has completed a review of progress, and created a new Delivery Plan for the coming period. The work addresses the support that heritage can provide for wellbeing, tourism, placemaking, community cohesion and economy. It has included articulating a clear strategic approach for the NI archeological sector. The issue of the lack of skilled heritage craftspeople and the impacts that this creates, has also been a key focus, and has led to the agreement of a partnership between the Department and the Prince's Trust Foundation to support a bursary programme for heritage skills in 2020-21.

The planning applications to which the Department is a statutory consultee remained steady at around 3,000 in 2019-20 (2018-19: 3,290 applications). The Department continues to apply energy to improve processes and collaborate effectively with district councils. The Department responded to 72% of applications within agreed periods and also provided substantive inputs to all councils, as they develop their local development plans. The Department contributed to a Department for Infrastructure review of the planning system, and is a member of the Planning Forum established following the review.

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, the repair of around 20 buildings, and community archaeology. The Department has also worked with the Department of Agriculture, Environment & Rural Affairs (DAERA) to progress 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 underway and projects planned in Hilltown, Ederney and Caledon.

Significant works have been completed at Carrickfergus Castle to re-roof the Great Keep, and on site infrastructure at Dunluce Castle and Tullaghoge Fort. The Department has also completed preparatory and regulatory stages for developments at Ballycopeland Windmill near Millisle and at Greypoint Fort in Helen's Bay. Both of these projects, which will progress in 2020-21, have drawn on DAERA funding streams. The Department has made good progress in assessing the community and economic benefits that the state care monuments can provide and articulating this through a Strategic Outline Case. The Department has also completed substantial work on curatorial condition surveys, and site risk assessments, across a considerable proportion of our estate.

The Department has collaborated closely across the Department to assess how it 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 Innovation Lab on town centres run in July 2019 and to UK Heritage Trust Network held in Derry~Londonderry in November 2019. The Department is also playing a central role in the development of the Belfast Region City Deal proposals for Carrickfergus and advising a number of other City Deal and Regional Growth 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 2019-20 to Sport NI.

The Department has overall responsibility for developing a new strategy for sport and physical activity to replace the current 'Sport Matters' Strategy for Sport and Physical Recreation. Work has been ongoing during 2019-20 with research, an Innovation Lab and some initial engagement with the sector being overseen by a Project Board which is made of officials from councils, other Government Departments and key stakeholders as well as elected representatives.

Another key delivery priority has been supporting the implementation of the Active Living-No Limits Action Plan 2016-2021 through SportNI, Disability SportNI and other delivery partners, which aims to provide greater opportunities for people living with disabilities to participate in physical activities and sports, bringing health improving benefits together with competitive success. During 2019-20 the Department has provided additional capital funding for equipment to widen the scope and reach of the Council Disability Hubs, improved access to swimming pools through funding for the Pool-Pod Programme, has extended the provision of sports wheelchairs in support of wheelchair basketball and supported equestrian sport with the provision of a specialist lift at the Coleraine Riding for the Disabled Centre. The Department has also supported other initiatives to improve access and participation in sport for those with, for example autism through the provision of specialist gym equipment at the new National Autistic Society Centre.

Outdoor Recreation for those living with disabilities received a significant boost with the launch of an All-Out Trekking experience at Gosford Forest Park. This groundbreaking project, a first for UK and Ireland, provides an inclusive opportunity for disabled people with a range of mobility issues (12 years and older) to access off-road terrains and providing opportunities to enjoy the great outdoor environment, through the use of battery-operated machinery, designed to be particularly suitable for people with a disability, long term health conditions or restricted mobility.

With regard to Motorsport, the Department facilitated a Motorsport Taskforce, established in January 2017 to examine issues around safety, sustainability, marketing, tourism and the economic impact of all disciplines of Motorsport. The Taskforce published a final Report and Economic Impact Assessment in June 2019. Since then, the Department has monitored work by the 2&4 Wheel Motorsport Group, the umbrella organisation for Motorsports Governing Bodies, to develop their strategy which was a key recommendation in the Taskforce Report.

The Department continues to take the lead on the cross-Departmental investment in Special Olympics Ulster in collaboration with the Department of Education and the Department of Health.

The Department has continued to address the key priority of increasing opportunities for women and girls to participate in sport and physical activity in line with the Active, Fit & Sporty programme.

Throughout 2019-20, the Ulster Council Gaelic Athletic Association (UCGAA) project team has continued to work closely with the Regional Stadia programme team to develop their revised draft full business case for the Casement Park Stadium 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 Stadium.

The Sub Regional Stadia programme team maintained its engagement with key strategic stakeholders including the Irish Football Association (IFA), the NI Football League and representatives from District Councils to help inform the development of detailed plans for delivering a successful Sub Regional Programme.

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). £3.2 million of funding was provided to AOP, £32.4 million to LNI, £17.7 million to NMNI and £0.3 million to NIMC.

Public Record Office of Northern Ireland (PRONI) is the official custodian of our historical public record with legislative responsibility for the receipt, preservation and provision of access to public records including records of Government Departments, courts of law, public bodies and NDPBs and records deposited by businesses and institutions, private individuals and churches. Significant achievements during 2019-20 include:

- Supporting victims of Historical Institutional Abuse (HIA) by working with the Executive Office, the Department of Justice and The HIA Redress Board to preserve records of the HIA Inquiry
- Delivering 64 public events over the course of 2019-20 including four flagship events (1) In Her Words exhibition, which explored the lost stories of ordinary women (11 April 2019); (2) Plantations in Ulster exhibition in Derry Central Library

(5 April 2019); (3) Marking the 800th anniversary of PRONI's oldest document, a Papal Bull within the Abercorn Papers (12 June 2019); (4) The Brian Trainor Memorial lecture, in memory of the late former Director of PRONI (26 September 2019)

- Working in partnership with NI Screen on the UTV film and tape archive over 2,100 UTV titles were catalogued and 515 titles from the archive were preserved and digitised to ensure digital preservation and enhance wider public access
- Publicly releasing over 1,500 records from the years 1995 and 1996, of Northern Ireland departments and the Northern Ireland Office, in August and December 2019
- Recommencing as a priority, the progressing of Freedom of Information Act requests which had been temporarily suspended in the absence of a Minister for Communities

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. The evaluation of the pilots so far show that:

- The level of progress to date in terms of signed up members by the end of 2019 indicates that 892 individual members with an average household size of 2.5 had accessed the service (equating to approximately 2,230 beneficiaries)
- In excess of 112 tonnes of food that would otherwise have gone to waste has been redistributed
- 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 and enables staff to build a relationship with the

individual/ family enables staff to build a relationship with the individual/ family to identify and support their needs on a holistic basis

- All members who have availed of food provision have accessed wraparound services to try and address the reasons they are in food poverty

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 to 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 Department's response was led by the Belfast Regeneration Directorate. The Task Force, which was formally stood down in January 2020, has developed an Action Plan, with short, medium and long term interventions which will aim to maximise regeneration opportunities. Delivery of the Action Plan is being taken forward under the stewardship of the City Centre Joint Regeneration Forum with membership drawn from DfC, Belfast City Council, Department for Infrastructure, Department of Finance (DoF)and Strategic Investment Board (SIB).

The Department supported projects as part of the Executive's **Together: Building a United Community (T:BUC)**. This good relations programme is delivered through the medium of sport, physical and creative activity. The programme has three key elements:

- Uniting Communities through Leadership
- Uniting Communities through Community Activity
- Uniting Communities by Building Capacity

In 2019-20 the Uniting Communities Programme spent £1.4 million delivering projects in the three key elements highlighted above.

People and Place – A Strategy for Neighbourhood Renewal: to close the gap on the quality of life for people in most deprived neighbourhoods and society, the Department invested over £18 million revenue funding which supports over 300 projects and capital funding of circa £4 million for some 40 capital projects.

Syrian Vulnerable Persons Relocation Scheme: during 2019-20 the Department has overseen the resettlement of 112 families consisting of 483 Syrian refugees. 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. In 2019-20 approximately £3.4 million of financial support for this work was provided by the Home Office.

Environmental and Sustainability Commitments

The Property Management team responsible for the office estate continues to work with colleagues in DoF Central Procurement Division's Energy Efficiency Unit, to ensure the office estate that the Department owns and occupies remains as energy efficient as possible. Continued use of Building Energy Management Systems (BEMS) assists local premises officers in understanding and controlling office temperatures. Effective use of these systems coupled with monthly reporting of energy consumption assists the Department in contributing to the SIB new Energy Management Strategy and Action Plan to 2030 for the Northern Ireland Central Government Estate, which aims to reduce energy consumption by 30%.

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 2019-20, £13.7 million was provided through the Affordable Warmth and Boiler Replacement Schemes improving energy efficiency in almost 6,800 homes. Sustainable buildings have a positive impact on the natural environment as well as improving wellbeing and comfort for residents. The Department working in conjunction with the NIHE and the Department for the Economy has secured €23 million from the European Regional Development Fund. The NIHE is using this money as part of a €45 million programme to reduce carbon dioxide emissions through improving the energy efficiency of some of its non-traditional homes.

Impact of the UK’s exit from the European Union (EU)

DfC has worked closely with colleagues in the Executive Office and with the other NI Executive Departments to ensure that appropriate arrangements are in place for the UK’s exit from the EU. The overall aim of this work is ‘To ensure that, in so far as is possible, the important services for which this Department has responsibility can continue to be delivered, to an agreed standard, under the terms of the UK’s exit from the EU’.

Within DfC, EU exit activities are organised around a central co-ordination team, working in partnership with business group representatives to ensure the necessary preparations are in place.

Whilst DfC made a number of funding bids in preparation for a potential exit without a deal, these were stood down following the exit agreement between the EU and the UK and the commencement of the formal transition period. During 2019-20, the total cost incurred was just over £30k, the majority of which went towards computer hardware/software.

Impact of Covid-19

There were a wide range of actions undertaken as a direct result of Covid-19:

- On 13 March the Permanent Secretary established a Covid-19 Departmental Operations Centre to oversee and manage all of the Department’s business contingency operations and to report to the Top Leadership Team, Minister and the NI Hub
- Resources were redeployed across the Department including the provision of additional telephony to meet significant increases in new claims for Universal Credit and Jobseekers Allowance
- Since 16 March onwards, there has been an increase of 294% in new claims for Universal Credit, a 110% increase in claims for Job Seekers Allowance, equating to approximately 71,000 applications for Universal Credit with an average of 7,900 claims every week. Staff have processed 140,294 payments on time (data from 16 March to 14 May), representing approximately 99.3% of all payments due then. This

compares favourably with the previous 9 weeks (pre-Covid-19) when 107,043 payments were made, representing 98.7% of payments due during those weeks. In addition, the Department has delivered over £2.3 million in Discretionary Support payments through 13,278 awards to people in need

- Face to face assessments for all benefits and the recovery of benefit overpayments and loan repayments from a number of social security benefits were suspended
- As provision of benefits had been identified as a key priority, the Work & Health and Supporting People Groups, produced a focused Covid-19 Contingency Plan and established an Emergency Planning Group and a Business Disruption Forum to manage service delivery
- The Department worked with a range of partners and voluntary organisations, putting in place additional supports including the weekly delivery of food boxes to support the most vulnerable in society. Spend on this element of the programme was £6.7 million
- Social housing landlords agreed that any tenant facing difficulties paying rent would not be evicted, the Housing Executive rent increase was put on hold for six months and private renters can be assisted through Universal Credit and Discretionary Housing Payments
- The Covid-19 Charities Fund opened for applications on 15 June 2020 to assist local charities facing severe financial difficulty as a result of the pandemic and to prevent their closure up to the end of September 2020. By the 21 August when the Fund closed to applications, The National Lottery Community Fund, who are administering the Fund on behalf of the Department, had received 644 applications requesting £13.4 million of support. 363 grants had been awarded up to 26 August, valued at £6.7 million. Assessment of remaining applications was ongoing during September 2020

Social distancing measures and the performance of risk assessments of accommodation in the DfC estate had a huge impact on the availability of staff. Alongside the non-availability of sufficient IT equipment, this resulted in the Department being unable to facilitate significant numbers of staff working at home. Solutions to these challenges were discussed and rolled out at the beginning of 2020-21 including the supply of mini PC's to allow more staff to work from home.

The impact of Covid-19 will continue to be felt in 2020-21 and beyond. Officials in the Department are working hard to ensure that key lessons learnt are factored into both operational and business continuity planning going forward.

Rural Needs Act (NI) 2016

All Northern Ireland departments are responsible for ensuring that they fulfil duties under the Rural Needs Act (NI) 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 2019-20, no differential impact between rural and urban environments was found in all 27 Departmental policies considered.

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. This should minimise the need for our customers to seek redress from the Northern Ireland Public Services Ombudsman or other external bodies.

Apart from the opportunity to acknowledge any shortcomings, the Department views complaints as an opportunity to review, develop and improve business practice, to learn from mistakes and implement tangible improvements to policies, procedures and processes.

During 2019-20, the Department received a total of 873 complaints and responded to 92% of all complaints within 10 working days. The majority of complaints were received by the Work and Health and Supporting People Groups. Where 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. The Department has also shown an ability to quickly adapt and redeploy resources to protect the most vulnerable when faced with the unprecedented pressures related to Covid-19.

Tracy Meharg

TRACY MEHARG
ACCOUNTING OFFICER
27 OCTOBER 2020

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, Tracy Meharg, is the Department's most senior official and the Minister's principal advisor. The Northern Ireland Assembly was dissolved from 26 January 2017 until an Executive was formed on 11 January 2020. Ministers were not in place during this time. From 11 January 2020, the Department for Communities was under the direction and control of NI Assembly Minister Deirdre Hargey, and from 15 June 2020 Carál Ní Chuilín replaced Deirdre Hargey as Minister for Communities.

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

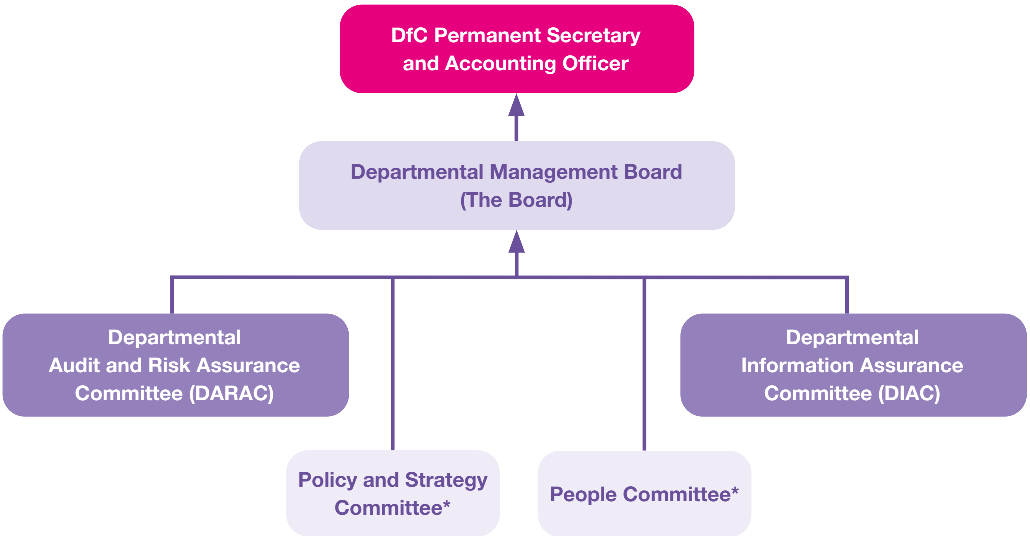
Appointment of the Permanent Secretary and Members of the Management Board

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 in 2019-20



*New Committees expected to commence in 2020-21

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 2019-20 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 DoF 'Audit & Risk Assurance Committee Handbook (NI)' https://www.finance-ni.gov.uk/publications/audit-committees .

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 2019-20 covered: Annual Report & Accounts 2019-20, Fraud & Error in Benefits, Cyber Security & Information Assurance, Roll-out of Universal Credit and NI Housing Executive Sponsorship.

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 Data Protection Officer, the Knowledge & Information Manager, the IT Security Manager, the Departmental Accreditor, the Head of Internal Audit and relevant Information Asset Owners.

Areas of DIAC focus during 2019-20 included: Cyber Security, Data Protection compliance, Information Assurance, Records Management, IT Security, Information Systems Accreditation and Information Risk Management.

Additional Committees of the Board to be formed in 2020-21

Following an independently facilitated review of Board Effectiveness conducted in 2019-20, the Board has taken the decision to form two additional committees to support it on matters relating to Policy & Strategy and People. The new committees are expected to become operational in 2020-21.

Board and Committee Record of Attendance for 2019-20

Departmental Management Board Attendance Record 10 Board Meetings held during 2019-20			
Board Members	**Meetings attended**	**NEBMs**	**Meetings attended**
Tracy Meharg Permanent Secretary and Accounting Officer	**9/10**	**John West** NEBM / DARAC Chair	**9/10**
Moira Doherty Deputy Secretary	**8/10**	**Duncan McCausland** NEBM / DARAC Deputy Chair	**10/10**
Jackie Kerr Deputy Secretary	**9/10**		
Louise Warde Hunter Deputy Secretary to 17/04/2020	**9/10**		
Colum Boyle Deputy Secretary	**10/10**		
Beverley Wall Acting Deputy Secretary from 04/11/2019	**4/4**		
Mark O'Donnell Acting Deputy Secretary from 06/04/2020	**Commenced role in 2020-21**		
The Directors of Financial Management and the Director of Corporate Services attend Board meetings. The Director of Asset Management & Governance (now the Director of Governance & Commercial Services) attended Board meetings up to October 2019. The NICS HR Business Partner for DfC also attends meetings.			

DARAC Attendance Record 4 meetings held during 2019-20 (Quorum for meeting – 3 members)			
NEBMs	**Meetings attended**	**Independent Members**	**Meetings attended**
John West DARAC Chair	**4/4**	**Caroline Gillan** Independent member to 17/02/2020	**3/3**
Duncan McCausland NEBM / Deputy Chair	**4/4**	**Seamus Wade**	**2/4**
The Strategic Policy & Professional Services Deputy Secretary, the Director of Financial Management, the Director of Governance & Commercial Services (Previously Asset Management & Governance) and the Head of Governance attend DARAC meetings along with the Departmental Accounting Officer, the Head of Internal Audit and the Northern Ireland Audit Office (NIAO).			

Board and Committee meetings have continued during the Covid-19 pandemic with meetings conducted remotely.

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 data protection legislation there is a statutory obligation to report high risk breaches to the Information Commissioner's 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 Departmental Management Board oversees performance against plans, preparations for future challenges, and the effectiveness of risk management and controls in the Department. The two Non-Executive Directors on the Board advise and support the Executive team on key issues discussed at the Board, and through the Departmental Audit and Risk Assurance Committee (DARAC) they provide an independent challenge of assurances from Deputy Secretaries in order to provide a confident onward assurance to the Accounting Officer to support her annual Governance Statement.

During the year, the Board met on ten occasions covering areas such as the launch of the Operational Delivery Profession, agile working, climate change, community planning, and fraud and error in benefit expenditure. We heard about notable successes such as the Make the Call initiative to maximise benefit uptake, outstanding customer satisfaction results in the Work & Inclusion Group of the Department and the excellent Leadership Development Programme rollout. Presentations were provided on business plans from key Arm’s Length Bodies (ALBs) including National Museums NI, Libraries NI, and Armagh Observatory and Planetarium. Non-Executive members also attended two large-scale staff conferences in November and January. The variety of content coming before the Board has provided the Non-Executive members in particular with valuable insight into the scope and complexity of the services provided by the Department, and I believe it has equipped us to provide more informed and constructive support.

Also, in 2019, along with my fellow Non-Executive Director Duncan McCausland, we attended two meetings of the Northern Ireland Civil Service (NICS) Non-Executive Directors’ Forum. This group was set up to allow Non-Executives to share experiences, challenges and best practice from all Northern Ireland government departments and has allowed us to bring relevant new perspectives back into our role with the DfC Board.

In this past year, as in every year, the Department has continued to manage very significant operational delivery responsibilities while operating in a challenging environment and responding to formidable new headwinds.

Operational delivery challenges include the ongoing embedding and extension of Universal Credit through the network of Jobs & Benefits Offices, addressing the unrelenting demand for social housing in our community, and overseeing delivery of services while ensuring effective governance across a range of ALBs.

The environment has been one of continued financial constraint, absence of government (for most of the financial year), resourcing and people engagement challenges, intensive Brexit preparations, public scrutiny and demands for reform following the RHI enquiry. In January 2020, the NI Executive resumed with an intensive agenda to reform services and governance, and restore public confidence in the institutions.

In the final month of the year, the Covid-19 pandemic forced closedown of many aspects of Departmental business and severely impacted front-line delivery. At the same time, it brought massively increased demand for primary benefits and voluntary and community sector services to meet the needs of vulnerable customers. Despite the challenges of keeping staff safe, managing social distancing for key workers and building capacity for remote working, the Department has managed to consistently pay over 90% of all claims on the expected date. More than anything else, this event has demonstrated the resilience of the Department's crisis management plans, its leadership qualities and its focus on delivering for customers.

As Non-Executives we constantly review and assess the reliability and integrity of the comprehensive range of assurances relating to all the critical activities of the Department. In our view these assurances remain strong and dependable, with further progress made over the last year.

In April 2019, the Board undertook a wide-ranging review of effectiveness, supported by Ernst & Young (EY). The review led to Board agreement for the creation of two new Board sub-committees focusing on Policy & Strategy and People. Furthermore, the Board has committed to develop a Communications and Engagement strategy and a cross-cutting agenda focused on strategic direction and monitoring of performance against strategy. The Board has also committed to increasing its visibility to Departmental staff and stakeholders during 2020 and prior to the Covid-19 emergency Board meetings were conducted across various geographical locations as an opportunity to see business areas in operation, and to engage with collaborative partners across NICS and beyond.

The year ahead will remain challenging with the ongoing pandemic dominating everything else and disrupting existing plans. The knock-on effect on the labour market and on our communities will make DfC's role even more critical in assisting people into work and supporting those who most need help. At the same time recovery plans are being developed, incorporating learnings from how this crisis has been managed. Staff and customers have demonstrated remarkable adaptability in adversity and the Board fully appreciates the opportunity to build this into future business modelling.

I am looking forward to continuing to support the Executive Team and colleagues on this challenging journey during 2020-21.

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 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 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

As outlined in the Directors' report, following the reinstatement of the Northern Ireland Assembly and formation of an Executive on 11 January 2020, 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.

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 between 1 April 2019 and 10 January 2020 in the absence of a Minister for Communities, no such Direction was sought or given. I can also confirm that since the appointment of a Minister for Communities on 11 January 2020, no such Direction has been 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 DARAC and DIAC. Information on Board and Committee structures, attendance and areas of focus for 2019-20, are outlined within the Directors' Report on pages 41-45.

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.

The annual review of Board effectiveness for 2019-20 has been impacted by the Covid-19 emergency, but will take place later in 2020-21 in line with the Corporate Governance Code and the Board's Operating Framework. The review will build on the independently facilitated review undertaken in 2019-20 and will encompass: Performance Management, Control and Risk, Information and Board Culture. It will also consider the effectiveness of the Board's oversight of the important issues facing the Department, the quality of information available to the Board and Board compliance with the Corporate Governance Code highlighting any areas for enhancement or change.

The recommendations from the last Board effectiveness review are being progressed, most notably the planned establishment of two additional sub-committees which will support the Board on matters relating to Policy & Strategy and People.

DARAC Review of Effectiveness

DARAC has undertaken a review of effectiveness following the end of 2019-20 in line with recommended best practice. The review was undertaken using the National Audit Office (NAO) Audit and Risk Assurance Committee Effectiveness Checklist. This confirmed DARAC's compliance with good practice and the strength of the DfC committee arrangements.

