Department for Social Development
www.dsdni.gov.uk

Annual Report & Accounts

for year ended 31st March 2016

Annex includes Child Maintenance Service Client Funds Account 2015-2016

Department for Social Development Annual Report and Accounts for the year ended 31 March 2016

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Section 1 – Overview

Accounting Officer's Report

These accounts consolidate the financial information of the Department for Social Development (DSD) for the financial year to 31 March 2016.

The Department delivered a budget of almost £7 billion per annum through over 7,000 staff; the work of the Department is focused on our most disadvantaged citizens, families and communities through social security and child maintenance services, provision of social housing, addressing homelessness and neighbourhood renewal schemes. These, together with our responsibilities for revitalising town and city centres, means we have an impact on every residential area, community and town across Northern Ireland (NI).

The Programme for Government (PfG) provides the overarching direction for the Department's work. Together with the budget and investment strategy, PfG has been the basis for setting our priorities and plans. The Department has successfully delivered on a wide range of targeted programmes and commitments tackling homelessness and fuel poverty, protecting the most vulnerable and addressing poverty in our disadvantaged communities while at the same time focussing on working in partnership with others and challenging efficiency plans.

Although the Department operated in a challenging environment with the continuing delay in the passage of the Welfare Reform, departmental restructuring and an increasingly difficult financial environment, it performed well against targets during 2015-16. In summary, 56 of the 68 milestones/targets (82.4%) for 2015-16 have been achieved or are broadly on track for achievement.

Purpose and Activities of the Department

Purpose

DSD was one of 12 NI departments. It was established in 1999 by the Departments (Northern Ireland) Order 1999. Under the Stormont House Agreement, DSD became the Department for Communities (DfC) from 9 May 2016.

During the period of this report, DSD had strategic responsibility in NI for setting policy, bringing forward legislation and resourcing in the following areas:

- Urban regeneration;
- Community and voluntary sector development;
- Social legislation;
- Housing;
- Social security benefits;
- Pensions; and
- Child maintenance.

The Department's mission - "**Together, tackling disadvantage, building sustainable communities"** demonstrates its commitment to its vision **–"Helping people change their lives for the better."**

The 2015-2016 Business Plan set out the Department's milestones and targets for the year to align with the PfG, our Corporate Plan and the Budget allocation. The Departments most recent Corporate Plan was for the period 2011-2015 and linked closely with the 2011-2015 PfG. Given the Executive's decision to extend the PfG for one year, the Business Plan was similarly rolled forward for the period 2015-2016.

Information on departmental commitments is included in the DSD Business Plan for 2015-16 under the three key themes of Housing, Welfare Reform and Strengthened Communities and Vibrant Urban Areas. These themes form the framework for the commitments and milestones the Department set to signpost progress towards achieving our strategic objectives which are:

- To provide access to decent, affordable, sustainable homes and housing support services;
- To meet the needs of the most vulnerable by tackling disadvantage through a transformed social welfare system, the provision of focused support to the most disadvantaged areas and encouraging social responsibility; and
- To bring divided communities together by creating urban centres which are sustainable, welcoming and accessible to live, work and relax in peace.

Our Responsibility for Funds

- Along with the Social Security Agency (SSA), DSD had responsibility for the administration of the following funds:

- The National Insurance Fund, which is the responsibility of HM Revenue & Customs, 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; and

- A Central Investment Fund for Charities into which NI charities invest funds. We pay dividends twice yearly and invest 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

DSD had responsibility for a number of Non-Departmental Public Bodies (NDPBs) which sat outside its accounting boundary:

DSD Executive Non-Departmental Public Bodies

- **The Northern Ireland Housing Executive** (NIHE) is the regional strategic housing authority for NI. For National Accounts purposes NIHE was historically classified as a public corporation. From 1 April 2014, following a request from the Office for National Statistics (ONS), this classification changed. For National Accounts purposes, the regional strategic functions of the NIHE are now classified as a NDPB and the landlord functions carried out are classified as a Quasi Corporation within the NDPB.

- **The Charity Commission for Northern Ireland** (CCNI) was established in June 2009 as a NDPB under the Charities Act (Northern Ireland) 2008. The main objectives of this Act are to provide an integrated system of registration and regulation of charities in NI, and supervision and support of registered charities.

DSD Advisory Non-Departmental Public Body

- The **Charities Advisory Committee** comprises an unremunerated non-executive Chair and three unremunerated non-executive members. The Committee is responsible for guiding the Departments' investment policy for the Northern Ireland Central Investment Fund for Charities (NICIFC). The NICIFC was set up in March 1965 as a result of the Charities Act (NI) 1964.

Independent Statutory Bodies

- **The Office of the Social Fund Commissioner (NI)'s** core business is to deliver independent reviews of discretionary Social Fund decisions made in the SSA. It also shares information and expertise with those who have an interest in the discretionary Social Fund and the independent review. It participates in social policy research that contributes to the wider debate about the Social Fund.

Key Priorities/Activities

The DSD Business Plan identified eight top priorities for 2015-16;

1. **Housing Reform**
2. **Reform of Local Government**
3. **Welfare Reform**
4. **Child Maintenance**
5. **Developing Successful Communities**
6. **New Department**
7. **People**
8. **Finance.**

Further details of these can be found on pages 11 to 13

Key Risks

DSD had a robust risk management process in place to ensure that the risks faced by the Department were identified, managed and that appropriate controls were in existence and utilised accordingly.

At the beginning of 2015-16 the Departmental Management Board (DMB) conducted an end of year review of its Corporate Risk Register for 2014-15, alongside the Department's Balanced Scorecard for 2015-16, and agreed the key corporate risks for 2015-16.

Key risks to the Department achieving its objectives are outlined in pages 40 to 44 of the Governance Statement.

Details of our corporate governance and risk management arrangements are included in the Governance Statement on pages 26 to 45.

Key issues faced during 2015-16

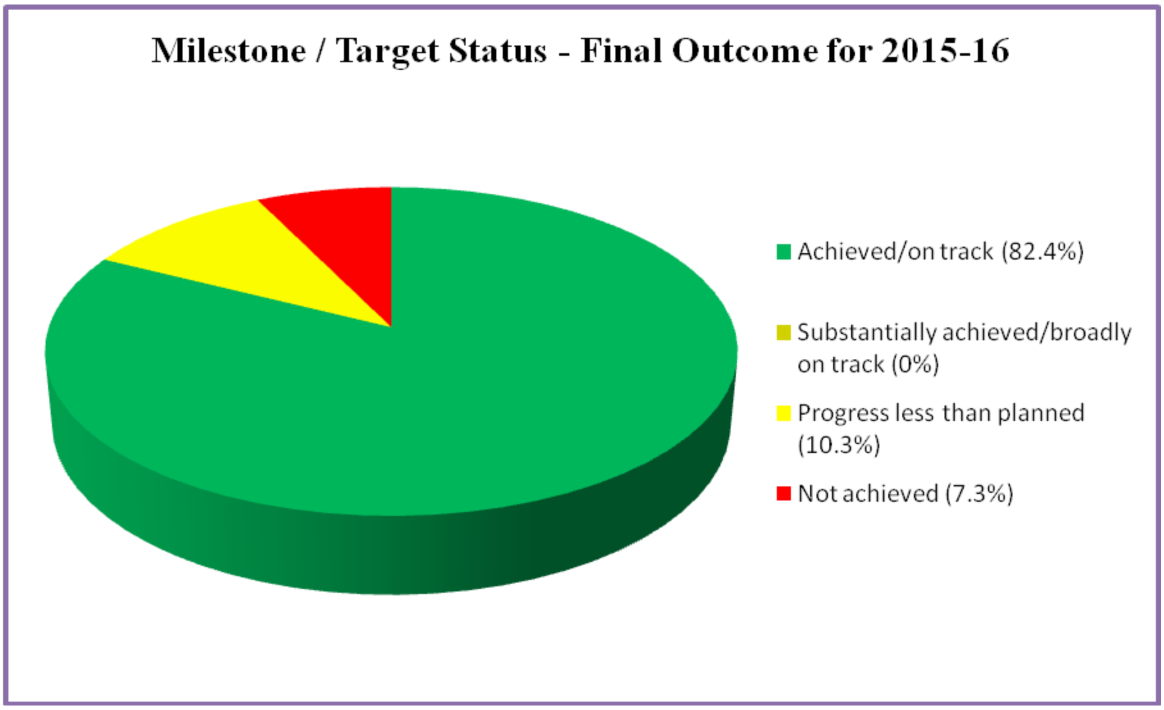
During 2015-16 the Department managed a number of significant issues. Further details on the issues faced and the actions taken can be found on pages 37 to 45 of the Governance Statement.

Section 2 - Performance Analysis

The Departmental Management Board (DMB) supports the Permanent Secretary in his oversight of the delivery of the Business Plan. The Board and Minister receive quarterly performance reports which set out progress against all commitments and milestones. This includes a report on performance against delivery of our Efficiency Plans.

Despite challenging conditions the Department has made good progress in achieving the milestones and targets contained in the 2015-2016 Business Plan. The Plan originally contained details of 71 milestones, three of which were subsequently withdrawn during the third quarter. Two of these milestones, relating to Welfare Reform, were superseded by the 'Fresh Start' Agreement and one, which related to the transfer of powers and function to local government, was withdrawn following Minister's decision not to proceed. A total of 56 (82.4%) of the 68 remaining milestones/targets for 2015-16 have been achieved or are broadly on track for achievement. Progress for seven milestones (10.3%) was less than planned and five milestones (7.3%) have not been achieved. Figure 1 below shows the final outcomes for all targets

Figure 1



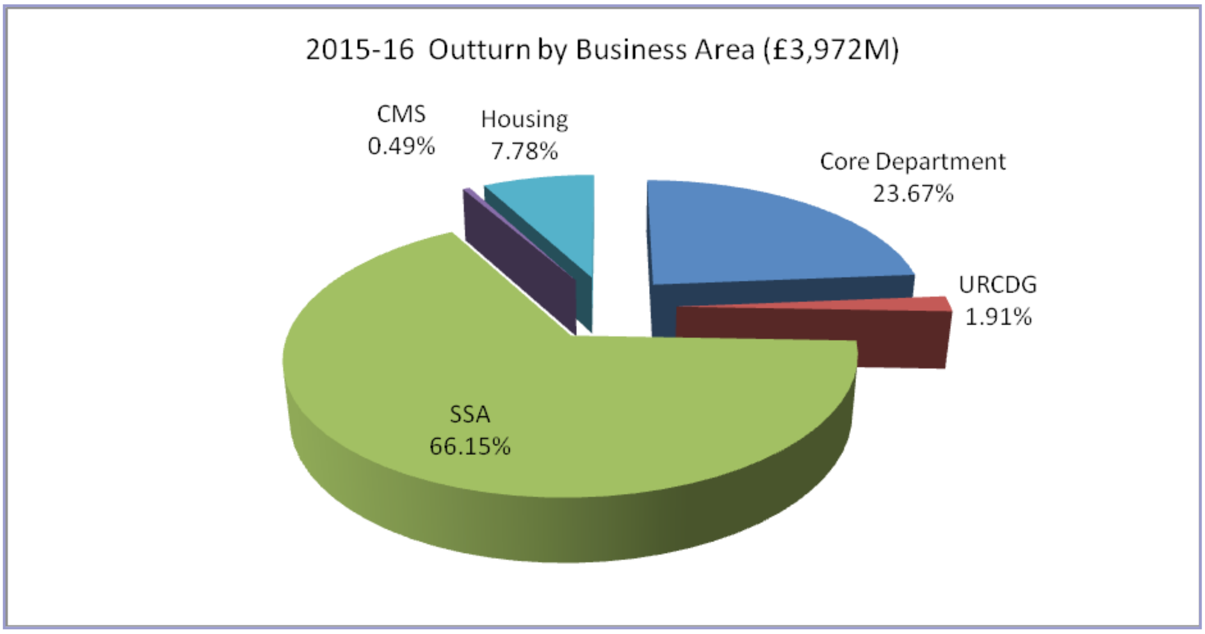
Our Detailed Financial Results for the Year

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.

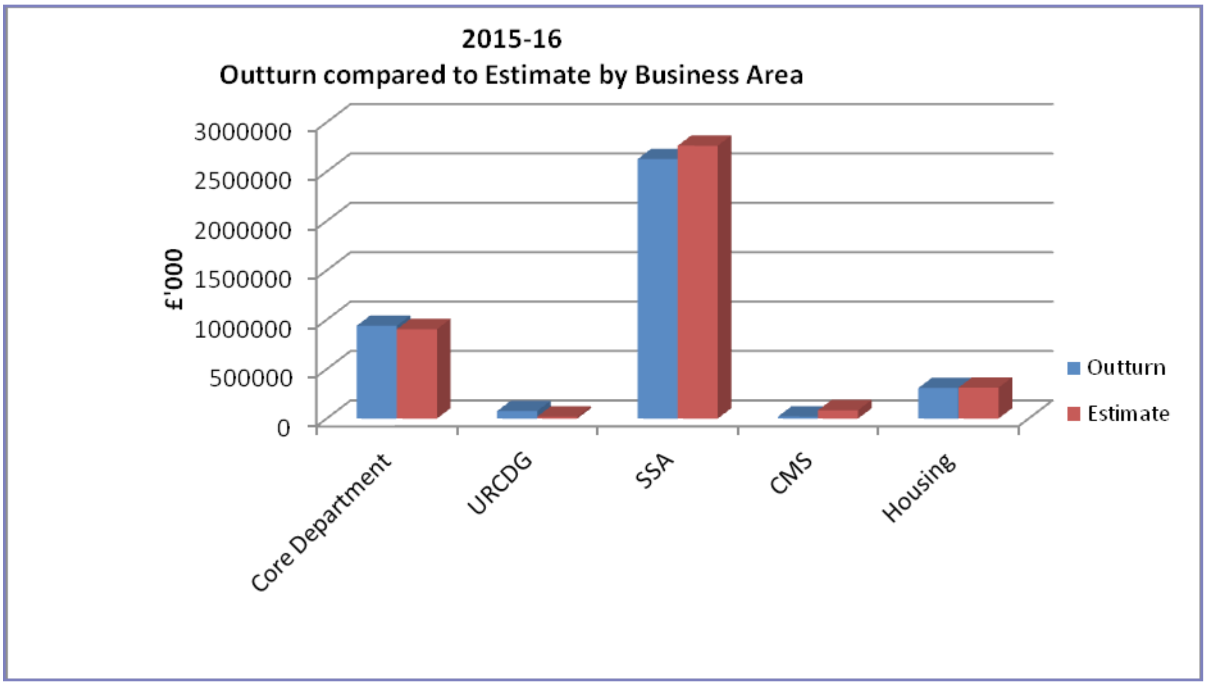
Supply is granted on an annual basis, voted in the Main and Spring Supplementary Estimates and in the Budget Acts in NI. Funding is sought on a Request for Resources Basis (RfR) of which the Department has three. RfR A covers the Department's Social Security Agency (SSA), Core Department and Child Maintenance Service (CMS) business, RfR B covers Housing and RfR C covers Urban Regeneration and Community Development Group (URCDG).

The spend on each area for 2015-16 is shown below:

Figure 2



The spend per area compared with the Estimate for 2015-16 is shown below:
Figure 3



The net resource outturn of the Department in 2015-16 was £3,971.7 million. The financial results of the Department are set out on pages 61 to 163.

Request for Resources A

Core: The variation between the estimate and the outturn was (3.2) %. The outturn was £30.655 million less than the Estimate. The main reasons for this were:

- Housing Benefit expenditure was less than expected;
- A change in the discount range affected the Financial Assistance Scheme provision; and
- There was a reduction in notional charges, particularly for accommodation.

SSA: The variation between the estimate and the outturn was (0.5) %. The outturn was £12.657 million less than the estimate. The main reasons for this were:

- Social Fund expenditure was less than anticipated due to Cold Weather Payments not being triggered in the 2015-16 winter; and
- Job grant and industrial injuries benefits were less than forecast due to a lower take up than expected in the latter half of the year.

CMS: The variation between the Estimate and the outturn was 1.4%. The outturn was £0.273 million more than the Estimate.

Request for Resources B

Housing: Outturn expenditure was 1.1% (£3.540 million) less than the Estimate. This is because of underspends in several areas including consultancy, Building Successful Communities and Technical Assistance and higher receipts from Northern Ireland Co-ownership Housing Association Limited (NICHA) than expected due to higher disposals as the market continues to improve.

Request for Resources C

URCDG: The variation between the Estimate and the outturn was (9.75) %. The outturn was £8.203 million less than the Estimate. The main reason for this was:

- A reduction in non-cash and notional charges due to a reduction in average staff numbers, a reduction in accommodation costs and IT costs.

Fixed Assets

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

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

Contingent liabilities in this context are included in **Note 19** in the main body of the Accounts.

Going Concern

In common with other government departments the future financing of liabilities will be met by future grants of Supply and the application of future income, both to be approved annually by the Assembly. 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.

However, the Stormont House Agreement contained a commitment to reduce the number of NICS departments from twelve to nine following the Assembly election in May 2016, as a result of which DSD became part of the new Department for Communities (DfC). See Note 1.2 for further details.

Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets

	2015-16	2014-15 Restated
	£'000	£'000
Net Resource Outturn	**3,972,464**	**3,840,694**
Prior period adjustment		(2,737)
Adjustments:		
National Insurance Fund Benefit expenditure	2,540,822	2,454,025
Consolidated Fund Extra Receipts (CFERs) in the SoCNE	(2,705)	(2,981)
National Insurance Fund Administration receipts (DSD)	14,634	15,852
Social Fund grant Funding Adjustment	6,062	684
Public Corporation Equity Withdrawal	(14,005)	(15,500)
Other adjustments	(3)	
Net Operating Cost (Accounts)	**6,517,269**	**6,290,037**
Adjustments to remove:		
- Charities Commission (NI)	(1,745)	(1,801)
- Notional charges	(20,619)	(23,798)
- NIHE Strategic Grant-in-Aid	(232,119)	(235,279)
- Funding which is paid into the Social Fund	(56,388)	(57,680)
- Capital grants	(30,995)	(60,081)
Adjustments to include:		
Social Fund spend	56,390	57,680
National Insurance Fund Administration costs (DFP)	1,010	1,169
Full resource consumption of NDPBs or other bodies	141,293	152,303
Public Corporation Equity withdrawal	14,005	15,500
Resource Budget Outturn (Budget)	**6,388,101**	**6,140,343**
of which		
Departmental Expenditure Limits (DEL)	586,093	585,986
Annually Managed Expenditure (AME)	5,802,008	5,554,357

Comments on Departmental Performance

The services delivered by the Department, and the funding provided to its Arm's Length Bodies, has played an important role in providing decent, affordable and sustainable homes, tackling disadvantage and bringing divided communities together. These, together with many other positive impacts, have been achieved against a backdrop of challenging budgetary conditions. The requirement by the Executive that the Department make savings of £63m in 2015-16 has required skilful management throughout the year. The Department's Savings Delivery Plan 2015-16 highlighted that savings were achieved through a combination of staff leaving under the Voluntary Exit Scheme (VES) and the scaling back of non-critical expenditure. This approach has ensured that resources have been optimally allocated and Departmental priorities identified in the 2015-16 Business Plan have been sufficiently resourced.

The DSD Business Plan identified eight top priorities for 2015-16 which are listed below:

1. Housing Reform

The policies element of the Social Housing Reform Programme (SHRP) has progressed significantly in the last year and a Tenant Participation Strategy and Action Plan were published on 28 January 2016 following public consultation. Public consultation was also completed on a new approach to regulation and it is planned to publish a new regulatory framework as soon as possible. Both consultations went well with a number of events held across NI that were well attended and some very positive feedback was received. The work to finalise the *'New Regulatory Framework for Social Housing Providers in Northern Ireland'* is continuing at pace and publication should follow later in the year.

The Programme also developed proposals for a new social housing rent policy for NI and was due to consult on these in August 2015. This was delayed to allow for further consideration of the relationship between devolved policy in this area and UK government policy on Housing Benefit. This is ongoing.

The Programme has also significantly advanced work to help determine future structures for the delivery of social housing. The results of Savills' survey of the NIHE housing stock were published in March 2016. These confirmed the need for a significant investment boost in order to place the NIHE portfolio on a sustainable footing. The scale of the investment challenges existing structures and the Programme has considered and assessed options for alternative structures. As the DSD Minister stated to the Assembly in March 2016, the outcome of this work will be a matter for the new mandate.

2. Reform of Local Government

Regeneration powers were to extend to Local Government from 1 April 2016 alongside associated budgets to give Councils operational responsibility for urban regeneration and community development across their areas.

On 26 November 2015 Mervyn Storey, the DSD Minister at that time, notified the Assembly by way of a written Ministerial Statement that he was not going to progress the Regeneration Bill after having considered the following:

- A number of policy issues remained outstanding which had been raised by the Social Development Committee (SDC) and other key stakeholders; and
- It would be best to await the establishment of DfC and assimilation of new

responsibilities, following which the Executive could decide if, and when, some of the responsibilities could best be delivered at local level.

Consequently the Department will retain operational responsibility for the delivery of regeneration across NI until such time as the Executive decides otherwise.

3. Welfare Reform

After 10 weeks of discussions, concluding on 17 November 2015, the NI Executive and the UK and Irish governments agreed a set of actions to address the two key themes the talks were convened to address: to secure the full implementation of the Stormont House Agreement, and to deal with the impact of continued paramilitary activity.

A Stormont Agreement and Implementation Plan titled "*Fresh Start*" was published in November 2015. The implementation of welfare reform in NI is included in this agreement and allowed for a legislative consent motion to be passed by the Assembly.

At Westminster an Order in Council was passed which allows for the implementation in Northern Ireland for the changes to the welfare system detailed in the Welfare Reform Bill 2012. The Welfare Reform Order received Royal Assent on 25 November 2015.