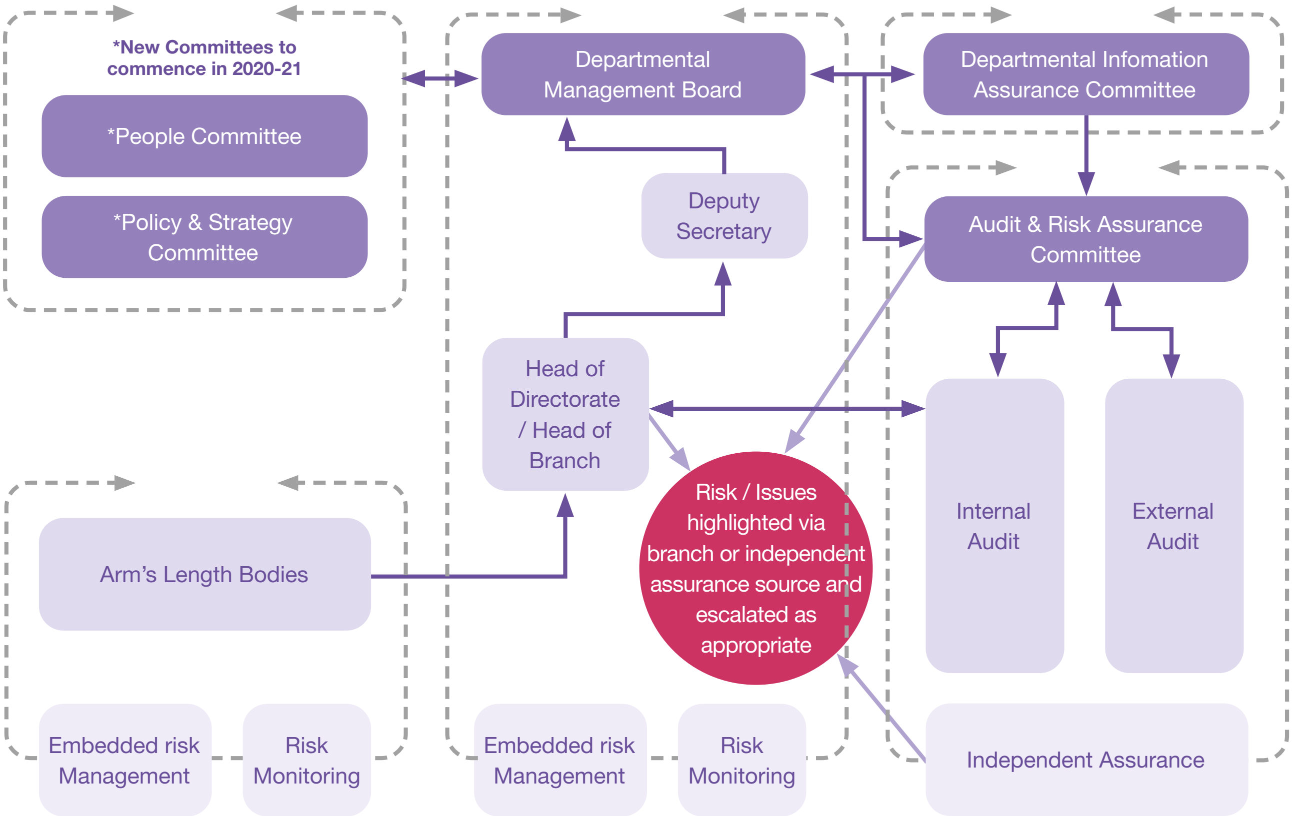
Risk Management Arrangements

Overview

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

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.

Risk Management Framework
Department for Communities



Risk Appetite & Corporate Risks

The Board considers its Risk Appetite 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 2019-20 are set out below:

Department for Communities – Risk Appetite and Areas of Risk Managed during 2019-20		
Risk Category	Risk Appetite	Risk Identified
Operational	Open	In the event that our people are not properly allocated, managed and engaged or inadequacies in human resource planning and supply are uncovered, this may have an adverse impact on the delivery of key priorities, as a consequence the Department becomes the subject of public and political criticism.
		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.
		Failure to improve fraud and error performance, will impact on our commitment to deliver a better customer service, and result in reputational damage for the Department.
		Inability to secure a timely Ministerial decision, legislative change, and/or IT solution in relation to the Welfare Mitigations from post 31 March 2020 gives rise to significant financial pressure, potential impact on the funding of other services and priorities, and increases in levels of fraud and error, may result in an increase in levels of hardship, poverty and homelessness.
		Failure to seize the opportunity to drive the level of NICS collaboration and working across sectors, to harness greater innovation and results in sub-optimal outcomes, service delivery and use of public funds.
Statutory Compliance	Averse	Failure to adequately prepare for the legislative and operational implications of the UK's exit from Europe may adversely impact on the agreed standards of existing and future delivery of services and departmental priorities.
		Breaches in compliance with our legal requirements regarding the physical protection of staff and client details (both physical and electronic), loss of personal and financial data may occur, resulting in distress to employees and customers, reputational damage and penalties, including fines.
Propriety	Open	As a result of deficiencies in the operation and administration of ALBs or between the Department and ALBs, relationship breakdowns may occur, which would lead to a failure to fully deliver business plan targets, poor value for money or misuse of public funds.
Change	Open	As a consequence of planning and financial challenges this may mean the Casement Park redevelopment does not proceed as planned, resulting in a failure to deliver the full benefits of the NI Executive's Regional Sports Stadia Programme.
Financial	Averse	Financial risks are managed at group and directorate level.
Information	Open	Due to breaches/faults in our IT and Cyber Security infrastructure, which includes software, hardware, network resources and services, failure of business operations and management may occur, resulting in disruption to the benefits process, non-compliance with contractual arrangements, and reputational damage.

Covid-19 Risk Register

In response to the emerging pandemic situation in March 2020 a Covid-19 Risk Register was established to support the Board in its management of risks relating to the emergency. Risks identified encompassed:

- People
- Welfare of Staff, Partners and Service Users
- IT Systems, Data Security and Estate Management
- Communication
- Third Party Suppliers
- Operational delivery
- Arm's Length Bodies
- Budget availability
- Fraud and Error
- Recovery and Resilience

The Board has used this register during the response phase of the pandemic but will develop its Corporate Risk reporting arrangements for 2020-21 to cover all risks impacting on the Department's strategic outcomes as well as the challenges of Covid-19 recovery and reform.

Work on the Corporate Risk arrangements for 2020-21 is being supported by the senior Risk Management Team in EY as part of a fundamental review of the Department's approach to risk management in support of its long term strategy and Covid-19 recovery. This will aim to deliver an agile framework that aligns fully with the refreshed 'HM Treasury Orange Book Management of Risk – Principles and Concepts' issued under DAO (DoF) 04/20.

Internal Assurance

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.

Due to the emergence of significant pressures on the Department as a result of the Covid-19 pandemic I took the decision not to undertake the full assurance process for Quarter 4. Deputy Secretaries did however provide a summary of all significant issues and risks occurring within their Group, and a position report on significant issues raised previously within the 2018-19 Governance Statement that remained significant. A Covid-19 specific Assurance Statement was subsequently developed and used to provide assurances in relation to the management of Covid-19 risks and issues. A similar Assurance Statement was developed for the provision of assurances from DfC ALBs on their response to the Covid-19 emergency.

Sponsorship arrangements are in place for each of the Department's ALBs. These arrangements, together with the ALB bi-annual 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.

As DfC Accounting Officer I am required to assess the effectiveness of the Department's system of internal control. This assessment is informed by a Governance Unit report, DfC Systems of Internal Control. The purpose of this report is to provide me with all relevant information required to inform my assessment and I have concluded that the DfC system of internal control has operated effectively throughout the 2019-20 financial year.

The Board receives an 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.

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 DARAC Chair's annual report for 2019-20 provided positive assurance to the Board and Accounting Officer.

Fraud and Whistleblowing Arrangements

The Department's Fraud Policy and Response Plan details responsibilities in respect of the prevention of fraud, bribery or serious irregularity within the Department and its ALBs and outlines procedures to be followed in the event of fraud being detected or suspected. The number of 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 (HIA)

The 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 2019-20, 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 71-72. Despite the impact of the

Covid-19 emergency on the DfC Internal Audit Plan, DfC Internal Audit have undertaken sufficient audit reviews to facilitate the provision of an audit opinion. The HIA has provided an overall opinion based on work undertaken during the year, which for 2019-20 is satisfactory.

Other Assurances

In addition to assurances received from my Deputy Secretaries and the HIA, I receive an annual and mid-year inter-departmental assurance report from the DoF HIA on shared services provided to NICS Departments by DoF. Through this report I note that all audits completed in respect of DoF shared services for 2019-20 have received a satisfactory audit opinion. In addition I note that the DoF HIA has provided an overall satisfactory audit opinion in respect of DoF as a whole, incorporating DoF shared service business areas.

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 2019-20 on controls in place to ensure that the administration of housing benefit rates rebates for owner occupiers is efficient and effective. DoF Revenue & Benefits Directorate within Land and Property Services (LPS) have in place procedures to prevent and detect fraud in the award of housing benefit rates rebates. Levels of fraud and error are recorded on the LPS Corporate Risk Register.

DfC relies on Department for Work and Pensions (DWP) computer systems, services and underpinning commercial arrangements to administer the majority of benefit and child maintenance schemes and to make benefit payments in Northern Ireland. 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 assessment acknowledges “Keeping Systems and Data Safe” as one of the significant strategic control challenges for DWP and for 2019-20 and in agreement with the Group Chief Internal Auditor’s (GCIA) independent assurance, the Accounting Officer has recorded an overall moderate assurance on the strength of DWP risk, control and governance arrangements which include its Information and Communication Technology (ICT) systems. DfC places reliance on this assessment and on the UK wide arrangements for cyber security operated through the National Cyber Security Centre and the DWP Cyber Resilience Centre. DWP ICT systems are part of the UK

Government's Critical National Infrastructure and DWP continues to work closely with Cabinet Office to strengthen cross-government security standards and capabilities: in order to support the Department, its ALBs and the other departments to which it provides services, in meeting minimum government security standards and raising maturity levels across all areas of security. A concordat is in place between DWP and DfC which enables DfC to place reliance on security measures operated by DWP.

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 2018-19 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 2019-20 year the DARAC Chair has confirmed that the Committee is satisfied that risk management, control and governance in the Department has been adequate and effective. Areas highlighted for on-going assurance were: impacts of Covid-19 and related risks, implementation of new partnership arrangements with ALBs; Internal Audit resourcing and workplan, review of the Corporate Risk Register and actions, implementation of the Strategic Information Assurance Framework and progress on people engagement.

The most significant issues relating to the Department's business in 2019-20 are detailed below.

Covid -19

The emergence of Covid-19 in the closing period of 2019-20 has had far reaching impacts on the Department and its staff. An unprecedented level of demand was experienced for the timely delivery of benefits and services required to meet the needs of the most vulnerable in our society and to assist those impacted by the Covid-19 restrictions. This demand was coupled with the challenge of keeping staff safe within the Department, adapting to the emergency by introducing a range of measures including: remote-working, revised telephony assistance and the use of online forms and services.

The Department's inherent risk of exposure to fraud /error has increased as a direct result of the Covid-19 emergency. This is primarily as a result of enhanced demand for benefits and departmental services, also the impact of measures implemented by the NI Executive in respect of the payment of grants [DAO 03/20], and continued payments to departmental suppliers [PGN 01/20] in order to maintain cash flow and protect jobs during the emergency.

The Department needs to be prepared to respond as the Covid-19 situation evolves, making sure that the Department provides a sustainable service, as the needs of those it serves changes. A communications programme has been stood up to ensure that staff, stakeholders, ALBs, and customers receive up-to-date information in respect of Covid-19 and its impact on the delivery of Departmental services.

EU Exit

On 29 March 2017, the UK government submitted its notification to leave the EU in accordance with Article 50 of the Treaty of Lisbon. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020. As such the impact of EU Exit upon Departmental business is currently uncertain, however contingency plans have been developed to ensure that DfC can maintain delivery of its services with minimal disruption to both staff and customers.

Northern Ireland Assembly and Budget Authority

The Assembly passed the Budget Act (Northern Ireland) 2020 in March 2020 which authorised the cash and use of resources for all departments for the 2019-20 year, based on the Executive's final expenditure plans for the year. The Budget Act (Northern Ireland) 2020 also authorised a Vote on Account to authorise departments' access to cash and use of resources for the early months of the 2020-21 financial year. While it would be normal for this to be followed by the 2020-21 Main Estimates and the associated Budget (No. 2) Bill before the summer recess, the Covid-19 emergency and the unprecedented level of allocations which the Executive has agreed in response, has necessitated that the Budget (No. 2) Bill is instead authorising a further Vote on Account to ensure departments have access to the cash and resources through to the end of October 2020, when the Main Estimates will be brought to the Assembly and the public expenditure position is more stable.

Protective Security

Nine major incidents involving personal data were reported to the Department's Data Protection Officer during 2019-20. Two of the incidents reported met the threshold requiring notification to the Information Commissioner's Office (ICO) and in both cases the ICO took no further action.

There were no reported incidents from 2018-19 carrying into 2019-20. The DfC Data Protection Officer instigated improved staff training and updated guidance as part of the monitoring/review of reported incidents to ensure learning and improvement across the Department

Public Appointments

The absence of a Minister during 2019-20 presented a number of public appointment challenges for the Department which included ensuring that boards of public bodies remained quorate to allow them to fulfil their statutory functions. However, the Northern Ireland (Executive Formation and Exercise of Functions) Act 2018 enabled me to take some public appointment decisions where it was in the public interest to do so and to ensure the continuation of good governance.

The Department, in conjunction with the Northern Ireland Office, also progressed secondary legislation under this Act to enable the Secretary of State for Northern Ireland to take appointment decisions on a number of specified offices, such as the NIHE and NILGOSC. The Department engaged with the Commissioner for Public Appointments NI (CPANI) as necessary during this period to ensure compliance with the CPANI Code of Practice.

Following the re-establishment of the NI Executive in January 2020, responsibility for all public appointment matters has reverted to the Minister for Communities with a range of decisions and appointments made since then. This included reconstituting the Historic Buildings Council, which ceased to exist from 1 April 2020 due to having no membership, with a new Chair and Members in place from 1 July 2020. Challenges remain to ensure that boards have the required skills and experience needed, and that boards are constituted so that they fully reflect the communities they serve, with the Department continuing to pay particular attention to these areas.

Fraud and Raising Concerns (Whistleblowing)

Thirteen incidents of suspected fraud were reported during 2019-20, relating to both the Department and its ALBs. Of the cases investigated and closed during the year, there were six cases of fraud confirmed, one case where fraud was attempted but prevented due to the operation of internal controls and six cases where no evidence of fraud was found. Investigations into seven cases were ongoing at the end of the year.

During 2019-20 the Department received twenty six concerns through Raising Concerns (Whistleblowing) arrangements, twenty 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. Estimated fraud and error levels for 2019 increased overall, with the largest increase within Universal Credit. These increases were for the period before the current emergency, which in itself will increase the inherent risk of fraud and error within benefit expenditure, particularly given the significantly increased number of Universal Credit claims.

A wide range of activities are in place to mitigate against the risk of fraud and error within the benefit systems, however the operational effectiveness of these activities may be impacted as a result of the Covid-19 emergency. The estimated level of fraud/error has 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/media-files/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, however this may be impacted by the Covid-19 emergency and the unprecedented demand for benefits and services experienced as a result.

Universal Credit Migration Arrangements

In May 2019 the High Court ruled that Universal Credit migration arrangements for those who previously received Severe Disability Premium (SDP) and naturally migrated to Universal Credit before 16 January 2019 are unlawful.

In response to this judgement, the Universal Credit (Managed Migration and Miscellaneous Amendments) Regulations (Northern Ireland) 2019 introduced transitional payments for eligible claimants who were in receipt of SDP as part of their award of Income Based Job Seekers Allowance, Income Related Employment Support Allowance or Income Support and have moved to Universal Credit following a relevant change in their circumstances. Where eligible, these payments comprise an ongoing monthly payment depending on the person’s circumstances, and an additional lump-sum payment to cover the period since their move. From January 2021 the SDP Gateway that prevents claimants entitled to SDP from making a claim to Universal Credit if they have a relevant change of circumstances will be abolished. Once removed claimants will move to Universal Credit if they have a change of circumstances and may be eligible to be considered for transitional payments.

Personal Independence Payments (PIP)

As highlighted in the 2018-19 Governance Statement, following a Judicial Review of PIP in Great Britain the Department has been working with DWP to implement new guidance. Whilst the Court Judgment is not binding in Northern Ireland, the Department has followed the DWP approach, reviewing existing applications and paying arrears where it has been possible to do so. Approximately 78,000 PIP applications in Northern Ireland have been reviewed to date with 5,000 remaining to be reviewed. The exercise was paused because of competing priorities arising from the impact of Covid-19 but is expected to be completed by December 2020.

The Northern Ireland Public Service Ombudsman is conducting a review of the administration of PIP and the Department remains fully engaged with this process. An interim update was published on the Northern Ireland Public Service Ombudsman website on 9 July 2020 which included a commitment to provide a draft final report to the Department by October 2020.

Employment and Support Allowance (ESA)

As highlighted in the 2018-19 Governance Statement, an NAO report in August 2018 identified issues in relation to the underpayment of ESA. All NI cases potentially affected have been scrutinised to address entitlement to Income Related ESA. The exercise so far has identified 2,919 entitled claimants and £18.8 million of arrears payable.

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)

As highlighted in the 2018-19 Governance Statement, the Court of Appeal handed down its judgment in September 2018 in the case of Mid Ulster District Council v Department of the Environment (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 in the Losses and Special Payments section.

Potential financial implications for the Department are 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.

The Department is progressing the matters with the appellants’ solicitors.

Renewable Heat Incentive Scheme

The Report of the Independent Public Inquiry into the Non-domestic Renewable Heat Incentive Scheme was published in March 2020. A total of 44 recommendations were made, largely directed towards the NICS, with a smaller number for political parties, the Executive, Special Advisers and the Assembly. The Executive has agreed to establish an Executive Sub-Committee which will produce an action plan in response to the report to ensure system-wide change is implemented effectively and sustained.

Regional Stadia

In October 2020, the Department for Infrastructure (DfI) Minister confirmed her intention to issue a Notice of Opinion to approve the Casement Park planning application. This project milestone enables progression on interdependent project activities pertaining to the final planning outcome. DfC continues to engage with DoF colleagues on detailed cost due diligence, updates to the draft Ulster Council GAA Full Business Case and on final project procurement options. Completion of these interdependent activities and other activities outside the control of the Department, will culminate in an Executive paper to be brought forward for a revised or additional budget requirement for the Casement Park stadium.

Housing

Social housing reform options have been prepared to address the long term sustainability of the NIHE's housing portfolio and are expected to receive ministerial consideration in due course. As reported in the 2018-19 Governance Statement, this continues to impact on the NIHE's ability to progress a long term rent strategy and investment in the maintenance of its housing stock.

Social Housing Development Programme (SHDP)

Due to the impact of Covid-19 and associated lockdown measures, slippage was experienced in the 2019-20 SHDP programme. This resulted in an outturn of 761 housing unit starts and £115 million spend, against the 2019-20 target of 1,850 units and £146 million budget. Approvals were secured to enable land acquisition for a number of major schemes providing development potential in future financial periods.

Due to ongoing uncertainty caused by the Covid-19 emergency, new contractual arrangements between Housing Associations and contractors have been impacted. A number of schemes were assessed and approval to proceed awarded, progress is however now dependent on the continuing impact of Covid-19 on the construction sector.

Costs relating to additional compensation events incurred by Housing Association SHDP schemes as a result of Covid-19, will be met in full by the Department by way of a grant.

Social Housing Development Programme Inspection Programme

In April 2016 the rolling programme of individual SHDP scheme inspections ceased. These inspections provide assurance on Housing Association Grant expenditure and on Registered Housing Associations' compliance with the Housing Association Guide and NI Public Procurement Policy. Following a pilot exercise the SHDP inspection programme recommenced in November 2019. While three SHDP inspections and one adaptation inspection were started only one was completed before Covid-19 restrictions meant inspection work had to stop. As the SHDP inspections include visits to Housing Association sites/properties, work is being undertaken to determine how technology can be used to maintain inspection activity until site visits can resume. A further forty one SHDP schemes and sixteen Adaptation Schemes selected for inspection in 2020-21 have not yet commenced due to continued Covid-19 restrictions.

Affordable Warmth Scheme

The business case for the Affordable Warmth Scheme was approved by DoF in September 2014 for expenditure of up to £16.5 million over a three 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's original Business Case is reported.

£64.1 million total spend has been incurred within the period 1 April 2015 – 31 March 2020 and is classified as irregular. Additional business case approval was granted for the period beginning 18 September 2018, however the processing of applications received in advance of 17 September 2018 has resulted in £952k of irregular spend in 2019-20 as this relates to approvals which were issued under the original Business Case. No further irregular expenditure is expected in 2020-21.

A new five year business case was approved on 16 August 2019 and Internal Audit are in the process of finalising a review that includes examining the Department's establishment of the scheme and oversight of scheme delivery by the NIHE and local councils.

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.

Legislation required to facilitate Office of National Statistics (ONS) classification of Housing Associations to the private sector has passed final stage and has been submitted for Royal Assent. HM Treasury has agreed extension of its derogation until March 2021. This allows the public expenditure treatment of Housing Associations to continue as if they were private sector bodies, pending the planned legislation.

Co-Ownership paused the processing of new applications on 24 March 2020 due to the impact of Covid-19. The subsequent easing of restrictions allowed the housing market in NI to reopen on 15 June and the Department has secured an initial £10 million in grant funding to allow Co-Ownership to reopen its core scheme to new applications. An economic appraisal to secure funding over a four year period has received Ministerial approval.

A Judicial Review relating to a Statutory Inquiry into the affairs of Woodvale and Shankill Housing Associations is ongoing and the Department must await the outcome of the Judicial Review before further progression of matters.

An engagement process was underway with impacted registered Housing Associations, their Joint Management Partners and the Health and Social Care Trusts to inform the development of policy proposals on legacy Special Needs Management Allowance. Engagement has however been paused due to the Covid-19 emergency. The Department is currently seeking to restart engagement and legacy Special Needs Management Allowance will continue in payment until 31 March 2021.

The Appeals Service NI (TAS (NI))

As reported in the 2018-19 Governance Statement, the consent based medical records process that existed prior to 5 April 2019, has now ceased to be operated by TAS (NI), following legal advice provided to the Department. The Department is considering the implications of this change to determine what, if any, further departmental actions are required.

Northern Ireland Events Company (NIEC)

As reported in the 2018-19 Governance Statement, Departmental officials were appointed as Directors of NIEC to wind the company up and to conclude all final tax and accounting matters. All necessary actions have now been completed and Companies House has notified that NIEC was successfully dissolved on 22 September 2020. All former Directors of NIEC have accepted undertakings or a judgment has been applied preventing them from acting as Company Directors.

Charity Commission for Northern Ireland (CCNI)

In February 2020 the NI Court of Appeal upheld the May 2019 decision of the High Court which found that section 19 of the Interpretation Act (NI) 1954 together with provisions within the Charities Act (Northern Ireland) 2008 do not provide express or implied power for CCNI to delegate decision making in relation to its statutory functions to staff. As previously reported, CCNI have established a decision making committee in compliance with the Judgment to ensure a service can be provided to charities in the interim until a longer term arrangement is determined. The effect of this is that while some decisions may be delayed and the volume of decisions made has been temporarily reduced, the work on applications, requests and queries is continuing.

The Department is currently developing options on the way forward for consideration by the Minister.

Limited Opinion Audit Reports

The Department's Head of Internal Audit issued two limited opinion audit reports in 2019-20: (1) DfC's Business Continuity Planning and (2) Management of Grants by Voluntary and Community Division. All recommendations were accepted by management and follow-up reports are scheduled to occur in 2020-21.