The Department managed the legislative process which resulted in the passing of the Welfare Reform (NI) Order 2015 and ensuing Regulations which implement the various reforms. In parallel, the Department brought forward Regulations through the Assembly to implement the mitigation schemes which were recommended by the Working Group chaired by Professor Eileen Evason (also part of the Fresh Start Agreement). Work on both welfare reform and the mitigation schemes continues.

The programme of Welfare Reform will bring widespread changes to the welfare system which include simplifying the benefit system, to make work pay and to control the rate of increase in the costs of the social welfare system. The Department is working on a range of activities to ensure staff, stakeholders and the general public are aware of the introduction of these changes

4. Child Maintenance

The focus during the year was to continue to implement the Child Maintenance Reform Programme with particular emphasis on closing all '*Legacy*' cases. By December 2017 this case closure journey will be completed; all cases will be managed and processed on the new IT platform which was introduced in December 2012 to support the new Statutory Scheme.

Alongside this major programme of reform, CMS continued to collect and arrange child maintenance, supporting 16,387 children across NI through £23.7 million during 2015-16. In addition CMS assisted a further 3,229 children by supporting their parents to make their own child maintenance arrangements. Evidence shows that when parents take financial responsibility for their children, it is often the best arrangement, increasing contact with both parents and being more sustainable. This will become an increasing part of CMS work in the coming years as it completes the Reform Programme.

Finally, alongside its work across NI, CMS also employ over 1,000 people on behalf of Child Maintenance Group in Department for Work & Pensions (DWP) to deliver child maintenance services to clients across Great Britain (GB). In 2015-16 CMS attracted funding of £28.9 million from DWP to support this work and Belfast is regularly recognised as being the best performing region for delivery of child maintenance services in GB.

5. Developing Successful Communities

On 25 June 2015 the Office of the First Minister and Deputy First Minister (OFMDFM) announced the transfer of lead responsibility for Urban Villages from DSD to OFMDFM. The Department continued to liaise with the Strategic Investment Board providing support for the handover.

A Ministerial Panel 'Housing Thematic Sub-group' has been established to assist the delivery of the new shared neighbourhoods. The subgroup has representation from Government departments, Statutory Bodies and the Voluntary and Community Sector. As at 31 March 2016, one shared neighbourhood Ravenhill Road (Belfast) was completed. A further four schemes have commenced: Ravenhill Avenue, (Belfast); Felden Mill (Newtownabbey); Crossgar Road (Saintfield); and Burn Road (Cookstown) with two of these schemes (Crossgar Road, Saintfield and Felden Mill, Newtownabbey) nearing completion and allocation. It is expected these will be completed by end of September 2016.

6. New Department

The DfC Project and Workstreams achieved its critical deliverables on time. Several staff relocated offices as part of the project and planned systems downtime, HR Connect and Account NI, helped to ensure smooth transition and business continuity. Workstreams have completed closure reports and handed over to business as usual where activities are on-going. The Project will formally close at the end of June 2016 when the Post Project Review is signed off by the Project Board and the final Highlight/Closure Report is presented to the Programme Board.

7. People

The Northern Ireland Civil Service (NICS) VES was launched on 2 March 2015 to address the significant budget pressures facing departments in the context of the agreed 2015-16 Budget. The Scheme was a key element in the Department's approach to managing the 2015-16 paybill reductions for DSD. Throughout 2015-16, there has been ongoing planning and monitoring of the people related aspects of the 2015-16 paybill reductions. This has included:

- Regular reporting to Top of the Office Group (TOG);
- Chairing the Impact of Budget Reductions consultative forum;
- Regular engagement with Departmental Trade Union Side; and
- Communications with staff.

A 'Managing through Change' toolkit was provided as a reference guide for managers as they worked through changes in their business areas and went through the process of managing staff reductions. It provided guidance on consultation with Local Trade Union Side, developing redeployment plans and communicating with staff and Business Partners have been supporting managers in this.

As the Scheme rolled out a Support Pack for Line Managers entitled "Helping teams and individuals post VES" was issued to help line managers and individuals to manage the potential 'fallout' of VES.

8. Finance

The Department successfully managed the 2015-16 Budget ensuring the appropriate focus on delivery of the key strategic objectives. This was achieved through regular liaison with the Minister, the Committee and senior management with proactive measures taken in-year. 2016-17 Budget reductions and allocations were agreed with the Minister with full consultation with the Committee.

Other Key Highlights

During the year DSD also had a significant number of other key achievements. These included:

Housing

- Building Successful Communities (BSC) Programme
  As part of the Building Successful Communities (BSC) Programme, Regeneration forums are now well established in all six pilot areas for the housing-led regeneration pilot scheme. This pilot initiative is aimed at addressing the critical issues of regeneration within six pilot areas in Belfast and Ballymena. Regeneration projects are to be taken forward within each pilot area as part of the BSC programme.

- Energy Efficiency
  All homes developed through the Social Housing DevelopmentProgramme by housing associations across NI are built to higher levels of energy efficiency and sustainability. A total of 9,198 energy efficiency improvements were delivered in 2015-16 against a target of 9,000, these were aimed at reducing fuel poverty. Sustainable buildings not only have a positive impact on the natural environment they also improve wellbeing, comfort and health as well as yielding financial savings for residents and generating new economic opportunities through compliance with the *'Buy Social'* approach which all housing associations support.

- Supporting People Programme
  During 2015-16 the Department, as part of the Supporting People Programme, assisted over 20,000 householders to live as independently as possible against a target of 17,000.

- Housing Adaptations Services Final Report
  Working in partnership with the NIHE Adaptations Unit and the Department of Health, Social Services and Public Safety (DHSSPS) a consultation exercise on the "*DSD/ DHSSPS Interdepartmental Review of Housing Adaptations Services - Final Report and Action Plan 2016*" was completed in April 2016. The report concluded that further steps should be taken to ensure that housing adaptation services continue to play a significant role in the delivery of a range of contemporary Housing and Health/Social Care policies in Northern Ireland through a series of 21 recommendations. All recommendationshave now been subject to consultation and included within an Action Plan for implementation having been jointly approved by the former Minister for Social Development and former Minister for Health, Social Services and Public Safety.

- Housing Supply Forum Final Report
  The Housing Supply Forum Final Report and Recommendations was published in January 2016. The Report, along with other recent research reports have provided a starting point in considering actions that will tackle the issues and barriers to improving housing supply. The Department, and indeed other departments who have relevant areas of responsibility impacted by the recommendations, are reflecting on the Forum's recommendations and continue to work in partnership with the wide variety of organisations and interest groups working in the housing supply sector to do so.

- Rent to Own Scheme
  The Rent to Own scheme was launched in March 2016 to support over 100 low income households get on to the property ladder. This scheme is aimed at those who are not yet financially ready to purchase a home (even by way of shared ownership) but are likely to be in the position to do so in the future.

- Social Housing Development Programme
  In 2015-16 a total of 1,568 new social housing units were started on site, against a target of 1,500 new starts, and 1,209 new units were completed.

- Housing Repossessions Taskforce Final Report
  The Housing Repossessions Taskforce Final Report made twenty recommendations. The Department is working closely with the advice sector, the Northern Ireland Courts and Tribunal Service, and mortgage lenders to implement eleven recommendations, all of which require the co-operation of these key stakeholders. The remaining nine recommendations were implemented during 2015-16 and are listed below:

    - an increase in funding of the Mortgage Debt Advice Service;

    - the completion of a report on applying behavioural economics to the issue of borrower engagement;

    - the completion of a feasibility study on a mortgage rescue scheme;

    - ongoing efforts to develop a mortgage options hub;

    - the delivery of an online interest-rate calculator to stress-test mortgage debt;

    - HM Treasury to continue funding support for mortgage interest to eligible homeowners;

    - to ensure borrowers can access free and independent channels of advice;

    - ongoing engagement with the Northern Ireland Courts and Tribunals Service (NICTS); and

    - ongoing efforts to achieve holistic debt advice through engagement with the Money Advice Service and the third sector.

- Mortgage Debt Advice Service Funding

  The Department increased funding for the Mortgage Debt Advice Service (MDAS) by 50% to £340,000 in 2015-16. The increased funding enabled Housing Rights to provide valuable support to people in mortgage crisis and further help to reduce the risk of people facing homelessness and repossession. The same level of funding will be available for 2016-17.

- Inspection Programme of NIHE Landlord Services Division
  Successful completion of the first year inspection programme of the NIHE Landlord Services Division with all three inspections achieving at least a satisfactory assurance rating.

- New and Affordable Housing Starts
  A total of 1,568 social housing starts were delivered against a SHDP target of 1,500 and 725 affordable homes were delivered against a target of 450 at 31 March 2016.

Direct Pay Arrangements

To assist the implementation of the next phase of the NI Child Maintenance Reform Programme, CMS promoted greater financial responsibility amongst separating parents by increasing the level of Family Based Arrangements and Direct Pay cases. As of 31 March 2016, 65% of the current CMS 2012 caseload is being managed through Direct Pay arrangements and are therefore exempt from fees.

Strengthened Communities and Vibrant Urban Areas

Urban regeneration programmes aim to build sustainable communities and regenerate towns and cities across NI. In delivering these we aim to achieve the highest standards in sustainability.

Peace III Programme

31 December 2015 marked the end of the Peace III programme including the 'Creating Shared Public Spaces' theme which the Department is accountable for. During the period of the programme the Department helped deliver 18 capital build projects across NI and the border regions with an overall spend of over £78 million. The programme has created many iconic spaces as its legacy, including:

- the Peace Bridge in Londonderry;
- the Skainos Centre in East Belfast;
- the Castle Saunderson Scouting Jamboree in County Cavan;
- the Girdwood Community Hub in North Belfast;
- the Nomadic in Belfast.

All projects must contribute to sustainable development through their design and delivery.

Peace IV Programme

The Department started preparatory work in May 2013 on the new Peace IV Programme with the Special EU Programmes Body (SEUPB). The Shared Spaces and Services theme will deliver further capital build projects similar to Peace III to an initial budget of £42 million until the programming period ends in 2020.

Belfast Streets Ahead (Phase 3) Project

The Department completed sustainable designs for the Belfast Streets Ahead Phase 3 Project and obtained planning permission to take forward the construction phase. When completed, projected to be mid 2019, this project will:

- reduce street clutter thus improving the pedestrian environment;
- increase "green" space within the city centre through the enhancement of Cathedral Gardens and the creation of two new spaces;
- plant new urban street trees; and
- enhance cycling provision through new cycle lanes and inclusion of new cycling stands.

The Project will also be expected to achieve an excellent rating under the Civil Engineering Environmental Quality Assessment (CEEQUAL) and Awards Scheme and has taken account of the three pillars of Sustainable Development from the outset.

The contractor has been working through the CEEQUAL requirements in order to achieve as high a score as possible. CEEQUAL is the evidence-based sustainability assessment, rating and awards scheme for civil engineering, infrastructure, landscaping and the public realm, and celebrates the achievement of high environmental and social performance.

Public Realm

The Ballyclare and Randalstown public realm schemes were completed by 31 March 2016 and three major public realm schemes in Ballymena, Larne and Portstewart are underway. Apprenticeships, training places and other employment opportunities were provided during the delivery of Public Realm Streetscape and other capital projects in 2015-16 through the application of social clauses in design and construction contracts.

These interventions, along with the completion of Revitalisation schemes in a variety of towns, contribute to improving the quality and attractiveness of town centres and aim to attract wider economic benefits for individual traders and the local economy.

The Department is taking forward a major comprehensive development scheme to oversee the development of St Patrick's Barracks, Ballymena and is overseeing a programme of regeneration works for Portrush. The economic, social and physical regeneration of these two priority areas will stimulate growth and provide new opportunities.

Projects delivered by the Department's Regional Development Office, South-Eastern Team have all met the contractual objectives in relation to sustainability. At the 2015 Considerate Constructors Scheme Awards:

- Newtownards Public Realm Scheme has been awarded the Bronze Award under the National Site £5 million to < £10 million;

- Comber Public Realm Scheme has been awarded Gold Award under the National Site Award £500,000 to < £5 million and runner-up 2016 under the National Most Considerate Site £500,000 < £5 million.

Lagan Weir Bridge

In Belfast City Centre, the Department completed the work in June 2015 to replace the pedestrian/cycle bridge at the Lagan Weir. The bridge was officially opened in July 2015 and replaced the previous pedestrian-only bridge. The bridge provides a link for cyclists from the City Centre through to the Titanic Quarter and onwards to the Comber Greenway and other cycle routes in the east of the city, thus facilitating cycling as a healthier and more sustainable means of transport in the city.

Strabane Bridge In Strabane, the Department provided over £2.3 million for a new pedestrian and Cycle Bridge linking Meeting House Street to Melvin Park across the River Mourne. The bridge is of huge benefit to the people of Strabane creating opportunities for two disadvantaged communities to forge closer social, business and leisure relations while encouraging walking and cycling in a safe and attractive setting. The bridge opened to the public at the end of December 2015.

Girdwood Infrastructure Project
In May 2012 the then DSD Minister announced an updated Masterplan Conceptual Framework (MCF) for the Girdwood site which enjoyed both cross political and cross community agreement. The uses for the site outlined in the MCF were:

- A Community Hub;
- A Multi-use Sports playing pitch (Gaelic, soccer and rugby);
- Residential accommodation;
- An indoor sports facility;
- Mixed use premises; and
- The infrastructure (roads, public realm, landscaping and services) to support the above uses.

This project facilitated the development of the site infrastructure (roads, public realm, car parking, services and landscaping) to enable the development of the overall site to be progressed. Also included within this project was the development of a 3G playing pitch and funding for Central Procurement Directorate Advisory Services. The infrastructure works commenced in September 2014 and were completed by 31 March 2016 along with the 3G pitch. The completion of the infrastructure works will enable the further development of the indoors sports site and the mixed use site, in line with the MCF and create safe and shared access and movement on the site.

Accommodation and Estates

Waste
Since April 2015 the Department's waste management has been delivered through a number of providers as part of Civil Service-wide contract arrangements. From April 2016 waste management is delivered through one parent company thus enabling the Department to better track quantity of waste generated. The Department also continued with its recycling regime for plastic, aluminium, glass, cardboard and paper.

DSD business had a high dependency on paper in delivering its services. The Department was however committed to finding ways to make better use of digital and telephony-based solutions. The AWARE campaign continued to remind staff of the need and also ways to reduce the amount of paper used.

Energy
The Carbon Reduction Commitment Scheme (CRC) entered its second phase this year. The current Government-wide allowance price is set at £16.90 per tonne CO_2. The Department, in the main, occupied DFP-owned or leased estate and therefore worked closely with the Landlord department to take any cost-effective measures to reduce the emissions produced. For 2015-16 the level of emissions is still being calculated and appropriate allowances will be purchased in July 2016.

EstatesThe Department continues to play a central role in the wider NICS Reform of Property Management. This Programme seeks to make better and more efficient use of both Government-owned and leased office estate whilst taking account of the changes both to staffing levels as well as changes required to deliver future welfare services and other reforms.

In 2015-16 the Department, through better use of its office estate, enabled the surrender of three leased offices which, in turn, will reduce the overall NICS and Departmental estate running costs from 2016-17 onwards.

In preparing for the new DfC, changes were made to existing headquarter buildings so that as departments merged, offices are occupied in a way that makes best use of the estate and supports the effective and efficient delivery of public services.

2015-16 has also seen the commencement of a programme of work to enhance customer-facing office areas across the network of Jobs and Benefits Offices. This involved the introduction of a number of dedicated zones for customer accessing financial, employment-related and on-line access to information and services.

Syrian Vulnerable Persons Relocation Scheme

On 7 September 2015 the Prime Minister announced that an additional 20,000 Syrian Refugees would be resettled under the Vulnerable Persons Relocation scheme. At that time the First Minister and deputy First Minister signalled their willingness to welcome 2,000 of the most vulnerable Syrian refugees that qualified under the scheme into NI. OFMDFM established two working groups to take this forward, a Strategic Planning Group led by OFMDFM and an Operational Planning Group led by the Department.

The Operational Planning Group, set up in October 2015, had a wide membership including statutory and voluntary organisations. The main objective was to provide the refugees with essential services and support them to successfully integrate into NI society.

To facilitate the resettlement of the refugees the Department entered into a pilot contract with a consortium made up of organisations with expertise in providing support and services to vulnerable adults and children. 51 individuals, including a new born, in 10 family units arrived in NI in December 2015.

The families have settled well within their host community and have expressed their appreciation for all the support, advice and guidance provided to help them to adjust to life in Northern Ireland. A second group arrived on 28 April 2016 with further groups arriving in Northern Ireland on a phased basis.

Complaints Handling

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

The Departmental complaints policy is a two stage process that is dealt with by the appropriate business area, stage 1 is signed off by the Grade 7 and stage 2 is signed off by a Grade 5/Grade 6. The Department aims to answer complaints at stage 1 and stage 2 within 10 working days.

During 2015-16 the Department received a total of 1,267 complaints, the majority of which were received by the SSA. Where a complaint is upheld, lessons learned are shared across business areas contributing to improvements in meeting our customer needs. As a result of this the number of complaints had decreased by 29 on the number of complaints received in 2014-15 (1,296).

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

Conclusion

The Department experienced many challenges during the year and has had many successes. In signing this report I have received assurances from DSD's Temporary Secretary Andrew Hamilton about the year end position and key achievements.

Leo O'Reilly
Accounting Officer for the Department for Communities
29 June 2016

Accountability Report

Directors' Report

Our Minister and Senior Officials

DSD operated under the direction of a Minister. The Permanent Secretary, the Department's most senior official, chaired the Departmental Management Board (DMB) which comprised the senior official in charge of each business area and two independent members. Further details are set out in the table below. Its on-vote Executive Agency was headed by a Chief Executive supported by his own Executive Board.

The Permanent Secretary was the Accounting Officer for the Department and the Chief Executive performed this role for the Social Security Agency (SSA).

The Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The names and high level functions of the new departments have been agreed by Ministers and details can be found in the NI Executive's Fresh Start Agreement. Staff working in the affected areas moved with the function. The nine-departmental model constitutes a Machinery of Government change and Department for Social Development (DSD) has become the Department for Communities (DfC) and has received additional functions and responsibilities from Department for Employment and Learning (DEL), Department of Culture, Arts and Leisure (DCAL), Department of Environment (DOE), Office of the First Minister and Deputy First Minister (OFMDFM) and Department of Enterprise, Trade and Investment (DETI).

Lord Morrow MLA replaced Mervyn Storey MLA as Minister responsible for the Department on 13 January 2016 until 5 May 2016.

During the reporting period the DMB consisted of the following:

Andrew Hamilton	Temporary Permanent Secretary
Ian Snowden	Acting Deputy Secretary and Head of Resources and Social Policy Group (RSPG)
Tracy Meharg	Deputy Secretary and Head of Urban Regeneration and Community Development Group (URCDG)
Tommy O'Reilly	Chief Executive, SSA
Deborah Brown	Director of Financial Management
Roy Keenan	Independent Board Member
Deep Sagar	Independent Board Member

Appointment of the Permanent Secretary and Members of the Management Board

The permanent head of the Department is appointed by the Civil Service Commission under the terms of Article 6 of the Civil Service Commission (NI) Order 1999. The post became vacant in March 2015 and was filled on a temporary basis until 7 May 2016. The temporary head of the Department was appointed for an interim term in accordance with Part 1.05, Chapter 8 of the Northern Ireland Civil Service (NICS) Staff Handbook.

Appointments to executive DMB positions were determined in accordance with NICS promotion and appointment procedures.

An independent member of the Management Board chaired the Departmental Audit and Risk Assurance Committee and the Universal Credit Programme Board. A second independent member of the Management Board chaired the SSA Audit and Risk Assurance Committee. Both independent board members were appointed by the then Permanent Secretary following open competition. The gender breakdown for the Board was five male and two female.

Conflicts of Interest

No members of the DMB held any positions outside the Department which may have conflicted with their Departmental Management responsibilities.

Data Protection Arrangements

During 2015-16, there were three incidents where personal data was lost and five incidents where access to personal data has not complied with Data Protection requirements. An investigation was carried out for each incident. This included establishing the reasons for the information breach; taking action to recover the information where lost; disciplinary action where appropriate; establishment of new procedures; and communication of lessons learned to relevant staff across the business.

During the reporting period, the Department liaised with the Information Commissioner's Office (ICO) in relation to five cases concerning reported breaches or complaints received from data subjects. A full response was provided to the ICO for each case. Although the ICO found that the Department had not complied with the Data Protection Act, it was determined that no further action was required due to the detailed response provided which included details of new procedures and communication of lessons learned to relevant staff.

Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the Department of Finance (formerly Department of Finance and Personnel Northern Ireland) has directed the Department for Communities (formerly the Department for Social Development) 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 for Social Development and of its net resource outturn, application of resources, changes in taxpayers' equity 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 the Department of Finance, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make judgements and estimates on a reasonable basis;

- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and

- prepare the accounts on a going concern basis.

The Department of Finance appoints the Head of Department as Accounting Officer of the department. The Accounting Officer for the Department for Social Development is also the Accounting Officer for the Child Maintenance Service Client Funds. For the 2015-16 accounts, the Accounting Officer for the Department for Communities (DfC) takes on the responsibilities associated with the annual accounts for the Department for Social Development since DfC came into being shortly after the 2015-16 financial year end. 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 Social Development's assets, are set out in Managing Public Money Northern Ireland published by the Department of Finance.

The Accounting Officer confirms that, as far as he or she is aware, there is no relevant audit information of which the Department's auditors are unaware, that he or she has taken all the steps necessary to make himself or herself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

He or she also confirms that the annual report and accounts as a whole are fair, balanced and understandable and takes personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

GOVERNANCE STATEMENT

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7 Significant Fraud Investigations in the Department

8 Conclusion

GOVERNANCE STATEMENT

1 Introduction

This Governance Statement is a key feature of the DSD Annual Report and Accounts. It provides details of how the Permanent Secretary, as Accounting Officer, ensured effective management and control of resources during the 2015-16 year and the action taken to ensure effective risk management and a high standard of corporate governance.