Internal Audit follow-up work was undertaken in respect of limited opinion reports from previous years as follows:

- Management of State Care Monuments (final report May 2018) - limited opinion raised to satisfactory
- Archaeological Consent Licensing (final report September 2018) - limited opinion raised to satisfactory
- Children and Vulnerable Adults' Safeguarding Arrangements (final report March 2019) - limited opinion raised to satisfactory
- Capital Programme and Project Delivery - excluding Capital Stadia (final report issued February 2017) – limited opinion raised to satisfactory

- Departmental Health & Safety Arrangements (final report July 2017) – this report was subject to follow-up in March 2019 where the limited opinion remained. A further follow-up was completed in March 2020 and concluded significant progress in implementation of recommendations. A full assessment of Health and Safety Arrangements will be undertaken in 2020-21, at which point Internal Audit will revisit the limited opinion
- Departmental Oversight of the Supporting People Programme (final report March 2018) – this report was previously subject to follow-up in December 2018, which concluded partially implemented. NIHE actions are ongoing to address outstanding recommendations and an Internal Audit follow-up will occur once work has completed. The limited opinion therefore remains.

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.

Following a DoF review of ALB sponsorship, NICS departments are taking steps towards the establishment of partnership working with their ALBs.

The NI Code of Good Practice on Partnerships between Departments and ALBs was launched in March 2019, this was supported by further DoF guidance on Partnership Agreements and Proportionate Autonomy.

Work is being progressed with DfC ALBs to establish partnership agreements reflective of individual relationships and circumstances.

Issues Relating to DfC ALBs

Internal Audit work in respect of arrangements in place with DfC ALBs may be supplemented by Governance reviews or additional audit work where the need for additional information or assurance is identified. No additional audit work/governance reviews were undertaken in 2019-20.

Recommendations arising from the independent review of Arts Council NI (ACNI) governance/Board effectiveness reported in the 2018-19 Governance Statement are being progressed. A public appointment competition has been conducted and new members have been appointed to the ACNI Board.

Human Resources capacity within the NIHE and the overall limited opinion issued by the NIHE HIA in respect of 2018-19 were highlighted in the 2018-19 Governance Statement. The Department continued to engage closely with the NIHE during 2019-20 to ensure that matters giving rise to the limited opinion, including those relating to HR capacity, were given full and focused attention. The NIHE HIA has issued an overall satisfactory opinion for 2019-20 reflecting the improved position within the NIHE.

The tailored review of Ulster Supported Employment Limited highlighted in the 2018-19 Governance Statement was concluded at the beginning of 2019-20. The findings from the review and potential future operating arrangements are currently under consideration.

Progress made during 2019-20 in respect of Sport NI backlog accounts brings the organisation to a regularised position. In March 2020 the NIAO published its standalone report on 'Governance Issues in Sport NI' which examined the circumstances around a period of internal instability and change within the organisation. It also examined the adequacy of the governance, leadership and departmental oversight of Sport NI during this period. The Department has welcomed the report and will work with Sport NI and DoF to fully address the recommendations made.

North/South Language Body

In the absence of a DfC Minister until 11 January 2020, it was not possible to secure North South Ministerial Council (NSMC) approval of 2017, 2018, 2019 and 2020 Business Plans for North/South Language Body. 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 Business 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 2019-20 or 2018-19 financial years without DoF approval.

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 policy 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 set the 2019-20 NI public sector pay policy (October 2019) in line with the overarching HM Treasury parameters and in a manner consistent with the approach taken by the previous Finance Minister in 2016-17. Annual NICS pay awards are made in the context of the wider public sector pay policy. The pay award for NICS staff, including SCS staff, for 2019-20 has been finalised and was paid in July 2020.

The pay of 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 Minister and most senior management (i.e. Board Members) of the Department.

Remuneration and pension entitlements – Ministers (Audited Information)

Single total figure of remuneration								
Minister	Salary (£)		Benefits in kind (to nearest £100)		Pension Benefits* (to nearest £1,000)		Total (to nearest £1,000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Deirdre Hargey Member of Legislative Assembly (from 11 January 2020)	**10,742 (48,205 full year equivalent)**	N/A	**-**	N/A	**3**	N/A	**14**	N/A

** 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.*

There was no Minister in place during 2018-19.

Remuneration and pension entitlements – Officials (Audited Information)

Single total figure of remuneration								
Officials	**Salary (£'000)**		**Benefits in kind (to nearest £100)**		**Pension Benefits* (to nearest £1,000)**		**Total (£'000)**	
	2019-20	**2018-19**	**2019-20**	**2018-19**	**2019-20**	**2018-19**	**2019-20**	**2018-19**
Tracy Meharg Permanent Secretary (from 10 December 2018)	**115-120**	35-40 (115-120 full year equivalent)	**-**	-	**100**	35	**215-220**	70-75
Leo O'Reilly Permanent Secretary (to 31 January 2019)	**-**	105-110 (120-125 full year equivalent)	**-**	-	**-**	(80)	**-**	25-30
Jackie Kerr Deputy Secretary	**85-90 (95-100 full time equivalent)**	85-90 (95-100 full time equivalent)	**-**	-	**7**	40	**90-95**	125-130
Louise Warde Hunter Deputy Secretary	**95-100**	90-95	**-**	-	**38**	25	**130-135**	115-120
Colum Boyle Deputy Secretary (from 15 August 2018)	**95-100**	50-55 (90-95 full year equivalent)	**-**	-	**52**	12	**145-150**	65-70
Moira Doherty Deputy Secretary (from 1 February 2019)	**90-95**	10-15 (85-90 full year equivalent)	**-**	-	**103**	17	**190-195**	30-35
Beverley Wall Acting Deputy Secretary (from 4 November 2019)	**35-40 (90-95 full year equivalent)**	- -	**-**	-	**63**	-	**95-100**	-
Deborah Brown Acting Deputy Secretary (from 3 September 2018 to 31 January 2019)	**-**	35-40 (85-90 full year and full time equivalent)	**-**	-	**-**	59	**-**	90-95

Remuneration and pension entitlements – Officials (Audited Information) (continued)

Single total figure of remuneration								
Officials	Salary (£'000)		Benefits in kind (to nearest £100)		Pension Benefits* (to nearest £1,000)		Total (£'000)	
	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
Ian Snowden Acting Deputy Secretary (to 2 September 2018)	**-**	35-40 (85-90 full year equivalent)	**-**	-	**-**	22	**-**	55-60
David Malcolm Acting Deputy Secretary (to 14 August 2018)	**-**	30-35 (85-90 full year equivalent)	**-**	-	**-**	80	**-**	110-115
Duncan McCausland Independent Board Member	**5-10**	5-10	**-**	-	**-**	-	**5-10**	5-10
John West Independent Board Member	**5-10**	10-15	**-**	-	**-**	-	**5-10**	10-15

**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.*

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 severance or ex-gratia payments.

The Northern Ireland Assembly (NIA)was dissolved from 26 January 2017 until an Executive was formed on 11 January 2020. Ministers were not in place during this time. From 11 January 2020, the Department for Communities was under the direction and control of Minister Deirdre Hargey. Her salary and allowances were paid by NIA and have been included as a notional cost in these accounts. These amounts do not include costs relating to the Minister's role as MLA/MP/MEP which are disclosed in the appropriate legislature accounts.

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.

Pay Multiples

	2019-20	2018-19
Band of Highest Paid Director's Total Remuneration* (£'000)	**115-120**	115-120
Median Total Remuneration* (£)	**25,004**	24,960
Ratio	**4.7**	4.7

**Total remuneration includes salary, non-consolidated performance-related pay, and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.*

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 2019-20 was £115,000 - £120,000 (2018-19: £115,000 - £120,000). This was 4.7 times (2018-19: 4.71) the median remuneration of the workforce, which was £25,004 (2018-19: £24,960).

No employee received remuneration in excess of the highest paid director in 2019-20, nor in 2018-19.

Remuneration ranged from £18,513 to £116,627 (2018-19: £17,526 to £115,187).

There was no material change in the pay multiple ratio between 2019-20 and 2018-19.

Pension Entitlements – Ministers (Audited Information)

Minister	Accrued pension at pension age as at 31/3/20 £'000	Real increase in pension at pension age £'000	CETV at 31/3/20 £'000	CETV at 31/3/19 £'000	Real increase in CETV £'000
Deirdre Hargey **Member of Legislative Assembly** (from 11 January 2020)	0 -5	-	2	-	1

There was no Minister in place during 2018-19.

Ministerial pensions

Pension benefits for Ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2016 (AMPS). In 2011 the Assembly passed the Assembly Members (Independent Financial Review and Standards) Act (Northern Ireland) establishing a Panel to make determinations in relation to the salaries, allowances and pensions payable to members of the Northern Ireland Assembly. In April 2016 the Independent Financial Review Panel issued The Assembly Members (Pensions) Determination (Northern Ireland) 2016 which introduced a Career Average Revalued Earnings scheme for new and existing members. The new scheme is named Assembly Members' Pension Scheme (Northern Ireland) 2016 and replaces the 2012 scheme. Existing members born on or before 1 April 1960 retain their Final Salary pension arrangements under transitional protection until 6 May 2021. The final decision on the McCloud judgement has yet to be agreed and the outcome may have an impact on Members affected by the Transitional Protection policy.

As Ministers are Members of the Legislative Assembly they also accrue an MLA's pension under the AMPS (details of which are not included in this report). Pension benefits for Ministers under transitional protection arrangements are provided on a "contribution factor" basis which takes account of service as a Minister. The contribution factor is the relationship between salary as a Minister and salary as a Member for each year of service as a Minister. Pension benefits as a Minister are based on the accrual rate ($1/50^{th}$ or $1/40^{th}$) multiplied by the cumulative contribution factors and the relevant final salary as a Member. Pension benefits for all other Ministers are provided on a career average (CARE) basis.

Benefits for Ministers are payable at the same time as MLAs' benefits become payable under the AMPS. Pensions are increased annually in line with changes in the Consumer Prices Index. Ministers pay contributions of either 9% or 12.5% of their Ministerial salary, depending on the accrual rate. There is also an employer contribution paid by the Consolidated Fund out of money appropriated by Act of Assembly for that purpose representing the balance of cost. This is currently 14.4% of the Ministerial salary.

The accrued pension quoted is the pension the Minister is entitled to receive when they reach normal pension age for their section of the Scheme. Ministers under transitional protection arrangements may retire at age 65. Ministers in the CARE scheme have a pension age aligned to their State Pension Age.

The Cash Equivalent Transfer Value (CETV)

This 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. It 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 pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total office holder service, not just their current appointment as a Minister. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) Regulations 1996 (as amended) and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the increase in accrued pension due to the department's contributions to the AMPS, and excludes increases due to inflation and contributions paid by the Minister and is calculated using valuation factors for the start and end of the period.

Pension Entitlements – Officials (Audited Information)

Officials	Accrued pension at pension age as at 31/3/20 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/20 £'000	CETV at 31/3/19 £'000	Real increase in CETV £'000	Employer contribution to partnership pension account Nearest £100
Tracy Meharg Permanent Secretary	45 – 50 plus a lump sum of 135-140	2.5-5 plus a lump sum of 12.5-15	1,045	897	100	-
Jackie Kerr Deputy Secretary	40-45 plus a lump sum of 105-110	0-2.5 plus a lump sum of 0-2.5	826	782	5	-
Louise Warde-Hunter Deputy Secretary	15-20	0-2.5	472	410	36	-
Colum Boyle Deputy Secretary	40-45 plus a lump sum of 95-100	2.5-5 plus a lump sum of 0-2.5	815	743	35	-
Moira Doherty Deputy Secretary	25-30 plus a lump sum of 50-55	5-7.5 plus a lump	416	329	67	-
Beverley Wall Deputy Secretary (from 4 November 2019)	0-5 plus a lump sum of 5-10	2.5-5 plus a lump sum of 5-7.5	51	-	48	-

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 current accrual 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 accrual 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 2019 was 1.7% and HM Treasury has announced that public service pensions will be increased accordingly from April 2020.

Employee contribution rates for all members for the period covering 1 April 2020 – 31 March 2021 are as follows:

Scheme Year 1 April 2020 to 31 March 2021

Annualised Rate of Pensionable Earnings (Salary Bands)		Contribution rates – All Members
From	To	From 01 April 2020 to 31 March 2021
£0	£23,999.99	4.6%
£24,000.00	£55,499.99	5.45%
£55,500.00	£152,499.99	7.35%
£152,500.00 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 www.finance-ni.gov.uk/civilservicepensions-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)

	2019–20				2018–19
	Permanently Employed Staff* £'000	Others £'000	Ministers £'000	Total £'000	Total £'000
Wages and salaries	177,471	38,971	8	216,450	219,108
Social security costs	15,793	-	1	15,794	16,861
Other pension costs	50,645	-	1	50,646	38,867
Sub Total	243,909	38,971	10	282,890	274,836
Less recoveries in respect of outward secondments	(314)	-	-	(314)	(212)
Total net staff costs	**243,595**	**38,971**	**10**	**282,576**	274,624
Of which:	Charged to Administration	Charged to Programme	**Total**		
Core Department	34,965	247,611	**282,576**		
Total net costs	**34,965**	**247,611**	**282,576**		

Of the total, £60,401 has been charged to capital.

*There were no staff costs incurred in respect of the Department's Special Adviser in 2018-19. The 2019-20 figures include the cost of the Department's Special Adviser who was paid in the pay band £46,000 - £55,000.

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 2016 scheme valuation was completed by GAD in March 2019. The outcome of this valuation was used to set the level of contributions for employers from 1 April 2019 to 31 March 2021.

For 2019-20, employers' contributions of £50.4 million were payable to the NICS pension arrangements (2018-2019: £38.8 million) at one of three rates in the range 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% per annum 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. Employers' contributions of £0.069 million (2018-2019: £0.078 million) were paid to one or more of the panel of two appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75% (2018-2019: 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% (2018-2019: £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. There were no contributions due to the **partnership** pension providers at the reporting period date and also no contributions prepaid at that date.

39 persons (2018-2019: 52 persons) retired early on ill-health grounds; the total additional accrued pension liabilities in the year amounted to £0.012 million (2018-2019: £0.128 million).

Average Number of Persons Employed (Audited Information)

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

	2019–20					2018–19
Departmental Activity	**Permanently Employed staff**	**Others**	**Ministers**	**Special advisers**	**Total**	Total
Staff Employed	6,386	1,608	1	1	7,996	8,188
Total	**6,386**	**1,608**	**1**	**1**	**7,996**	8,188
Of which:						
Core Department	**7,996**					

*The Minister was in post from 11 January 2020 and the Special Adviser was in post from 03 February 2020.

Number of Senior Staff by Payband

The number of SCS (or equivalent) staff by pay band as at 31 March 2020 is as follows:

Pay Band	Total
66-75	21
76-85	5
86-95	5
96-105	-
106-115	-
116-125	1
Total	**32**

Employee Gender

At 31 March 2020 there were 6,993 staff (based on staff headcount) plus an additional 1,812 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	5	6
Senior Staff (Grade 5+)	14	6	20
Employees	3,757	5,022	8,779
Total	**3,772**	**5,033**	**8,805**

Sickness Absence Data

The Department had an overall sickness absence rate of 14.9 days lost per employee in 2018-19. NISRA's projection for 2019–20 for the Department is currently estimated at 15.1 days lost per employee. The verified figures for 2019–20 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 members of NICS recruitment panels. Unconscious bias training is available to all staff.

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

The NICS has a wide and active network of Diversity Champions and has appointed one of its' Deputy Secretaries as the NICS Diversity Lead for Disability. The NICS has a committed 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 colleagues feel valued. The NICS promotes a number of schemes for disabled colleagues, including a 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 2018-21 NICS People Strategy 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.

NICSHR Learning and Development 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 2019-20 year the Department spent £0.9 million on external consultancy (2018-19: £0.7 million. 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 £39 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 workloads and vacant posts.

Off-Payroll Engagements

The Department had no off-payroll engagements at an annual cost of over £245 per day lasting longer than six months during 2019–20 (2018-19: nil).

Off-payroll engagements of board members with significant financial responsibility during 2019-20 are outlined below:

	Total
Number of off-payroll engagements of Board members with significant financial responsibility during 2019-20	0
Total number of individuals on payroll and off-payroll with significant financial responsibility during 2019-20	6 (6 current Board members)

Reporting of Civil Service and other compensation schemes – exit packages (Audited Information)

Data for the 2018-19 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	-	4 (12)	4 (12)
£10,000–£25,000	-	6 (16)	6 (16)
£25,000–£50,000	-	16 (11)	16 (11)
£50,000–£100,000	-	3 (2)	3 (2)
£100,000–£150,000	-	-	-
£150,000–£200,000	-	-	-
Total number of exit packages	**-**	**29 (41)**	**29 (41)**
Total Resource Cost £'000	**-**	**944 (832)**	**944 (832)**

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. The table above shows the total cost of exit packages agreed and accounted for in 2019-20 and 2018-19. £0.9 million exit costs were paid in 2019-20, the year of departure (2018-19: £0.8 million). 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. The SoAS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly.

The SoAS is a key accountability statement that shows, in detail, how an entity has spent against their Supply Estimate. Supply is the monetary provision for resource and cash (drawn primarily from the Consolidated Fund), that the Assembly gives statutory authority for entities to utilise. The Estimate details Supply and is voted on by the Assembly at the start of the financial year and is then normally revised by a Supplementary Estimate at the end of the financial year. It is the final Estimate, normally the Spring Supplementary Estimate, which forms the basis of the SoAS. Should an entity exceed the limits set by their Supply Estimate, called control limits, their accounts will receive a qualified opinion.

The format of the SoAS mirrors the Supply Estimates to enable comparability between what the Assembly approves and the final outturn. The Supply Estimates are voted by the Assembly and published on the DoF website.

The supporting notes detail the following:

- SoAS Note 1 - Outturn detailed by Estimate line, providing a more detailed breakdown.
- SoAS Note 2 - a reconciliation of outturn to net operating expenditure in the SoCNE, to tie the SoAS to the financial statements.
- SoAS Note 3 - a reconciliation of net resource outturn to net cash requirement.
- SoAS Note 4 - an analysis of income payable to the Consolidated Fund.
- SoAS Note 5 - a reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund.
- SoAS Note 6 - detail on non-operating income – excess Accruing Resources.

Summary Tables - mirror Part II and III of the Estimates

Summary of Resource Outturn 2019-20 (Audited Information)

	2019-20							2018-19
	Outturn			Estimate				Outturn
	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Outturn vs estimate: saving/ (excess) Net total £'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; promoting the financial responsibility parents have for their children; 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.								
	4,779,164	(134,957)	4,644,207	5,045,900	(168,904)	4,876,996	232,789	4,354,831
Total resources (note SoAS1)	4,779,164	(134,957)	4,644,207	**5,045,900**	**(168,904)**	**4,876,996**	**232,789**	4,354,831
Non-operating Accruing Resources			**(31,724)**			**(41,343)**	**9,619**	(36,412)

Net cash requirement 2019-20 (Audited Information)

		2019-20			2018-19
	Note	Outturn £'000	Estimate £'000	Outturn vs estimate saving/ (excess) Net total £'000	Outturn £'000
Net cash requirement	SoAS3	**4,586,817**	**4,727,206**	**140,389**	4,270,433

Summary of income payable to the Consolidated Fund (Audited Information)

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	2019-20 Income £'000	Forecast *Receipts £'000*	2019-20 Income £'000	Outturn *Receipts £'000*
Total amount payable to the Consolidated Fund	SoAS4	1,076	*1,076*	**1,193**	***1,256***

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

The notes on pages 123 to 204 form part of these accounts.

Notes to the Statement of Assembly Supply 2019-20

This note mirrors Part II of the Estimates: (Revised) Subhead Detail and Resource to Cash Reconciliation.

SoAS Note 1 Outturn detail, by Estimate line (Audited Information)

	2019-20										2018-19
	Resource Outturn						Estimate				
Type of spend	Admin £'000	Other Current £'000	Grants £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Virements* £'000	Net Total inc. Virements £'000	Outturn vs Estimate (inc. virements) saving/(excess) £'000	Outturn Total £'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	27,419	247,012	44,761	319,192	(15,354)	303,838	302,614	1,224	303,838	-	321,674
Belfast Benefit Delivery Centre	-	31,413	-	31,413	(31,413)	-	-	-	-	-	-
Eastern Area (GB Child Maintenance Group)	-	27,175	-	27,175	(27,175)	-	-	-	-	-	-
Child Maintenance Service	-	8,998	-	8,998	(962)	8,036	8,199	(163)	8,036	-	8,766
Mesothelioma Compensation Scheme	-	-	106	106	(106)	-	-	-	-	-	-
Discretionary Support Scheme	-	-	9,243	9,243	-	9,243	10,020	(755)	9,265	22	9,641
Housing benefit	-	-	106,602	106,602	-	106,602	108,300	-	108,300	1,698	113,956
Housing	4,089	1,392	38,374	43,855	(25,618)	18,237	20,028	-	20,028	1,791	2,828
Housing grants to the NI Housing Executive Landlord Function	-	3,696	18,007	21,703	-	21,703	21,703	-	21,703	-	34,399
Interest Payments on Housing Loans	-	18,988	-	18,988	(18,988)	-	-	-	-	-	-
Urban Regeneration	6,505	5,474	12,919	24,898	(670)	24,228	25,292	-	25,292	1,064	23,852

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

	2019-20										2018-19
	Resource Outturn						Estimate				
Type of spend	Admin £'000	Other Current £'000	Grants £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Virements* £'000	Net Total inc. Virements £'000	Outturn vs Estimate (inc. virements) saving/(excess) £'000	Outturn Total £'000
Community and Voluntary Sector funding	5,269	600	38,826	44,695	-	44,695	45,912	(639)	45,273	578	43,132
EU Programme for Peace and Reconciliation	-	-	301	301	(256)	45	47	-	47	2	8
Library and Other Services	344	-	373	717	-	717	798	(14)	784	67	333
Arts and Museums	961	148	2,713	3,822	-	3,822	3,722	100	3,822	-	3,291
Sports	752	2,234	1,370	4,356	(90)	4,266	4,418	(152)	4,266	-	5,078
Cultural Policy and Languages	655	57	1,063	1,775	-	1,775	1,568	207	1,775	-	1,549
Public Record Office of Northern Ireland	-	5,645	-	5,645	(65)	5,580	5,688	(10)	5,678	98	5,068
Historic Environment Division	-	8,446	1,143	9,589	(555)	9,034	8,730	304	9,034	-	7,141
Local Government Services	1,621	-	53,393	55,014	(110)	54,904	54,889	15	54,904	-	71,814
Employment and Skills	-	-	16,811	16,811	-	16,811	16,928	(117)	16,811	-	19,276
Annually managed expenditure (AME):											
Non-contributory and means-tested benefits:											
- Pension benefits	-	-	6,495	6,495	-	6,495	6,551	-	6,551	56	6,241
- Disability benefits	-	-	1,653,092	1,653,092	-	1,653,092	1,699,192	-	1,699,192	46,100	1,544,484
- Industrial injuries benefits	-	-	30,347	30,347	-	30,347	30,736	-	30,736	389	29,807
- Pension credit	-	-	239,729	239,729	-	239,729	242,790	-	242,790	3,061	237,643
Income support - Jobseeker's allowance, Employment and Support Allowance and Universal Credit:								-	-	-	-
- Income support	-	10,453	98,653	109,106	-	109,106	117,133	-	117,133	8,027	136,982
- Jobseeker's allowance (income based)	-	-	38,068	38,068	-	38,068	39,053	-	39,053	985	65,856
- Employment and Support Allowance (income related)	-	-	527,308	527,308	-	527,308	533,039	-	533,039	5,731	564,594
- Universal Credit	-	-	361,692	361,692	-	361,692	396,212	-	396,212	34,520	105,932
- Tax credit Debt	-	-	-	-	(13,552)	(13,552)	(42,086)	-	(42,086)	(28,534)	(3,062)

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

	2019-20										2018-19
	Resource Outturn						Estimate				
Type of spend	Admin £'000	Other Current £'000	Grants £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Virements* £'000	Net Total inc. Virements £'000	Outturn vs Estimate (inc. virements) saving/(excess) £'000	Outturn Total £'000
- Support for Mortgage Interest	-	704	-	704	(43)	661	(130)	-	(130)	(791)	(13)
Housing benefit (rent)	-	-	474,826	474,826	-	474,826	482,500	-	482,500	7,674	525,140
payments	-	-	4,610	4,610	-	4,610	5,389	-	5,389	779	3,907
Provisions, Depreciation and Impairments	-	(2,984)	-	(2,984)	-	(2,984)	123,674	-	123,674	126,658	(69,727)
Non-Budget:											
Social Fund (Regulated)	-	-	-	-	-	-	12,278	-	12,278	12,278	-
Social Fund in respect of Winter Fuel Payments	-	-	47,000	47,000	-	47,000	51,664	-	51,664	4,664	52,200
Northern Ireland National Insurance Fund	-	-	114,000	114,000	-	114,000	114,000	-	114,000	-	78,900
Grant-In-Aid Paid to the Northern Ireland Housing Executive	-	-	297,000	297,000	-	297,000	298,403	-	298,403	1,403	282,000
Charity Commission (NI)	-	-	2,396	2,396	-	2,396	2,498	-	2,498	102	1,744
Ulster Supported Employment Limited	-	-	982	982	-	982	1,023	-	1,023	41	878
Arts Council of Northern Ireland	-	-	12,760	12,760	-	12,760	13,002	-	13,002	242	12,167
National Museums and Galleries Northern Ireland	-	-	17,660	17,660	-	17,660	18,162	-	18,162	502	18,029
Sports Council for Northern Ireland	-	-	10,740	10,740	-	10,740	11,200	(19)	11,181	441	10,231
Northern Ireland Library Authority	-	-	32,419	32,419	-	32,419	33,739	-	33,739	1,320	32,278
Armagh Observatory and Planetarium	-	-	3,157	3,157	-	3,157	3,138	19	3,157	-	2,046
Northern Ireland Museums Council	-	-	256	256	-	256	256	-	256	-	200

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

	2019-20										2018-19
	Resource Outturn						Estimate				
Type of spend	Admin £'000	Other Current £'000	Grants £'000	Gross Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Virements* £'000	Net Total inc. Virements £'000	Outturn vs Estimate (inc. virements) saving/(excess) £'000	Outturn Total £'000
Language body	-	-	5,231	5,231	-	5,231	5,589	-	5,589	358	5,289
Commissioner for Children and Young People for Northern Ireland	-	-	1,489	1,489	-	1,489	1,489	-	1,489	-	1,358
Commissioner for Older People for Northern Ireland	-	-	920	920	-	920	920	-	920	-	853
Notional Charges	35,149	-	-	35,149	-	35,149	36,612	-	36,612	1,463	36,454
Local government Staff Commission	-	-	114	114	-	114	114	-	114	-	614
Resource Outturn	**82,764**	**369,451**	**4,326,949**	**4,779,164**	**(134,957)**	**4,644,207**	**4,876,996**	**-**	**4,876,996**	**232,789**	4,354,831

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.

*Virements are the reallocation of provision in the Estimates that do not require Assembly authority (because the Assembly does not vote to that level of detail and delegates to DoF). Further information on virements are provided in the Supply Estimates in Northern Ireland Guidance Manual, available on the DoF website.

The Outturn vs Estimate column is based on the total including virements. The Estimate total before virements have been made is included so that users can reconcile this Estimate back to the Estimates approved by the Assembly.

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

The **DEL** outturn is £5.3 million (0.8%) less than the Estimate. The variance was primarily due to underspends across a range of housing (£1.8 million) and urban projects (£1.1 million) along with an easement on Housing Benefit Rates (administered by NIHE)(£1.7 million).

The **AME** outturn is £204.6 million (5.6%) 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 £22.8 million (3.8%) less than the Estimate mainly due to payments into the Social Fund (£16.9 million) as a result of Social Fund Cold Weather payments not being triggered (£8.6 million) and loan recoveries exceeding payments. There was also a small reduced requirement for the Housing Regional Services cash drawdown due to the difficulty of forecasting accurately (£1.4 million), an easement in Libraries Grant in Aid due to higher than anticipated accruals at year end and underspends on resource and capital projects (£1.3 million) and the notional Enterprise Shared Service costs being less than 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 123 to 204 form part of these accounts.

SoAS Note 2 Reconciliation of outturn to net operating expenditure (Audited Information)

	Note	2019-20 Outturn £'000	2019-20 Supply Estimate £'000	2019-20 Outturn compared with Estimate £'000	2018-19 Outturn £'000
Net Resource Outturn	SoAS1	**4,644,207**	4,876,996	**232,789**	4,354,831
Non-supply Expenditure (net)	4b	2,779,604	2,804,984	25,380	2,717,597
AR not treated as income					
- funding from NIF to cover administration costs		14,408	14,408	-	11,884
Other fair value adjustments and write offs relating to Non Voted and Social Fund expenditure		7,385	-	(7,385)	2,973
Non-supply Income (CFERs)	SoAS4	(1,193)	(1,076)	117	(2,105)
Public Corporation Equity Withdrawal		(23,329)	-	23,329	(19,957)
Other		(5)	-	5	4
Net Operating Expenditure in Consolidated Statement of Comprehensive Net Expenditure	SoCNE	**7,421,077**	**7,695,312**	**274,235**	7,065,227

As noted in the introduction to the SoAS above, outturn and the Estimates are compiled against the budgeting framework, which is similar to, but different from, IFRS. Therefore, this note reconciles the resource outturn to net operating expenditure, linking the SoAS to the financial statements.

The notes on pages 123 to 204 form part of these accounts.

SoAS Note 3 Reconciliation of net resource outturn to net cash requirement (Audited Information)

This note mirrors Part II of the Estimates: Resource to Cash Reconciliation.

		2019-20		
	Note	Outturn £'000	Estimate £'000	Outturn compared with Estimate saving/ (excess) £'000
Resource Outturn	SoAS1	4,644,207	4,876,996	232,789
Capital:				
Acquisition of property, plant and equipment	6, 7 & 8	7,994	9,235	1,241
Tax credit Debt	15	13,552	42,096	28,544
Discretionary Support Scheme	15	3,622	13,290	9,668
Support for Mortgage Interest	15	2,493	2,697	204
Non-operating Accruing Resources:				
Net Book Value of asset disposals	6, 7 & 8	(1,517)	(1,947)	(430)
Long Term loan repayments by Housing associations	11	(1,867)	(1,867)	-
Discretionary Support Loan Repayments		(5,011)	(14,200)	(9,189)
Equity Withdrawal from Public Corporation		(23,329)	(23,329)	-
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation, impairments and revaluations	3,4	(2,213)	(8,653)	(6,440)
New provisions and adjustments to previous provisions	4	6,481	(122,030)	(128,511)
Housing Benefit Owner Occupiers	4	(35,991)	(36,000)	(9)
Other non-cash items	3,4	(35,136)	(36,612)	(1,476)
Adjustments to reflect movements in working balances:				
Changes in working capital other than cash		(6,632)	15,024	21,656
Increase/(decrease) in inventories	13	(31)	-	31
Increase/(decrease) in receivables	15	(27,185)	-	27,185
(Increase)/decrease in payables falling due within one year	16.1	5,916	-	(5,916)
(Increase)/decrease in payables falling due after more than one year	16.2	27,084	-	(27,084)
Use of provision	17	7,011	12,506	5,495
Other Social Fund adjustments	SoAS2	7,385	-	(7,385)
Other		(16)	-	16
Net cash requirement		**4,586,817**	**4,727,206**	140,389

As noted in the introduction to the SoAS above, outturn and the Estimates are compiled against the budgeting framework, not on a cash basis. This reconciliation bridges the resource outturn to the net cash requirement.

The notes on pages 123 to 204 form part of these accounts.

SoAS Note 4 Amounts of income to the Consolidated Fund (Audited Information)

This note mirrors Part III of the Estimates: Extra Receipts Payable to the Consolidated Fund.

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):

	Forecast Income £'000	**2019-20 *Receipts* £'000**	**Outturn** Income £'000	**2019-20 *Receipts*** *£'000*
Other operating income and receipts not classified as Accruing Resources	1,076	*1,076*	**1,193**	***1,256***
Total amount payable to the Consolidated Fund	**1,076**	***1,076***	**1,193**	**1,256**

SoAS Note 5 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund (Audited Information)

	Note	**2019-20 £'000**	2018-19 £'000
Income	5 & SoCNE	145,070	140,047
Public Corporation Equity Withdrawal	SoAS2	(23,329)	(19,957)
NIF Administration Costs	SoAS2	14,408	11,884
Other		1	2
Gross Income		136,150	131,976
Income authorised to be Accruing Resource (deduct the lower of AR and Estimate)		(134,957)	(129,871)
Operating Income payable to the Consolidated Fund	SoAS4	**1,193**	2,105

SoAS Note 6 Non-operating income - Excess Accruing Resources (Audited Information)

There were no non-operating income - excess Accruing Resources during 2019-20.

The notes on pages 123 to 204 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)

	2019–20	2018–19 (Restated)
Losses		
Total number of losses	42,480	49,537
Cash losses (£'000)	**28,946**	22,277
Special Payments		
Total number of special payments	352	352
Total value of special payments (£'000)	**239**	2,730

Prior Year Restatement

The comparative figures have been updated to include Budgeting Loan figures and exclude any losses and special payments made by the Department's executive NDPBs.

There were one loss in excess of £250,000:

There was a loss written off to the value of £7,686,587 following a Court of Appeal ruling regarding the application of the mechanism for the Rates Support Grant. This was split Armagh City Banbridge and Craigavon Borough Council (£2,954,409), Fermanagh and Omagh District Council (£2,067,503) and Newry, Mourne and Down District Council (£2,664,675).

There were no Special Payments made in excess of £250,000.

Details of any losses and special payments made by the Department's executive NDPBs are reported in the accounts of those bodies.

III. Fees and Charges (Audited Information)

This note is provided for fees and charges purposes and not for IFRS 8 purposes. Information is provided in relation to services where the full cost of the service is in excess of £1 million.

Business Activity	Income (£'000)	Full Cost	2019-20 Surplus/ Deficit (£'000)	2018-19 Surplus/ Deficit (£'000)	Financial Objective	Commentary
Delivery of service on behalf of DWP	58,587	58,587	-	-	To recover Departmental costs of services provided to administer and deliver certain benefits on behalf of the Department for Work & Pensions.	Objective Achieved.

IV. Remote Contingent Liabilities (Audited Information)

The Department had no liabilities for which the likelihood of a transfer of economic benefit in the settlement is too remote to meet the definition of contingent liability. Contingent liabilities are reported within the financial statements.

V. EU Withdrawal

On 29 March 2017, the UK Government submitted its notification to leave the EU in accordance with Article 50. On 31 January 2020, the Withdrawal Agreement between the UK and the EU became legally binding and the UK left the EU. The future relationship between the EU and the UK will be determined by negotiations taking place during a transition period ending 31 December 2020.

Any subsequent changes in legislation, regulation and funding arrangements are subject to the outcome of the negotiations.

VI. Coronavirus Pandemic

In November 2019 a novel strain of coronavirus was detected and spread rapidly, leading the World Health Organisation to declare a pandemic on 11 March 2020. The pandemic caused significant economic disruption just before the financial year end.

The ongoing disruption caused by the pandemic has created significant economic uncertainty, and this uncertainty is expected to continue throughout 2020.

Tracy Meharg

TRACY MEHARG
ACCOUNTING OFFICER
27 OCTOBER 2020

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

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 the year ended 31 March 2020 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Consolidated 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 2020 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 2020 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 £6.4 billion, of which £2.4 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 benefits of £4 billion, as reported in Note 23 to the financial statements:

- fraud and error resulted in estimated overpayments of £123.6 million; and
- estimated underpayments due to official error of £26.1 million.

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.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Department for Communities' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Department for Communities has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Department for Communities' ability to continue to adopt the going concern basis.

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

30 October 2020

Financial Statements

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2020

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	**2019-20 £'000**	2018-19 £'000
Revenue from contracts with customers	5.1	(58,587)	(61,614)
Other operating income	5.2	(86,183)	(77,947)
Total Operating Income		**(144,770)**	(139,561)
Staff Costs	3,4	282,890	274,836
Purchase of goods and services	3,4	223,595	252,331
Depreciation and impairment charges	3,4	2,213	3,944
Provision Expense	4	(6,481)	(70,896)
Grants and Other Benefit Related Expenditure	4	7,063,930	6,745,059
Total Operating Expenditure		**7,566,147**	7,205,274
Net Operating Expenditure		**7,421,377**	7,065,713
Finance Income		(300)	(486)
Net Expenditure for the year		**7,421,077**	7,065,227
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	5,166	3,558
- Net gain/(loss) on revaluation of Intangible Assets	7	32	87
- Net gain/(loss) on revaluation of Heritage assets	8	-	-
Items that may subsequently be reclassified to net operating expenditure:			
- Net gain/(loss) on revaluation of assets classified as held for sale		(60)	33
Comprehensive Net Expenditure for the year		**7,415,939**	7,061,549

The notes on pages 123 to 204 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2020

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	2019-20 £'000	2018-19 £'000
Non-current assets:			
Property, plant and equipment	6	175,606	168,043
Intangible assets	7	2,131	3,368
Heritage Assets	8	1,353	1,341
Trade and other receivables	15	271,992	290,223
Financial Assets	11	93,291	94,939
Total non-current assets		544,373	557,914
Current assets:			
Assets classified as held for sale	12	650	1,099
Inventories	13	108	139
Trade and other receivables	15	166,774	160,921
Contract Assets	15	14,213	9,353
Financial Assets	11	5,035	1,834
Cash and cash equivalents	14	39	179
Total current assets		186,819	173,525
Total assets		**731,192**	731,439
Current liabilities:			
Trade and other payables	16	(332,098)	(337,632)
Contract Liabilities	16	-	(382)
Provisions	17	(8,194)	(10,883)
Total current liabilities		(340,292)	(348,897)
Non current assets plus/less net current assets/liabilities		390,900	382,542
Non-current liabilities			
Trade and other payables	16	(158,323)	(185,407)
Provisions	17	(156,951)	(167,754)
Total non-current liabilities		(315,274)	(353,161)
Total assets less total liabilities		**75,626**	29,381
Taxpayers' equity & other reserves:			
General fund		(8,193)	(51,898)
Revaluation reserve		83,819	81,279
Total Equity		**75,626**	29,381

The notes on pages 123 to 204 form part of these accounts.

Tracy Meharg

TRACY MEHARG
ACCOUNTING OFFICER
27 October 2020

Consolidated Statement of Cash Flows for the year ended 31 March 2020

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department for Communities 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 Department's future public service delivery.

	Note	**2019-20 £'000**	2018-19 £'000
Cash flows from operating activities			
Net operating expenditure	SoCNE	(7,421,077)	(7,065,227)
Adjustments for non-cash transactions	3,4	67,395	12,070
(Increase)/Decrease in trade and other receivables	15	7,518	40,927
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	*15*	5,372	(1,799)
(Increase)/Decrease in inventories	13	31	(16)
Increase/(Decrease) in trade and other payables	16	(33,000)	58,717
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	*16*	(5,468)	1,050
Use of provisions	17	(7,011)	(7,615)
Adjustment to Net Operating Profit		10	9
Net cash (outflow) from operating activities		**(7,386,230)**	(6,961,884)
Cash flows from investing activities			
Purchase of non-financial assets	6,7,8	(7,994)	(4,744)
Proceeds of disposal of non-financial assets		981	145
Repayments/(Loans) to other bodies	11	1,867	3,964
Net cash outflow from investing activities		**(5,146)**	(635)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - relating to the current year		4,598,239	4,276,158
From the Consolidated Fund (Supply) - relating to the prior year	16.1	(5,725)	(2,297)
Net financing from the National Insurance Fund		2,800,061	2,695,264
Net financing		7,392,575	6,969,125
Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**1,199**	6,606
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		-	1
Payments of amounts due to the Consolidated Fund		(1,726)	(3,854)
Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund	14	**(527)**	2,753
Cash and cash equivalents at the beginning of the period	14	**179**	(2,574)
Cash and cash equivalents at the end of the period	14	**(348)**	179

[Inflows = + / Outflows = -]

The notes on pages 123 to 204 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity for the year ended 31 March 2020

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). The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The General Fund represents the total assets less liabilities of a department, to the extent that the total is not represented by other reserves and financing items.

	Note	General Fund £'000	Revaluation Reserve £'000	Taxpayers Equity £'000
Balance at 1 April 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)
CFERs Income payable to the Consolidated Fund		(2,105)	-	(2,105)
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	73,686	-	73,686
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**
Net Assembly Funding - drawn down		4,598,239	-	4,598,239
Net funding from the National Insurance Fund in year		2,800,061	-	2,800,061
Supply (payable)/receivable adjustment	16	(11,422)	-	(11,422)
CFER Income payable to the Consolidated Fund	SoAS4	(1,193)	-	(1,193)
Comprehensive Net Expenditure for the year	SoCNE	(7,421,077)	-	(7,421,077)
Non-Cash Adjustments:				
Non-cash charges - auditor's remuneration	3	241	-	241
Non-cash charges - other	3,4	70,886	-	70,886
Movement in National Insurance Fund		5,372	-	5,372
Movements in Reserves				
Transfers between reserves		2,595	(2,595)	-
Movements in Reserves		-	5,138	5,138
Other		3	(3)	-
Balance at 31 March 2020		**(8,193)**	**83,819**	**75,626**

The notes on pages 123 to 204 form part of these accounts.

Notes to the financial statements for the year ended 31 March 2020

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2019-20 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 Communities 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 2021. 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 estimates that this will result in assets of around £14 million being recognised in the Statement of Financial Position along with the corresponding liabilities. Annual interest payments are estimated to be £0.183 million along with annual depreciation charges estimated at £1.971 million.

IFRS 17 *Insurance Contracts* will replace IFRS 4 *Insurance Contracts* and is effective for accounting periods beginning on or after 1 January 2023. In line with the requirements of the FReM, IFRS 17 will be implemented, as interpreted and adapted for the public sector, with effect from 1 April 2023. It is not anticipated that this will have a significant impact on the Department's accounts.

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 2022-23, 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.

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.

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.

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 2019-20 financial year were based on indices applicable at 31 December 2019. 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 2019 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. Historical Environment Division's stocks were valued at 31 March 2020. Due to COVID-19 PRONI's stocks were only partially revalued at 31 March 2020 with estimated valuations provided for the rest.

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 Statement of Comprehensive Net Expenditure is analysed between administration and programme income. 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. 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.

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 2020, multiplied by the actual staff salary rate. Employers’ National Insurance costs at 13.8% and employers’ pension at 28.7% 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	0.51%	1.90%
5 - 10	0.55%	2.00%
Greater than 10	1.99%	2.00%

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, new style Jobseekers Allowance (JSA) and Employment and Support Allowance (ESA) 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 (DoF). 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 (2018-19: 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:

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 payroll systems. The accrual is calculated based on the actual leave amount outstanding per employee as at 31 March 2020, multiplied by the actual staff salary rate and adjusted for Employers’ National Insurance and pension costs.

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

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.

1.30 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. The decontamination completed in 2019-20, however there are a number of retention amounts that have yet to be released but are expected to be released in 2020-21.

2 Statement of Operating Expenditure by Operating Segment

		2019-20					2018-19				
	Note	SP&PSG £'000	HUR&LGG £'000	ECG £'000	WH&SPG £'000	Total £'000	SP&PSG £'000	HUR&LGG £'000	ECG £'000	WH&SPG £'000	Total £'000
Gross Expenditure		785,703	471,421	157,618	6,151,405	7,566,147	778,457	475,245	151,495	5,800,077	7,205,274
Income		(382)	(69,989)	(796)	(73,903)	(145,070)	(567)	(72,468)	(916)	(66,096)	(140,047)
Net Expenditure	SoCNE	**785,321**	**401,432**	**156,822**	**6,077,502**	**7,421,077**	777,890	402,777	150,579	5,733,981	7,065,227
Net Assets		**(161,236)**	**171,892**	**29,399**	**35,571**	**75,626**	(181,265)	170,259	24,535	15,852	29,381

In accordance with IFRS 8: Operating Segments (IFRS 8), the Department has considered the need to analyse its income and expenditure relating to operating segments. The Department's operating costs are analysed into 4 operating segments. The Department does not consider that assets and liabilities can be meaningfully allocated to segments and manages and reports on assets and liabilities as a single block. Therefore, in accordance with IFRS 8, no breakdown of assets and liabilities by segment is given.

Strategic Policy & Professional Services Group (SP&PSG)

Delivering high quality corporate and professional services to the Department for Communities. It plays an important role in creating a well-led, high performing and outcome-focused Department, unified by Our Common Purpose of supporting people, building communities and shaping places.

Housing, Urban Regeneration & Local Government Group (HUR&LGG)

Delivering 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 Expenditure by Operating Segment (continued)

Work & Health and Supporting People Group (WH&SPG)

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 Supporting People Group also manages the Child Maintenance Service and aspects of welfare delivered through Pensions, Disability & Benefit Security, Fraud and Error Reduction.

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 Expenditure

	Note	**2019-20 £'000**	2018-19 £'000
Staff Costs[1]:			
Wages and salaries		25,073	26,580
Social security costs		2,450	2,616
Other pension costs		7,442	5,860
Contracted services		9,024	10,097
Accommodation costs		918	1,211
Early Departure Costs		184	218
Travel and subsistence		475	524
Management consultancy		38	237
Advertising & Publicity		55	186
Telecom		221	233
Legal and Other Professional Costs		213	503
Computer and office running costs		184	181
Other expenditure		1,248	1,416
Non-cash items:			
Depreciation	6	101	347
Amortisation	7	-	268
Notional costs:			
Accommodation costs		19,243	19,968
Other indirect charges and services		15,654	16,246
Auditor's remuneration and expenses	3a	241	240
Total		**82,764**	86,931

[1] Further analysis of staff costs is located in the Staff Report on page 86.

3a The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller & Auditor General.

4 Programme Expenditure

	Note	**2019-20 £'000**	2018-19 £'000
Staff Costs[2]:			
Wages and salaries		191,377	192,528
Social security costs		13,344	14,245
Other pension costs		43,204	33,007
Grants & Other Voted Expenditure	4a	4,117,109	3,897,111
Non Voted Benefit Expenditure	4b	2,779,604	2,717,597
Social Fund Expenditure		53,217	51,451
Statutory Maternity, Parental, Adoption and Sick Pay		114,000	78,900
Supplementary payments		44,451	62,148
Discretionary payments		9,243	9,640
Contracted services		44,942	54,434
Accommodation costs		9,835	8,315
Medical adjudication		6,343	5,221
Card Account		1,877	2,717
Legal and other Professional costs		4,403	4,221
Postage		1,877	2,220
Travel and subsistence		1,663	1,811
Computer and office running costs		5,820	3,333
Telecommunications		561	410
Printing and stationery		793	896
Management consultancy		1,403	1,094
Managed Services		1,270	512
Other programme costs		5,190	6,611
Non-cash items:			
Depreciation	6	3,664	3,465
Amortisation	7	2,175	2,023
Impairment/Revaluation of programme property, plant and equipment		(307)	(22)
Discounting/Impairment on NICHA Financial Transactions Capital Funding		(2,360)	(2,276)
Discounting/Impairment on Loans		(1,060)	139
(Profit)/Loss on disposal of administration property, plant and equipment		247	16
Movement in programme provisions	17	(6,481)	(70,896)
Housing Benefit Owner Occupiers		35,991	37,483
Release from General Fund in respect of GB capital items		(12)	(11)
Total		**7,483,383**	7,118,343

[2] Further analysis of staff costs is located in the Staff Report on page 86.