Throughout the period the Department operated under the direction and control of the Minister. The Permanent Secretary for DSD was the main policy advisor to the Minister on all matters relating to the Department. The Minister approved the Department's Corporate and Business Plans and Programme for Government commitments from which all corporate risks are derived. He was provided with regular reports on all aspects of the Department's performance, including a formal quarterly progress report which highlighted any significant deviation from achievement of targets in the Department's Business Plan, financial implications and any emerging risk.

The Permanent Secretary was also responsible for ensuring a high standard of financial management in the Department as a whole, including a duty to be satisfied that the Social Security Agency and the Arm's Length Bodies, which were sponsored by the Department, had adequate systems and procedures in place to promote the proper conduct of their businesses.

The Chief Executive of the Social Security Agency (SSA) was appointed as the Agency's Accounting Officer by the Permanent Secretary. During the period he was accountable for the maintenance and operation of systems of good governance in the Agency which provided the Permanent Secretary with assurance that governance arrangements and controls were operating effectively.

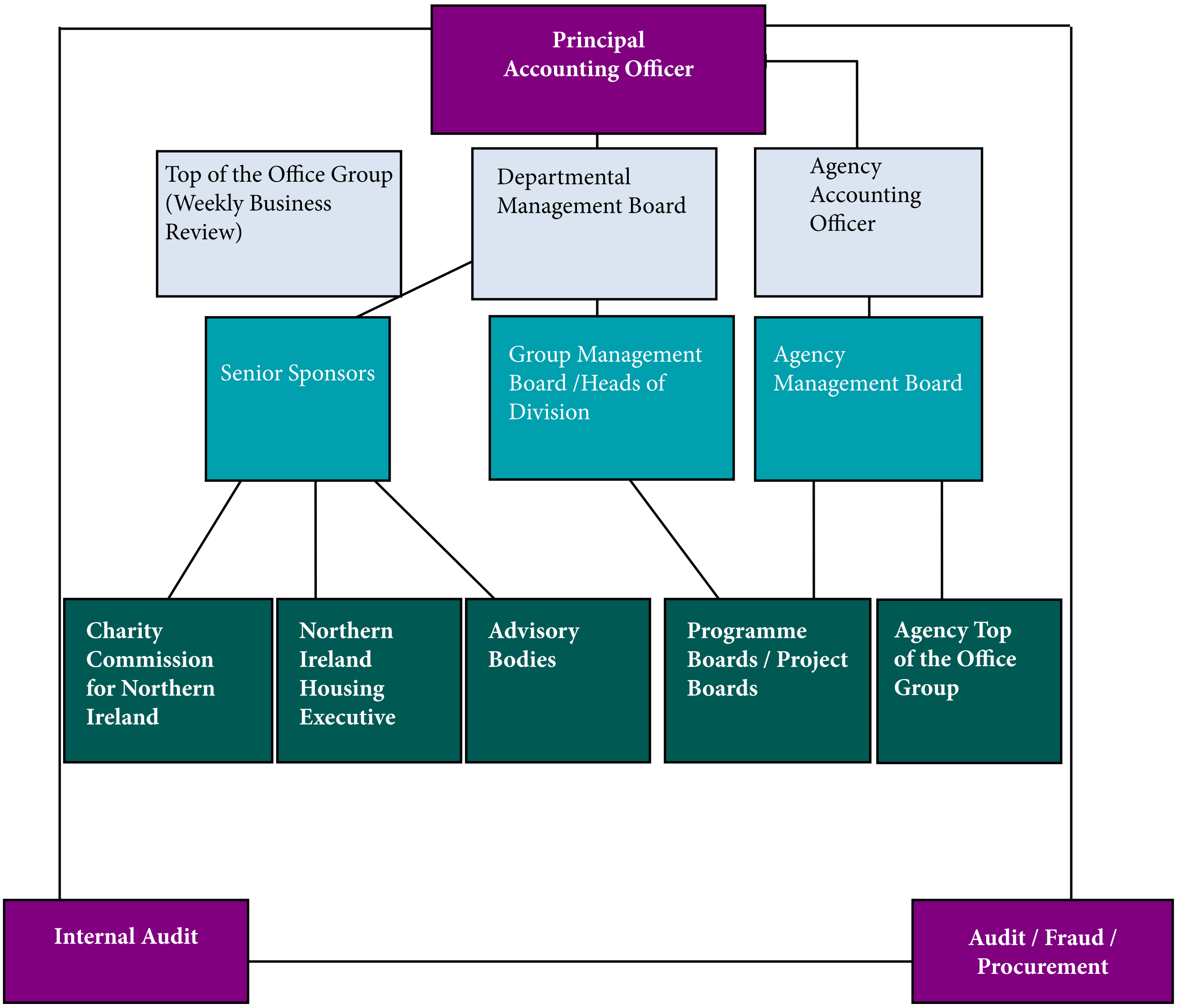
The Permanent Secretary also appointed the Chief Executives of the Northern Ireland Housing Executive (NIHE) and the Charity Commission for Northern Ireland (CCNI) as Accounting Officers. These Chief Executives are responsible for the maintenance and operation of a governance system in their respective organisations and provided the Permanent Secretary with quarterly assurance statements to confirm that arrangements were operating effectively. The resignation of the NIHE Chief Executive was accepted on 27 May 2015. The post was vacant until Mr Clark Bailie was appointed as acting as Chief Executive from 22 June 2015. Following a recruitment exercise by NIHE, Mr Bailie was appointed as permanent Chief Executive on 1 September 2015.

The Department's relationship with its sponsored bodies was overseen by the Deputy Secretary of the Resources and Social Policy Group (RSPG) and the Deputy Secretary of the Urban Regeneration and Community Development Group (URCDG).

2 The Department's Governance Framework

A governance framework was in place for DSD and was published on the internet. The DSD framework provided the system of direction and control for the organisation, confirmed the scope of the arrangements and explained the importance placed on organisational structures, policies, plans and review arrangements which had been established to properly manage the Department's affairs.

DSD Governance Framework



2.1 Compliance with the 'Corporate Governance in Central Government Departments: Code of Good Practice NI 2013'

The Department's governance arrangements, including the operation of the Departmental Management Board and Board sub-committees, were substantially compliant with the HM Treasury guidelines on *Corporate Governance in Central Government Departments: Code of Good Practice 2013,* as confirmed by the recent Internal Audit evaluation of the Department's Corporate Governance and Risk Management, which indicated that these arrangements operated at a satisfactory level.

2.2 Departmental Management Board

The Departmental Management Board for the Department for Social Development (DSD) was chaired by Andrew Hamilton, acting as Temporary Permanent Secretary, and included the Deputy Secretary for URCDG, the Acting Deputy Secretary for RSPG, the Chief Executive of the SSA, the Director of Financial Management (FMD) and two Independent Board Members. The Board supported the delivery of effective corporate governance across the Department.

The Board met on eight occasions during 2015-16 and attendance is set out in the table below:

Board Members	Board Meetings Attended
Andrew Hamilton (Chair)	8
Tommy O'Reilly (Chief Executive SSA	6
Tracy Meharg (Deputy Secretary URCDG)	5
Ian Snowden (Acting Deputy Secretary RSPG)	7
Deborah Brown (Director of Finance)	8
Roy Keenan (Independent Board Member)	7
Deep Sagar (Independent Board Member)	5

Issues reserved for the Board's attention were scheduled at the start of the year in an annual planner; these were then assigned to specific meetings throughout the year.

The Board had a number of standing agenda items which it scrutinised, these included:

- Financial and Budgetary Reports and Corporate Risks;
- High level Human Resource issues including the Voluntary Exit Scheme and Attendance Management;
- Key Risks in Arm's Length Bodies; and
- Reviewing Performance against Business Plan commitments and Programme for Government milestones.

Two of these meetings were strategic planning events at which the Board discussed high level issues and challenges facing the Department. The Board also regularly discussed key strategic issues; these included Housing Reform, Reform of Local Government, Welfare Reform, spending reductions, the Child Maintenance Service (CMS), the reduction in the number of government departments and the establishment of the Department for Communities (DfC). Various Heads of Directorates and Arm's Length Bodies were invited to the meetings to brief the Management Board on achievements against targets. The minutes of the Board meetings were recorded and all minutes were made available on the intranet and internet. All action points were recorded and an update on their progress received at every meeting.

2.3 Quality of Data

The Board obtained assurance relating to the quality of information it received through a variety of measures including:

- assurance ratings from Internal Audit reviews;
- statistical information produced by the Department's statisticians; and
- financial information prepared from internal and external finance systems validated by qualified accountants.

2.4 Conflicts of Interest

The Department maintained a Register of Interests for all Board members to ensure that potential conflicts of interest could be addressed in advance of meetings. The register was formally revisited on an annual basis. Any conflicts of interest were recorded in the Board minutes; no conflicts of interest were recorded during 2015-16.

2.5 Board Effectiveness

In accordance with the *Code of Good Practice on Corporate Governance in Central Government Departments* and the DMB Terms of Reference, an annual evaluation of its effectiveness was completed. In general there was an overall improvement from the 2014-15 review. There was a slight improvement in satisfaction with board discussions and with the timeliness of the receipt of documentation. The introduction of paperless meetings in 2015, devoted to strategic thinking, planning and policy discussion, was also welcomed.

2.6 Ministerial Directions

Arrangements exist to respond to a situation where an Accounting Officer believes that he/she is being asked by a Minister to take a course of action that could potentially result in irregular expenditure, impropriety, or poor value for money. In such circumstances, the Accounting Officer may seek a formal Ministerial Direction to proceed. During 2015-16 there were no Ministerial Directions sought or given.

2.7 Board Committees

Audit and Risk Assurance Committee

The Board was supported and advised by a Departmental Audit and Risk Assurance Committee (DARAC) which provided assurances on risk management, control and governance within the Department. The Committee, which was chaired by a non executive member of the Board, met four times during 2015-16. The quorum for committee meetings was for at least two members to be in attendance. All meetings were quorate and attendance was as follows:

Audit Committee Members	Committee Meetings Attended
Roy Keenan (Chair)	3
Lianne Patterson (Member)	4
Julie Thompson (Member) replaced Diarmuid McLean 22 April 2015	4

The Committee's annual report to the Board provided the Permanent Secretary with assurance that good governance existed in the Department. Where any improvements were necessary action was taken to address specific issues.

DMB had responsibility for ensuring that an effective risk management process was in place and was regularly reviewed. It was supported in discharging this responsibility by DARAC and the Department's Internal Audit Team. The Chair of DARAC is privy to discussions in relation to departmental risk at Board meetings. This arrangement, in conjunction with written and verbal updates provided at each meeting, ensured DARAC was kept fully informed of the Department's risk profile to enable it to undertake its responsibilities effectively.

The Committee was satisfied that the Department's risk management arrangements and those of its Arm's Length Bodies were in line with HM Treasury 'Orange Book' and that its risk registers, including the Arm's Length Bodies risk registers, were reviewed by the Board.

The Committee's work programme was developed in line with *the Audit Committee Handbook.* It was also informed by the need for assurance in particular areas, emerging issues and risks and through meetings with the Accounting Officer and Internal and External Audit. Focus sessions with senior staff in the Department also provided important information to the Committee on key issues. The Committee held specific focus sessions on Manpower Planning, Social Housing Reform and Review of Governance Arrangements in the NIHE. It also noted the preparations for DfC. The Committee was content that appropriate governance structures were in place for effective oversight of all programmes.

During the year the Audit & Risk Assurance Forum met on two occasions. The first meeting, in April 2015, focussed on the key challenges for DSD Internal Audit and cultural changes in the amalgamation of NIHE Internal Audit and Corporate Assurance. The second meeting, in October 2015, focussed on the key concerns and challenges for DSD and the creation of the NICS Group Internal Audit and Fraud Investigation Services.

The Committee was aware of the major changes going forward such as the introduction of DfC, further budget reductions and Welfare Reform. It was also aware of emerging issues including Reclassification of Housing Associations (HAs).

In its self assessment exercise the Committee identified the continuing need for focus sessions and Audit & Risk Forums to enable understanding of the key issues of business in DfC to ensure ongoing good governance. It also recognised the need for a review of its skill set as new areas of responsibility are added in the new Department.

Fraud Sub-Committee (FSC)
The Departmental Management Board was advised by a Fraud Sub-Committee (FSC), which, was chaired by the Deputy Secretary of RSPG and attended by representatives from the Single Investigations Service, Corporate Investigations Unit (CIU), CMS, NIHE, Housing Group and URCDG.

The FSC provided strategic oversight of the Department's counter-fraud activities across all areas of the Department, SSA, and its sponsored bodies. The Committee met twice during 2015-16.

Key issues examined by the FSC included:

- action taken in response to customer fraud in Social Security benefits, including Housing Benefit;
- cases involving fraud and error investigated by the NIHE; and
- the outcome of investigations carried out by CIU involving governance and financial irregularities in external grant funding and incidences of internal fraud and serious irregularity.

Counter-fraud strategies discussed by the Sub-Committee included co-operation between SSA, Department for Work and Pensions (DWP) and NIHE, in utilising Real Time Information to enhance their fraud and error prevention and detection capability; the implementation of recommendations in the NIAO report on Tenancy Fraud; and the Public Accounts Committee (PAC) report on Social Housing Tenancy Fraud.

Procurement Sub-Committee
This Sub-Committee provided strategic oversight of the procurement processes within the Department and its Arm's Length Bodies. It was chaired by the Finance Director and included senior staff representing each business area. The Sub-Committee advised the Accounting Officer on the compliance and consistency of approach for the implementation of Public Procurement Policy.

Key issues considered by the Procurement Sub- Committee during 2015-16 included the agreement that the Department would undertake its own procurements between £5,000 - £30,000. This is consistent with the current practice for procedures less than £5,000 (excluding external consultancy assignments). This will be implemented in 2016-17 within DfC, once all relevant staff have obtained training. A review of the Service Level Agreement between the Department and Central Procurement Directorate was finalised and agreed during September 2015.

3 Risk and Control Framework

Risk management is an important aspect of good governance. It helps the achievement of objectives by constraining threats to acceptable levels and by exploiting opportunities. The Accounting Officer has ultimate responsibility for ensuring that an effective risk management process is in place. The risk management process adopted by the Department is detailed in the Department's Risk Management Framework.

During the year the Departmental Management Board considered the Department's risk appetite. Following discussions in October and November 2015, it was agreed by the Board that the Department was cautious in its approach to most categories of risk but that going forward it should move to a more open approach. The risk appetite was approved by the Board in January 2016.

Work continued on assurance mapping and looking at examples of best practice. The integrated assurance approach used by the Department of Business Innovation & Skills (BIS) was investigated and their Performance & Risk Manager was invited to speak to senior staff about the BIS experience. This work will be taken forward in DfC.

3.1 Key Risks

The Department undertook risk management by identifying and assessing risks to the achievement of departmental objectives. DMB agreed the risks to be included in the Department's Corporate Risk Register (CRR) and ownership of each risk. The risk management process was integrated with normal management processes and informed the annual business planning cycle linking to risk management and internal control with the Department's ability to fulfil its business objectives.

Risk registers capture all relevant information on risks – the Department maintains risk registers at branch, divisional and corporate levels and adopted an escalation methodology informed by the significance of the risk. The Corporate Risk Register was scrutinised by the DMB at every meeting and decisions were made regarding the appropriateness of existing risks and whether new risks needed to be captured.

At the start of the year there were nine risks identified on the Corporate Risk Register relating to:

- The Voluntary Exit Scheme (VES);
- Poor planning for the Reform of Local Government (RLG);
- The Social Housing Reform Programme (SHRP);
- Mismanagement of finance and/or the development process within Housing Associations and NIHE;
- Data Security;
- Mismanagement of operations in NIHE;
- Management of financial reductions;
- Welfare Reform; and
- Legislation concerning RLG.

In September, the Board added a new risk to the risk register concerning resource investment to various DfC workstreams impacting on the Departments achievement of its Business as Usual (BAU) objectives.

Two risks which related to RLG were removed following Ministers' notification to the Assembly on 26 November 2015 that he was not going to progress the Regeneration Bill and regeneration powers would remain with the Department. As a consequence, the transfer of DSD functions to the local councils did not proceed as planned from 1 April 2016.

Risks which materialise are moved to an Issues Log which is appended to the Risk Register. The risks concerning Welfare Reform and SHRP both materialised during the year and were moved to the Issues Log. There were six risks remaining at year-end. Risk 6 has been assessed as a low risk, risk 2 as a moderate risk and all remaining risks have been assessed as high risks. Key actions taken on those risks are detailed below:

1 **Resourcing uncertainties, employee relations associated with major change programmes and projects and VES**

Departmental Human Resources carried out a range of actions including regular monitoring of the staff resourcing position, future resource planning and regular reports to the senior team within the Department. A Resourcing Strategy is in place for Welfare Reform and a resourcing model to support future planning is updated as details of staffing requirements emerge. Trade Union consultative arrangements are in place for major reform areas to support constructive engagement on matters affecting DSD staff.

Departmental Human Resources also supported the administration of the NICS VES, which was introduced to address the significant budgetary pressures faced by NICS departments. The Scheme resulted in 410 staff leaving the Department. Departmental Human Resources played a key role in determining exit requirements and providing HR solutions to manage the impact of the Scheme in such as way as to protect key services provided by the Department. At year end the risk remained high as the full impact of VES may not be known until mid 2017.

2 **Failure to operate an effective and efficient development process within HAs and NIHE will impact the delivery of Programme for Government (PfG) Social and Affordable Housing targets.**

Housing Division carried out a number of actions which included developing a plan to improve delivery of SHRP, to take forward recommendations of the Review of the Procurement Strategy and to implement the new procurement model outlined in the Review report. All actions planned were completed and all 2015-16 delivery targets were met. It is anticipated that these changes will improve the delivery of social and affordable homes.

3 **Loss or unauthorised disclosure of departmental data resulting in non compliance with legal requirements, reputational damage to the Department, personal distress etc**

The Department implemented the next phase of the culture change and awareness programme which formed part of the comprehensive review of security related content on the intranet. The outcome of which helped to inform the department's future plans. A Security Risk Management Overview was completed and validated by Internal Audit and their recommendations were implemented by the Department.

Work was also ongoing between the Cabinet Office and Department of Finance & Personnel (DFP), now Department of Finance, to test the Identity Assurance Systems for Northern Ireland.

The Department also developed and implemented deterrence measures to help reduce the volumes of data incidents and continually reviewed Bogus Calls risks and applied any lessons learned to the telephony strategy. Controls and procedures strengthened during the year included guidance to reinforce procedures for issuing of post by Courier and a programme of refresher training for telephony staff to protect against the threat from bogus callers. It is unlikely with controls in place that this risk will materialise. However, loss or unauthorised disclosure of departmental data could potentially arise due to human error given the range of change involved in preparing for NICS restructuring. This could have a major impact if the data included large volumes of personal data as this may lead to distress for the individuals affected as well as reputational risk to the Department. As a consequence the risk remained high throughout the year.

4 **Failure in controls of operations within the Northern Ireland Housing Executive, particularly but not exclusively around contract management, could lead to a failure to meet key objectives and expose the NIHE and Department to criticism.**
Housing Performance, Governance & Accountability Directorate ensured that all outstanding critical control recommendations and Ministerial work plan actions in relation to the Department's "Review of governance in the Northern Ireland Housing Executive" were implemented in full. At year-end one good practice recommendation remained partially implemented with 17 schemes outstanding. NIHE have advised it is difficult to predict when matters will be drawn to a conclusion, particularly if some issues are referred to Adjudication- the legal process for resolving disputes where both parties are bound to a contract.

5 **Failure to properly prepare for and manage financial cuts in 2016/17 may result in the Department failing to deliver its strategic objectives delivering its statutory remit, change programmes and living within budget.**
The Department successfully managed the 2016-17 budget reduction process, engaging closely with senior management and the Board. 2016-17 budget allocations were agreed with the Minister and the Department also consulted with the Committee on its spending proposals. At year end the risk remained high as full budget information had not been provided from all areas transferring into DfC. However this process has now been completed with final adjustments being made in June Monitoring.

6 **The substantial resource investment by DSD in terms of staff leading, managing and/or contributing to the various DfC workstreams means that DSD's achievement of its BAU objectives is an increased risk.**
To help manage this risk, nine DfC workstreams were established with each lead asked to monitor competing priorities and seek additional resources and support if required. The Department also put in place a number of controls such as a dedicated team to oversee the project and any non-critical work was reprioritised to allow key staff to contribute to the project. The Project successfully delivered the new Department by 8 May 2016.

<u>Materialised Risks</u>
A materialised risk, in terms of the legislation and delivery of reform projects, relating to Welfare Reform was carried over to the Issues Log from 2014-15. As previously stated two additional risks materialised and were transferred to the Issues Log during 2015-16. One, relating to the impact of the delay in passing the Welfare Reform Bill, transferred to the Issues Log on 1 September 2015 and one, relating to the Social Housing Reform Programme, transferred on 7 March 2016.

The risks concerning Welfare Reform materialised as the Welfare Reform Bill had fallen; consequently any new Bill to reform the welfare system had to start at the beginning of the legislative process. Those risks were removed from the Issues Log in February 2016 following the 'Fresh Start Agreement' which allowed Welfare Reform to be rolled out in Northern Ireland. The only materialised risk remaining was in relation to the Social Housing Reform Programme. This risk materialised as there was no political consensus to progress reform within the current mandate. Issues relating to Housing Benefit and the classification of the Housing Association Sector are also impacting on the way forward.

3.2 Assurances

A key element of the departmental risk management processes is the provision of regular assurances. All business areas across the Department provided quarterly and annual assurance statements that effective risk management arrangements are in place.

The Chief Executives of the Department's sponsored bodies provided the Permanent Secretary with quarterly Stewardship Statements and also submitted their risk registers to the Departmental Management Board for review on a quarterly basis and the Departmental Audit and Risk Assurance Committee bi-annually.

In addition, assurance on the effectiveness of the departmental risk management processes was provided from the work of the Department's Internal Audit Unit. The Head of Internal Audit provided an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. For 2015-16, the Head of Internal Audit provided an overall satisfactory opinion on the framework of governance, risk management and control in the Department. The Audit and Risk Assurance Committee was regularly updated on progress against the audit plan and the findings of audits and a database was used to monitor the implementation of outstanding internal audit recommendations from those reports providing a limited or unacceptable opinion.

Enterprise Shared Services
The Permanent Secretary drew assurance from the audit opinion received from the Head of Internal Audit in the Department of Finance and Personnel (DFP) on the various components of Enterprise Shared Services. These included Account NI which was responsible for the Department's transaction processing, HR Connect, which was responsible for the Department's human resource management arrangements, and IT Assist, which provided IT support services. It is noted that the Head of Internal Audit in the Department of Finance and Personnel has provided a satisfactory audit opinion on Enterprise Shared Services overall.

Land and Property Services (Housing Benefit for Owner Occupiers)
The Accounting Officer in DFP provided the Permanent Secretary with assurance, by way of an annual Assurance Statement, that controls were in place to ensure that the administration of housing benefit rates for owner occupiers was efficient and effective. Areas of concern included Fraud and Error; full details of fraud and error in Housing Benefit for owner occupiers are recorded at pages 149 to 169 in the Payment Accuracy Note in the Financial Accounts.

Limited Audit Opinions
During 2015-16 Internal Audit issued three “Limited” opinion audit reports.

The audit of The Appeals Service received an overall “Limited” audit opinion. This was due to:

- concerns in respect of governance and oversight arrangements including a lack of clarity in relation to the responsibilities assigned under the Service Level Agreement with Northern Ireland Courts and Tribunals Service (NICTS);
- targets consistently not achieved;
- facilities for tribunal hearings not competitively procured; and
- no clear project methodology to co-ordinate, manage and control the outworking of the transfer of statutory responsibility for Tribunal Appeals Service from DSD to DOJ.

A follow up audit to review the actions taken by management to address the 13 recommendations included in the August 2015 was completed by Internal Audit in June 2016 and resulted in the audit opinion being raised to “Satisfactory” as a result of the actions taken by management to implement the audit recommendations.

Internal Audit’s review of the Custody & Control of Actividentity Cards within CMS attracted a “Limited” audit opinion primarily due to the ineffectiveness of management controls including:

- Actividentity cards missing or unaccounted for;
- mandatory checks on smartcards not being completed;
- receipt of new cards not being adequately recorded on a timely basis; and
- leavers / long term absentees not returning cards to stock.

Actividentity cards are personal identification devices required by staff to access CMS computer systems. Given the sensitive nature of the data held on CMS information systems it is imperative for management within CMS to ensure that appropriate controls are in place and are effective to mitigate the risk of loss or misuse of the data held. A total of eight recommendations to address concerns raised were included in the audit report and management action is ongoing to implement them. A follow up review to determine if the recommendations have been fully implemented will be completed by Internal Audit during 2016-17.

The Internal Audit review of Social Enterprise Growth also attracted an overall “Limited” audit opinion. Whilst audit testing found that the overall project management arrangements in relation to the Social Enterprise Incubation Hubs (SEIH) pilot project were satisfactory a number of significant weaknesses were identified in relation to the procurement of consultants required for identifying SEIH locations and controls associated with payment and vouching of expenditure. The audit report included 10 recommendations to strengthen management controls in this area which have all been accepted and will be implemented during 2016-17. A follow up review by Internal Audit to determine if the recommendations contained within the audit report have been fully implemented will also be completed during 2016-17.

Six audit assignments which had previously been attributed a "Limited" audit opinion during 2014-15 were followed up by Internal Audit during 2015-16. All six follow up audits resulted in the audit opinion being raised to "Satisfactory" as a result of the actions taken by management to implement the recommendations contained within each audit report. The follow up audits completed during 2015-16 were:

- the Central Investment Fund for Charities;
- Government Procurement Cards;
- CMS Choices;
- SSA Income Support Northern Region;
- CMS Case Closure and Transition Actions; and
- SSA Mail Opening Scanning and Image Circulation (MOSAIC).

4 Significant issues faced during 2015-16

During 2015-16 the Department managed a number of significant issues in relation to the areas listed below. Further details on the issues faced and the actions taken are also provided in the paragraphs that follow under the following headings:

- Welfare Reform
- Peace Bridge in Londonderry
- Reform of Local Government
- Belfast Streets Ahead – Phase 3
- Legislation
- Lineside Urban Development Grant
- Department for Communities
- Housing Associations
- PAC Hearing on Advanced Land Purchases and Conflicts of Interest
- PAC Hearing on Land Disposals
- Inspection of the Northern Ireland Housing Executive Landlord Function
- Northern Ireland Housing Executive - oversight
- Social Housing Reform Programme
- Northern Ireland Housing Executive Finance Development Programme
- Office for National Statistics – Reclassification of Housing Associations
- Syrian Vulnerable Persons Relocation Scheme
- Housing Benefit administered by the Northern Ireland Housing Executive
- Budget issues
- Child Maintenance
- Administering the Northern Ireland Investment Fund for Charities
- Equality Scheme

4.1 Welfare Reform

The programme of Welfare Reform changes and specifically the introduction of Universal Credit represent the most substantial and widespread changes to the welfare system in the last 70 years. The principles and policy intent include simplifying the benefit system, to make work pay, and to control the rate of increase in the costs of the social welfare system.

The delivery of the reforms involve significant challenges in terms of timescales, organisational structure, operational and IT delivery models and funding arrangements. In addition input is also essential from several external bodies to ensure the successful delivery of the reforms. The delivery of the reforms also comes at a time of considerable change with the reduction in the number of government departments and the SSA becoming part of DfC.

While the Welfare Reform (Northern Ireland) Order 2015 secured agreement to introduce the reforms, the timescales in which to implement them are extremely challenging. The working group led by Professor Evason provided the Executive with recommendations on how best to provide protection for the most vulnerable in Northern Ireland within the available funding. The Executive subsequently agreed to allocate a total of £501 million over four years to 'top-up' the United Kingdom welfare arrangements in Northern Ireland with a review in 2018-19.

A number of mitigating measures have been developed to protect the most vulnerable claimants in Northern Ireland and officials are planning for the implementation of these mitigation schemes.

Officials are also working on a range of activities to ensure that staff, stakeholders, claimants and the general public are aware of and prepared for the introduction of the changes.

Moving forward, the new DfC Management Board will closely monitor the implementation of the reforms and the various mitigation schemes.

4.2 Peace Bridge in Londonderry

Ilex secured £14million through the Peace III Programme to construct the Peace Bridge in Londonderry. The Contract for Funding issued by the Special European Union Programmes Body (SEUPB) to Ilex had a condition of grant that the Peace Bridge would be adopted by the Department for Regional Development (DRD). Although the Bridge was officially opened in 2011, this condition of grant had not been met, preventing the project from being formally closed.

The DRD Minister made a commitment in April 2016 to adopt the bridge, on the condition of the Department underwriting the costs of remedying potential bridge oscillation. The Department has recently agreed to underwrite these costs which are expected to be £350,000. It is expected that the bridge will be adopted by DRD/ Department for Infrastructure (DfI) in July 2016.

4.3 Reform of Local Government

On 26 November 2015 Minister Storey notified the Assembly, by way of a written Ministerial Statement that he was not going to progress the Regeneration Bill and that regeneration powers would remain with the Department and not transfer to Councils, as planned, from April 2016. Throughout the year the Department effectively managed and planned for any delay in the transfer of powers, resulting in the continued support of high quality services in areas of deprivation.

4.4 Belfast Streets Ahead - Phase 3

The 'Belfast: Streets Ahead' Phase 3 (BSA 3) public realm renewal project is the main regeneration project in Belfast city centre and is expected to act as a catalyst for the regeneration of the north of the city centre. The project is being progressed to complement the Ulster University's new York Street campus development. Following the anticipated approval of the Economic Appraisal, a tender exercise will be undertaken from June to November/December 2016 to appoint a works contractor/ Integrated Supply Team. Construction will commence in early 2017 with work on the whole project area due to complete mid 2019, prior to the anticipated opening of the new campus in September 2019.

The cost of BSA 3 project is estimated to be £27m over four years with Belfast City Council providing circa £5m towards the project – this is subject to the confirmation of costs at the tender stage.

4.5 Legislation

Given other legislative commitments, proposed bills relating to gambling and liquor licensing were not pursued by the Department.

4.6 Lineside Urban Development Grant

The Department consented to an order on 21 January 2016 quashing its decision to refuse an application for an award of Urban Development Grant by Rossdale Developments Limited. The application will be reconsidered and determined in accordance with the Northern Ireland Guidance to Expenditure, Appraisal and Evaluation.

4.7 Department for Communities

As highlighted in the Director's Report the Stormont House Agreement contained a commitment to reduce the number of NICS departments from 12 to 9 following the Assembly election in May 2016. The nine-departmental model constitutes a Machinery of Government change and all of the Department for Social Development's functions have transferred to the Department for Communities. A number of functions and responsibilities from the Department for Employment and Learning (DEL), Department of Culture Arts and Leisure (DCAL), Department of the Environment (DOE), Office of the First Minister and Deputy First Minister (OFMDFM) and Department of Enterprise, Trade and Investment (DETI) have also transferred to the Department for Communities.

4.8 Housing Associations

Regulation & Inspection Unit continued to deliver a robust inspection programme, working in partnership with a number of stakeholders to support HA Boards and their Executive Management Teams across the movement. The aim is to promote and share good practice' across the housing association sector. Following two mergers during 2015-16, there are currently 22 HAs in existence within Northern Ireland. A total of nineteen out of the 22 associations have achieved at least "satisfactory" inspection rating. The remaining three, smaller associations in the main, are working with the Department to ensure improvement. Officials are closely monitoring the improvement plans to address outstanding areas for improvement.

During the 2015-16 the Regulation & Inspection Unit carried out one investigation into allegations received from an anonymous whistleblower in relation to Oaklee/Trinity, which is now known as Choice Housing Ireland Ltd. The investigation has been concluded and a draft report is in the final stages of production.

It is anticipated that a number of recommendations for good practice will be noted and these will be shared across the housing sector so that lessons can be learned and appropriate action taken. As the NIAO received the original whistle blowing letters, the Department has, as per normal protocols, written to the NIAO sharing a copy of the investigation report and correspondence to the Chief Executive of Choice Housing Association Ireland Ltd.

4.9 PAC Hearing on Advanced Land Purchases and Conflicts of Interest

A PAC hearing was held in February 2015 regarding NIAO reports on the Departments' financial statements from 2011 to 2014, the Helm inspection of 2011 and a conflict of interest involving Trinity HA (now Choice Housing). Following this, refresher training on conflicts of interest has been delivered to staff in DSD Housing Group and Board Members and Senior Managers across the housing association Sector. NIHE has delivered governance training to the Board and senior management team. This has been cascaded to staff throughout the organisation. Positive action has been taken by the Department and NIHE to address all other recommendations that were raised in that PAC report.

4.10 PAC Hearing on Land Disposals

PAC published its report to the Assembly on "*The Governance of Land and Property in the Northern Ireland Housing Executive*" on 16 March 2016. The report focused on the findings of the NIAO Report on "*The Governance of Land and Property in the Northern Ireland Housing Executive*" published on 7 January 2016 and the subsequent evidence given at a PAC hearing on 20 January 2016. The PAC has made a total of eight recommendations and the Department of Finance (DoF) published a formal response in the form of a Memorandum of Reply (MOR) on 16 June 2016.

4.11 Inspection of the Northern Ireland Housing Executive Landlord Function

Since 1 April 2015, Housing Group carried out three inspections on Landlord Services and a positive outcome has been reported on these. The Inspection plan for 2016-17 has been drafted and is expected to be agreed with NIHE by the end of June 2016.

4.12 Northern Ireland Housing Executive – oversight

Since the Review of Governance in the NIHE in 2010, the Department's oversight arrangements with the NIHE were enhanced a number of times, mainly due to the concerns over a number of years in relation to the NIHE's management of contracts. The Department carried out a review of these arrangements and in August 2015 a revised oversight meetings framework with a more focussed approach was implemented. The oversight meetings now include:

- Biannual Performance Review meeting between the Minister and the NIHE Chairman;
- Quarterly Assurance and Risk meeting between the Deputy Secretary and the NIHE Chairman;
- Quarterly Accountability meeting between the Deputy Secretary and NIHE Chief Executive; and
- Monthly Performance meeting between the Department's Housing Directors and NIHE Directors.

4.13 Social Housing Reform Programme

SHRP was initiated to take forward work on the Minister's proposals for reform of the social housing sector.

The second stage of the programme is focused on:

- The development of an Outline Business Case (OBC) which identifies and assesses the options for the future delivery model for social housing in Northern Ireland. The political agreement '*A Fresh Start*' included a renewed commitment to social housing structural reform to reduce the Departmental Expenditure Limit subsidy pressures. Any significant structural reform will then be a matter for the NI Executive.

- Development of important policy proposals for:
  - Tenant engagement
  - A future social housing rent policy for Northern Ireland – public consultation has been delayed following the policy decision to reduce social rents in England emanating from the Chancellor's summer and autumn statements. The Department continues to consider the way forward on this matter including the effect on wider social housing reform; and
  - The approach to regulation.

4.14 Northern Ireland Housing Executive Finance Development Programme

During the year a number of issues were identified in relation to information produced by NIHE for the purposes of financial management. In order to address these issues NIHE developed a Finance Development Programme. The NIHE Board are overseeing the implementation of the programme and receive regular assurance on this. Progress has been made in a number of areas including monthly reporting to the Department for in-year monitoring processes.

4.15 Office for National Statistics – Reclassification of Housing Associations

On 30 October 2015 the ONS reclassified Private Registered Providers (PRPs) of social housing in England as Public Non-Financial Corporations. ONS has indicated its intention to review the classification of Housing Associations in Northern Ireland. Given the similarities between the legislative and regulatory approach in Northern Ireland a similar decision about HAs here could have implications for public expenditure.

4.16 Syrian Vulnerable Persons Relocation Scheme

DSD entered into a contract on 11 December 2015 with a consortium made up of a number of voluntary sector partners. The contract is with Bryson Intercultural who, under a Memorandum of Understanding with the other consortium delivery partners, facilitate the integration of each group and report back to the Operational Planning Group chaired by a senior departmental official. The contract and funding arrangements will be closely monitored.

The Vulnerable Persons Relocation scheme is funded by the UK Home Office and for 2015-16, the Department entered into a contract with the Home Office and will claim full entitlement. From April 2016, the contract has been between OFMDFM (now the Executive Office) and the Home Office. The Executive Office receives Home Office funding directly and allocates funds based on claims from all Northern Ireland departments involved in the resettlement of Syrian refugees.

4.17 Housing Benefit Administered by the Northern Ireland Housing Executive

The end of year figures from Standards Assurance Unit (SAU) for Housing Benefit (HB) Fraud and Error shows a reduction from 4.1 % in 2014-15 to 3.4% in 2015-16. The breakdown of the figures is as follows:

- Official Error reduced from 1.1% to 1.0 %,
- Customer Error remained at 0.4% and
- Customer Fraud reduced from 2.6 % to 2.1%.

The activities undertaken by NIHE) to address the risk of HB fraud and error are set out in the HB Fraud and Error Strategy. A major review of this strategy was undertaken in 2014 setting out a plan of action for coming years. This was updated in 2015-16 following a peer review carried out by the SSA which saw the introduction of a pilot exercise involving NIHE and Single Investigation Service staff in sharing intelligence on potential fraud cases, to ensure that a consistent approach to addressing potential fraud and error is undertaken across all benefits.

4.18 Budget Issues

The Department delivered £63 million of Resource Budget savings during 2015-16. Going forward a further budget reduction of £26 million (5.7%) will be managed in 2016-17 as well as meeting several inescapable funding pressures. This position will continue to be monitored and managed.

4.19 Child Maintenance

There are longstanding issues with the accuracy of child maintenance assessments, and hence also recorded arrears, under both the 1993 and 2003 Child Maintenance Schemes. These are reflected in NIAO qualifications to the Child Maintenance Client Funds Account (annexed to the Department's Resource Accounts).

These historic weaknesses with the 1993 and 2003 schemes are unlikely to be substantially resolved and as such, the strategic solution has been the introduction of the 2012 Scheme, underpinned by completely new operational and accounting systems maintained on a new platform entirely separate from the 1993 and 2003 schemes.

The 1993 and 2003 schemes have been closed to new applicants since 25 November 2013, and as part of the Child Maintenance Reform Programme, Phase 2 of the process to close all existing cases held on the 1993 and 2003 systems is well underway. There has been extensive and detailed planning for this case closure programme, which is expected to take around three years. This represents a major operational challenge and out of 32,000 cases impacted, there were 26,000[1] cases remaining as at 31 March 2016, which are yet to complete the case closure journey.

During this process parents are being supported and encouraged to make their own family-based arrangements. If a family based arrangement is not possible or appropriate, then a new application can be made to the 2012 Scheme.

4.20 Administering the Northern Ireland Investment Fund for Charities

The Department is responsible for administering the Northern Ireland Central Investment Fund for Charities and is currently investigating an issue in relation to the administration of the Fund. The Northern Ireland Central Investment Fund for Charities is classified as a charity and would therefore be required to register with the Charity Commission for Northern Ireland. The Commission aims to register all Northern Ireland charities on a phased basis over the next few years. The Department is the sponsor body for the Commission and, because of this, the Commission has stated that there would be a conflict of interest in terms of its regulatory remit which makes registration of the Fund problematic whilst the Department is a Trustee.

4.21 Equality Scheme

In November 2015, the Equality Commission for Northern Ireland completed a Paragraph 11 investigation to establish if the Department breached its approved Equality Scheme in respect of the Housing Strategy. The Commission found two breaches in respect of the Department's 2001 Equality Scheme, and no breaches in respect of the 2013 Equality Scheme. The Commission made four recommendations which the Department has accepted. The Department agreed a new Equality Scheme in December 2013 and welcomes the Commission's findings in respect of our compliance with this scheme.

5 Significant Issues faced by the Social Security Agency

Significant issues faced by the SSA during 2015-16 included Benefit Fraud and Error, and Social Fund White Paper Accounts. Full details of these issues are contained within the Governance Statement of the Agency's Annual Report & Accounts.
This document can be accessed at :
https://www.communities-ni.gov.uk/articles/social-security-annual-reports

[1] Rounded to the nearest 100

6 Fraud Prevention and Whistleblowing

The Department's arrangements for dealing with fraud and whistleblowing have recently been reviewed and are compliant with current legislation and best practice.

Fraud monitoring and reporting arrangements have been effectively maintained throughout the year and there were 43 suspected frauds and serious irregularities reported within the Department during 2015-16.

7 Significant Fraud Investigations in the Department

Type	No. at 1 April 2015	Received	Closed	No. at 31 March 2016
External Investigations	1	6	5	2
Internal Investigations	12	37	36	13

Of the 36 internal cases closed:

- one involved a member of staff attempting to defraud the department by falsifying official documents;
- one case involved a member of staff who issued payments from the benefits system to his own bank account, totalling over £3,000;
- two cases involved members of staff assisting members of their family to obtain social fund monies to which they were not entitled through forgery, filling in documents and expediting claims;.
- one case involved a member of staff offering leave to colleagues in exchange for money; and
- a further case involved a member of staff making 125 unauthorised accesses to departmental computer systems.

In all of these cases, the members of staff have been dismissed and the cases were referred to the PSNI.

Of the five external cases closed:

- three cases involved suspicions/suspected financial irregularities;
- one case concerned alleged discrepancies in contractor documentation and billing;and
- one case concerned anonymous allegations pertaining to irregularities in a number of groups, one of which received DSD funding, and naming a Civil Servant allegedly involved in the groups.

8 Conclusion

I am satisfied that DSD had an effective governance structure and operated to a high standard of integrity and probity. In signing this report I have taken assurances from DSD's Temporary Permanent Secretary, Andrew Hamilton, and the Departmental Audit and Risk Assurance Committee. I will continue to monitor Internal Audit, Northern Ireland Audit Office and Public Accounts Committee recommendations to ensure that all issues are addressed.

Remuneration Report

The Minister of Finance approves the pay remit for Senior Civil Service (SCS) staff. The SCS remuneration arrangements are 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. In 2012, upon creation, there were 11 points on each scale. This was subsequently reduced to 10 points in 2014 and 9 points in 2015 to allow progression through the pay scales within a reasonable period of time.

Service Contracts

Civil service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

Unless otherwise stated below, the officials covered by this report hold appointments which 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 can be found at www.nicscommissioners.org

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the Ministers and most senior management of the department.