4a Grants & Other Voted Expenditure

	Note	**2019-20 £'000**	2018-19 £'000
Grant in Aid to NDPB's		385,010	367,073
Other Grants		208,766	225,720
Housing Benefit Rent Rebate Funding		170,430	187,382
Housing Benefit Rent Allowance Funding		304,396	337,758
Housing Benefit Rates (tenants) Funding		70,611	76,473
Discretionary Housing Payment		4,610	3,906
Disability Living Allowance		432,130	617,835
Employment Support Allowance		527,308	569,273
Pension Credit		239,731	243,581
Attendance allowance		206,988	204,920
Personal Independence Payment		838,431	552,182
Carers allowance		176,217	170,843
Income support		98,651	121,666
Jobseeker's allowance		38,068	65,881
Industrial injuries benefits		30,347	29,886
Universal Credit		361,693	106,853
Other		23,722	15,879
Total		**4,117,109**	3,897,111

4b Non Voted Expenditure

	Note	**2019-20 £'000**	2018-19 £'000
State Pension		2,404,908	2,346,600
Employment and Support Allowance		335,378	331,742
Bereavement benefits		15,877	17,228
Maternity Allowance		12,315	12,146
Jobseekers Allowance		4,843	6,976
Other		6,283	2,905
Total		**2,779,604**	2,717,597

5 Income

5.1 Revenue from Contracts with Customers

	Note	2019-20 £'000	2018-19 £'000
Recoveries from DWP		58,587	61,614
Total		**58,587**	61,614

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

	Note	2019-20 £'000	2018-19 £'000
Interest Reimbursement from NIHE		18,988	21,885
NIHE House Sales		23,329	19,957
Housing Association Grant recoverable		20,518	22,356
Tax Credit Debt		13,552	3,062
Syrian Refugee Project		4,910	4,739
Consolidated Fund Extra Receipts		893	1,619
2012 Child Maintenance Service		961	757
Recreation Income - Admission charges		529	601
Recoveries of secondees' costs		314	212
EU receipts		406	222
Other		1,783	2,537
Total		**86,183**	77,947

6 Property, plant and equipment

2019-20	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 2019	72,515	48,567	56,131	1,407	1,002	8,278	788	1,231	189,919
Adjustments to opening balances	(1,829)	-	(8,547)	-	-	(81)	(27)	-	(10,484)
Additions	5,350	190	-	81	158	12	67	1,211	7,069
Disposals	(796)	(616)	-	(115)	(2)	(74)	(135)	(1)	(1,739)
Reclassifications	-	1,458	-	15	(7)	-	-	(1,458)	8
Impairments/Impairment Reversal	10	12	-	-	-	(6)	1	-	17
Revaluations	643	2,160	1,816	1	17	17	5	-	4,659
At 31 March 2020	**75,893**	**51,771**	**49,400**	**1,389**	**1,168**	**8,146**	**699**	**983**	**189,449**
Depreciation									
At 1 April 2019	21	1,268	13,849	1,016	707	4,429	586	-	21,876
Adjustments to opening balances	(412)	-	(9,960)	-	-	-	(26)	-	(10,398)
Charged in year	502	1,541	997	93	85	482	65	-	3,765
Disposals	(29)	(300)	-	(103)	(1)	(72)	(107)	-	(612)
Reclassifications	(100)	-	100	12	(3)	-	-	-	9
Impairments/Impairment Reversal	-	-	-	-	-	(1)	-	-	(1)
Revaluations	29	(1,005)	219	-	(36)	(2)	(1)	-	(796)
At 31 March 2020	**11**	**1,504**	**5,205**	**1,018**	**752**	**4,836**	**517**	**-**	**13,843**
Carrying amount at 31 March 2020	**75,882**	**50,267**	**44,195**	**371**	**416**	**3,310**	**182**	**983**	**175,606**
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)

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	75,857	50,267	44,195	371	416	3,310	182	983	175,581
Finance leased	25	-	-	-	-	-	-	-	25
Carrying amount at 31 March 2020	**75,882**	**50,267**	**44,195**	**371**	**416**	**3,310**	**182**	**983**	**175,606**

Of the total:

	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
Core Department	75,882	50,267	44,195	371	416	3,310	182	983	175,606
Agencies	-	-	-	-	-	-	-	-	-
Carrying amount at 31 March 2020	**75,882**	**50,267**	**44,195**	**371**	**416**	**3,310**	**182**	**983**	**175,606**

6 Property, plant and equipment (continued)

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	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	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:

	Land	Buildings	Network Assets	Information Technology	Plant & Machinery	Furniture & Fittings	Transport Equipment	Payments on A/c & Assets under Construction	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

7 Intangible assets

2019-20	Information Technology £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2019	7,969	90	8,059
Adjustments to opening balances	24	(24)	-
Additions	913	-	913
Disposals	(10)	(2)	(12)
Reclassifications	-	(12)	(12)
Impairments/Impairment Reversal	-	2	2
Revaluations	103	-	103
At 31 March 2020	**8,999**	**54**	**9,053**
Amortisation			
At 1 April 2019	4,649	42	4,691
Adjustments to opening balances	8	(4)	4
Charged in year	2,174	1	2,175
Disposals	(9)	(2)	(11)
Reclassifications	-	(10)	(10)
Revaluations	73	-	73
At 31 March 2020	**6,895**	**27**	**6,922**
Carrying amount at 31 March 2020	**2,104**	**27**	**2,131**
Carrying amount at 31 March 2019	3,320	48	3,368

Asset Financing:

	Information Technology £'000	Other £'000	Total £'000
Owned	2,104	27	2,131
Carrying amount at 31 March 2020	**2,104**	**27**	**2,131**

Of the total:

Core Department	2,104	27	2,131
Agencies	-	-	-
Carrying amount at 31 March 2020	2,104	27	2,131

7 Intangible assets (continued)

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
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

8 Heritage Assets

2019-20	Land £'000	Buildings £'000	Other £'000	Total £'000
Cost or valuation				
At 1 April 2019	555	33	753	1,341
Additions	-	5	7	12
At 31 March 2020	**555**	**38**	**760**	**1,353**
Amortisation				
At 1 April 2019	-	-	-	-
Charged in year	-	-	-	-
At 31 March 2020	**-**	**-**	**-**	**-**
Carrying amount at 31 March 2020	**555**	**38**	**760**	**1,353**
Carrying amount at 31 March 2019	555	33	753	1,341
Asset Financing:				
Owned	555	38	760	1,353
Carrying amount at 31 March 2020	**555**	**38**	**760**	**1,353**
Of the total:				
Core Department	555	38	760	1,353
Agencies	-	-	-	-
Carrying amount at 31 March 2020	555	38	760	1,353

8 Heritage Assets (continued)

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

9 Impairments

	2019-20 £'000	2018-19 £'000
Amount charged to the Statement of Comprehensive Net Expenditure	(307)	(22)
Amount taken through the revaluation reserve	290	(35)
Total Impairment charge for the year	**(17)**	**(57)**

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 2019-20 was 3.7%, (2018-19: 3.7%).

Financial instruments are carried at amortised cost using the effective interest method, with changes in value between 1 April 2019 and 31 March 2020 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 2019-20 accounts are:

Statement of Financial Position	Gross Receivables £'000	Impairment & Discounting Debt £'000	Net Receivables £'000
Loans & Receivables (amounts falling due less than one year):			
Other Loans	33,501	(589)	32,912
NIHE Loans	27,663	-	27,663
NICHA FTC Funding	1,250	(45)	1,205
Housing Benefit	6,887	-	6,887
Non-contributory Benefits	7,420	(2,278)	5,142
Discretionary Loans	2,481	(79)	2,402
Housing Association Loans	817	-	817
Contributory Benefits	754	(161)	593
CRU Receivable	572	(75)	497
Get Britain Building Loans	2,294	(82)	2,212
Salary Overpayments	206	(169)	37
Tax Credit Receivable	15,988	(8,047)	7,941
Funeral Loans	46	(1,848)	(1,802)
Loans & Receivables (amounts falling due more than one year):			
NIHE Loans	158,146	-	158,146
NICHA FTC Funding	98,750	(33,809)	64,941
Non-contributory Benefits	107,210	(57,278)	49,932
Get Britain Building Loans	34,298	(7,733)	26,565
Other Loans	32,828	(5,927)	26,901
Housing Benefit	17,021	(2,807)	14,214
Contributory Benefits	11,557	(6,243)	5,314
Housing Association Loans	1,786	-	1,786
Funeral Loans	4,439	(2,570)	1,869
Tax Credit Receivable	21,140	(12,629)	8,511
Total	**587,054**	**(142,369)**	**444,685**

(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 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
Repayments and Redemptions	(1,867)	-	(1,867)
Revaluations	3,420	-	3,420
Balance at 31 March 2020	**98,326**	**-**	**98,326**

Analysis of investments:

The balance of investments comprises:

Core Department	**2020**	**98,326**	**-**	**98,326**
Agencies	**2020**	**-**	**-**	**-**
Core Department	2019	96,773	-	96,773
Agencies	2019	-	-	-

Analysis by period:

	£'000
Not later than one year	5,035
Later than one year and not later than five years	28,549
Later than five years	64,742
Balance at 31 March 2020	**98,326**

12 Assets classified as held for sale

	Total £'000
Balance at 1 April 2018	657
Disposals	(31)
Reclassifications	452
Impairments	23
Revaluations	(2)
Balance at 31 March 2019	1,099
Disposals	(389)
Impairments	(3)
Revaluations	(57)
Balance at 31 March 2020	**650**
Asset Financing:	
Owned	650
Balance at 31 March 2020	**650**
Of the total:	
Core Department	650
Agencies	-
Balance at 31 March 2020	650

In accordance with the FReM assets which the Department has identified as surplus to requirement and held pending disposal have been written down to their recoverable amount and included as current assets.

Assets held for resale comprise some of the assets falling within the New Town Lands of Antrim, Ballymena and Craigavon and in Belfast and Londonderry. The properties are being offered for sale in anticipation of disposals being confirmed in 2020-21.

13 Inventories

	Note	**2019-20 £'000**	2018-19 £'000
PRONI		53	53
Other		55	86
Total		**108**	139

14 Cash and cash equivalents

	2019-20 £'000	2018-19 £'000
Balance at 1 April	179	(2,574)
Net change in cash and cash equivalent balances	(527)	2,753
Balance at 31 March	**(348)**	**179**

The following balances at 31 March are held at:

	2019-20 £'000	2018-19 £'000
Northern Ireland Banking Pool	(387)	143
Commerical banks and cash in hand	39	36
Balance at 31 March	**(348)**	**179**

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	**2019-20 £'000**	2018-19 £'000
Benefit overpayments		5,735	6,988
Benefit overpayments - Housing Benefit		6,887	7,514
Benefit prepayments		21,548	27,968
Social Fund loans		30,728	37,943
NIHE receivable		27,663	33,025
Grant repayable by NICHA		10,410	10,945
NIF receivable		12,193	6,821
VAT		4,862	3,586
EU Receivable		407	248
Other receivables		36,324	16,579
Housing Benefit Rent and Rates Prepayment		7,170	7,197
Prepayments and accrued income		2,847	2,107
Contract Assets		14,213	9,353
Total amounts falling due within one year		**180,987**	170,274

15.2 Amounts falling due after more than one year:

	Note	**2019-20 £'000**	2018-19 £'000
Benefit overpayments		55,246	51,241
Benefit overpayments - Housing Benefit		14,215	13,899
Social Fund loans		24,601	28,996
NIHE receivable		158,147	185,102
Other receivables		19,783	10,985
Total amounts falling due after more than one year		**271,992**	290,223
Total trade receivables and other current assets		**452,979**	460,497

16 Trade payables and other current liabilities

16.1 Amounts falling due within one year:

	Note	2019-20 £'000	2018-19 £'000
Bank overdraft	14	387	-
Trade payables:			
- Non-capital		10	-
Benefit accruals		133,642	111,734
Cash In Transit		30,110	51,370
NIHE payable		27,663	33,025
NICHA Grant		14,060	14,680
Vested Land Payable		3,622	3,622
Other payables		7,805	5,962
Grants accrual		41,901	41,122
Housing Benefit accrual		16,351	17,775
Financial Assistance Scheme accrual		5,693	5,500
Deferred Grant Income		1,351	1,351
Other accruals and deferred income		37,344	44,495
Contract Liabilities		-	382
Amounts issued from the Consolidated Fund for supply but not spent at year end		11,422	5,725
Consolidated Fund extra receipts due to be paid to the Consolidated Fund			
- Received		424	894
- Receivable		313	377
Total amounts falling due within one year		**332,098**	338,014

16.2 Amounts falling due after more than one year:

	2019-20 £'000	2018-19 £'000
NIHE payable	158,147	185,102
Other programme payables	176	305
Total amounts falling due after more than one year	**158,323**	185,407
Total payables and other current liabilities	**490,421**	523,421

17 Provisions for liabilities and charges

	Note	2019-20 Financial Assistance Scheme £'000	2019-20 Other Programme £'000	2019-20 Total £'000	2018-19 Financial Assistance Scheme £'000	2018-19 Other Programme £'000	2018-19 Total £'000
Balance at 1 April		170,218	8,419	178,637	243,215	13,933	257,148
Provided in the year	4	-	2,467	2,467	-	1,295	1,295
Provisions not required written back	4	(6,207)	(5,804)	(12,011)	(68,436)	(4,720)	(73,156)
Provisions utilised in the year		(5,693)	(1,318)	(7,011)	(5,500)	(2,115)	(7,615)
Borrowing Costs (Unwinding of discount)	4	2,932	131	3,063	939	26	965
Other	4	-	-	-	-	-	-
Balance at 31 March		**161,250**	**3,895**	**165,145**	170,218	8,419	178,637

Analysis of expected timing of discounted flows

	2019-20 Financial Assistance Scheme £'000	2019-20 Other Programme £'000	2019-20 Total £'000	2018-19 Financial Assistance Scheme £'000	2018-19 Other Programme £'000	2018-19 Total £'000
Not later than one year	5,693	2,501	8,194	5,500	5,383	10,883
years	32,878	195	33,073	22,000	1,741	23,741
Later than five years	122,679	1,199	123,878	142,718	1,295	144,013
Balance at 31 March	**161,250**	**3,895**	**165,145**	170,218	8,419	178,637

17 Provisions for liabilities and charges (continued)

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:

Public Liability Claims

There is an estimated contingent liability for Outstanding Public Liability Claims of £0.2 million.

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 £0.3 million (2018-19: £0.4 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.

18 Contingent liabilities disclosed under IAS 37 (continued)

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.

Potential Changes to Current Benefit Legislation

The Department is aware that there may be changes to current benefit legislation. It is not possible to provide a financial impact or further clarification at this time. The Department maintains close contact with the GB DWP to monitor ongoing developments in this area.

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.

Charity Commission Northern Ireland

The Department has agreed to meet any costs which the Commission cannot meet from its own resources which are incurred as a result of any claim made against the Commission in respect of decisions taken prior to the High Court Draft Judgement handed down by Madam Justice McBride on 16 May 2019. This will apply to actions taken against the Commission as a whole or any member of staff who acted in good faith on behalf of the Commission. There is an estimated contingent liability of £0.5 million.

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, Sports Council of Northern Ireland and the 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 £1.55 million at 31 March 2020.

19 Leases

19.1 Finance leases

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

	2019-20 £'000	2018-19 £'000
Obligations under finance leases comprise:		
Other:		
Not later than one year	5	-
Later than one year and not later than five years	15	-
Later than five years	-	-
Total obligations under finance leases	**20**	-

19.2 Operating leases

£2.2 million (2018-19 £2.0 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.

	2019-20 £'000	2018-19 £'000
Obligations under operating leases comprise:		
Land:		
Not later than one year	1	2
Total	1	2
Buildings:		
Not later than one year	2,103	2,053
Later than one year and not later than five years	8,319	8,330
Later than five years	5,697	7,766
Total	16,119	18,149
Other:		
Not later than one year	20	17
Later than one year and not later than five years	1	19
Total	21	36
Total obligations under operating leases	**16,141**	18,187

20 Capital and other commitments

20.1 Capital commitments

	2019-20 £'000	2018-19 £'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Other	70	-
Total	**70**	-

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:

	2019-20 £'000	2018-19 (Restated) £'000
Not later than one year	40,590	15,455
Later than one year and not later than five years	7,721	7,495
Later than five years	1,728	1,717
Total	**50,039**	24,667

Included within Other Financial Commitments are:	**£'000**
Medical Support Services (MSS)	10,590
Standard Service Business Allocation	12,024
Post Office Card Account	2,000
Personal Independence Payment (PIP) / Capita Contract	21,699
i-movo	50
Landlord Registration Database	286
PRONI Specialist Storage	3,390
	50,039

21 Government grant commitments

	2019-20 £'000	2018-19 £'000
Government grant commitments at 31 March for which no provision has been made		
Implementation of Regional Stadium Development Programme	52,231	52,231
Other	30,063	24,812
Total	**82,294**	77,043

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 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 2019 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 tables have also been included within the 2019 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 2019, once again, the Department has applied proxy figures to Social Fund, Attendance Allowance, Industrial Injuries Disablement Benefit, Christmas Bonus (Contributory) and Other Expenditure (Non-NIF).

Table 1 shows 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 2 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 (Benefit Review)

Main Benefit	Proxy Measure	Benefit Review Period
Bereavement Benefit	JSA	Jan 19 - Dec 19
Maternity Allowance	ESA	Jan 19 - Dec 19
Widows Benefit	JSA	Jan 19 - Dec 19
Attendance Allowance	DLA	Jan 08 - Dec 08
Industrial Injuries Disablement Benefit	DLA	Jan 08 - Dec 08
Christmas Bonus (Contributory)	Overall*	Jan 19 – Dec 19

*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 2: Other Expenditure Elements and Their Proxy Measures

Other Expenditure Item	Proxy Measure	Official Error	Benefit Review Period
Retirement Pension (Non-contributory)	SP	Jan 19 - Dec 19	Jan 09 - Dec 09
Christmas Bonus (Non-contributory)	Overall*	Jan 19 - Dec 19	Jan 19 - Dec 19
Family Benefits	Overall*	Jan 19 - Dec 19	Jan 19 - Dec 19
Severe Disablement Allowance	ESA	Jan 19 - Dec 19	Jan 19 - Dec 19
Winter Fuel Payments	SP	Jan 19 - Dec 19	Jan 09 - Dec 09
Cold Weather Payments	JSA	Jan 19 - Dec 19	Jan 19 - Dec 19

*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 3: Social Fund Fraud and Error Proxies (Benefit Review)

Social Fund expenditure encompasses Budgeting Loans, Funeral Payments and Maternity Grants and the underlying customer group for these benefits is quite varied and diverse, and not exclusively, or even primarily, working age jobseekers. To provide a better reflection of fraud and error rates within Social Fund expenditure, the Department therefore uses different proxies for the different customer groups and this breakdown is shown in Table 3.

Customer Group	Proxy Measure	Benefit Review Period
Pensioners	SPC	Jan 19 – Dec 19
Unemployed	JSA	Jan 19 – Dec 19
Disabled	DLA	Jan 08 – Dec 08
Lone Parent	IS	Jan 12 – Dec 12
Others	Overall*	Jan 19 – Dec 19

*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: Benefits Not Subject to Financial Accuracy Exercise and Their Proxy Measures

Main Benefit	Proxy Measure	Benefit Review Period
Christmas Bonus (Contributory)	Overall*	Jan 19 – Dec 19

*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 2019 are based on the results of the Department's Financial Accuracy Exercises completed in 2019 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 Christmas Bonus (Contributory). This was the first year Universal Credit was measured for Financial Accuracy.

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 are based on 2014 results. Widow's Benefit is based on results from 2012. For Social Fund expenditure 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. This does not affect the statistical validity of the Social Fund result as the remaining elements are still measured to a 95% confidence level.

Christmas Bonus (Contributory) has never been subject to a Financial Accuracy Exercise so a proxy based on Overall results is applied as per Table 4 (above).

Customer Error and Customer Fraud: Customer Fraud and Customer Error are measured by a Benefit Review Exercise. In 2019, Benefit Reviews were carried out on Jobseeker's Allowance, Employment & Support Allowance, State Pension Credit, Housing Benefit – Northern Ireland Housing Executive, Housing Benefit – Land and Property Services, and for the first time Universal Credit. Estimates for 2019 customer fraud and customer error in Disability Living Allowance are based on the 2008 Benefit Review exercise. Estimates for 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 the tables below 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 1 (above).

For the first time in 2019, a Benefit Review was carried out on Personal Independence Payment; to allow processes to developed and staff to be recruited and trained, the benefit review process did not start in at the beginning of the year so the results are based on cases monitored over the period July 2019 – December 2019.

Other Expenditure is also unreviewed and details of the benefits used to estimate these are also in Table 2 (above).

Social Fund expenditure is assessed against customer specific groups and this breakdown is shown in Table 3 (above).

Benefit Expenditure: In summary the expenditure stated for 2019 includes expenditure on 18 benefits, a total of £6,292 million, plus an amount of £62.5 million on other benefit expenditure in year. Total annual expenditure is £6,355 million.

Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2019 includes, Retirement Pension £4.8 million, Severe Disablement Allowance £5.0 million, Winter Fuel Payments £51.1 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.

Accounting Adjustments: The expenditure for Incapacity Benefit is £0, but a separate accounting adjustment related to the benefits has resulted in negative expenditure figure in the Tables below. The negative expenditure figure reflects the annual adjustments required to account for IB debt balances including the Fair Value accounting adjustments for this debt.

Deemed Errors: A deemed error arises for a number of reasons, including where a check has been left outstanding awaiting retrieval of a missing case paper or requiring further information/evidence/documentation from the customer or the business unit. At times benefit branches may have to gather renewed evidence as the original documentation is no longer held. In some cases however it is impractical or disproportionate to gather or restore sufficient levels of evidence required to satisfy the check – for example where original papers are dating back some years, or where new system requirements or information retention rules mean papers are no longer kept. In previous years all cases where doubt remained due to an absence of such evidence were assumed to be incorrect and included in official error figures. In line with DWP methodology these cases have been removed as recording as an error carries a high likelihood of overstating the levels of error in the system.

Rather than assuming as incorrect and potentially overstating the level of error, and equally to assume as correct and potentially understating the level of error, the Department has excluded such cases from the 2019 figures to ensure the estimates are as accurate as possible with the removal of uncertainty. This also brings the Department in line with the Department for Work and Pensions methodology.

The Department seeks to continually refine its approach to measuring the levels of fraud and error in benefits in order to produce its best estimate, which means precise and direct comparability of year on year estimates is not always possible. Refinement of how to treat cases in doubt as described above is one such example, but has historically related to very small numbers of cases each year. The impact of applying this change therefore is not significant within the overall approach to, or methodology for, measuring fraud/error thus the year on year global estimates are still broadly comparable as the Department is providing a valid statistical estimate at a point in time.

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 2019 benefit expenditure on Housing Benefit for tenants was £562.1 million.

It is estimated that there was a total amount of approximately £23.3 million overpaid through fraud and error in Housing Benefit for tenants for the year 2019. This represents approximately 4.1% of the related expenditure for the calendar year, of which £15.4 million (2.7%) is Customer Fraud, £6.4 million (1.1%) is Customer Error and £1.5 million (0.3%) is Official Error. The overall percentage has increased from 3.6% in 2018 to 4.1% in 2019.

2019 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2019. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2019.

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. Housing Benefit for owner occupiers has been included in the Resource Accounts of the Department from 2006-07. The 2019 benefit expenditure on Housing Benefit for owner occupiers was £37.0 million.

It is estimated that there was a total amount of approximately £3.7 million overpaid through fraud and error in Housing Benefit for owner occupiers for the year 2019. This represents approximately 9.9% of the related expenditure for the financial year, of which £2.4 million (6.4%) is Customer Fraud, £0.9 million (2.4%) is Customer Error and £0.4 million (1.1%) is Official Error. The overall percentage has decreased from 12.1% in 2018 to 9.9% in 2019.

2019 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2019. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2019.

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

Total Departmental benefit expenditure has increased from £6,109 million in 2018, to £6,355 million in 2019.

A: Overpayments

Benefit Overpayments

The table below shows the Department's total estimates of benefit overpayments for the last 2 years, 2019 and 2018 (all social security benefits including Housing Benefit).