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Remuneration (including salary) and pension entitlements (Audited Information)

	2015-16				2014-15			
Minister	**Salary £**	**Benefits in kind (to nearest £100)**	**Pension Benefits** (to nearest £1000)**	**Total (to nearest £1000)**	**Salary £**	**Benefits in kind (to nearest £100)**	**Pension Benefits** (to nearest £1000)**	**Total (to nearest £1000)**
Nelson McCausland ***Member of Legislative Assembly*** *(to 23 September 2014)*	-	-	-	-	25,578	-	9,000	35,000
Mervyn Storey *Member of Legislative Assembly (from 24 September 2014 to 10 September 2015, then 20 October 2015 to 11 January 2016)*	25,572	-	10,000	39,000	24,528	-	7,000	34,000
Lord Morrow *Member of Legislative Assembly (from 12 January 2016)*	7,560	-	6,000	8,000	-	-	-	-

Senior Management Remuneration (Audited Information)

	2015-16				2014-15			
Officials	**Salary**	**Benefits in kind (to nearest £100)**	**Pension Benefits** (to nearest £1000)**	**Total**	**Salary**	**Benefits in kind (to nearest £100)**	**Pension Benefits** (to nearest £1000)**	**Total**
	£'000	£	£'000	£'000	£'000	£'000	£	£'000
Mr Will Haire Permanent Secretary (till 1 March 2015)	-	-	-	-	105-110 (110-115) full year equivalent	-	(26,000)	85-90
Mr Andrew Hamilton temporary Permanent Secretary (from 2 March 2015)	110-115	-	96,000	205-210	5-10 (105-110 full year equivalent)	-	6,000	15-20

Mr Andrew Hamilton **Deputy Secretary Resources & Social Policy Group**	-	-	-	-	90-95 (100-105 full year equivalent)	-	18,000	105-110
Mr Ian Snowden, **Deputy Secretary Resources & Social Policy Group**	85-90	-	118,000		-	-	-	-
Mr Tommy O'Reilly* **Chief Executive, Social Security Agency**	100-105	-	6,000	100-105	100-105	-	25,000	125-130
Ms Tracy Meharg (from 7 January 2014) **Deputy Secretary Urban Regeneration & Community Development Group**	95-100	-	43,000	140-145	95-100	-	19,000	110-115
Mrs Deborah Brown **Director of Finance**	65-70	-	22,000	85-90	-	-	-	-
Mr Roy Keenan **Independent Board Member**	£500 per day. 20.5 days = £10,250	Expenses during 2015-16= £2,341.95	-	-	£500 per day.19.5 days = £9,750	Expenses during 2014-15= £2,260.80	-	
Mr Deep Sagar **Independent Board Member**	£500 per day. 11.5 days = £5,750	Expenses during 2015-16= £1,569.50	-	-	£500 per day. 16.25 days = £8,125	Expenses during 2014-15= £2,563.10	-	
Band of Highest Paid irector's Total Remuneration	110-115				100-105			
Median Total Remuneration	£24,208				£23,679			
Ratio	4.65				4.33			

**In line with the SCS pay award arrangements for 2012, staff who, after assimilation to the new pay scales, received less than 1% consolidated increase to their salary received a non-consolidated pensionable payment to bring them up to the equivalent value of 1%. One official in the £100-105k pay band received a non-consolidated pensionable payment in 2015-16 (2014-15 one in the £95-100k pay band). There were no bonus payments to senior management.*

*** 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 include increases due to inflation and any increase or decreases due to a transfer of pension rights.*

Fair Pay Disclosures (Audited Information)

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

The banded remuneration of the highest paid director in the Department in the financial year 2015-16 was £105-110k (2014-15 £105-110k). This was 4.65 times (2014-15, 4.33) the median remuneration of the workforce, which was £24,208 (2014-15, £23,679).

No employee received remuneration in excess of the highest paid director in 2015-16, one in 2014-15. Remuneration ranged from £16,300 to £110,191 (2014-15, £16,300 to £107,665). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions, nor the cash equivalent transfer value of pensions.

The change in the pay multiple ratio between 2014-15 and 2015-16 is due to a change in the payband of the highest paid director.

Salary

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

The Department for Social Development was under the direction and control of Mervyn Storey and then, from 12 January 2016, Lord Morrow during the financial year. Ministerial salaries and allowances were paid by the Northern Ireland Assembly and have been included as a notional cost in this resource account. These amounts do not include costs relating to the ministers' role as MLA which are disclosed elsewhere.

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.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual.

Pension Benefits (Audited Information)

Minister	Accrued pension at age 65 as at 31/3/16	Real increase in pension at age 65	CETV at 31/3/16*	CETV at 31/3/15*	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Mervyn Storey *Member of Legislative Assembly*	0-5	0-2.5	37	29	4
Lord Morrow *Member of Legislative Assembly*	0-5	0-2.5	27	21	0

* No distinction is made in the Assembly Members Pension Scheme between service as a minister and service as any other Assembly officeholder. Consequently, ministers may accrue pension entitlement as either a minister or as one of the Assembly's other officeholders.

Ministerial pensions

Pension benefits for ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2012 (AMPS). The scheme is made under s48 of the Northern Ireland Act 1998. As ministers will be Members of the Legislative Assembly they may also accrue a MLA's pension under the AMPS (details of which are not included in this report). The pension arrangements for ministers provide benefits 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 (1/50th or 1/40th) multiplied by the cumulative contribution factors and the relevant final salary as a member.

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 7% 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 20.6% of the ministerial salary.

The accrued pension quoted is the pension the minister is entitled to receive when they reach 65 or immediately upon ceasing to be an active member of the scheme if they are already 65.

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) (Amendment) Regulations 2008 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 common market valuation factors for the start and end of the period. Prior to October 2015, the CETV factors were calculated using a net discount rate of 3%, which was the rate set by HM Treasury for the major public service pension schemes. Following the completion of the 2014 funding valuation of the AMPS the assumptions used to calculate the scheme's factors were reviewed. The AMPS is not covered directly by the financial assumptions set by HM Treasury for other public service pension schemes and the Trustees instead decided to adopt the financial assumptions used in scheme's funding valuation to calculate CETVs (a net discount rate of 3.5%) rather than the HM Treasury rate. This has led to a reduction in CETVs in general and a difference between the closing CETVs reported in 2014-15 and the opening CETVs reported in 2015-16.

Pensions of Senior Management (Audited Information)

Officials	Accrued pension at age 60 as at 31/3/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £1000
Mr Andrew Hamilton Temporary Permanent Secretary	45-50 plus lump sum 135-140	2.5-5 plus lump sum 12.5-15	1,047	897	97	-
Mr Tommy O'Reilly Chief Executive, Social Security Agency	40-45 plus lump sum 125-130	0-2.5 plus lump sum 0-2.5	955	896	6	-
Ms Tracy Meharg Deputy Secretary Urban Regeneration & Community Development Group	30-35 plus lump sum 95-100	0-2.5 plus lump sum 5-7.5	664	589	37	-
Ian Snowden, Deputy Secretary, Resources and Social Policy Group	15-20 plus lump sum 55-60	5-7.5 plus lump sum 15-17.5	418	290	101	-
Mrs Deborah Brown, Director of Finance	10-15 plus lump sum 35-40	0-2.5	196	171	7	-

Northern Ireland Civil Service (NICS) Pension arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). 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). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality '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 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 rate is 2.3%. CARE pension benefits are increased annually in line with increases in the CPI.

A new pension scheme, alpha, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements have also moved to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will 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 also a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

Increases to public service pensions are the responsibility of HM Treasury. Pensions are reviewed each year in line with the cost of living. Increases are applied from April and are determined by the CPI figure for the preceding September. The CPI in September 2015 was negative (-0.1%) and HM Treasury has announced that there will be no increase to public service pensions from April 2016. Therefore public service pensions will remain at their current level.

Employee contribution rates for all members for the period covering 1 April 2016 to 31 March 2017 are as follows:

Scheme Year 1 April 2016 to 31 March 2017

Annualised Rate of Pensionable Earnings (Salary Bands)		**Contribution rates- Classic members or classic members who have moved to alpha**	**Contribution rates- all other members**
From £	**To £**	**From 01 April 2016 to 31 March 2017**	**From 01 April 2016 to 31 March 2017**
0	15,000.99	3.8%	4.6%
15,001.00	21,210.99	4.6%	4.6%
21,211.00	48,471.99	5.45%	5.45%
48,472.00	150,000.99	7.35%	7.35%
150,001.00 and above		8.05%	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 3% and 14.7% (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 pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of **classic**, **premium**, and **classic plus** and 65 for members of **nuvos**. The normal pension age in alpha will be linked to the member's State Pension Age but cannot be before age 65. Further details about the NICS pension arrangements can be found at the website
www.finance-ni.gov.uk/topics/working-northern-ireland-civil-service/civil-service-pensions-ni

Cash Equivalent Transfer Values

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

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. The actuarial factors used to calculate CETVs changed during the 2015-16 year and consequently CETV figures increased even without any further pension accrual. 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.

Staff Report (Audited Information)

Staff costs comprise:

	2015-16					2014-15
	Permanent staff *	**Others**	**Ministers**	**Special advisers**	**Total**	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	£'000
Wages and salaries	165,559	4,795	33	-	170,387	170,541
Social security costs	10,116	-	3	-	10,119	10,809
Other pension costs	33,084	-	7	-	33,091	30,404
Sub Total	208,759	4,795	43	-	213,597	211,754
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total net staff costs	**208,759**	**4,795**	**43**	-	**213,597**	211,754

Of which:

	Charged to Administration	Charged to Programme	**Total**
Core Department	30,738	41,535	72,273
Agencies	-	141,324	141,324
Total net costs	**30,738**	**182,859**	**213,597**

* Permanently employed staff includes the cost of the Department's Special Advisor employed during the financial year 2015-16. The Advisor was paid in the Special Advisor payband of £59,627 to £91,809 (2014-15: £59,037 to £91,809).

From 24 September 2014 to 11 January 2016, the Department was under the control of Mervyn Storey. Since 12 January 2016 the Department has been under the control of Lord Morrow. Ministerial salaries and allowances were paid by the Northern Ireland Assembly and have therefore been treated as a notional cost in these resource accounts. Details of the ministerial salary, allowances and other benefits are given above. These amounts do not include costs relating to the minister's role as MLA/MP/MEP which are disclosed elsewhere.

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Department is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out as at 31 March 2012. This valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting date of the DFP Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2016.

For 2015-16, employer's contributions of £33.036 million were payable to the PCSPS(NI) (2014-15 £30.183 million) at one of four rates in the range 20.8% to 26.3% of pensionable pay, based on salary bands. The scheme's actuary reviews employer contributions every four years following a full scheme valuation. A new scheme funding valuation based on data as at 31 March 2012 was completed by the actuary during 2014-15. This valuation was used to determine employer contribution rates for the introduction of alpha from April 2015. For 2016-17, the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 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, which is a stakeholder pension with an employer contribution. Employer's contributions of £0.058 million (2014-15 £0.060 million) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 14.7% (2014-15 , 3% to 12.5%) of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, DSD employer contributions of £0.003 million, 0.5% (2014-15 £0.003 million, 0.8%) of pensionable pay, were payable to the PCSPS(NI) to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £nil. Contributions prepaid at that date were £nil.

Eighteen (2014-15: twelve) individuals retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.048 million (2014-15 £0.019 million).

Average Number of Persons Employed

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

Average Number of Persons Employed

	2015-16 Number					2014-15 Number
Departmental Strategic Objective	**Permanent staff**	**Others**	**Ministers**	**Special advisers**	**Total**	Total
Objective 1 Providing a fair system of financial help to those in need and to ensure that parents who live apart maintain their children; encouraging personal responsibility and improving incentives to work and save:	5,860	358	1	1	6,220	6,578
Objective 2 Promoting measurable improvements to housing in Northern Ireland:	115	-	-	-	115	121
Objective 3 Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:	241	7	-	-	248	264

Staff engaged on capital projects	-	-	-	-	-	-
Total	**6,216**	**365**	**1**	**1**	**6,583**	6,963
Of which:						
Core Department	2,175					
Agencies	4,408					
	6,583					

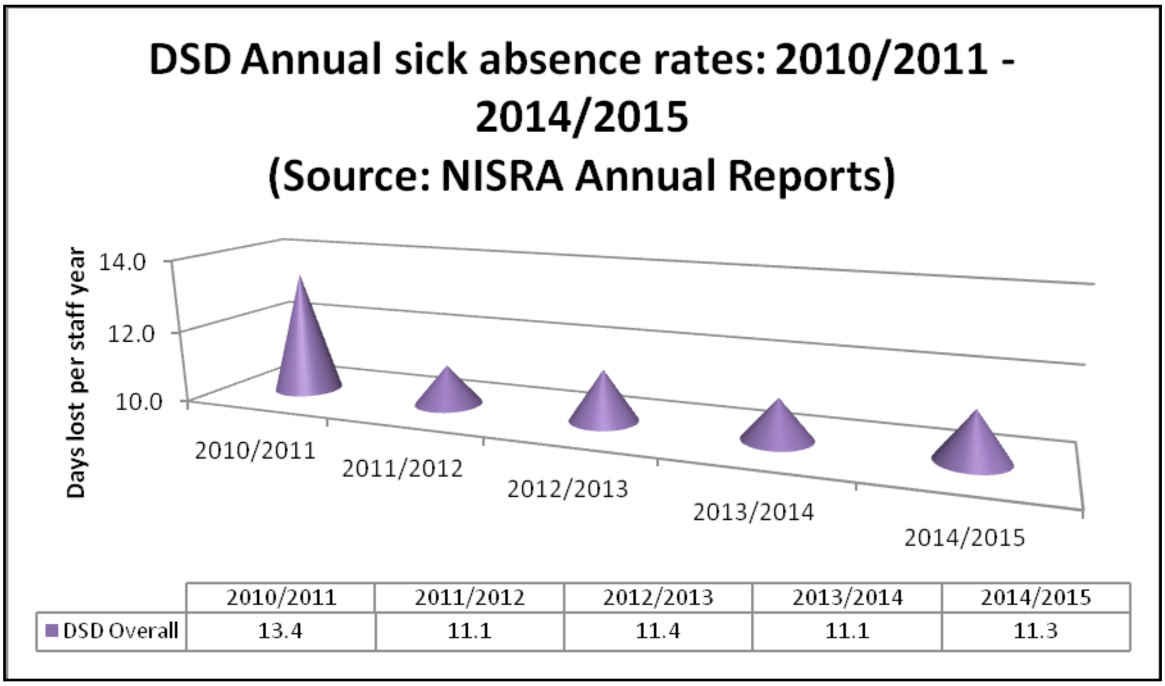
Employee Gender

At 31 March 2016 there were 6,677 staff (based on staff headcount) 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
Senior Staff (Grade 5+)	12	6	18
Employees	2,773	3,886	6,659
Total	2,785	3,892	6,667

Our Managing Attendance Arrangements

The overall sick absence target for 2014-2015 was 10.7 days lost per employee. The Department did not achieve its target for that period, with an overall sick absence rate of 11.3 days lost per employee. However, since 2010-2011 a reduction in the sickness absence rate of 15.7% has been achieved and the Northern Ireland Statistics and Research Agency (NISRA) has noted this positive contribution to the achievement of substantial reductions in the overall NICS sickness absence level. The sick absence target for 2015-2016 remained as 10.7 days lost per employee. NISRA projections of performance against the target to date indicate that we are unlikely to achieve that target with the outturn for the Department estimated as being 13.2 days lost per employee. The verified figures for 2015-2016 will not be available until mid-September 2016.



DSD's WELL Programme on health and wellbeing focuses on prevention, early intervention and responsibility. We encourage staff to look after their health, providing them with the information, advice and support to make healthy lifestyle choices, with the aim of preventing illness. Committed staff representatives in the DSD WELL Champion Network take this forward effectively at local level and provide a vital means of communication. Surveys and ongoing feedback ensures that our WELL Programme is informed by staff needs. For example, in 2015-2016 two areas targeted in response to staff demand were resilience and financial education.

Our Policy on Employment of Disabled Persons

We aim to provide access to the full range of recruitment and career opportunities for all people with disabilities and to establish working conditions that encourage the full participation of disabled people. Where possible, we seek to retain existing staff affected by disability through rehabilitation, training and reassignment. Our Disability Liaison Officers are available to offer advice and guidance on reasonable adjustments which may be required for any member of our staff who has a condition that falls within the remit of the Disability Discrimination Act.

Consultancy Expenditure

During the 2015-16 year the Department spent £1,481,573 on external consultancy , (£6,024,207 in 2014-15). 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 £ 0.770m on the employment of temporary staff in the Social Security Agency. These staff were largely engaged in work relating to the implementation of welfare reform and debt transformation- the development of appropriate systems and processes to enable debt recovery from the new benefits and schemes arising from Welfare Reform legislation within Northern Ireland.

Off-Payroll Engagements

Off – payroll engagements at an annual cost of over £58,200 per annum during 2015-16 are outlined below:

A Off payroll engagements as at 1 April 2015	**4**
B New engagements or those reaching 6 months' duration during the year	**3**
Of those noted at B:	
Engagements including contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	3
Engagements where assurance has been requested	2
Engagements for whom assurance has been requested and received	2
Engagements for whom assurance has been requested but not received	0
Engagements that have been terminated as a result of assurance not being received	0
C Number of engagements that have come onto the payroll during the year	0
Engagements that have come to an end during the year	1
D Closing number of engagements at 31 March 2016	6

Exit Packages (Audited Information)

The following section is subject to audit. Data for the 2014-15 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	-	22(9)	22(9)
£10,000 - £25,000	-	289(6)	289(6)
£25,000 - £50,000	-	44(7)	44(7)
£50,000 - £100,000	-	40(0)	40(0)
£100,000 - £150,000	-	2(0)	2(0)
£150,000 - £200,000	-	-	-
Total number of exit packages by type	-	**397(22)**	397(22)
Total Resource Cost £	-	**8,555,921**	8,555,921

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the Northern Ireland Civil Service pension arrangements and are not included in the table.

The above figures include costs of £8.48 million relating to the NICS voluntary exit scheme.

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 Social Development to prepare a Statement of Assembly Supply (SoAS) and supporting notes to show resource outturn against Supply Estimate presented to the Assembly, in respect of each request for resources.

Summary of Resource Outturn 2015-16

	2015-16							2014-15 Outturn
	Estimate			Outturn			Net total outturn compared with estimate: saving/ (excess)	
	Gross Expenditure	Accruing Resources	Net Total	Gross Expenditure	Accruing Resources	Net Total		Net Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Request for Resources A (note SoAS1) Providing a fair system of financial help to those in need , providing services that encourage family based chid maintenance arrangements and encouraging social responsibility.	3,751,772	(64,956)	3,686,816	3,651,292	(64,397)	3,586,895	99,921	3,454,605
Request for Resources B (note SoAS1) Providing access to decent, affordable sustainable homes and housing support services in Northern Ireland	362,307	(49,897)	312,410	357,833	(48,963)	308,870	3,540	280,266
Request for Resources C (note SoAS1) Improving the physical, economic and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage	93,025	(8,867)	84,158	83,071	(7,116)	75,955	8,203	105,823
Total resources (SoAS9)	4,207,104	(123,720)	4,083,384	**4,092,196**	**(120,476)**	**3,971,720**	**111,664**	3,840,694
Non-operating AR			(35,388)			**(34,565)**	**(823)**	(34,590)

Statement of Assembly Supply (continued)

Net Cash Requirement 2015-16					2014-15
	Note	**Estimate £'000**	**Outturn £'000**	**Net total outturn compared with estimate: saving/(excess) £'000**	Outturn £'000
Net cash requirement	SoAS9	3,965,928	**3,896,397**	**69,531**	3,814,783

Summary of income payable to the Consolidated Fund

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

		2015-16	**Forecast**	**2015-16**	**Outturn**
	Note	**Income £'000**	***Receipts £'000***	**Income £'000**	***Receipts £'000***
Total	SoAS10	1,812	*1,812*	**2,705**	***3,230***

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

The notes on pages 88 to 163 form part of these accounts.

SoAS1 Analysis of net resource outturn by function

	2015-16									2014-15
	Outturn								Estimate	
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000	Prior Year Outturn £'000
Request for Resources A (RfR A)										
Providing a fair system of financial help to those in need, providing services that encourage family based child maintenance arrangements and encouraging social responsibility:										
Departmental Expenditure in DEL										
Social Security Administration	18,854	177,012	-	195,866	(15,466)	180,400	185,189	4,789	4,436	182,427
Belfast Benefit Delivery Centre	-	18,388	-	18,388	(18,388)	-	-	-	-	273
Eastern Area (GB Child Maintenance Group)	-	29,320	-	29,320	(29,320)	-	-	-	-	-
Child Maintenance Service	-	19,522	-	19,522	(207)	19,315	18,962	(353)	-	18,705
Mesothelioma Compensation Scheme	-	-	272	272	(272)	-	-	-	-	-
Independent Living Fund	-	-	1,994	1,994	-	1,994	1,994	-	-	8,276
Discretionary Support Scheme	-	-	13,708	13,708	-	13,708	13,720	12	12	13,708
Housing benefit rates (tenants)	-	-	80,738	80,738	-	80,738	81,024	286	286	78,334
Housing benefit rates (owner occupiers)	-	-	40,939	40,939	-	40,939	44,773	3,834	3,834	42,909
Grants to Motability	-	-	808	808	-	808	992	184	184	993
Annually managed expenditure										
Non-contributory and means-tested benefits:										
- Pension benefits	-	-	5,997	5,997	-	5,997	5,809	(188)	(188)	5,422
- Disability benefits	-	-	1,361,073	1,361,073	-	1,361,073	1,384,296	23,223	23,223	1,314,645
- Industrial injuries benefits	-	-	29,959	29,959	-	29,959	31,637	1,678	1,678	30,036
- Pension credit	-	-	279,180	279,180	-	279,180	285,796	6,616	6,616	299,643
Income support - non-Pensioners,Jobseeker's allowance, Employment and Support Allowance and Universal Credit:										
- Income support - non-pensioners	-	20,519	157,127	177,646	-	177,646	182,723	5,077	5,077	186,657
- Jobseeker's allowance (income based)	-	-	126,126	126,126	-	126,126	128,597	2,471	2,471	162,673

SoAS1 Analysis of net resource outturn by function (continued)

- Employment and support allowance (non-contributory)	-	-	459,167	459,167	-	459,167	479,239	20,072	20,072	403,109
Job Grant	-	-	1,641	1,641	-	1,641	2,000	359	359	1,956
Housing benefit (rent)	-	-	580,853	580,853	-	580,853	590,618	9,765	9,765	573,697
Discretionary housing payments	-	-	3,488	3,488	-	3,488	4,431	943	943	3,202
Financial Assistance Scheme (Non cash costs)	-	73,565	-	73,565	-	73,565	78,883	5,318	5,318	(17,476)
Movement in provisions (non benefit)	-	159	-	159	-	159	213	54	54	(193)
Market Fluctuations	-	(11)	-	(11)	-	(11)	50	61	61	(1)
Non-Budget										
Social Fund (Regulated)	-	-	3,203	3,203	-	3,203	12,752	9,549	9,549	3,790
Social Fund in respect of Winter Fuel Payments	-	-	53,185	53,185	-	53,185	53,468	283	283	53,890
Northern Ireland National Insurance Fund	-	-	75,700	75,700	-	75,700	75,700	-	-	66,100
Notional Charges	18,806	-	-	18,806	-	18,806	23,950	5,144	5,144	21,830
Total	**37,660**	**338,474**	**3,275,158**	**3,651,292**	**(63,653)**	**3,587,639**	**3,686,816**	**99,177**	**99,177**	**3,454,605**

SoAS1 Analysis of net resource outturn by function (continued)

	Outturn						Estimate			
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing Resources £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000	Prior Year Outturn £'000
Request for Resources B (RfR B)										
Providing access to decent, affordable, sustainable homes and Housing support services in Northern Ireland:										
Departmental Expenditure in DEL										
Housing	6,535	517	11,493	18,545	(14,676)	3,869	4,839	970	970	65
Housing grants to the NI Housing Executive	-	31,111	14,965	46,076	-	46,076	34,076	(12,000)	(12,000)	40,851
Interest Payments on Housing Loans	-	34,287	-	34,287	(34,287)	-	-	-	-	-
Annually managed expenditure (AME):										
Movement in Provisions	-	-	-	-	-	-	1	1	1	-
Revaluations to Fair Value of Loans	-	26,369	-	26,369	-	26,369	28,825	2,456	2,456	3,605
Corporation tax	-	-	-	-	-	-	12,000	12,000	12,000	-
Non-Budget										
Grant-In-Aid Paid to the Northern Ireland Housing Executive	-	-	232,119	232,119	-	232,119	232,119	-	-	235,279
Notional Charges	437	-	-	437	-	437	550	113	113	466
Total	**6,972**	**92,284**	**258,577**	**357,833**	**(48,963)**	**308,870**	**312,410**	**3,540**	**3,540**	**280,266**

SoAS1 Analysis of net resource outturn by function (continued)

	2015-16									2014-15
	Outturn						Estimate			
	Admin £'000	Other Current £'000	Grants £'000	Gross Resource Expenditure £'000	Accruing £'000	Net Total £'000	Net Total £'000	Net total outturn compared with Estimate £'000	Net total outturn compared with Estimate, adjusted for virements £'000	Prior Year Outturn £'000
Request for Resources C (RfR C)										
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:										
Departmental Expenditure in DEL										
Urban Regeneration	9,713	5,864	40,973	56,550	(1,384)	55,166	57,231	2,065	2,065	81,885
Community and Voluntary Sector funding	1,499	-	13,062	14,561	(207)	14,354	14,540	186	186	15,886
EU Programme for Peace and Reconciliation	-	-	7,405	7,405	(5,525)	1,880	2,187	307	307	3,230
Annually managed expenditure										
Urban Regeneration/Community Development Non-cash items	-	1,434	-	1,434	-	1,434	6,450	5,016	5,016	1,520
Non-Budget										
Charity Commission (NI)	-	-	1,745	1,745	-	1,745	1,750	5	5	1,801
Notional Charges	1,376	-	-	1,376	-	1,376	2,000	624	624	1,501
Total	**12,588**	**7,298**	**63,185**	**83,071**	**(7,116)**	**75,955**	**84,158**	**8,203**	**8,203**	**105,823**
Resource Outturn	**57,220**	**438,056**	**3,596,920**	**4,092,196**	**(119,732**	**3,972,464**	**4,083,384**	**110,920**	**110,920**	**3,840,694**

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

Explanation of the variation between Estimate and outturn for Request for Resources A (RfR A)
Housing Benefit Owner Occupiers is less than forecast due to being less than estimated. **Financial Assistance Scheme (Non cash costs)** has increased due to changes in the discount rates. **Social Fund (Regulated)** is less than estimate due to Cold Weather payments not being trigged in the 2015-16 winter. **Notional Charges is** less than forecast mainly due to accommodation and IT costs being less than estimated.

Explanation of the variation between Estimate and outturn for Request for Resources B (RfR B)
Underspends in various lines including consultancy, Building Successful Communities, technical assistance and private rented sector were increased by an over receipt in income repaid by NICHA, as disposals were higher than expected as the market continued to improve. Grants to NIHE in respect of corporation tax were accounted for in DEL but the estimate is in AME.

Explanation of the variation between Estimate and outturn for Request for Resources C (RfR C)
EU expenditure relating to Peace III projects are managed by SEUPB and funding is provided by the Department. The level of expenditure varies according to the projects undertaken and the level of ineligible expenditure.

There has been a reduction in impairments, revaluations and in notional charges relating to accommodation costs and to IT Assist charges further to a reduction in desktop costs and in staff numbers.

SoAS2 Contributory benefit expenditure paid from the National Insurance Fund

	Note	2015-16 £'000	2014-15 (Restated) £'000
Pension benefits			
Retirement pension			
- basic element		1,708,746	1,647,819
- additional component		438,273	424,909
Christmas bonus		3,272	3,648
Widow's benefit			
- basic element		12,845	13,260
- additional component		1,563	1,716
- widow's payment		5,931	5,371
Unemployment, Invalidity and Sickness Benefits		(8)	93
Unemployment, incapacity and other benefits			
Jobseeker's Allowance			
- Contributions Based		13,405	13,879
Incapacity Benefit			
- basic element		(1,161)	1,868
- additional component		350	25
Employment Support Allowance (Contribution Based)		345,294	329,273
Other		-	-
Family benefits			
Maternity Allowance		12,312	12,164
Other		-	-
Periodicity and Paydays		-	-
Total	SoAS8.2	**2,540,822**	2,454,025

The notes on pages 88 to 163 form part of these accounts.

SoAS3 Non-contributory benefit expenditure

	Note	2015-16 £'000	2014-15 (Restated) £'000
Pension benefits			
Non-contributory retirement pension		4,165	3,911
Christmas bonus		1,832	1,511
Other		-	-
Disability allowance			
Attendance allowance		203,327	205,322
Carers allowance		150,470	141,763
Severe disablement allowance		6,911	15,353
Disability living allowance		1,003,803	956,136
Disability working allowance		(2)	(5)
Miscellaneous Diseases Scheme		(15)	1
Industrial injuries benefits		29,982	30,067
Income support for the elderly/Pension Credit			
Income support for the elderly		1,289	1,297
Pension Credit		283,716	307,899
Family benefits			
Child benefit		-	-
Family credit		(3)	34
Child Support Maintenance bonus		-	-
Maternity Payments		1,445	1,615
Periodicity and Paydays		-	-
Community Care Grants		13,708	13,708
Other Fair Value Adjustments and Write Offs - Crisis Loan		3,045	2,474
Income support - non-pensioners and Jobseeker's Allowance			
Income support (non-pensioners)		159,212	169,806
Jobseeker's allowance (income based)		129,979	166,001
Jobseeker's allowance (contribution based)		-	-
Employment Support Allowance (Non-contribution Based)		466,125	405,044
Other		-	-
Total		**2,458,989**	2,421,937

The notes on pages 88 to 163 form part of these accounts.

SoAS4 Statutory benefits

	Note	2015-16 £'000	2014-15 £'000
Statutory Sick Pay (SSP)		100	200
Statutory Maternity Pay (SMP)		72,200	63,900
Statutory Parental Pay (SPP)		1,200	1,800
Statutory Shared Parental Pay (SSPP)		800	-
Statutory Adoption Pay (SAP)		1,400	200
Other		-	-
Total		**75,700**	66,100

SoAS5 Other social grants and disbursements

	Note	2015-16 £'000	2014-15 £'000
Grants to independent bodies			
Independent living funds	SoAS1	1,994	8,276
Motability	SoAS1	808	993
Other		-	-
Housing benefit			
Rent rebate	SoAS1	220,166	210,983
Rent allowances	SoAS1	360,687	362,714
Rates	SoAS1	121,677	121,243
Other		-	-
Discretionary Housing Payments	SoAS1	3,488	3,202
New deal - lone parents		-	-
Social Fund disbursements			
Funeral payments		-	-
Cold weather payments		-	375
Maternity payments		-	-
Community care payments		-	-
Winter fuel payments		53,330	53,900
Other-fair value adjustments and impairment of debt written off		4,628	2
Total		**766,778**	761,688

The notes on pages 88 to 163 form part of these accounts.

SoAS6 National Insurance Fund Administration

	Note	2015-16 £'000	2014-15 £'000
NIF Administration costs incurred by the Department		14,634	15,852
Total	SoAS8.1 & SoAS11	14,634	15,852

SoAS7 Programme overheads

	Note	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Increase in provision for fair value adjustments	SoAS7.1	8,996	2,851
Programme debt written off	SoAS7.2	21,106	18,712
Other programme overheads		-	-
Total		**30,102**	21,563
Non-contributory programme overheads	5	28,170	19,911
Contributory programme overheads		1,932	1,652
Total		**30,102**	21,563

SoAS7.1 Fair Value Adjustment

The movement in the provision for fair value adjustments consists of a movement in the overpayments of the following benefits and other expenditure:

	Note	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Contributory benefits		(921)	(780)
Non-contributory benefits		5,492	3,969
Social Fund payments		4,425	(338)
Other programme		-	-
Total		**8,996**	2,851

The notes on pages 88 to 165 form part of these accounts.

SoAS7.2 Bad debts written off

The bad debts written off consist of the write-off of overpayments of the following benefits and other expenditure:

	Note	**2015-16** **Core Department & Agencies £'000**	2014-15 Core Department & Agencies £'000
Contributory benefits			
Pension benefits		1,449	1,233
Incapacity benefits		331	462
ESA Contributory		939	577
Other	SoAS7a	134	160
Non-contributory benefits			
Disability benefit		2,913	2,266
Income support		2,867	2,925
Pensions		4,280	5,216
ESA Non Contributory		4,255	1,252
Other	SoAS7b	1,180	1,195
Social Fund			
Funeral Payments		2,576	2,950
Budgeting Loans		203	339
Other adjustments	SoAS7c	(21)	137
Total		**21,106**	18,712

SoAS7a
Other contributory benefits include Job Seekers' Allowance £0.116 million, Unemployment, Invalidity and Sickness Benefit £0.016 million and Maternity Allowance £0.002 million.

SoAS7b
Other non-contributory benefits include Job Seeker's Allowance £1.051 million, Crisis Loans £0.126 million and Industrial Injuries £0.003 million.

SoAS7c
Other adjustments consist of £0.003 million salary overpayment debt written off and £0.018 million fair value adjustment of salary overpayment debt.

The notes on pages 88 to 163 form part of these accounts.

SoAS8 Reconciliation of outturn to net operating cost

SoAS8.1 Reconciliation of net resource outturn to net operating cost

	Note	2015-16			2014-15 (Restated)
		Outturn £'000	**Supply Estimate £'000**	**Outturn compared with Estimate £'000**	Outturn £'000
Net Resource Outturn	SoAS1	**3,972,464**	4,083,384	**110,920**	3,840,694
Prior period adjustments		-	-	-	(2,737)
Non-supply Expenditure (net)	SoAS2	2,540,822	2,492,876	(47,946)	2,454,025
AR not treated as income - funding from NIF to cover administration costs	SoAS6	14,634	-	(14,634)	15,852
Other Social Fund adjustments		6,062	-	(6,062)	684
Non-supply Income (CFERs)	SoAS10	(2,705)	(1,812)	893	(2,981)
Public Corporation Equity Withdrawal		(14,005)	(14,005)	-	(15,500)
Other		(3)	-	3	-
Net Operating Cost		**6,517,269**	**6,560,443**	**43,174**	6,290,037

SoAS8.2 Non-supply expenditure

	Note	**2015-16**	2014-15
		£'000	£'000
Contributory benefits (net)		2,538,890	2,452,373
NIF write-offs and movement on debt provision	SoAS8	1,932	1,652
Other		-	-
Total gross non-supply expenditure	4	2,540,822	2,454,025

The notes on pages 88 to 163 form part of these accounts.

SoAS9 Reconciliation of net resource outturn to net cash requirement

		2015-16		
	Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate saving/ (excess) £'000
Resource Outturn	SoAS1	4,083,384	3,972,464	110,920
Capital:				
Acquisition of property, plant and equipment	7&8	24,429	8,222	16,207
Investments	14	94,498	94,498	-
Non-operating Accruing Resources:				
Proceeds of fixed asset disposals		(6,400)	(5,755)	(645)
Repayments of loans from other bodies	14	(1,383)	(1,380)	(3)
Repayments of Crisis Loans		(13,600)	(13,425)	(175)
Public Corporation Equity Withdrawal		(14,005)	(14,006)	1
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation	4,5	(3,270)	(2,995)	(275)
New provisions and adjustments to previous provisions	5	(79,347)	(73,975)	(5,372)
Housing Benefit Owner Occupiers	5	(44,773)	(40,939)	(3,834)
Prior Period Adjustments		(2,610)	-	(2,610)
Other non-cash items	3,4,5	(62,959)	(46,953)	(16,006)
Adjustments to reflect movements in working balances:				
Changes in working capital other than cash		(13,348)	21,634	(34,982)
Increase/(decrease) in receivables	16	-	(93,533)	93,533
Increase/(decrease) in payables falling due within one year	17.1	-	30,480	(30,480)
Increase/(decrease) in payables falling due after more than one year	17.2	-	51,684	(51,684)
Use of provision	18	5,312	5,060	252
Other Social Fund adjustments	SoAS8.1	-	6,062	(6,062)
Excess cash receipts surrenderable to the Consolidated Fund	SoAS10	-	-	-
Other		-	(2)	2
Net cash requirement		**3,965,928**	**3,897,141**	68,787

Explanation of the variation between Estimate and outturn (net cash requirement):

Outturn was £68.787 million less than estimate. The key reasons for this are detailed in Note SoAS1.

The notes on pages 88 to 163 form part of these accounts.

SoAS10 Income payable to the Consolidated Fund

SoAS10.1 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):

	Note	**2015-16 Income £'000**	**Forecast *Receipts* £'000**	**2015-16 Income £'000**	**Outturn *Receipts* £'000**
Operating income and receipts - excess Accruing Resources		-	-	-	463
Other operating income and receipts not classified as Accruing Resources		1,812	1,812	2,705	2,767
Subtotal of operating income and receipts surrenderable to the Consolidated Fund		1,812	1,812	2,705	3,230
Non-operating income and receipts - excess Accruing Resources	SoAS9	-	-	-	-
Amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	SoAS9	-	-	-	-
Total income payable to the Consolidated Fund		**1,812**	***1,812***	**2,705**	***3,230***

In addition to the income detailed above, the Department also received £0.018 million in relation to unassigned client receipts from the Client Fund account. These are non-budget amounts and are paid directly to DFP. At the end of the prior year there was a balance in the Department's accounts relating to these amounts of £0.006 million. £0.009 million was paid over to DFP in 2015-16 and there is a balance owing at the year end of £0.015 million (see note 17.1b).

The notes on pages 88 to 163 form part of these accounts.

SoAS11 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	**2015-16** **£'000**	2014-15 (Restated) £'000
Operating income	6	122,158	130,203
Profit on disposal of property, plant and equipment		-	-
Public Corporation Equity Withdrawal		(14,005)	(15,500)
Other		(350)	(2,650)
NIF Administration Costs	SoAS6	14,634	15,852
Gross Income		122,437	127,905
Income authorised to be Accruing Resource (deduct the lower of AR and Estimate)		(119,732)	(124,924)
Operating Income payable to the Consolidated Fund	SoAS10	**2,705**	2,981

Other includes: EU Funding for ERDF Boiler Replacement Income £0.350 million

SoAS12 Non-operating income - Excess Accruing Resources

There was no non-operating income - excess Accruing Resources during 2015-16

	Note	**2015-16** **£'000**	2014-15 £'000
Proceeds on disposal of property, plant and equipment		-	-
Repayments of loans to other bodies		-	-
Other		-	-
Non-operating income - excess AR		-	-

The notes on pages 88 to 163 form part of these accounts.

Other Assembly Accountability Disclosures (Audited Information)

i. Regularity of Expenditure

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

ii. Losses and Special Payments

Losses Statement

	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
RfR A		
Social Security and Child Maintenance Services		
Total (0 cases)	-	3
Social security - administered by the Social Security Agency		
Total (52,553 cases)	20,921	18,580
Social security - administered by the Northern Ireland Housing Executive		
Total (17,171 cases)	1,521	1,455
Reimbursement of Child Maintenance Overpayments		
Total (7 cases)	10	26
RfR B		
Housing		
Total (15 cases)[1]	722	918
RfR C		
Urban regeneration and community development		
Total (6 cases)	147	61
Grand Total	**23,321**	**21,043**

In addition, there was a constructive loss of £730,000 in respect of inability to recover costs from a contractor on the Royal Exchange project due to bankruptcy.

[1] Consists of losses resulting from sales of Special Purchase of Evacuated Dwellings stock as sold during the year by the Northern Ireland Housing Executive.

Special Payments

	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
RfR A		
Social Security and Child Maintenance Services		
Total (20,366 cases)	**3,975**	**3,019**
Comprising:		
Ex-gratia payments (418 cases)	385	309
Extra-statutory payments (19,948 cases)	3,590	2,710
RfR B		
Housing		
Total (4 cases)	**334**	**619**
Comprising:		
Ex-gratia payments (3 cases)	333	504
Extra-statutory payments (1 case)	1	115
RfR C		
Urban regeneration and community development		
Total (7 cases)	**158**	**15**
Comprising:		
Ex-gratia payments (7 cases)	158	15
Grand Total	**4,467**	**3,653**

iii Fees and Charges (Audited Information)

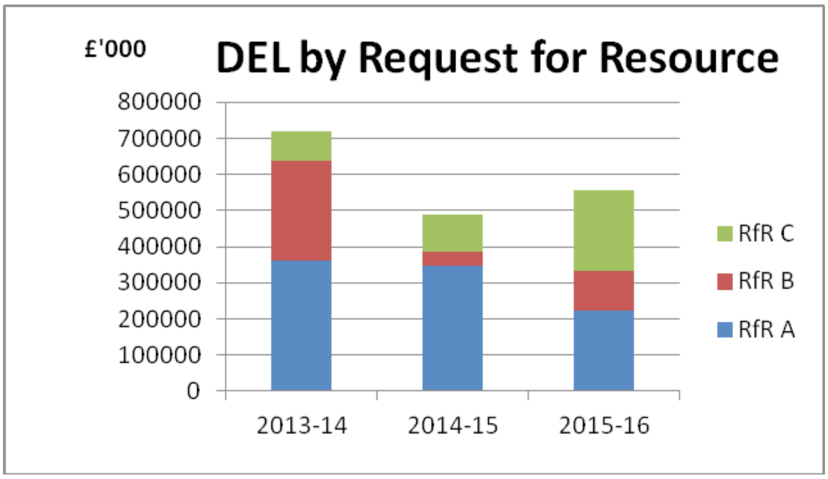
The Department does not currently administer any fees or charges.

iv Remote Contingent Liabilities

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

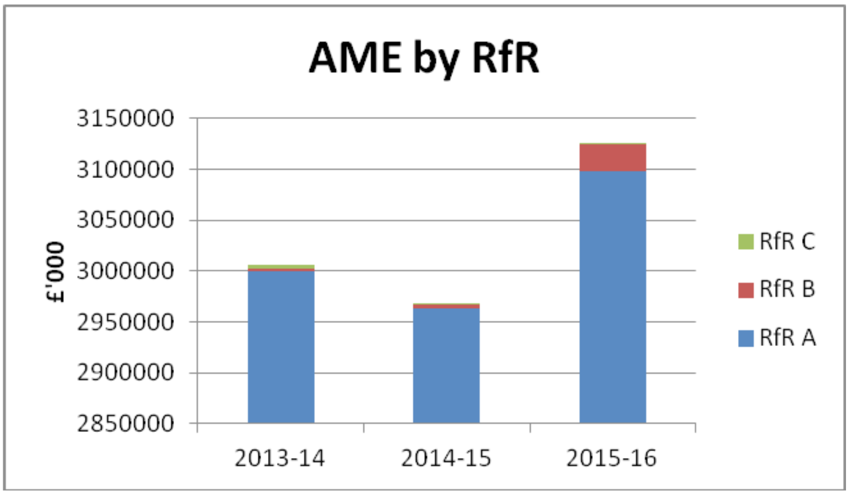
v Long-term Expenditure Trends

The graphs below show the trends in departmental expenditure for the last three years for spending managed within a departmental limit, known as DEL (such as administration costs) and also for demand-led expenditure, known as AME (Annually Managed Expenditure). AME includes items such as benefit expenditure. Note SoAS 1 explains more fully which expenditure belongs to each category.



The chart above shows DEL expenditure by Request for Resource (RfR).

RfR A includes the core department, social security administration and child maintenance. RfR B is housing expenditure and RfR C is urban regeneration expenditure.



This bar chart shows annually managed expenditure by request for resource.

The majority of expenditure is for RfR A. The increase in RfR A particularly since 2014-15 is attributable to an increase in the caseload for disability benefits and employment support allowance plus a change in the discount rate used in calculating a provision for the Financial Assistance Scheme (FAS). FAS is managed by the Pensions Protection Fund within the Department for Work and Pensions (DWP) in Great Britain.

It was established to offer help to some people who have lost out on their pension. The financial results section gives greater details of the spend for each Request for Resource.

Leo O'Reilly

Leo O'Reilly
Accounting Officer
29 June 2016

DEPARTMENT FOR SOCIAL DEVELOPMENT

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

I certify that I have audited the financial statements of the Department for Social Development for the year ended 31 March 2016 under the Government Resources and Accounts Act (Northern Ireland) 2001. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability Report that is described in those reports as having been audited.