Estimates of benefit overpayments for 2019 and 2018

2019	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	6,354,529,579	36,133,144	27,951,997		0.6%	0.4%	0.7%
Customer Error	6,354,529,579	23,126,682	16,958,488	31,368,469	0.4%	0.3%	0.5%
Customer Fraud	6,354,529,579	65,226,978	50,828,788	81,908,787	1.0%	0.8%	1.3%
Total Overpayments[1]	**6,354,529,579**	**124,486,804**	**106,815,198**	**145,588,849**	**2.0%**	**1.7%**	**2.3%**

2018	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of expenditure	Lower Confidenc e 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[1]	**6,108,956,499**	**92,336,712**	**76,080,210**	**112,023,487**	**1.5%**	**1.2%**	**1.8%**

Note 1 Confidence intervals for each individual benefit are calculated using a bootstrapping technique. The confidence interval for the overall figure is calculated using the sum of squares method of combining the confidence intervals from all the individual samples. The central estimates sum because they are an estimate of a true value. If we knew this true value for each benefit, it is logical that summing it over all individual benefits would equal the overall total. The confidence intervals are a measure of uncertainty around these values. When we combine the individual benefits, a new interval needs to be created around this summed estimate. Summing the old confidence limits doesn't work because it focuses on the absolute value of the limits rather than the uncertainty around the central estimates that they represent. The sum of squares method is a way of combining this uncertainty across samples.

The Department estimates that approximately £124.5 million overpaid through fraud and error in social security benefits (including Housing Benefit) for 2019. This represents approximately 2.0% of the total benefit expenditure, including housing benefit, for 2019, of which £65.2 million (1.0%) is Customer Fraud, £23.1 million (0.4%) is Customer Error and £36.1 million (0.6%) is Official Error.

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

Social Security Benefits (Excluding Housing Benefit): From the total £124.5 million overpayments, the 2019 estimate for overpayment through fraud and error which is attributable to social security benefits (excluding Housing Benefit) is £97.5m. This represents approximately 1.7% of the total social security benefit expenditure for 2019, of which £47.4 million (0.8%) is Customer Fraud, £15.9 million (0.3%) is Customer Error and £34.2 million (0.6%) is Official Error. In summary, loss in 2019 rose from 1.2% of expenditure to 1.7%.

A detailed breakdown of the total overpayment amount for 2019 of £124.5 million, which <u>includes Housing Benefit</u>, 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 2019.

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 2019.

Estimates of official error overpayments across all benefits in 2019

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)
Disability Living Allowance	455,496,093	595,953	-	2,561,044	0.1%	0.0%	0.6%
Employment and Support Allowance	882,184,466	12,740,535	6,587,245	20,167,198	1.4%	0.7%	2.3%
Income Support	101,693,208	616,670	-	1,790,875	0.6%	0.0%	1.8%
Jobseeker's Allowance	47,200,391	484,105	191,281	846,007	1.0%	0.4%	1.8%
State Pension	2,386,120,045	857,240	194,456	1,772,318	0.0%	0.0%	0.1%
Pension Credit	241,136,201	2,318,102	1,003,305	4,046,707	1.0%	0.4%	1.7%
Attendance Allowance	208,938,819	-	-	-	0.0%	0.0%	0.0%
Bereavement Benefit	15,368,466	47,576	-	215,516	0.3%	0.0%	1.4%
Carer's Allowance	175,448,089	-	-	-	0.0%	0.0%	0.0%
Industrial Injuries Disablement Benefit	30,077,902	-	-	-	0.0%	0.0%	0.0%
Maternity Allowance	12,331,292	-	-	-	0.0%	0.0%	0.0%
Social Fund	56,822,324	259,039	13,246	600,266	0.5%	0.0%	1.1%
Widow's Benefit	908,439	2,317	-	7,328	0.3%	0.0%	0.8%
Personal Independence Payments	782,176,758	1,494,767	-	3,816,305	0.2%	0.0%	0.5%
Universal Credit	294,691,887	14,646,995	10,101,892	19,735,258	5.0%	3.4%	6.7%
Other Expenditure (Non-NIF)	62,522,616	101,822	26,711	194,469	0.2%	0.0%	0.3%
Christmas Bonus (Contributory Only)	3,487,122	20,924	15,922	26,978	0.6%	0.5%	0.8%
Incapacity Benefit*	(1,262,291)						
Social Security Benefits	**5,755,341,827**	**34,186,045**	**-**	**-**	**0.6%**	**-**	**-**
Housing Benefit Tenants (NIHE)	562,141,402	1,527,324	294,050	3,322,036	0.3%	0.1%	0.6%
Housing Benefit Owner Occupier (LPS)	37,046,350	419,776	189,580	702,947	1.1%	0.5%	1.9%
Total [1]	**6,354,529,579**	**36,133,145**	**27,951,997**	**46,087,365**	**0.6%**	**0.4%**	**0.7%**

[1] See Note 1

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 2019.

Estimates of customer error overpayments across all benefits in 2019

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)
Disability Living Allowance	455,496,093	-	-	-	0.0%	0.0%	0.0%
Employment and Support Allowance	882,184,466	8,583,664	4,855,941	13,033,749	1.0%	0.6%	1.5%
Income Support	101,693,208	446,042	-	1,090,257	0.4%	0.0%	1.1%
Jobseeker's Allowance	47,200,391	43,128	-	109,117	0.1%	0.0%	0.2%
State Pension	2,386,120,045	-	-	-	0.0%	0.0%	0.0%
Pension Credit	241,136,201	5,061,375	3,083,305	7,491,592	2.1%	1.3%	3.1%
Attendance Allowance	208,938,819	-	-	-	0.0%	0.0%	0.0%
Bereavement Benefit	15,368,466	14,043	-	57,015	0.1%	0.0%	0.4%
Carer's Allowance	175,448,089	96,284	-	491,550	0.1%	0.0%	0.3%
Industrial Injuries Disablement Benefit	30,077,902	-	-	-	0.0%	0.0%	0.0%
Maternity Allowance	12,331,292	119,984	15,770	244,391	1.0%	0.1%	2.0%
Social Fund	56,822,324	200,022	-	978,632	0.4%	0.0%	1.7%
Widow's Benefit	908,439	830	-	3,370	0.1%	0.0%	0.4%
Personal Independence Payments	782,176,758	-	-	-	0.0%	0.0%	0.0%
Universal Credit	294,691,887	1,251,542	75,703	2,997,006	0.4%	0.0%	1.0%
Other Expenditure (Non-NIF)	62,522,616	52,986	10,891	103,238	0.1%	0.0%	0.2%
Christmas Bonus (Contributory Only)	3,487,122	9,666	6,932	13,020	0.3%	0.2%	0.4%
Incapacity Benefit	(1,262,291)						
Social Security Benefits	**5,755,341,827**	**15,879,566**	**-**	**-**	**0.3%**	**-**	**-**

Housing Benefit Tenants	562,141,402	6,370,555	2,090,850	12,513,229	1.1%	0.4%	2.2%
Housing Benefit Owner	37,046,350	876,560	480,813	1,363,455	2.4%	1.3%	3.7%
Total [1]	**6,354,529,579**	**23,126,681**	**16,958,488**	**31,368,469**	**0.4%**	**0.3%**	**0.5%**

[1] See Note 1

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 2019.

Estimates of customer fraud overpayments across all benefits in 2019

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)
Disability Living	455,496,093	-	-	-	0.0%	0.0%	0.0%
Employment and	882,184,466	18,473,402	11,436,728	26,299,997	2.1%	1.3%	3.0%
Income Support	101,693,208	740,762	-	1,837,701	0.7%	0.0%	1.8%
Jobseeker's Allowance	47,200,391	2,165,786	1,342,442	3,113,520	4.6%	2.8%	6.6%
State Pension	2,386,120,045	-	-	-	0.0%	0.0%	0.0%
Pension Credit	241,136,201	6,707,735	4,197,592	9,650,777	2.8%	1.7%	4.0%
Attendance Allowance	208,938,819	-	-	-	0.0%	0.0%	0.0%
Bereavement Benefit	15,368,466	705,181	169,018	1,322,346	4.6%	1.1%	8.6%
Carer's Allowance	175,448,089	2,112,555	-	6,479,484	1.2%	0.0%	3.7%
Industrial Injuries	30,077,902	-	-	-	0.0%	0.0%	0.0%
Maternity Allowance	12,331,292	258,224	61,505		2.1%	0.5%	3.9%
Social Fund	56,822,324	770,411	328,480	1,300,125	1.4%	0.6%	2.3%
Universal Credit	294,691,887	15,325,258	7,121,652	24,895,826	5.2%	2.4%	8.4%
Other Expenditure (Non-	62,522,616	117,793	38,297	206,219	0.2%	0.1%	0.3%
Christmas Bonus	3,487,122	28,801	21,563	37,177	0.8%	0.6%	1.1%
Incapacity Benefit*	(1,262,291)						
Social Security	**5,755,341,827**	**47,447,592**	**-**	**-**	**0.8%**	**-**	**-**

Housing Benefit Tenants	562,141,402	15,401,663	7,051,031	25,103,435	2.7%	1.3%	4.5%
Housing Benefit Owner Occupier (LPS)	37,046,350	2,377,725	1,590,588	3,246,840	6.4%	4.3%	8.8%
Total [1]	**6,354,529,579**	**65,226,980**	**50,828,788**	**81,908,787**	**1.0%**	**0.8%**	**1.3%**

[1] See Note 1

B: Strategies to Reduce Social Security Benefit Fraud and Error

The Department for Communities administers a total benefit spend of £5,755 million.

Reduction of fraud and error has been a long-standing commitment at the core of the Department’s business priorities. Against a backdrop of significant change within the benefit system including new benefits and new methods of interaction with customers, the Department’s Fraud & Error Strategy is being refreshed to encompass Customer Fraud, Customer Error, Official Error, and Debt Recovery.

The strategy will be underpinned by four key principles, these are:

Prevent	Target	Correct	Recover
Minimise flow of fraud and error into the benefit system	Identify fraud and error early and stop it	Minimise over and under payments	Effectively recover overpaid benefit

The Department's long-term performance in maintaining low levels of fraud and error demonstrates the previous strategies were effective. Before the introduction of new benefits under Welfare Changes, the Department maintained total overpayments from fraud and error of 1.2% of total expenditure or lower for the past decade. The reform of the social security system brings fresh challenges where historically, the introduction of a new benefit has seen a period where accuracy drops and error increases. The payment accuracy note for 2019 includes for the first time estimates of the levels of fraud/error in

Universal Credit. The introduction and subsequent roll-out of Universal Credit in Great Britain began a number of years prior to that of Northern Ireland and, while the figures now included provide a strong platform upon which to build, the Department will seek to learn from the Department for Work & Pensions (DWP) experience. Already a significant resource is in place delivering a comprehensive checking regime that targets areas of concern and helps counter fraud and drive down error – this will strengthen further as staff experience and learning continues to build.

Current and proposed activities are designed to be proportionate, represent value for money, 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 Security Board

The Department's counter-fraud activities are overseen by the Benefit 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.

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 a cohesive organisation to focus on emerging risks such as new benefits.

Official Error Strategy and Activities

For 2019, financial accuracy (excluding housing benefit) was 98.9%. 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 is key to error reduction activity. During 2019-20, this amounted to over 31,400 actions, leading to the adjustment of benefit in 4,442 cases, with a total monetary value of over £18.3 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.

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 identifies and focuses on areas of greatest risk. Cases are managed through a number of risk based approaches – case cleanse, customer compliance, and criminal fraud investigation, to detect and correct fraud and error and apply penalties where appropriate to deter further abuse.

Criminal Investigation: During 2019-20, 2,400 fraud investigations were undertaken leading to 373 penalties, formal cautions, or convictions. In 2019-20 the monetary value of adjustments arising from the discovery of fraud was estimated to be £7.9 million.

Customer Compliance: Interviews have continued to generate very positive outcomes in the correction and prevention of customer error. During 2019-20, Customer Compliance Officers within Benefit Security Division carried out 3,353 Compliance Interviews resulting in changes in 42% of cases and led to £7.4 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 Cleansing Centres were established in April 2019 as part of the Benefit Security Invest-to-Save initiative. They aim to cleanse error from legacy benefits by carrying out targeted checks on Income Support, Job Seekers Allowance and Employment Support Allowance cases, primarily using HMRC real time earnings and pension income data.

Case Cleansing Centres completed 25,600 cases in 2019-20 achieving a 36% change rate and estimated monetary value of adjustments totalling £13.4 million. This includes work carried out by the NI Housing Executive and State Pension Credit who also have an allocation of Invest-to-Save funding; they use HMRC real time earnings data to target Housing Benefit and State Pension Credit respectively.

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 2019 to 31 March 2020.

	2019-20
	£'000's
Confiscation order recoveries	44
Voluntary payments	119
Total recovery	**163**

Real Time Information Initiatives

The Department directs resources towards the Real Time Information matching systems that utilise real time HM Revenue & Customs information in respect of earnings and non-state pension income.

This referral source is a vital tool in the Department's drive for continual improvement in the 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 2020 and beyond.

Verify Earnings and Pensions (VEP) 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:

- **Analytics and Intelligence** – To maximise the value from investing in Counter Fraud and Error activities, the Department is exploring different methods to detect benefit fraud and error. Using new technology, resources can be directed to the areas of highest risk more effectively.

- **Joined up working** – The Department remains alert 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 Her Majesties Revenue & Customs (HMRC), Gangmasters Licensing Authority, and the Police Service of Northern Ireland (PSNI).

- **Cyber Fraud** – The introduction of digital benefits has introduced new risks from cyber fraud. The Department is working closely with the Department for Work and Pensions Risk & Intelligence Service to understand these risks and ensure the capability is in place to target appropriately.

- **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 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.

- **Universal Credit** – As a newly introduced benefit, Universal Credit is subject to continuous discussion and ongoing monitoring and assessment of fraud & error risks. In autumn 2019, a review of Fraud & Error Risks was undertaken, looking specifically at the Universal Credit application process. This review analysed emerging trends and behaviours and made a number of recommendations to improve the new claim advance and evidence verification process to help disrupt potential fraudulent behaviour and mitigate the risks identified.

C: Underpayments

Benefit Underpayments

The table below shows the Department’s total estimates of benefit underpayments for the last two years, 2019 and 2018 (all social security benefits including Housing Benefit).

Overall the figure for estimated amounts of underpayments is £56.7 million, or 0.9% of expenditure in 2019 compared to £48.3 million (0.8%) in 2018.

Estimates of underpayments across all benefits for 2019 and 2018

2019	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	6,354,529,579	35,283,001	25,470,186	48,235,613	0.6%	0.4%	0.8%
Customer Error	6,354,529,579	21,453,707	11,655,587	36,145,601	0.3%	0.2%	0.6%
Total Underpayments[1]	**6,354,529,579**	**56,736,708**	**42,869,679**	**76,322,976**	**0.9%**	**0.7%**	**1.2%**

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[1]	**6,108,956,499**	**48,308,406**	**36,442,964**	**64,545,011**	**0.8%**	**0.6%**	**1.1%**

[1] See Note 1

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.

Official Error – Underpayments

The table below sets out the estimate of benefit underpayments due to Official Error in 2019.

Estimates of official error underpayments across all benefits in 2019

Benefit	Expenditure (£)	Monetary Value of Error (£)	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of Error (%)	Lower Confidence Interval (%)	Upper Confidence Interval (%)
Disability Living	455,496,093	185,574	-	944,015	0.0%	0.0%	0.2%
Employment and	882,184,466	14,037,315	8,395,269	20,497,944	1.6%	1.0%	2.3%
Income Support	101,693,208	218,861	-	837,389	0.2%	0.0%	0.8%
Jobseeker's Allowance	47,200,391	548,127	204,937	973,662	1.2%	0.4%	2.1%
State Pension	2,386,120,045	9,212,699	1,872,567	19,569,610	0.4%	0.1%	0.8%
Pension Credit	241,136,201	1,431,978	462,233	2,997,009	0.6%	0.2%	1.2%
Attendance Allowance	208,938,819	413,127	-	2,128,839	0.2%	0.0%	1.0%
Bereavement Benefit	15,368,466	52,269	-	221,816	0.3%	0.0%	1.4%
Carer's Allowance	175,448,089	-	-	-	0.0%	0.0%	0.0%
Industrial Injuries Disablement Benefit	30,077,902	62,772	-	343,870	0.2%	0.0%	1.1%
Maternity Allowance	12,331,292	23,735	-	97,652	0.2%	0.0%	0.8%
Social Fund	56,822,324	127,833	-	638,402	0.2%	0.0%	1.1%
Widow's Benefit	908,439	16,427	-	55,379	1.8%	0.0%	6.1%
Personal Independence Payments	782,176,758	2,332,472	663,540	4,440,072	0.3%	0.1%	0.6%
Universal Credit	294,691,887	5,236,299	2,961,303	7,783,043	1.8%	1.0%	2.9%
Other Expenditure (Non-	62,522,616	304,900	-	756,266	0.5%	0.0%	1.2%
Christmas Bonus (Contributory Only)	3,487,122	20,904	14,848	28,892	0.6%	0.4%	0.8%
Incapacity Benefit*	(1,262,291)						
Social Security Benefits	**5,755,341,827**	**34,225,292**	**-**	**-**	**0.6%**	**-**	**-**
Housing Benefit Tenants (NIHE)	562,141,402	882,487	254,250	1,719,742	0.2%	0.0%	0.3%
Housing Benefit Owner Occupier (LPS)	37,046,350	175,224	52,087	332,768	0.5%	0.1%	0.9%
Total [1]	**6,354,529,579**	**35,283,003**	**25,470,186**	**48,235,613**	**0.6%**	**0.4%**	**0.8%**

[1] See Note 1

Customer Error - Underpayments

The table below sets out the estimate of benefit underpayments due to Customer Error in 2019.

Estimates of customer error underpayments across all benefits in 2019

Benefit	Expenditure	Monetary	Lower Confidence Interval (£)	Upper Confidence Interval (£)	Monetary Value of	Lower Confidence Interval (%)	Upper Confidence Interval (%)
Disability Living	455,496,093	-	-	-	0.0%	0.0%	0.0%
Employment and	882,184,466	4,651,014	1,847,021	7,904,204	0.5%	0.2%	0.9%
Income Support	101,693,208	72,831	-	375,428	0.1%	0.0%	0.4%
Jobseeker's Allowance	47,200,391	194,255	24,540	441,828	0.4%	0.1%	0.9%
State Pension	2,386,120,045	4,426,542	-	17,365,513	0.2%	0.0%	0.7%
Pension Credit	241,136,201	2,242,744	1,089,265	3,791,944	0.9%	0.5%	1.6%
Attendance Allowance	208,938,819	-	-	-	0.0%	0.0%	0.0%
Bereavement Benefit	15,368,466	63,250	-	224,469	0.4%	0.0%	1.5%
Carer's Allowance	175,448,089	-	-	-	0.0%	0.0%	0.0%
Industrial Injuries	30,077,902	-	-	-	0.0%	0.0%	0.0%
Maternity Allowance	12,331,292	65,012	-	155,960	0.5%	0.0%	1.3%
Social Fund	56,822,324	131,484	56,150	514,666	0.2%	0.1%	0.9%
Widow's Benefit	908,439	3,739	-	13,269	0.4%	0.0%	1.5%
Personal Independence	782,176,758	1,687,489	-	4,358,168	0.2%	0.0%	0.6%
Universal Credit	294,691,887	1,820,607	373,707	3,690,066	0.6%	0.1%	1.3%
Other Expenditure (Non-	62,522,616	134,393	-	553,375	0.2%	0.0%	0.9%
Christmas Bonus	3,487,122	9,425	3,785	17,984	0.3%	0.1%	0.5%
Incapacity Benefit*	(1,262,291)						
Social Security	**5,755,341,827**	**15,502,785**	**-**	**-**	**0.3%**	**-**	**-**
Housing Benefit Tenants	562,141,402	5,662,523	2,080,727	10,583,808	1.0%	0.4%	1.9%
Housing Benefit Owner	37,046,350	288,401	73,059	597,194	0.8%	0.2%	1.6%
Total [1]	**6,354,529,579**	**21,453,709**	**11,655,587**	**36,145,601**	**0.3%**	**0.2%**	**0.6%**

[1] See Note 1

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 2019, the 2019 estimate for DLA 'change in customer circumstances' overpayments is estimated by applying the 2008 percentage. The 2019 estimate is £25.8 million, 5.7% of expenditure. In comparison the 2018 estimate was £39.0 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 2019, the 2019 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. The 2019 estimate is £13.2 million, 2.9% of expenditure. In comparison the 2018 estimate was £19.9 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

E: Personal Independence Payments (PIP) - 'Change in Customers' Circumstances' cases

A decision on the award of PIP made on the ground of a change of circumstances takes effect on the date on which the relevant change of circumstances occurs or is expected to occur. This does not apply, however where a customer could not reasonably be expected to know at which point their entitlement to PIP 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 PIP is incorrect. Cases in this sub-category are therefore technically and legally correct but are reassessed after review activity. This is in line with the DWP approach and similar to the methodology previously used for DLA.

For further clarification on this issue see The Universal Credit, Personal Independence Payment, Jobseeker's Allowance and Employment and Support Allowance (Decisions and Appeals) Regulations (Northern Ireland) 2016 (S.R. No 221) Schedule 1, Part 2.

The difference between what claimants in these 'change in customers' circumstances' cases are receiving in excess of PIP entitlement and what they would potentially receive if their benefit was reassessed was estimated to be around £19.0 million or 2.4% of expenditure in 2019.

The difference between what claimants in the PIP 'change in customers' circumstances' cases are receiving below their PIP entitlement and what they would potentially have been due to receive if their benefit was reassessed was estimated to be £9.3 million, 1.2% of expenditure in 2019.

These figures are not included in the total figures in the respective tables above.

Most PIP awards are for fixed terms with a review point built in; this provides the Department with a regular opportunity to reassess a customer's circumstances and reduce the accumulation of over and under payments in these cases.

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.

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.
The value of the Fund at 31 March 2020 was £42.6 million.

25 Entities within the departmental boundary

The entities within the boundary during 2019-20 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 events between the end of the reporting period and the date the financial statements were authorised for issue. The following is a non-adjusting event:

The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020

The Working Time (Coronavirus) (Amendment) Regulations (Northern Ireland) 2020 came into operation on 24 April 2020 and allows those workers who are unable to take annual leave as result of the pandemic to carry over up to four weeks' annual leave into the next two leave years. Any exemption will apply only to circumstances where workers are unable to take their leave as a result of the outbreak, and carry over of annual leave will be limited to the next two leave years. The change in regulations is likely to lead to an increase in the value of accrued annual leave carried over in the next two years by the Department. It is not possible for the Department to give a reasonable estimate of the impact at this time.

A review of the assumptions and forecasts for the Financial Assistance Scheme (DWP calculate the provision for the UK) has been undertaken by Deloitte and as a result, it is considered proper to highlight two non-adjusting post-balance sheet events:

Retail Price Index (RPI) Reform

For a number of years, the UK Statistics Authority (UKSA) and others have expressed concerns about whether the RPI provides a good measure of inflation. The alternative inflation measure of the CPI is widely considered to be a better measure. The UKSA announced on 4 September 2019 that it intends to reform the RPI to bring it into line with. However, the UKSA cannot make this change until at least 2030, except with the consent of the Chancellor of the Exchequer. The Chancellor has confirmed that he is not prepared to consent to the change until at least 2025, and announced a consultation, which started in March 2020. It is not considered likely that inflation rates will move to such an extent that it would have a material impact on the valuation of the provision.

26 Events after the Reporting Period (continued)

Covid-19 and Financial Assistance Scheme (FAS) discount rate

In recent months there has been significant market volatility due to Covid-19, resulting in vastly different market conditions at 31 March 2020 compared to the assumptions prescribed by HM Treasury, which are based on market conditions at November 2019. As HM Treasury prescribes the discount rate, Deloitte do not consider that the FAS balance sheet at 31 March 2020 needs to be adjusted. However to the extent that market movements have been as a consequence of Covid-19, it should be considered to be a non-adjusting post balance sheet event.

The Accounting Officer authorised the issue of these financial statements on 30 October 2020.

Report of the Comptroller and Auditor General

Report by 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, of which £6.4 billion (90 per cent) is spent on benefits.

2 The Department administers £5.8 billion[1] of benefits directly with a further £0.6 billion of housing benefits 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 and, also to unintended error by claimants and the Department.

3 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.

4 This Report reviews the results of my 2019-20 audit of the Department's accounts and sets out:

- the reasons and context for my qualified regularity audit opinion in relation to the material level of fraud and error in benefit expenditure;
- other benefit-related issues; and
- future challenges, including the impact of Covid-19.