Respective responsibilities of the Accounting Officer and auditor

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. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining 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. This includes an assessment of: whether the accounting policies are appropriate to the Department for Social Development's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department for Social Development; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Basis for qualified opinion on regularity arising from incorrect benefit awards and payment of fraudulent claims

The total amount paid in benefits is £5.8 billion, of which £2.1 billion relates to expenditure on State Pension which has a low level of fraud and error and on which I have not qualified my opinion on regularity. In respect of the other benefits amounting to £3.7 billion as reported in Note 21 to the financial statements:

- fraud and error resulted in estimated total overpayments of £75.3 million; and
- estimated underpayments of £16.1 million arose due to official error.

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. All benefit overpayments are irregular as the expenditure has not been applied in accordance with the purposes intended by the Northern Ireland Assembly and also because fraudulent transactions are by definition irregular since they are without proper authority. In addition underpayments arising because of official error are also irregular.

I have therefore qualified my opinion on the regularity of benefit expenditure, other than State Pension, because of the level of overpayments attributable to fraud and error and because of the level underpayments due to official error, both of which are not in conformity with the relevant authorities.

Qualified Opinion on regularity

In my opinion, except for the £91.4 million of incorrect benefit expenditure attributable to fraud and error, in all material respects 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.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department of Social Development's affairs as at 31 March 2016 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability disclosures relating to Regularity of Expenditure; and Fees and Charges Information 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.

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 Remuneration and Staff Report and the Assembly Accountability disclosures relating to Regularity of Expenditure; and Fees and Charges Information 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 Department of Finance's guidance.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

30 June 2016

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

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	**2015-16** Core Department & Agencies £'000	2014-15 (Restated) Core Department & Agencies £'000
Income from sale of goods and services	6	-	-
Other income	6	(122,158)	(130,203)
Total Operating Income		**(122,158)**	(130,203)
Staff Costs	3	213,597	211,754
Purchase of goods and services	4,5	136,592	150,638
Depreciation and impairment charges	4,5	29,363	6,243
Provision Expense	5	73,975	(17,517)
Other Operating Expenditure	4,5	3,645,078	3,615,097
National Insurance Benefits and Non-Voted Expenditure	SoAS2	2,540,822	2,454,025
Total Operating Expenditure		**6,639,427**	6,420,240
Net Operating Expenditure		**6,517,269**	6,290,037
Finance Income		-	-
Finance Expense		-	-
Net Expenditure for the year		**6,517,269**	6,290,037
Other Comprehensive Net Expenditure			
Items that will not be reclassified to net operating costs:			
- Net gain/(loss) on revaluation of Property Plant and Equipment	7	1,555	3,681
- Net gain/(loss) on revaluation of Intangibles	8	70	23
Items that may subsequently be reclassified to net operating costs:			
- Net gain/(loss) on revaluation of assets classified as held for sale	9	31	1,019
Comprehensive Net Expenditure for the year		**6,515,613**	6,285,314

The notes on pages 88 to 163 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2016

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

	Note	**2015-16** Core Department & Agencies £'000	2014-15 (Restated) Core Department & Agencies £'000
Non-current assets:			
Property, plant and equipment	7	121,716	115,086
Intangible assets	8	765	752
Financial Assets	14	107,411	40,640
Total non-current assets		229,892	156,478
Trade and other receivables falling due after more than 1 year	16	397,368	453,243
Current assets:			
Assets classified as held for sale	9	1,265	6,773
Trade and other receivables	16	201,404	239,062
Financial Assets	14	1,355	1,377
Cash and cash equivalents	15	8	12
Total current assets		204,032	247,224
Total assets		**831,292**	856,945
Current liabilities:			
Trade and other payables (amounts falling due within one year)	17	(289,311)	(319,791)
Provisions	18	(6,935)	(6,286)
Total current liabilities		(296,246)	(326,077)
Non current assets plus/less net current assets/liabilities		535,046	530,868
Non-current liabilities			
Trade and other payables (amounts falling due after more than one year)	17	(301,283)	(352,967)
Provisions	18	(214,123)	(145,857)
Total non-current liabilities		(515,406)	(498,824)
Assets less liabilities		**19,640**	32,044
Taxpayers' equity & other reserves:			
General fund		(37,512)	(24,294)
Revaluation reserve		57,152	56,338
Total Equity		**19,640**	32,044

The notes on pages 88 to 163 form part of these accounts.

Leo O'Reilly
Accounting Officer
29 June 2016

Consolidated Statement of Cash Flows for the year ended 31 March 2016

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

	Note	2015-16 £'000	2014-15 (Restated) £'000
Cash flows from operating activities			
Net operating cost	SoCNE	(6,517,269)	(6,290,037)
Adjustments for non-cash transactions	3,4,5	164,862	56,275
(Increase)/Decrease in trade and other receivables	16	93,533	25,663
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	*16*	(381)	(3,266)
Increase/(Decrease) in trade payables	17	(82,164)	(45,082)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	*17*	644	1,205
Use of provisions	18	(5,060)	(5,165)
Adjustment to Net Operating Profit		(7)	14
Net cash (outflow) from operating activities		**(6,345,842)**	(6,260,393)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(8,022)	(8,601)
Purchase of intangible assets	8	(197)	(100)
Proceeds of disposal of property, plant and equipment		5,755	3,321
Loans to other bodies	14	(94,498)	(13,000)
Repayments from other bodies	14	1,380	1,187
Movement in receivables/payables for capital		329	1,606
Net cash outflow from investing activities		**(95,253)**	(15,587)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - relating to the current year		3,898,981	3,817,836
From the Consolidated Fund (Supply) - relating to the prior year		(3,052)	(3,619)
From the National Insurance Fund		2,547,305	2,465,337
Payments to the National Insurance Fund		(2,555,456)	(2,469,877)
Net financing		**3,887,778**	3,809,677
Payments to the National Insurance Fund		2,555,456	2,469,877
Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**2,139**	3,574
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(9)	(6)
Payments of amounts due to the Consolidated Fund		(2,514)	(2,375)
Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund	15	**(384)**	1,193
Cash and cash equivalents at the beginning of the period	15	**(791)**	(1,984)
Cash and cash equivalents at the end of the period	15	**(1,175)**	(791)

The notes on pages 88 to 163 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

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

	Note	General Fund (Restated)	Revaluation Reserve	Taxpayers' Equity
		£'000	£'000	£'000
Balance at 1 April 2014		(77,048)	52,176	(24,872)
Net Assembly Funding - drawn down		3,817,836	-	3,817,836
Net funding from the National Insurance Fund in year		2,465,337	-	2,465,337
Net Funding from the Social Fund		-	-	-
Supply (payable)/receivable adjustment	16 & 17	(3,052)	-	(3,052)
CFERs Income payable to the Consolidated Fund		(2,981)	-	(2,981)
Release of reserves to the Statement of Comprehensive Net Expenditure	5	(17)	-	(17)
Comprehensive Net Expenditure for the year	SoCNE	(6,290,037)	-	(6,290,037)
Non-Cash Adjustments:				
Non-cash charges - auditor's remuneration	4 & 5	270	-	270
Non-cash charges - other	3,4,5	66,437	-	66,437
Inter-Company Fixed Asset Transfers		-	-	-
Movements in Reserves				
Transfers between reserves		560	(558)	2
Movements in Reserves		28	4,720	4,748
Other		(1,627)	-	(1,627)
Balance at 31 March 2015		**(24,294)**	**56,338**	**32,044**
Net Assembly Funding - drawn down		3,898,981	-	3,898,981
Net funding from the National Insurance Fund in year		2,547,305	-	2,547,305
Net Funding from the Social Fund		-	-	-
Supply (payable)/receivable adjustment	16 & 17	(1,838)	-	(1,838)
CFER Income payable to the Consolidated Fund	SoAS10	(2,705)	-	(2,705)
Release of reserves to the Statement of Comprehensive Net Expenditure	5	(27)	-	(27)
Comprehensive Net Expenditure for the year	SoCNE	(6,517,269)	-	(6,517,269)
Non-Cash Adjustments:				
Non-cash charges - auditor's remuneration	4 & 5	264	-	264
Non-cash charges - other	3,4,5	61,294	-	61,294
Inter-Company Fixed Asset Transfers	7	(38)	-	(38)
Movements in Reserves				
Transfers between reserves		880	(842)	38
Movements in Reserves		-	1,657	1,657
Other		(65)	(1)	(66)
Balance at 31 March 2016		**(37,512)**	**57,152**	**19,640**

Other General Fund movement consists of movement in National Insurance Fund (£0.055) million and roundings (£0.010) million.

1 Notes to the financial statements for the year ended 31 March 2016

1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2015-16 *Government Financial Reporting Manual (FReM)* issued by the Department of Finance and Personnel. The accounting policies contained in the *FReM* apply International Financial Reporting Standards (IFRSs) as adapted or interpreted for the public sector context.

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

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

1.1 Accounting Convention

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

The IASB has 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 are 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 but a decision has yet to be made by the Executive. Should the Executive agree to the recommendations, 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 change as a result of the new Standards.

Management has reviewed the other new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts. Management considers that these are unlikely to have a significant impact on the accounts in the period of initial application.

1.2 Basis of Consolidation

These accounts comprise a consolidation of the non-agency parts of the department (the core department), departmental agencies and those entities which fall within the departmental boundary as defined in the *FReM,* interpreted for Northern Ireland.

The executive agency of the Department during the year was the Social Security Agency.

The Social Fund is consolidated within the primary statements and the cash grant to the Social Fund is included in the summary of resource outturn. Although elements of the National Insurance Fund are included in the consolidated statement of comprehensive net expenditure, consolidated statement of financial position and consolidated statement of cash flows, they are excluded from the summary of resource outturn and statement of Assembly supply (SoAS). They are also excluded from all SoAS notes.

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

This consolidation boundary ensures that all items which fall within the Department's expenditure are reflected in the statement of comprehensive net expenditure, whereas the summary of resource outturn reflects only those items which fall within the supply process.

The executive agency produces its own annual report and accounts. 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 21, together with a list of excluded bodies.

Future Changes to the Departmental Boundary

The Department for Social Development became part of the Department for Communities as a result of reorganization of the NICS Departments in May 2016 and therefore gained responsibility for some of those non-departmental bodies sponsored by another department in 2015-16. See the Performance Report for more details.

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. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

Costs associated with the maintenance of software are also recognised as an expense when incurred.

On initial recognition property, plant and equipment and intangible assets are measured at cost including any expenditure, such as installation, directly attributable to bringing them into working condition.

All property, plant and equipment and intangible assets are carried at fair value. December 2015 indices were applied.

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, with an interim valuation performed in the third year of every five-year cycle. A valuation of land and buildings was undertaken by Land and Property Services at 1 April 2010. (For the Social Security Agency a valuation was carried out by Land and Property Services at 31 March 2014.) They are revalued annually, between professional valuations, using indices provided by Land and Property Services, an executive agency within the Department of Finance and Personnel. Due to the establishment of the Department for Communities, the next valuation exercise will be completed during 2016-17. The revaluations for the 2015-16 financial year were based on indices applicable at December 2015. (For the previous financial year the March 2015 indices were used.)

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.

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 40 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).

Title

Title to the freehold land and buildings shown in the accounts is held as follows:

(i) Property on the departmental estate, title to which is held by the Department for Social Development; and
(ii) Property held by the Department of Finance and Personnel, which is in the name of the Secretary of State for Northern Ireland.

With the exception of the above and items under construction, fair value is estimated by restating the value annually by reference to indices compiled by the Office of National Statistics.

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 City Centre 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.

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. Depreciation/amortisation is charged when an asset is available for use, and not in the month of disposal.

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 normally in the following ranges:

Asset Type	Asset Life			
	DSD Core	Housing & URG	CMS	SSA
Freehold buildings	N/A	100 years	N/A	N/A
Leasehold property	Lease period remaining	100 years	Lease period remaining	25 – 60 years
Computer equipment	3 - 10 years	3 - 5 years	3 - 5 years	3 - 10 years
Other equipment	3 - 15 years	3 - 10 years	5 - 10 years	3 - 10 years
Public Art	N/A	5 years	N/A	N/A
Infrastructure Assets	N/A	50 years	N/A	N/A

The overall useful life of the Department's buildings takes account of the fact that different components of those buildings have different useful lives. This ensures that depreciation is charged on these assets at the same rate as if separate components had been identified and depreciated at different rates.

The majority of furniture and fittings are rented from the Department of Finance and Personnel and have not been capitalised. Instead, this forms part of the notional accommodation costs included in the statement of comprehensive net expenditure.

The Child Maintenance Service does not own any land or buildings. However, fitting out of the Great Northern Tower and Royston House and any subsequent improvements, have been capitalised, as leasehold improvements, over the period of the lease - 25 years and 10 years respectively.

Most of the buildings used by the core department and its agencies 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.

Land and buildings included in the statement of financial position include the Belfast Benefit Centre, located at 31 Chichester Street, Belfast and the Lisahally Processing Unit, located at 28 Temple Road, Lisahally.

All of the work carried out by the Belfast Benefit Centre relates to processing services provided to the Department for Work and Pensions in Great Britain.

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 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. In line with this definition £0.104 million was transferred from property, plant and equipment to assets held for resale. (In 2014-15 £0.574 million was transferred from assets held for resale to property, plant and equipment). This represents the additions less reclassifications of the assets held for sale in note 8 of the accounts.

1.6 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 13).

1.7 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.

1.8 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.

1.9 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).

1.10 Inventories

Within the core department and its on-vote executive agency, inventories consist solely of consumable items and are therefore expensed in the year of purchase.

1.11 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 are 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.

1.12 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.

The Department previously included amounts recouped from DSD Child Maintenance Services (CMS) and from insurance companies (referred to as Compensation Recovery Unit, CRU income) as programme income within the annual accounts. In accordance with DFP guidance there is no longer the requirement to show these amounts as income. These amounts are included within programme expenditure.

1.13 Administration and Programme Expenditure

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

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

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to service delivery. The Department's main areas of programme expenditure are social security, housing, urban regeneration and community development and grants to the voluntary sector.

Social security programme expenditure also comprises statutory payments, including contributory benefit expenditure, which is funded from the National Insurance Fund and expenditure which is borne by the Social Fund in addition to the programme expenditure which is within the supply process. Separate White Paper accounts are produced for both National Insurance Fund and Social Fund benefit expenditure.

1.14 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 2016, multiplied by the actual staff salary rate. Employers' National Insurance costs at 10.4% and employers' pension at 22% 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.

1.15 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 should be included within trade receivables (Note 15).

1.16 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.

1.17 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 real rate set by HM Treasury. This is currently (1.55)%, (2014-15: (1.5)%) for short-term provisions between 0 and 5 years from the statement of financial position date, and it is applicable to personal injury and equal opportunities provisions. The discount rate for the early departure provision is 1.37% (2014-15: 1.3%).

1.18 Value Added Tax

All items stated in these accounts are exclusive of VAT. VAT is recovered on a Departmental basis in line with the provisions applicable to government bodies in NI.

1.19 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.

1.20 National Insurance Fund (NIF)

As stated in Note 1.2, the 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 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 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 National Insurance Fund will be reflected in the current account maintained between the Department and the National Insurance Fund (See Notes 15 and 16).

1.21 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.

1.22 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.

1.23 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.

1.24 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 operating income.

1.25 Derivatives and Other Financial Instruments

The following are the key accounting policies used from 1 April 2008 onwards to reflect the adoption of financial instruments under the new Financial Reporting Standards (International Accounting Standard 32, International Accounting Standard 39 and International Financial Reporting Standard 7).

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 Department categorises the following account balances to be financial instruments:

(i) Cash and cash equivalents

- Programme and resource financing
- National Insurance Fund receivable
- Cash in transit (Note 1.11)

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.

Cash and cash equivalents also comprise funding voted by the Northern Ireland Assembly to meet the Department's resource requirements (programme and resource financing), National Insurance Fund receivable and cash in transit. The 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 Cash in Transit amount reflects purely a timing difference at the yearend in the funding and payment of benefit expenditure.

These amounts are due within one year and have no impairment indicators.

(ii) Loans and Receivables

- Benefit overpayment receivables (including Housing Benefit)
- Social Fund loans
- Salary Overpayments

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 2015-16 was 3.7%, (2014-15: 2.2%).

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 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.

Risk Management

The principal financial risks to which the Department is exposed follow below.

Liquidity Price Risk

The Department's resource requirements are financed by resources voted by the Northern Ireland Assembly, as is its non-current asset expenditure. It is not, therefore, exposed to significant liquidity risks.

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. The Department has an active debt recovery process in place in relation to these receivables and details of this process are in Note 1.27.

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 Social Fund loans the exposure to credit risk is the amount of debt or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Department is exposed to credit risk is the balance of the net benefit overpayment receivables and Social Fund loans net receivables disclosed in Note 15 of the accounts.

For Benefit Overpayment Receivables this risk is limited to the extent that the receivable can be recovered 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.

The Department has a statutory obligation to issue 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 Social Fund loans will not be repaid.

The economic downturn may also increase the amount of credit risk the Department is exposed to for future reporting periods. This may potentially impact on the recoverability of benefit overpayment receivables and Social Fund loans from customers.

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 Social Fund loans. The Treasury discount rate to be applied is the real rate of (0.8)% (2014-15 2.2%). The Treasury's discount rate is substantially independent of changes in market interest rates.

Sensitivity Analysis

The Treasury's discount rate is substantially independent of changes in market interest rates therefore sensitivity analysis is not appropriate.

1.26 Presentation of the Consolidated Accounts

The core accounts comprise the Core Department, Housing Division, Urban Regeneration and Community Development Group and the Child Maintenance Service. As the results of the core accounts are material in comparison to the results of the consolidated departmental resource account, the Department has disclosed the transactions and flows for the financial year and the balances at the year end between the core department and the consolidated group.

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.

Benefit overpayment receivables write off policy has been agreed with the Department of Finance and Personnel (DFP). 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; and
- 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 (0.8)% is also applied to the benefit receivables balance at the end of the accounting period to estimate the present value of cash flows (2014-15:

2.2%).

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 Social Security Agency 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.

(ii) The fair value adjustment for payments made to the Department in respect of the Compensation Recovery Unit (CRU) 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 12.

Benefit Overpayment Receivables:

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

Employee Benefits:

The estimation technique employed in the calculation of employee benefits is disclosed in Note 1.14.

Provisions:

The estimation technique employed in the calculation of provisions is disclosed in Note 1.17.

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. For clarity and transparency purposes the amount due to the HST is disclosed in Note 15.

1.29 Deferred Income

Deferred income of £2.647 million includes the cost of decontamination work at Fort George army barracks (Note 16). The Department for Social Development acquired the Fort George site from the Londonderry 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. DSD accepted the offer and the decontamination project commenced in 2010-11, with income being released as expenditure is incurred. It is expected to be completed in 2016-17.

1.30 Changes to the Social Fund 1 April 2013

In 2013-14 funding for certain discretionary elements of Social Fund in NI, Community Care Grants and Crisis Loans were reclassified as Departmental Expenditure Limit. In 2014-15 certain regulated elements of Social Fund in NI, Funeral Loans and Maternity Payments were also reclassified as Departmental Expenditure Limit. Whilst Departmental Expenditure Limit funded, these social security benefits continue to be paid under Social Fund legislation and are therefore included within programme expenditure.

The change in funding arrangements for Funeral Loans and Maternity Payments has been reflected in Note 4 Programme Costs, SoAS3 Non-contributory benefit expenditure and SoAS5 Other social grants and disbursements.

The balance for Funeral Loans at the year end remains within Note 15 - Trade receivables and other current assets. Funeral Loan fair value adjustments are reflected in Note 4 Programme Costs, SoAS3 Non-contributory benefit expenditure and SoAS5 Other social grants and disbursements.

1.31 Prior Period Adjustments

There were a number of prior period adjustments relating to 2014-15:

- Two assets which should have been capitalised were incorrectly expensed
- The disposal of one asset was not reflected in the accounts

This has resulted in the following adjustments:

	2014-15 Original £'000	2014-15 Revised £'000
Note 5 Grants and other current expenditure	6,196,787	6,194,050
Note 8 Property, Plant and Equipment NBV	112,349	115,086

2 Statement of Operating Costs by Operating Segment

	Note	2015-16 Reportable Segment 1 £'000	Reportable Segment 2 £'000	Reportable Segment 3 £'000	Total £'000	2014-15 (Restated) Reportable Segment 1 £'000	Reportable Segment 2 £'000	Reportable Segment 3 £'000	Total £'000
Gross Expenditure		6,198,175	358,181	83,071	6,639,427	5,972,516	334,750	112,974	6,420,240
Income		(49,860)	(64,096)	(8,202)	(122,158)	(47,804)	(71,349)	(11,050)	(130,203)
Net Expenditure	SoAS9	**6,148,315**	**294,085**	**74,869**	**6,517,269**	5,924,712	263,401	101,924	6,290,037
Total Assets		**210,169**	**477,808**	**143,315**	**831,292**	237,689	473,983	145,273	856,945

Reportable Segment 1- RfR A
Providing a fair system of financial help to those in need, providing services that encourage family based child maintenance arrangements and encouraging social responsibility.

Reportable Segment 2- RfR B
Providing access to decent, affordable, sustainable homes and Housing support services in Northern Ireland.

Reportable Segment 3- RfR C
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage.

The reportable segments above reflect the Department's Requests for Resources (RfRs) and their associated objectives. The business areas delivering these are as follows:

RfRA- Social Security Agency, Child Maintenance Service, Core Department.

RfR B- Housing

RfR C- Urban Regeneration Group

There is no difference in the composition of the reportable segments in 2015-16 from 2014-15. 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.