Key findings

Benefit expenditure

5 I have qualified my opinion on the regularity of the Department's financial statements due to the material level of fraud and error in benefit expenditure. I

[1] These figures are from Note 23 to the accounts as the Department measures the level of estimated fraud and error in benefit expenditure on a calendar year basis. The financial statements disclose overall benefit expenditure for 2019-20 of £6.9 billion, on a financial year basis.

exclude State Pension from my qualified opinion because the estimated level of error is much lower than in other benefits (£10 million in an expenditure of £2.4 billion, see **Figure 4**).

6 Overpayments of benefits due to fraud and error (excluding State Pension), continue to increase and are at their highest estimated rate for several years. The estimated overpayment and underpayment rate for benefits excluding State Pension, now stands at 3.1 and 0.7 per cent of the £4.0 billion of expenditure on benefits for 2019-20 respectively. This comprises overpayments of £124 million and underpayments of £26 million (see **Figure 4**).

7 The estimated rates of overpayments due to official error and customer fraud in Universal Credit (UC) are 5.0 per cent and 5.2 per cent respectively, the highest estimated overpayment rate of any measured benefit (see **paragraph 1.12**).

8 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.

Impact of Covid-19

9 The Department responded quickly to the large increase in claims arising from the Covid-19 pandemic. This significant increase and easing of controls to accommodate them has the potential to lead to higher levels of fraud and error in 2020-21 which, in turn, needs to be properly measured to provide assurance to the Assembly over the administration of benefit expenditure **(see paragraphs 2.4 to 2.5).**

10 Due to the pandemic, the Department anticipates that it will not be able to produce an estimate of fraud and error for 2020-21 in the usual way. Visits to claimants

have been replaced by telephony review and measurement activity has been suspended for a number of months **(see paragraphs 2.6 to 2.8).**

Part 1 Qualified regularity audit opinion due to estimated levels of fraud and error in benefit expenditure (excluding State Pension)

Background and methodology

1.1 The criteria used to determine entitlement to each benefit, and the method used to calculate the amount due to be paid, is set out in legislation. The Department is reliant 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 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.

1.4 The Department estimates total fraud and error by combining the results from its monitoring of financial accuracy, which provides a measure of official error, and the results of benefit reviews that provide a measure of customer fraud and error. These estimates are based on a combination of recent sampling exercises and rolling forward estimates from previous sampling exercises and this work was completed before the lockdown in March 2020 due to the Covid-19 pandemic.

1.5 The Department uses random samples of the total benefit caseload for testing its financial accuracy and benefit reviews as the costs of testing every benefit case would be disproportionate and not represent value for money.

Estimated level of fraud and error in benefit expenditure

1.6 The Department estimates that:

- total overpayments (including state pension) due to fraud and error[2] in 2019-20 increased to 2 per cent of total benefit expenditure (2018-19: 1.5 per cent)
- underpayments (including state pension) due to official error[3] in 2019-20 increased to 0.6 per cent of total benefit expenditure (2018-19: 0.5 per cent).

1.7 SAU has estimated the value of estimated overpayments for 2019-20 as £124.5 million (2018-19: £92.3 million) and underpayments as £35.3 million (2018-19: £30.5 million) including state pension. **Figure 1** shows the value of estimated fraud and error over the past five years. While benefit expenditure has increased by 10 per cent over this period, the estimated level of fraud and error has increased by 64 per cent. This increase is partially attributable to changes arising from the introduction of Universal Credit (UC) and Personal Independence Payment (PIP).

[2] Fraud and error figures quoted in this report are central estimates (or 'mid-points') within a range.
[3] Underpayments due to customer error are not irregular and are excluded from these figures; only underpayments arising from official error are considered irregular.

Figure 1: Benefit expenditure and estimated fraud and error for the 5 years ending 2019-20 (including State Pension)

£millions	2019-20	2018-19	2017-18	2016-17	2015-16
Total expenditure	6,355	6,108	5,897	5,896	5,790
Total Est fraud and error	159.8	122.8	108.3	107.4	97.3
Overpayments	124.5	92.3	91.4	87.7	78.8
Underpayments	35.3	30.5	16.9	19.7	18.5

Source: Department for Communities accounts, 2015-16 to 2019-20.

1.8 Not all benefits are paid by the Department to claimants. The Housing Executive pays housing benefit to social housing 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.

Benefit expenditure errors by type

1.9 Means-tested benefits such as Pension Credit, Income Support, Jobseeker's Allowance, Employment and Support Allowance and Universal Credit 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, and lack of understanding, of the benefit system by the claimant. Other key reasons are the level of savings or income not being declared correctly.

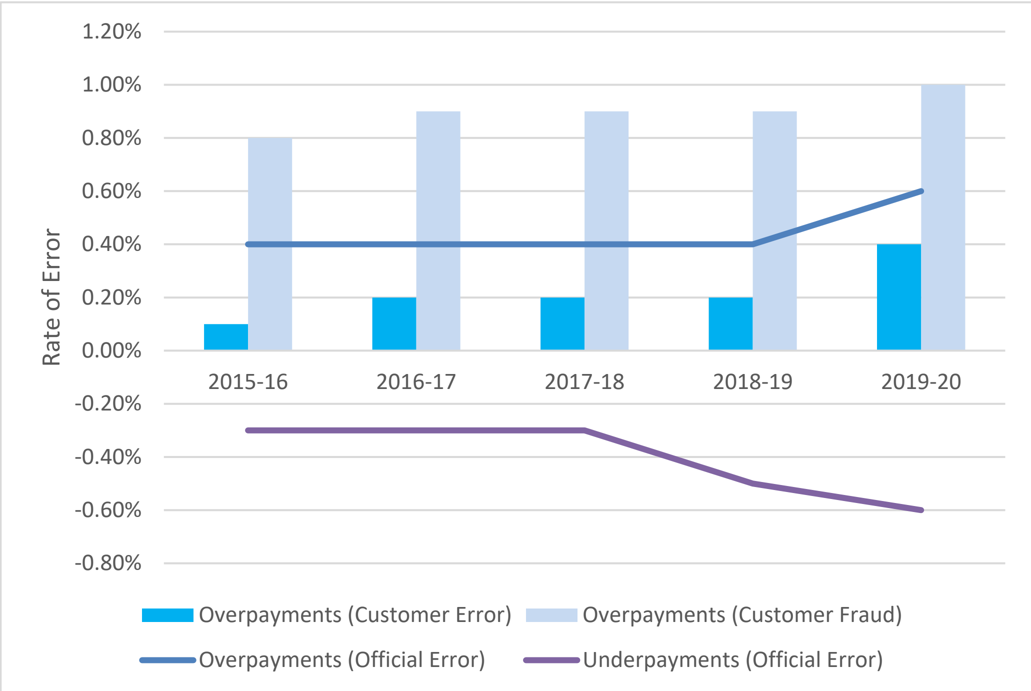
1.10 Official errors can take time to identify, then correct, and as a result have a cumulative impact. The main reasons for official errors continue to be:

- 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.).

1.11 **Figure 2** shows the error rate in benefit expenditure for the last five years by type.

Figure 2: Benefit expenditure error rate by type for the last five years (including State Pension)



£ millions	2019-20	2018-19	2017-18	2016-17	2015-16
Official Error	36.1	23.1 (0.4%)	23.5 (0.4%)	24.3 (0.4%)	25.1 (0.4%)
Customer Error	23.1	13 (0.2%)	12.8 (0.2%)	11.7 (0.2%)	8.7
Customer Fraud	65.3	56.2	55.1 (0.9%)	51.7 (0.9%)	45.1 (0.8%)
Total	**124.5**	**92.3 (1.5%)**	**91.4 (1.5%)**	**87.7 (1.5%)**	**78.9 (1.4%)**
Underpayments (Official Error)	-35.3 (0.6%)	-30.5 (0.5%)	-16.9 (0.3%)	-19.7 (0.3%)	-18.5 (0.3%)

Source: Department for Communities accounts, 2015-16 to 2019-20.

1.12 I note the significant increase in overpayments this year which is largely attributable to Universal Credit overpayments due to customer fraud of £15.3 million (error rate of 5.2 per cent) and official error of £14.6 million (error rate of 5.0 per cent). The Department for Work and Pensions (DWP)[4] told NAO that it expects the introduction of UC to increase fraud and error within it but to reduce the cost of cross-welfare fraud, errors and overpayments to the taxpayer. This is mainly due to the change from annual assessments under Tax Credits to monthly assessment under UC.

Other issues

1.13 Local flexibilities introduced in Northern Ireland as part of welfare reform included paying UC fortnightly to claimants instead of monthly as is the case in GB and paying landlords rent directly, unless otherwise requested. As the Department uses DWP systems, its staff have to make a manual adjustment on the system for every case. Recently the media highlighted[5] administrative errors (clerical intervention errors) in this process arising since its introduction in September 2017 until the start of July 2020.

1.14 The default position in Northern Ireland is that a household's Universal Credit housing element is paid directly to the landlord. The Department works with tenants and landlords to ensure the prompt and timely provision of rental information and bank account details so that the direct payment can be put in place as early as possible. The Department told me that any delay in providing this information will impact on its ability to set up the direct payment and, until this is resolved, the housing element of UC would be paid directly to the tenant. To minimise the risk of arrears, the Department has introduced a number of enhancements to the service to assist both social and private rented sector landlords to more easily provide rental and bank account details. The customers' Universal Credit statement has also been improved to provide a further breakdown of the housing support they are entitled to, whether it has been paid directly to their landlord and the action they

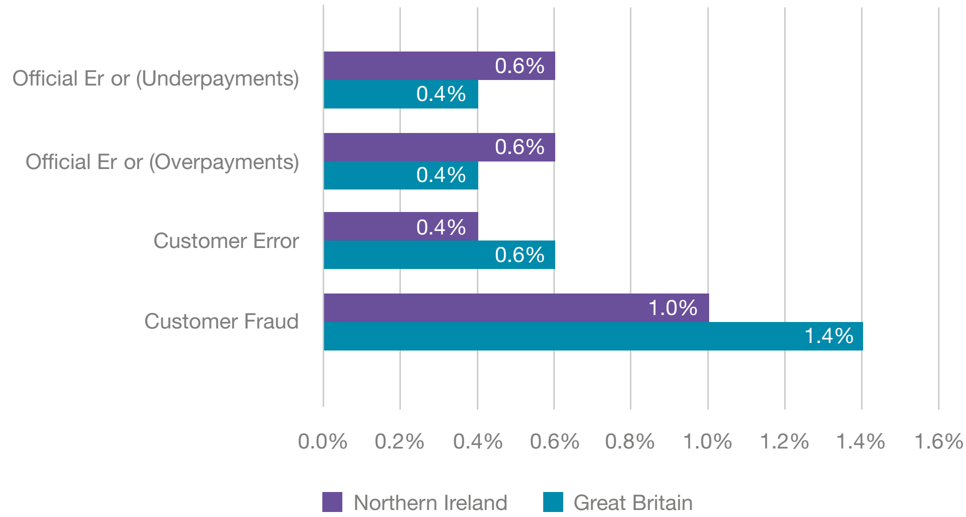
[4] The Department that pays out benefit expenditure in GB.
[5] https://www.bbc.co.uk/news/uk-northern-ireland-53785836

must take if the housing support has been paid to them. As at May 2020, 97 per cent of Universal Credit social rented housing sector households and 53 per cent of those renting in the private sector, who receive support with their housing costs, had their Universal Credit housing element paid directly to their landlord.

Comparisons between Northern Ireland and Great Britain

1.15 The Westminster Government started implementing welfare reforms in April 2012, four years before Northern Ireland. While comparison of DWP's performance with the Department is less meaningful than it would have been, if implementation had commenced at the same time, I consider it to provide a useful benchmark. The Department has assured me that its methodology for estimating fraud and error is consistent with that used by DWP. Key comparisons are set out in **Figure 3.**

Figure 3: Comparison of rates of estimated fraud and error between NI and GB (including State Pension)



Source: Department for Communities accounts, 2019-20 and DWP: Fraud and Error 2019-20 Estimates

1.16 Error rates in GB have remained consistent with the previous year except in the case of customer fraud which has increased from 1.1 per cent[6] in 2018-19 to 1.4

[6] This figure was reported as 1.2 per cent in my 2018-19 Report. It has been restated by DWP due to changes in methodology during 2019-20.

per cent in 2019-20. DWP has attributed this to the increase in level of fraudulent overpayments in Universal Credit, mainly from incorrect reporting of capital. Error rates in Northern Ireland have gone up in every category since last year and the error rate for official error arising from both under and overpayments is now higher than the rate in GB. For both customer fraud and error, Northern Ireland continues to have lower estimated rates of overpayments.

Estimated fraud and error in State Pension expenditure is insignificant

1.17 In 2019-20, State Pension expenditure amounted to £2.4 billion (see **Figure 4)**; 37.5 per cent of the Department's total annual benefit spend**.** The Department estimates that the level of overpayments due to official error decreased from £1.1 million in 2018-19 to £0.9 million in 2019-20. However, State Pension underpayments due to official error increased substantially in monetary terms and percentage of error to £9.2 million (0.4 per cent) from £3.6 million (0.2 per cent). While the percentage error remains small, relative to other benefits, this is a significant increase and is concerning given the fact that many pensioners are particularly vulnerable.

1.18 The Department told me that State Pension official error underpayments increased this year as further errors were detected in awards made under the old State Pension scheme prior to April 2016, where one of the components used to calculate the amount of state pension was not correctly applied. Plans are being put in place to identify and review similar cases and take corrective action where appropriate. The Department monitors and estimates the level of underpayments and identifying those cases not receiving their full entitlement and correcting benefit payments is an integral part of the Department's strategy. The Department will closely monitor the progress with this issue. I intend to keep this area under review.

Figure 4: Estimated overpayments and underpayments within state pension compared with all other benefits.

	State Pension	All other benefits	Total
		£ million	
Expenditure	**2,386**	**3,969**	**6,355**
Overpayments	0.9 (0%)	123.6 (3.1%)	124.5 (2%)
Underpayments	9.2 (0.4%)	26.1 (0.7%)	35.3 (0.6%)

Source: Department for Communities accounts 2019-20.

1.19 While the level of estimated error in State Pension expenditure is not material to my audit opinion and is excluded from my regularity qualification, I note that the percentage of underpayments due to official error doubled in 2018-19 and again in 2019-20. This is something I will continue to closely monitor.

Part 2: Response to Covid-19

Financial impact

2.1 Recently[7] I referred to the estimated £1.74 billion package of measures announced by the Government to mitigate against the worst effects of the Covid-19 disease in Northern Ireland and protect the most vulnerable in society. Of this, the Department is expected to spend £137.1 million (eight per cent) on 16 initiatives[8]. This includes £9.6 million on Discretionary Support payments and £8 million on managing increases in benefit cases and backlogs that have arisen as a direct result of measures put in place to reduce the spread of Covid-19.

2.2 Further support has also been provided at a national level by the Westminster Government to cover the costs of:

- additional estimated 33,600 Universal Credit claimants - £70.7 million; and
- additional Jobseekers Allowance (JSA) claimants to 30 June 2020 - £2.3 million.

2.3 The Department has also:

- temporarily suspended all face-to-face appointments;
- suspended recovery of benefit overpayment related debt and loans for three months since March 2020; and
- raised the income threshold for Discretionary Support payments.

Operational impact

2.4 The Department has responded to the Covid-19 pandemic at pace to assist vulnerable households at a time of resourcing challenges, managing social distancing and building capacity for remote working. Part of the strategy to cope with these challenges has been the redeployment of staff including the provision of additional telephony staff to meet significant increases in new claims for UC and JSA. The most recent published information[9] shows that:

[7] Overview of the NI Executive's Response to the Covid-19 pandemic, 2 September 2020, NIAO.
[8] Only those initiatives costing more than £1 million are included.
[9] https://www.communities-ni.gov.uk/topics/statistics-and-research/covid-19-management-information-statistics

- the number of people on the UC liveload[10] increased from 70,000 in early March 2020 to 134,000 by the end of May 2020;
- there have been nearly 100,000 UC claims since Covid-19 with approximately £325 million paid out to UC claimants between April and August 2020;
- the value of advance UC payments per week increased from £0.52 million in early March to a high of £2 million in mid-April before steadily reducing to £0.49 million per week at the end of May 2020;
- JSA claims for week commencing 23 March 2020 were 691 compared to the previous week of 198 claims, reducing to 237 claims per week by the end of August 2020; and
- £1.9 million of Discretionary Support payments have been paid out since the week commencing 23 March 2020 with an average payment of £139.

2.5 The increased volume of claims, less experienced staff dealing with claims and the reduction in usual controls[11] is likely to increase the inherent risk of fraud and error in benefit expenditure which the Accounting Officer has recognised in her Governance Statement. DWP has produced a range of estimates of the amounts potentially at risk in 2020-21 that has been shared with HM Treasury. It has also worked with its internal audit team to produce risk assessments to help understand the mitigations in place and residual risk. The Department told me that it has carried out work to identify and assess emerging risks across the benefits' system; in particular potential losses due to UC fraud and error which is estimated to increase significantly due to the volumes of claims received as a result of the pandemic. The Department will continue to identify and correct inaccurate cases and focus on the areas of highest risk to benefit expenditure by targeting known and emerging areas of fraud and error.

2.6 The annual estimate of benefit overpayments and underpayments due to fraud and error is a key consideration in the Department's accountability to the Assembly for administering £6.4 billion of benefit expenditure. At a time when expenditure in this area has increased significantly and controls have been reduced, the work done by

[10] The number of people on Universal Credit at a particular point in time.
[11] For example, suspension of face-to-face interviews, automatic extension of awards instead of reviewing them and a reduction in checks on claimant information.

the Department to support the annual estimate of fraud and error needs to be robust enough to fully capture the impact of Covid-19 on this estimate for 2020-21. It is recognised that this will be challenging for the Department as not only were a number of SAU staff temporarily redeployed but visits to claimants have also been temporarily suspended and replaced by telephony reviews which may affect the level of testing that can be carried out.

2.7 The Department has advised that due to the pandemic:

- all SAU measurement activity was suspended in late March 2020 and re-commenced in late August
- completion of the full year's SAU measurement will not be viable due to these four months being lost and ongoing operational pressures in Jobs and Benefits Offices.

2.8 The Department will focus on Universal Credit and State Pension next year as they are areas of highest risk and spend and use proxy figures for the remaining benefits. It is planning for the full measurement programme to resume in 2021-22.

2.9 I will look at both the financial and operational impact of Covid-19 on the Department as part of my future public reporting programme and audit of the 2020 -21 Department Resource Account.

K J Donnelly

KJ Donnelly

Comptroller and Auditor General

30 October 2020

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

ANNEX A
Child Maintenance Service (CMS) Client Funds Account 2019–20

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 benefit systems to carry out the assessment calculations.

The 2012 scheme was introduced on a pathfinder approach in December 2012, and the scheme opened to all new applicants from November 2013. A second phase of reform was implemented 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. This is 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 2020, two out of three parents using the 2012 statutory scheme are already using this service and thus avoiding charges completely.

Throughout the 2019-20 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 managing the 1993 and 2003 Legacy schemes and preparing them for eventual closure.

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.

In November 2018 NI CMS commenced addressing arrears owed to the Department and the Compliance and Arrears Strategy activity has continued throughout the 2019-20 year. NI CMS have now completed the majority of the restatement and representation activity and at year end there were only a small number of Legacy 2012 transitioned arrears cases to complete the representation process.

During the year a total of approximately 2,406 cases had debt adjusted and closed on the 1993 and 2003 Schemes (2018-19: 4,935 cases closed). There were no live cases remaining on the 1993 and 2003 Schemes at the end of March 2020 (31 March 2019: 2,291 cases remained).

Once all decommissioning activity has been completed the 1993 and 2003 computer systems can be retired, as they will no longer be required. As historical information about a 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 now complete. The aim is to decommission and retire the Legacy core 1993 and 2003 systems in early November 2020.

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. The second package of Regulations came into operation in July 2019.

All the Compliance and Arrears Strategy regulations were then combined and passed by the NI Assembly on 01 June 2020.

Performance during 2019-20 - 2012 Scheme

The caseload at 31 March 2020 was 15,066 (2019:15,355). (The reduction in caseload in the CMS 2012 Scheme is primarily as a result of transitioned 2012 cases with only Legacy Scheme Arrears, being closed down through the Compliance and Arrears activity). There was also a slight increase in 2012 Business as Usual write-off cases. At 31 March 2020 91.9% of case groups were contributing towards their current liability (31 March 2019: 91.6%). This includes Direct Pay arrangements where parents arrange payments between themselves based upon a calculation by CMS.

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 £21.6 milion (2018-19: £18.3 million) was paid between parents:

- £17.7 million through Direct Pay
- £3.8 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. It is encouraging to see that, at March 2020, two out of three parents using the 2012 statutory scheme are already using this service and thus avoiding charges completely.

As at 31st March 2020, 66% (31 March 2019: 69%) of those parents due to pay their liability were using Direct Pay. Payments made through Direct Pay do not pass through the Client Funds Bank Account and 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 2019-20, approximately 65.3k (2018-19: 61.5k) individual receipts were recorded. Total monies received (including collection charges) were £5.2 million (2018-19: £4.4 million) with 99% of receipts by volume received electronically.

1.1.3 Payments of child maintenance – Collect and Pay

During 2019-20, approximately 62.5k (2018-19: 59.1k) individual payments were made to parents with care with a total value of £4.1 million (2018-19: £3.4 million). One hundred per cent of payments are made by funds transferred electronically to clients' bank accounts.

1.2 Performance during 2019-20 - 1993 and 2003 Schemes

There were no live cases remaining on the 1993 and 2003 Schemes at the end of March 2020 (31 March 2019: 2,291 cases remained). This is primarily due to the restatement and representation work undertaken as part of the Compliance and Arrears Strategy. Under the Compliance and Arrears Strategy, NI CMS has been addressing historic arrears which built up on the 1993 and 2003 Schemes. Arrears have been restated on cases where debt was below a certain threshold. For cases with arrears above that threshold, NI CMS contacted parents to ask if they would like NI CMS to make one final attempt to collect on the arrears (representation), or if they would prefer the arrears to be written off (restatement).

During 2019-20, as part of the Case Closure Programme NI CMS also 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 arrears balance is transferred 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 2020 £0.8 million of arrears had transferred to the 2012 system (2018-19: £3.3 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 £12.5 million at 31 March 2020 (31 March 2019: £29.7 million).

1.4 Assessment Accuracy

Case Value Accuracy compared 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 four 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 CMS 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. Whilst some calculations will still require manual intervention, the changes to the 2012 scheme have increased the number of child maintenance calculations which can carried out by an automated process requiring no manual intervention i.e. are fully automated calculations.

For the last financial year to 31 March 2019, the reported Case Value 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 2018-19 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 completed a review of its accuracy assessment methodology (the Case Value Accuracy, CVA approach) with the view to moving to a different procedure for the 2019-20 year.

From April 2019 NI CMS have assessed the accuracy of child maintenance assessments using the Monetary Value of Error (MVE) approach. This provides an overall accuracy assessment result incorporating both caseworker error, that is manual error, and the CMS

2012 fully automated transactions. The CMS 2012 Fully Automated transactions are assumed to be 100% accurate and evidence of this assumption has been provided for audit review.

The MVE result for 2019-20 was 0.85%.

1.5 Impact of Exit from the European Union (EU)

DfC has worked closely with colleagues in the Executive Office and with the other NI Executive Departments to ensure that appropriate arrangements are in place for the UK's exit from the EU. The overall aim of this work is 'To ensure that, in so far as is possible, the important services for which this Department has responsibility can continue to be delivered, to an agreed standard, under the terms of the UK's exit from the EU'.

Within DfC, EU exit activities are organised around a central co-ordination team, working in partnership with business group representatives to ensure the necessary preparations are in place.

1.6 Impact of Covid-19

On 13th March 2020 the Permanent Secretary established a Covid-19 Departmental Operations Centre to oversee and manage all of the Department's business contingency operations and to report to the Top Leadership Team, Minister and the NI Hub.

Covid-19 has had a significant impact on CMS since March 2020. Social distancing measures reduced the number of staff available onsite by 82% in the initial stages of the Covid-19 and lockdown.

New applications fell by 73% in the initial weeks after Covid-19 however these have gradually increased to levels similar to pre-Covid-19.

Despite reduced staffing levels CMS have continued delivering a high level of service by answering on average over 90% of calls daily. Priority caseloads were established to ensure the flow of support was maintained albeit with a more flexible approach considering the impacts of Covid-19 on our customers.

As provision of benefits had been identified as a key priority, the Work & Health and Supporting People Groups, produced a focused Covid-19 Contingency Plan and established an Emergency Planning Group and a Business Disruption Forum to manage service delivery.

The impact of Covid-19 will continue to be felt in 2020-21 and beyond. Officials in the Department are working hard to ensure that key lessons learnt are factored in to both operational and business continuity planning going forward.

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 Client 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

- 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 judgements required for determining that it is fair, balanced and understandable

DoF has appointed the Permanent Secretary 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.

Tracy Meharg

TRACY MEHARG
ACCOUNTING OFFICER
27 October 2020

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 Department for Communities (DfC) is one of nine Northern Ireland departments created on 9 May 2016. The Permanent Secretary, Tracy Meharg, is the Department's most senior official and the Minister's principal advisor. The Northern Ireland Assembly was dissolved from 26 January 2017 until an Executive was formed on 11 January 2020. Ministers were not in place during this time. From 11 January 2020, the Department for Communities was under the direction and control of NI Assembly Minister Deirdre Hargey, and from 15 June 2020 Carál Ní Chuilín replaced Deirdre Hargey as acting minister for Communities.

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

The governance arrangements set out in the Departmental Resource Account for the year ended 31 March 2020 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 second package of Regulations aligned to the Compliance and Arrears Strategy included changes to deductions from benefit powers and 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. The second package of Regulations came into operation in July 2019.

All the Compliance and Arrears Strategy regulations were then combined and passed by the NI Assembly on 01 June 2020.

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.

Work has continued on the NI Compliance and Arrears Strategy actions throughout 2019-20 with a total of 4,387 cases selected throughout the year (2018-19: 5,549 cases selected) and a total amount restated of £13.1 million (2018-19: £14.0 million).

NI CMS have now completed the majority of restatement and representation activity and at year end there were no live cases on the 1993 and 2003 Legacy systems. This work will allow the 1993 and 2003 statutory schemes to close and will enable the 1993/2003 IT systems to be decommissioned.

There are only a small number of Legacy 2012 transitioned arrears cases to complete the representation process.

The NI Compliance and Arrears Strategy also seeks to minimise arrears accruing on the 2012 statutory child maintenance scheme.

Internal Audit Opinion

During 2019-20, Internal Audit carried out a review of the CMS Compliance and Arrears Strategy on the 1993 and 2003 Schemes. This internal audit assignment resulted in a satisfactory opinion.

Significant Governance and Internal Control Challenges

Accuracy of Maintenance Assessments

Due to the closure of Legacy cases (1993 and 2003 Schemes) over the last four 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 CMS scheme simplified the way the Department administers child maintenance. Whilst some calculations for the 2012 Scheme still require manual intervention, the changes to the 2012 scheme have increased the number of child maintenance calculations which can carried out by an automated process requiring no manual intervention i.e. are fully automated calculations.

In 2018-19 the Department completed a review of its accuracy assessment methodology (the Case Value Accuracy, CVA approach) with the view to moving to a different procedure for the 2019-20 year.

From April 2019 NI CMS have assessed the accuracy of child maintenance assessments using the Monetary Value of Error (MVE) approach. This provides an overall accuracy assessment result incorporating both caseworker error, that is manual error, and the CMS 2012 fully automated transactions.

The MVE result for 2019-20 was 0.85%. Within his audit report for this year Comptroller and Auditor General (C&AG) has amended the irregularity qualification for the CMS 2012 scheme; with the exception of £36,000 the £4.25 million of CMS 2012 receipts is not qualified.

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 was limited or unavailable. There was significant uncertainty over the accuracy and completeness of the Legacy arrears balances. The C&AG was unable to conclude on the accuracy and completeness of the Legacy maintenance arrears balances and disclaimed his audit opinion in respect of this note.

At March 2020 there were no live cases remaining on the CMS Legacy 1993 and 2003 systems and this is reflected in Note 5.1 within the Client Fund accounts - Outstanding Maintenance arrears.

For the 2019-20 financial year the remaining Legacy 2012 transitioned arrears debt balance (£6.5 million) disclosed in Note 5.1 to the accounts continues to be disclaimed as there is significant uncertainty over the accuracy and completeness of the Legacy arrears balances.

In relation to the CMS 2012 Outstanding Maintenance Arrears balance of £6.0 million this year, the Department carried out considerable work to help substantiate the balance of maintenance arrears on a case-by-case basis. The NIAO have examined this work as part of the audit of the account and the C&AG is content that these balances are complete and accurate.

Although there is satisfactory assurance on the CMS 2012 arrears balance of £6.0 million, the unsubstantiated legacy arrears of £6.5 million is too significant a proportion of the overall maintenance arrears balance of £12.5 million for the C&AG to change the qualification. The audit opinion on the truth and fairness of the total arrears balance therefore continues to be disclaimed. The C&AG anticipates that as legacy arrears continue to reduce over the coming years, he will be able to reconsider the nature of his opinion on the arrears balance.

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. 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 together with the close down and decommissioning of the Legacy IT systems.

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 in the annual DfC Resource Account. These payments totalled £0.02 million in 2019-20 (2018-19: £0.04 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 decommission the Legacy IT CMS systems.

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 October 2020

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

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 Services Client Funds for the year ended 31 March 2020 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 Services Client Funds for the year then ended and the cash balances as held at 31 March 2020; 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 opinion on the maintenance arrears balance

Due to the significance of the issues described in the "Basis of opinions" section below, I have not been able to obtain sufficient appropriate evidence to provide a basis for an audit opinion on the maintenance arrears' balance of the Child Maintenance Service Client Funds, 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 recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I have not expressed an opinion on the maintenance arrears' balance of £12.5 million, as there was insufficient evidence to substantiate the legacy scheme element which is a substantial proportion of the balance, being £6.5 million. The Department does not maintain adequate accounting records to support the level of outstanding maintenance arrears for the legacy scheme. I have therefore not 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.

As the Client Funds 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 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. The estimated level of irregularity of £36,000 in £4.2 million of receipts and £4.1 million of payments based on maintenance assessments calculated under the CMS 2012 scheme. It is not practicable to quantify the overall irregularity in £87,000 of legacy receipts and £7,000 of legacy payments based on maintenance assessment calculations under the legacy schemes. I consider the overall irregularity for receipts and payments 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 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. Except for the legacy arrears balance in Note 5.1, I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs(UK) require me to report to you where:

- the Department's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Department has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Department for Communities' ability to continue to adopt the going concern basis.

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 and that the maintenance arrears balance is properly presented.

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 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 qualified opinion 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 matters, 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

30 October 2020

Financial Statements

CHILD MAINTENANCE SERVICE (CMS) CLIENT FUNDS ACCOUNT

Receipts and Payments Account for the year ended 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
Receipts	**2**	5,312	4,725
Total Receipts		**5,312**	4725
Less Payments to :			
Parents With Care	**2**	4,151	3,587
the Department (including fees)	**2**	896	1,008
Department for Work and Pensions (DWP)	**2**	92	130
Non Resident Parents	**2**	76	113
Total payments		**5,215**	4,838
Net (Payments)/Receipts		**97**	(113)
Balance as at 1 April		178	291
Balance as at 31 March	3	**275**	178

Statement of Balances as at 31 March 2020

	Notes	2019-20 £'000	2018-19 £'000
Funds awaiting clearance	**3**	**109**	58
Cleared funds awaiting distribution	**3**	**166**	120
Balance on bank account		**275**	178

The notes on pages 253 to 266 form part of these accounts.

Tracy meharg

TRACY MEHARG

ACCOUNTING OFFICER

27 October 2020

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, 2019-20 £4.3 million (2018-19: £3.9 million); and the receipt of collection and enforcement charges, 2019-20 £0.9 million (2018-19: £0.8 million). Receipts also include drawdowns and receipts from the Department; for the 2019-20 financial year these were £0.05 million (2018-19: £0.08 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 £4.1 million (2018-19: £3.4 million) and per the Legacy Schemes £0.01 million (2018-19: £0.2 million).

2.4 The payments to the Department of £0.9 million, include payments of £0.01 million (2018-19: £0.2 million) 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 £0.9 million of collection and enforcement charges received from parents using the 2012 Collect and Pay Scheme (2018-19: £0.9 million).

A sundry amount of £0.002 million consists of £0.002 million for DNA fees (2018-19: £0.007 million). There was only a small amount (£400) of Consolidated Fund Excess Receipts (CFERs) for 2019-20 (2018-19: £6,000).

2.5 Payments to the Department for Work and Pensions (DWP) of £0.1 million (2018-19: £0.001 million) relate to maintenance transactions between the Department and the Child Maintenance Group in DWP/GB. This amount relates to Legacy CMS receipts 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 £0.004 million (2018-19: £0.027 million) relates mainly to clerical cases under the 1993 and 2003 schemes processed through the case closure process and £0.1 million (2018-19: £0.1 million) relates to refunds on cases on the 2012 Scheme.

3. Statement of Balances

3.1 The balances relating to funds awaiting clearance, 2019-20 £0.1 million (2018-19: £0.1 million) are amounts that CMS has received into its bank account but have not yet cleared through the bank's clearance processes.

3.2 The balances relating to cleared funds awaiting distribution, 2019-20 £0.2 million (2018-19: £0.1 million) are amounts that CMS have 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 2020

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 ***Legacy 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 benefit systems to carry out the assessment calculations.

Collectability of Outstanding Maintenance Arrears

4.4 In line with the Accounts Direction, CMS have estimated the collectability of outstanding maintenance arrears for 2019-20 and this information is included in

Note 5. These estimates are based on the results of the “Outstanding Maintenance Arrears Analysis Exercise” undertaken last year, during 2018-19. This collectability estimation exercise is only applied to the Legacy Arrears debt balances that have transitioned to the CMS 2012 scheme.

As a result of the ongoing Compliance & Arrears Strategy activity there are no live cases left on the Legacy IT systems. This position is reflected in the Outstanding Maintenance Arrears balances for the Legacy CSCS and CS2 Schemes. These balances are now zero balances within the Outstanding Maintenance Arrears note.

As the Department finalises it Compliance & Arrears Strategy activity it plans to revisit the assumptions around collectability of arrears relating to the transitioned 2012 Legacy debt balances and the arrears for the 2012 Scheme to reflect the experience and impact of the new write-off and enforcement powers.

The 2018-19 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 Outstanding Maintenance Arrears (OMA) balance for the transitioned Legacy Arrears hosted on the 2012 scheme is categorised under the three groups - likely to be collectable, possibly uncollectable and probably uncollectable.

4.6 The outstanding arrears for 2012 Scheme cases are considered likely to be collected based on these arrears primarily accruing within the last seven 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 and will also take account of the impact of the new reforms for the collection of 2012 arrears.

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. Comparative data for the previous financial year is also included.

4.10 In total £14 million has been restated /written off for the 2019-20 financial year and details of this are included below:

	Restatement Amount £'000	**Write-off Amount £'000**	**Total £'000**
1993 CSCS	1,205	87	1,292
2003 CS2	7,028	20	7,048
Legacy Arrears on 2012	4,884	561	5,445
CMS 2012	-	213	213
Total	**13,117**	**881**	**13,998**

Restatement & Write-off Amounts 2018-19

	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 2020

	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 2019	**4,740**	**8,082**	**12,040**	**4,849**	**29,711**
Transfer between schemes *(Note a)*	(374)	(463)	837	-	**-**
Write Off *(5.3iii)*	(87)	(20)	(561)	(213)	**(881)**
Restatement *(5.3iii)*	(1,205)	(7,028)	(4,884)	-	**(13,117)**
Maintenance Charged in Year *(5.3i)*	-	-	-	5,643	**5,643**
Maintenance Adjustments *(Note b) (5.3ii)*	(3,074)	(566)	(328)	(458)	**(4,426)**
Maintenance Received in Year *(5.3iv)*	-	(5)	(608)	(3,836)	**(4,449)**
Closing balances as at 31 March 2020	**-**	**-**	**6,496**	**5,985**	**12,481**

Collectability analysis					
Likely to be collected	-	-	2,701	5,985	**8,686**
Possibly uncollectable	-	-	1,655	-	**1,655**
Probably uncollectable	-	-	2,140	-	**2,140**
	-	**-**	**6,496**	**5,985**	**12,481**

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 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 *(5.3iii)*	(122)	(156)	(740)	(175)	**(1,193)**
Restatement (5.3iii)	(4,866)	(4,969)	(4,137)	-	**(13,972)**
Maintenance Charged in Year *(5.3i)*	90	5,872	-	5,141	**11,103**
Maintenance Adjustments *(Note b) (5.3ii)*	(131)	(22,852)	(272)	(317)	**(23,572)**
Maintenance Received in Year *(5.3iv)*	(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	4849	**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.

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 2019-20 was £5.6 million (2018-19: £11.1 million).

The increase in Maintenance Charged 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 the Compliance & Arrears Strategy and also to the 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 2019-20 totalled £4.4 million (2018-19: £23.6 million). The amount of Maintenance Adjustments for the 2018-19 financial year was significantly higher primarily due to the Compliance & Arrears Strategy restatement activity on the CS2 Legacy system.

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 and restated on the 1993, 2003 and 2012 schemes in 2019-20 is £14 million (2018-19: £15.2 million). The increase is primarily as a result of the restatement activity carried out on the 1993 and 2003 Legacy arrears and the Legacy transitioned 2012 debt balance 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 2019-20 was £4.4 million (2018-19: £3.9 million). Additionally the Receipts and Payments Account includes payments of non-child maintenance not reported in Note 5, which includes purely child maintenance receipts.

6.0 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 these financial statements for issue on 30 October 2020.

Report of the Comptroller and Auditor General

Report by the Comptroller and Auditor General

Introduction

1. The Department for Communities (the Department) is responsible for administering statutory child maintenance schemes 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 CMS is responsible for the management of client funds relating to the 2012 child maintenance scheme and the 1993 and 2003 schemes operated by the previous Child Support Agency.

4. 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.

5. I am required to examine and certify the CMS Client Funds Account and report whether the financial statements are properly presented and, whether in all material respects the receipts and payments and financial transactions conform to the authorities which govern them.

6. This Report reviews the results of my 2019-20 audit of the Child Maintenance Service Client Funds Account.

[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.

Key findings

7. In 2019-20 the Department estimated the overall rate of error in receipts and payments for cases under the CMS 2012 scheme to be 0.85 per cent, a monetary impact of £36,000. There continues to be a lack of assurance available to me over the accuracy of the receipts and payments for cases under the legacy CSCS and CS2 schemes, which for this year were £87,000 and £7,000 respectively and the Department is unable to estimate the level of error. I consider the overall irregularity to be material and therefore I have qualified my regularity audit opinion on this matter.

8. The Department has transferred all legacy arrears to the system underpinning the CMS 2012 scheme and systems supporting the legacy schemes have been closed down.

9. Outstanding maintenance arrears are currently £12.5 million, made up of £6 million from cases operating under the CMS 2012 scheme which can be substantiated and £6.5 million transferred from the legacy schemes, for which I was unable to obtain satisfactory evidence. While I have been able to obtain satisfactory assurance in respect of the £6 million relating to the CMS 2012 scheme this year, the £6.5 million relating to the legacy schemes is a significant proportion of the overall arrears' balance of £12.5 million. Consequently, while recognising the considerable work done by the Department this year, I continue to disclaim my opinion over this balance.

Legacy schemes

10. 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 from NRPs) and subsequently paid to the persons with care in the current year (payments to PWC) 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.

11. The Department relies on IT systems developed by the Department of Work and Pensions (DWP) to maintain records for maintenance assessments. The IT systems used to support cases on the legacy statutory child maintenance schemes were the Child Support Computer System (CSCS) and the Child Support 2 system (CS2) until 2003 and 2013 respectively.

12. These IT systems 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 has not been in a position to correct the underlying deficiencies that have contributed to these errors. The level of complexity, together with inadequate computer systems, has led to significant levels of error in historical child maintenance assessment calculations. These in turn continue to have a cumulative impact on current receipts and payments and arrears. Accordingly, 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.

CMS 2012 scheme

13. In 2012 another statutory child maintenance scheme, the CMS 2012 scheme, was introduced. Open to all new cases since 25 November 2013, it has been gradually replacing the 1993 and 2003 schemes. It is also supported by a DWP IT system and is able to obtain information on income directly from Her Majesty's Revenue and Customs' records and the Department's social security systems to carry out assessment calculations.

14. In June 2014, as part of the ongoing child maintenance reform programme, collection and enforcement charges were introduced for parents who pay maintenance to CMS for it to pay to persons with care. This arrangement is known as Collect and Pay. Almost two-thirds of parents pay maintenance directly to persons with care, using a calculation and payment schedule provided by CMS (Direct Pay).

[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.

15. While Direct Pay payments do not pass through the Client Funds Account they are a key part of the child maintenance reforms. The Department estimates that during 2019-20, £17.7 million (2018-19: £15.1 million) was paid between parents using Direct Pay and £3.8 million (2018-19: £3.2 million) using Collect and Pay.

Receipts and payments

16. The level of receipts and payments disclosed in the Client Funds Account steadily declined between 2015-16 and 2018-19. Receipts increased by 13 per cent in 2019-20 which the Department has attributed to a small rise in the number of cases on the 2012 scheme. **Figure 1** shows total receipts and payments since 2015-16.

Figure 1: Receipts and Payments for the five years ending 31 March 2020

	2019-20	2018-19	2017-18	2016-17	2015-16
			£millions		
Total Receipts	5.3	4.7	5.5	9.9	13.1
Totals Payments	5.2	4.8	5.5	10.1	13.3

Source: CMS Accounts 2015-16 to 2019-20

Measurement of the level of error in maintenance assessments

17. 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.

18. The Department has advised that the closure of existing cases on the legacy CSCS and CS2 systems over the past four years means that it is not possible to generate a statistically valid sample of cases to test to determine the accuracy of these assessments. The last accuracy measurement for the legacy schemes was reported to be 96.2 per cent in 2015-16. The Department has told me that there is no other statistically valid way of calculating the accuracy of maintenance

assessments for cases on the legacy schemes.

19. The Department's Case Monitoring Team (CMT) provides estimates of the level of error in maintenance assessments for decisions made under the CMS 2012 scheme. The IT system underpinning this scheme determines the maintenance decision in 72 per cent of cases automatically. Where the decision is more complex it requires manual intervention by Department staff.

20. Since April 2019, CMT has been calculating the monetary value of error[3] for CMS 2012 decisions in line with the approach adopted by the Department for social security benefits. This provides an estimate of how much child maintenance has been paid incorrectly and assesses the accuracy of the last financial decision taken on the maintenance assessment. CMT has tested a statistically valid sample[4] of both fully automated decisions and those requiring manual intervention. CMT estimated an error rate of 3.7 per cent for decisions needing manual intervention while fully automated cases were found to be 100 per cent accurate.

21. The combined value of the estimated error is 0.85 per cent of receipts under the CMS 2012 scheme (**see Figure 2**) which produces an estimated monetary value of error of £36,000.

[3] This is a percentage of the financial value of errors identified divided by the overall value of assessments.
[4] The total number of cases selected for checking is calculated for CMS by the Professional services Unit who are part of the Northern Ireland Statistics and Research Agency.

Figure 2: Breakdown of Receipts for 2018-19 and 2019-20

	2019-20	2018-19
	£	
Receipts		
Legacy schemes	87,000	296,000
CMS 2012 schemes	4,250,000	3,602,000
Total NRP Receipts	**4,337,000**	3,898,000
Other[5]	975,000	827,000
Total Receipts	**5,312,000**	4,725,000
Payments		
Legacy schemes	7,000	182,000
CMS 2012 schemes	4,144,000	3,405,000
Total PWC Payments	**4,151,000**	3,587,000
Other[6]	1,064,000	1,251,000
Total Payments	**5,215,000**	4,838,000

Source: Department for Communities and notes to the CMS 2019-20 and 2018-19 accounts

22. Due to recognised limitations in the IT systems underpinning the legacy schemes I am unable to obtain any assurance in relation to the accuracy and completeness of the £87,000 received and the associated payments of £7,000 during the year from those schemes. I am also not able to quantify the level of irregularity in the legacy

[5] This mainly consists of collection and enforcement charges of £930,000 in 2019-20 (2018:19 £751,000).
[6] This mainly consists of collection and enforcement charges of £881,000 in 2019-20 (2018:19 £819,000).

scheme receipts and payments. The Department has estimated an error for the CMS 2012 scheme of £36,000. I consider the overall level of error in receipts and payments to be significant and my regularity audit opinion is qualified on this matter.

Level of maintenance arrears

23. 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.

24. Where the Department has made incorrect maintenance assessments, any arrears accruing will also be at an incorrect rate. Historic inaccuracies in maintenance assessments, since the inception of the statutory child maintenance schemes, have therefore led to misstatements in individual arrears that support the outstanding legacy arrears balance. The Department is unable to provide a breakdown of the individual arrears balances nor is it able to estimate the value of misstatements as a result of inaccurate assessments for legacy schemes.

25. The total arrears at 31 March 2020 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 £17.2 million this year has been partially achieved by CMS making use of new 'restatement[7]' /write-off powers that came into operation in December 2018. By the 31 March 2020, no 'live' cases remain on CSCS and CS2 system with all legacy arrears transferring to the system underpinning the CMS 2012 scheme. The legacy IT systems have now been closed with all key information archived on the CMS 2012 system.

26. The total amount of unpaid maintenance assessments of £12.5 million at 31 March 2020 is shown in note 5.1 to the accounts – see **Figure 3**. This figure comprises legacy arrears transferred from the systems underpinning the CSCS and CS2

[7] 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.

schemes (£6.5 million) and arrears recorded on the system underpinning the CMS 2012 scheme (£6 million). In line with the Department's new powers, maintenance arrears from the legacy systems have been decreasing over the past few years.

Figure 3: Trends in maintenance arrears over the last five years

System	At 31 March 2020	At 31 March 2019	At 31 March 2018	At 31 March 2017	At 31 March 2016
			£millions		
CSCS (introduced 1993)	-	4.7	11.1	13.2	18.9
CS2 (introduced 2003)	-	8.1	32.3	35.1	39.4
CMS 2012 (introduced	12.5	16.9	17.8	13.4	5.4
Total	**12.5**	**29.7**	**61.2**	**61.7**	**63.7**

Source: CMS Accounts 2015-16 to 2019-20

27. Before the Department transferred legacy arrears to the new CMS 2012 system:

- it completed an arrears cleanse process. This included management checks to ensure no action was outstanding on the case and that all payments and non-payments were included in the arrears total. This check did not, however, include a validation of the accuracy of the amount transferred;
- on the CS2 system, an internal check was performed to ensure the correct arrears balance was transferred; and
- finally, a check was completed by Department teams to ensure that the arrears balance leaving the legacy computer systems was accurately transferred.

28. My examination of arrears is limited as there is no accurate information available to support the arrears balance that transferred from the legacy schemes of £6.5 million at 31 March 2020. This year, the Department has carried out considerable work to allow me to substantiate the £6 million balance of maintenance arrears on a case-by-case basis under the CMS 2012 scheme. My staff have examined this work as part of the audit of this Account and I am content that these balances are complete and accurate.

29. In previous years I disclaimed my audit opinion on the truth and fairness of the arrears balance shown in note 5.1. This year, although I have satisfactory assurance on the CMS 2012 balances of £6 million, the unsubstantiated legacy arrears of £6.5 million is too significant a proportion of the overall maintenance arrears' balance of £12.5 million for me to change my qualification. Therefore, I continue to disclaim my audit opinion on the truth and fairness of the arrears' balance. I anticipate that as legacy arrears continue to reduce I will reconsider the nature of my opinion on this balance in the coming years.

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