2.1 Reconciliation between Operating Segments and SoCNE

	Note	2015-16 Total £'000	(Restated) 2014-15 Total £'000
Total net expenditure reported for operating segments		6,517,269	6,290,037
Total net expenditure per the Statement of Comprehensive Net Expenditure		**6,517,269**	6,290,037

2.2 Reconciliation between Operating Segments and SoFP

	Note	2015-16 Total £'000	(Restated) 2014-15 Total £'000
Total assets reported for operating segments		831,292	856,945
Total assets per the Consolidated Statement of Financial Position		**831,292**	856,945

3 Staff Costs

Staff costs comprise:

	2015-16	2014-15
	Total £'000	Total £'000
Wages and salaries	170,387	170,541
Social security costs	10,119	10,809
Other pension costs	33,091	30,404
		-
Sub Total	213,597	211,754
Less recoveries in respect of outward secondments	-	-
Total net staff costs	213,597	211,754
Of which:		
Charged to Administration	30,738	
Charged to Programme	182,859	
Total net costs	213,597	

A breakdown of the above costs into permanent staff, Ministers' costs and others can be found in the Staff Report within the Accountability Report.

4 Other Administration Costs

	Note	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Management consultancy		1,047	4,790
Accommodation costs		1,428	1,521
Contracted services		1,865	1,327
Travel and subsistence		265	313
Postage		160	228
Legal and Other Professional Costs		212	212
Computer and office running costs		165	179
Telecom		174	175
Printing and stationery		98	116
Other expenditure	4a	444	1,157
Non-cash items:			
Depreciation on administration property, plant and equipment	7 & 8	49	53
Loss on disposal of administration property, plant and equipment		-	-
Profit on disposal of administration property, plant and equipment		-	-
Permanent diminution in value of administration property, plant and equipment		-	-
Notional costs:	4b		
Accommodation costs		1,391	1,697
Other indirect charges and services		2,515	2,546
Auditor's remuneration and expenses	4c	116	122
Total		**9,929**	14,436

4a Other administration costs include: Machinery & Equipment £0.021 million, Staff Training £0.038 million, Compensation Payments £0.079million, Advertising & Publicity £0.113 million, Research Costs £0.024 million and Misc £0.169 million.

4b Certain services are received by the Department from other Departments without the transfer of cash, these are categorised as notional costs.

4c The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller & Auditor General in respect of the Core department, Housing and URG. There was no remuneration paid for non-audit work during the year.

5 Programme Costs

	Note	**2015-16** **Core Department & Agencies** **£'000**	2014-15 (Restated) Core Department & Agencies £'000
Grants and other current expenditure	5a	3,616,908	3,595,186
Non-contributory programme overheads	SoAS7	28,170	19,911
Non-supply expenditure: contributory benefits	SoAS8.2	2,540,822	2,454,025
Contracted services		37,070	38,078
Accommodation costs		9,425	8,813
Medical adjudication		5,977	6,299
Card Account		4,564	5,055
Legal and Other Professional Costs		2,118	2,937
Postage		2,191	2,217
Management consultancy		1,119	1,901
Travel and subsistence		1,127	1,422
Printing and stationery		626	906
Computer and office running costs		850	983
Other programme costs	5b	4,186	4,526
Non-cash items:			
Depreciation on programme property, plant and equipment	7 &8	2,946	2,585
Release from General Fund in respect of GB capital items		(27)	(17)
Loss on disposal of programme property, plant and equipment		14	603
Profit on disposal of programme property, plant and equipment		(10)	-
Movement in programme provisions	18	73,975	(17,517)
Permanent diminution in value of programme property, plant and equipment		(11)	256
Housing Benefit Owner Occupiers		40,939	42,909
Other	5c	26,368	3,605
Notional costs:	5d		
Accommodation costs		13,322	16,030
Other indirect charges and services		3,084	3,189
Auditors' remuneration and expenses	5e	148	148
Total		**6,415,901**	6,194,050

5a Current grants and other expenditure and contributory benefits expenditure is the amount of expenditure incurred in the year and excludes programme overheads. The expenditure analysed in Note SoAS1 includes programme overheads.

5b

Other Programme Costs	2015-16 £'000	2014-15 £'000
Early departure and other staff charges	236	648
Training	106	281
Telecommunications	258	267
Special Payments/Compensation	255	636
Housing Advisory Branch	469	572
Landlord Registration	465	224
St Patrick's Barracks	114	0
Currency exchange losses/(gains)	(186)	15
Third Party Research	71	32
Advertising/publicity	268	197
Other professional costs	491	0
Miscellaneous	1,639	1,654
	4,186	4,526

5c

Other Non-Cash Costs	2015-16 £'000	2014-15 £'000
NICHA Financial Transactions Capital funding replacing grant	27,112	0
Discounting/(Less unwinding of discounting/ reversal of impairment):		
Get Britain Building loans	(377)	(369)
Affordable Homes Loans	(223)	1,744
Empty Homes Loans	(143)	2,230
Rounding	(1)	0
	26,368	3,605

5d Certain services are received by the Department from other Departments without the transfer of cash, these are categorised as notional costs.

5e The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller & Auditor General. There was no remuneration paid for non-audit work during the year.

6 Income

This note analyses the income recorded in the Statement of Comprehensive Net Expenditure, net of any transfers between Request for Resources (See Note SoAS11).

Operating income is as follows:	Note	**RfR A £'000**	**RfR B £'000**	**RfR C £'000**	**2015-16 Core Department & Agencies Total £'000**	2014-15 **Core Department & Agencies Total £'000**
Recoveries from DWP		47,708	-	-	47,708	45,949
Interest Reimbursement from NIHE		-	34,287	-	34,287	39,798
NIHE House Sales		-	14,005	-	14,005	15,500
EU receipts		-	350	6,900	7,250	12,334
Consolidated Fund Extra Receipts		841	8	1,086	1,935	2,079
Interest receivable		-	770	-	770	902
Proceeds on disposal of assets held for resale		-	-	-	-	-
Other	6a	1,311	14,676	216	16,203	13,641
Total	SoAS11	**49,860**	**64,096**	**8,202**	**122,158**	130,203

6a

Other programme accruing resources include:	2015-16 £'000	2014-15 £'000
Recoveries of secondees' costs	355	375
Housing Association Grant recoverable	14,218	9786
Landlord Registration	458	2,713
Recoveries for Syrian refugees	215	0
2012 Child Maintenance Service Scheme charging income	195	79
Miscellaneous	762	688
	16,203	13,641

7. Property, plant and equipment

2015-16	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Total £'000
Cost or valuation								
At 1 April 2015	65,343	11,320	46,106	1,107	83	2,661	69	126,689
Adjustments to opening balances	(31)	-	35	-	-	(3)	(4)	(3)
Additions	6,091	-	1,805	13	-	116	-	8,025
Transfers in	475	-	-	-	-	72	-	547
Intercompany transfers in	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Disposals	(79)	-	(27)	(8)	-	(52)	-	(166)
Intercompany transfers out	-	-	-	-	-	(72)	-	(72)
Reclassifications	(579)	-	-	-	-	-	-	(579)
Impairments	-	-	-	-	-	31	-	31
Upward Revaluations	172	310	-	-	-	17	-	499
Downward Revaluations	-	(76)	-	(5)	-	-	-	(81)
At 31 March 2016	**71,392**	**11,554**	**47,919**	**1,107**	**83**	**2,770**	**65**	**134,890**
Depreciation								
At 1 April 2015	27	368	8,399	895	8[illegible]	1,798	35	11,603
Adjustments to opening balances	-	-	-	(2)	-	-	-	(2)
Intercompany transfers in	-	-	-	-		34	-	34
Charged in year	4	1,175	1,174	136	1	242	8	2,740
Disposals	-	-	(4)	(6)	-	(41)	-	(51)
Intercompany transfers out	-	-	-	-	-	(34)	-	(34)
Reclassifications	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	18	-	18
Upward Revaluations	-	-	-	-	-	13	-	13
Downward Revaluations	-	(1,132)	-	(15)	-	-	-	(1,147)
At 31 March 2016	**31**	**411**	**9,569**	**1,008**	**82**	**2,030**	**43**	**13,174**
Carrying amount at 31 March 2016	**71,361**	**11,143**	**38,350**	**99**	**1**	**740**	**22**	**121,716**
Carrying amount at 31 March 2015	65,316	10,952	37,707	212	2	863	34	115,086

7. Property, plant and equipment (continued)

Asset Financing:		Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Total £'000
Owned		71,361	9,855	38,350	99	1	740	22	120,428
Finance leased		-	1,288	-	-	-	-	-	1,288
On-Balance Sheet PFI contracts and other service concession arrangements		-	-	-	-	-	-	-	-
Contracts		-	-	-	-	-	-	-	-
Carrying amount at 31 March		**71,361**	**11,143**	**38,350**	**99**	**1**	**740**	**22**	**121,716**
Of the total:									
Core Department		67,124	1,480	38,350	8	1	116	22	107,101
Agencies		4,237	9,663	-	91	-	624	-	14,615
Carrying amount at 31 March 2016	**2016**	**71,361**	**11,143**	**38,350**	**99**	**1**	**740**	**22**	**121,716**

The last revaluation of assets was carried out in March 2010 in line with accounting policy note 1.3.

7. Property, plant and equipment (continued)

2014-15 (Restated)	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Total £'000
Cost or valuation								
At 1 April 2014	60,636	12,901	40,377	1,090	83	1,075	50	116,212
Adjustments to opening balances	-	-	(603)	-	-	-	-	(603)
Additions	4,911	-	3,245	19	-	88	18	8,281
Transfers in	1,715	-	-	-	-	-	-	1,715
Intercompany transfers in	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-
Disposals	(154)	(25)	-	(3)	-	(13)	-	(195)
Intercompany transfers out	-	-	-	-	-	-	-	-
Reclassifications	(1,968)	(1,508)	-	-	-	1,508	-	(1,968)
Impairments	-	-	-	1	-	1	-	2
Upward Revaluations	212	429	3,087	-	-	1	1	3,301
Downward Revaluations	(9)		-	-	-	1	-	(56)
At 31 March 2015	**65,343**	**11,320**	**46,106**	**1,107**	**83**	**2,661**	**69**	**126,689**
Depreciation								
At 1 April 2014	5	974	7,001	766	80	894	29	9,749
Adjustments to opening balances	-	-	(73)	-	-	-	(4)	(77)
Intercompany transfers in	-	-	-	-	-	-	-	-
Charged in year	4	994	1,100	136	1	150	10	2,395
Disposals	-	(25)	-	(3)	-	(1)	-	(29)
Intercompany transfers out	-	-	-	-	-	-	-	-
Reclassifications	-	(755)	-	-	-	755	-	-
Impairments	-	-	-	(1)	-	-	-	(1)
Upward Revaluations	-	(667)	371	-	-	-	-	371
Downward Revaluations	18		-	(3)	-	-	-	(805)
At 31 March 2015	**27**	**368**	**8,399**	**895**	**81**	**1,798**	**35**	**11,603**
Carrying amount at 31 March 2015	65,316	10,952	37,707	212	2	863	34	115,086
Carrying amount at 31 March 2014	60,631	11,927	33,376	324	3	181	21	106,463

7. Property, plant and equipment (continued)

Asset Financing:	Land £'000	Buildings £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Total £'000
Owned	65,316	9,588	37,707	212	2	863	34	113,722
Finance leased	-	1,364	-	-	-	-	-	1,364
On-Balance Sheet PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-
Contracts	-	-	-	-	-	-	-	-
Carrying amount at 31 March 2015	**65,316**	**10,952**	**37,707**	**212**	**2**	**863**	**34**	**115,086**
Of the total:								
Core Department	61,219	1,599	37,707	16	2	171	34	100,748
Agencies	4,097	9,353	-	196	-	692	-	14,338
Carrying amount at 31 March 2015	65,316	10,952	37,707	212	2	863	34	115,086

8 Intangible assets

2015-16	Computer Software £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2015	1,923	18	1,941
Additions	197	-	197
Donations	-	-	-
Disposals	-	-	-
Reclassifications	-	-	-
Impairments	1	-	1
Upward Revaluations	5	-	5
Downward Revaluations	17	-	17
At 31 March 2016	**2,143**	**18**	**2,161**
Amortisation			
At 1 April 2015	1,171	18	1,189
Charged in year	255	-	255
Disposals	-	-	-
Impairments	-	-	-
Upward Revaluations	-	-	-
Downward Revaluations	(48)	-	(48)
At 31 March 2016	**1,378**	**18**	**1,396**
Carrying amount at 31 March 2016	**765**	**-**	**765**
Carrying amount at 31 March 2015	752	-	752
Asset Financing:			
Owned	765	-	765
Finance leased	-	-	-
Contracts	-	-	-
Carrying amount at 31 March 2016	**765**	**-**	**765**
Of the total:			
Core Department	127	-	127
Agencies	638	-	638
Carrying amount at 31 March 2016	765	-	765

8 Intangible assets (continued)

2014-15	Computer Software £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2014	1,829	18	1,847
Additions	100	-	100
Donations	-	-	-
Disposals	(34)	-	(34)
Reclassifications	-	-	-
Impairments	-	-	-
Upward Revaluations	6	-	6
Downward Revaluations	22	-	22
At 31 March 2015	1,923	18	1,941
Amortisation			
At 1 April 2014	957	18	975
Charged in year	243	-	243
Disposals	(34)	-	(34)
Impairments	-	-	-
Upward Revaluations	4	-	4
Downward Revaluations	1	-	1
At 31 March 2015	1,171	18	1,189
Carrying amount at 31 March 2015	**752**	**-**	**752**
Carrying amount at 1 April 2014	872	-	872
Asset Financing:			
Owned	752	-	752
Finance leased	-	-	-
Contracts	-	-	-
Carrying amount at 31 March 2015	**752**	**-**	**752**
Of the total:			
Core Department	173	-	173
Agencies	579	-	579
Carrying amount at 31 March 2015	**752**	**-**	**752**

9 Assets classified as held for sale

	Total £'000
Balance at 1 April 2014	8,669
Additions	1,968
Disposals	(3,232)
Reclassifications	(1,394)
Impairments	-
Upward Revaluations	6,807
Downward Revaluations	(6,045)
Balance at 31 March 2015	6,773
Additions	579
Disposals	(5,643)
Reclassifications	(475)
Impairments	-
Upward Revaluations	31
Downward Revaluations	-
Balance at 31 March 2016	**1,265**
Asset Financing:	
Owned	1,265
Balance at 31 March 2016	**1,265**
Of the total:	
Core Department	1,265
Agencies	-
Balance at 31 March 2016	**1,265**

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 2016-17.

10 Impairments

	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Amount charged to the Statement of Comprehensive Net Expenditure	(11)	256
Amount taken through the revaluation reserve	(1,134)	5,016
Total Impairment charge for the year	**(1,145)**	5,272

11 Capital and other commitments

11.1 Capital commitments

	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Contracted capital commitments at 31 March not otherwise included in these financial statements		
Information Technology	26	54
Total	26	54

The Agency signed a contract in January 2011 with Atos Origin IT Services UK Ltd for the provision of medical support services. The contract arrangements commenced in June 2011 for seven years. The total contract costs include charges for medical experts, administrative staff, accommodation and ICT infrastructure costs.

11.2 Commitments under leases

11.2.1 Operating leases

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

	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Obligations under operating leases comprise:		
Land:		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	-	-
Buildings:		
Not later than one year	1,430	2,064
Later than one year and not later than five years	-	1,328
Later than five years	-	-
Total	1,430	3,392
Other:		
Not later than one year	14	24
Later than one year and not later than five years	-	11
Later than five years	-	-
Total	14	35
Total obligations under operating leases	**1,444**	3,427

Other commitments under operating leases include: photocopier leases £0.001 million and carparks £0.013 million.

11.2.2 Finance leases

The Department had no obligations under finance leases and hire purchase agreements.

11.3 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:

	Note	**2015-16 Core Department & Agencies £'000**	2014-15 Core Department & Agencies £'000
Not later than one year		36,505	26,986
Later than one year and not later than five years		56,269	58,338
Later than five years		-	2,255
Total		92,774	87,579

Included within Other Financial Commitments are:

Medical Support Services (MSS) (£20.700 million)

The Department signed a contract in January 2011 with Atos Healthcare for the provision of medical support services. In 2011-12 the Department completed the transition of the delivery of medical advice and assessment services in Northern Ireland to Atos Origin IT Services UK Ltd. Atos Healthcare are responsible for carrying out customer medical examinations required for assessing entitlement to a range of benefits including Employment Support Allowance and Disability Living Allowance. The contract arrangements commenced in June 2011. The total contract costs include charges for medical experts, administrative staff, accommodation and ICT infrastructure costs and these costs are variable being dependant on the volumetric usage of the contract e.g. the number of medical assessments undertaken. The charges for the MSS contract for 2015-16 are £7.426 million (2014-15: £8.054 million).

Standard Service Business Allocation (£26.982million)

The Department for Work and Pensions (DWP) has entered into contracts for Information Technology Services to support the administration and delivery of social security benefits. The Department for Social Development acting for and on behalf of the Social Security Agency is treated as a 'related organisation' for some of these DWP contracts. One of these DWP contracts is the Standard Services Business Allocation (SSBA) contract. The Department is not a signatory to the SSBA contract. The Department effectively buys a service from the contract, under the DWP contract terms and arrangements and DWP pass on the costs for the Department's share of the services it has consumed via a monthly re-charge. The charges for the Standard Services Business Allocation contract for 2015-16 are £12.715 million (2014-15: £13.845 million).

Post Office Card Account (£21.300 million)

The Department for Social Development acting for and on behalf of the Social Security Agency is a party to the DWP contract for the provision of Post Office Card accounts with Post Office Ltd (commonly known as the Post Office Card Accounts contract). The Post Office Card Account service is a simple bank account service for recipients of benefits and tax credits which is contracted out to Post Office Ltd. The Government departments which utilise the contract are invoiced directly by Post Office Ltd on a monthly basis. The running costs of the contract are apportioned between the Government departments based on the volume of payments made to the Post Office Card accounts in the preceding month. The charges for the Post Office Card Accounts contract for 2015-16 are £3.820 million (2014-15: £5.070 million)

Simple Payment Service (£0.500 million)

The Department for Work and Pensions (DWP) signed a seven year contract with Citibank on 13 September 2011. Citibank works in partnership with PayPoint, which provides the Personal Teller Service which facilitates the delivery of the Simple Payment Service. The Simple Payment Service predominantly replaces cheque payments for Social Security benefits. The charges under the Simple Payment Service contract for 2015-16 year are £0.186 million (2014-15: £0.266 million).

Personal Independence Payment (PIP) / Capita Contract (£23m)

The contract for the Personal Independence Payment (PIP) Assessment Service in Northern Ireland was awarded to Capita Business Services Limited on 20 November 2012. This contract was awarded for a period of 5 years. After the Welfare Reform Bill successfully completing passage through the Northern Ireland Assembly, PIP will be introduced in Northern Ireland on the 20th June 2016. Capita Business Services Limited will be responsible for carrying out independent assessments, on behalf of the Department for Communities (DfC). These are required in order to assess entitlement to PIP. As per the original contract arrangements and subject to agreement by both parties, it is the intention of DfC to extend the contract term and following post service commencement of the contract, to renegotiate the contract price per medical assessment.

Landlord Registration Database (£0.291 million)

All landlords who let properties under a private tenancy in Northern Ireland must register with the Department. The maintenance cost for administrating the Landlord Registration database has been contracted until 2020. Landlord registration is administered through NI Direct.

12 Government grant commitments

	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Government grant commitments at 31 March for which no provision has been made	34,131	44,812
Other	-	-
Total	**34,131**	44,812

Future amounts payable under EU letters of Offer are included within this note as a commitment rather than as a provision within note 18.

13 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 Social Fund loans the exposure to credit risk is the amount of debt or loan not recovered from benefit customers.

Liquidity risk

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

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 Social Fund loans. The Treasury discount rate to be applied is the real rate of (0.8)%. 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 are classified as financial instruments under IAS 32, IAS 39 and IFRS 7 criteria. 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)
- Social Fund loans
- NIHE loan receivable
- Housing association loans
- Local authority loans
- Get Britain Building Loans

The benefit overpayment receivables and Social Fund loans are classified as financial instruments under IAS 32, IAS 39 and IFRS 7 criteria. These standards require these amounts to be stated in the statement of financial position at their fair value.

Financial instruments are carried at amortised cost using the effective interest method, with changes in value between 1 April 2015 and 31 March 2016 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 2015-16 accounts are:

Gross Receivables	Gross Receivables £'000	Impairment & Discounting Debt £'000	Net Receivables £'000
Receivables(amounts falling due less than one year):			
Contributory Benefits	883	(252)	631
Non-contributory Benefits	8,645	(2,147)	6,498
Housing Benefit	11,390	(3,767)	7,623
Funeral Loans	109	(2,549)	(2,440)
Other Loans	48,833	(313)	48,520
CRU Receivable	726	(142)	584
Housing Association Loans	1,207	-	1,207
Get Britain Building Loans	151	(3)	148
NIHE Loans	52,365	-	52,365
Salary Overpayments	-	-	-
Receivables(amounts falling due more than one year):			
Contributory Benefits	11,724	(7,798)	3,926
Non-contributory Benefits	98,796	(58,355)	40,441
Housing Benefit	26,030	(14,453)	11,577
Funeral Loans	4,530	(1,923)	2,607
Other Loans	42,324	(8,216)	34,108
Housing Association Loans	5,744	-	5,744
Get Britain Building Loans	40,455	(6,174)	34,281
NIHE Loans	301,283	-	301,283
NICHA FTC Funding	94,498	(27,112)	67,386
	749,693	**(133,204)**	**616,489**

(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.

14 Investments and loans in other public sector bodies

	Loans £'000	Other £'000	Total £'000
Balance at 1 April 2014	33,809	-	33,809
Additions	13,000	-	13,000
Disposals	-	-	-
Repayments and Redemptions	(1,187)	-	(1,187)
Interest Capitalised	-	-	-
Revaluations	(3,605)	-	(3,605)
Impairments	-	-	-
Balance at 31 March 2015	42,017	-	42,017
Additions	94,498	-	94,498
Disposals	-	-	-
Repayments and Redemptions	(1,380)	-	(1,380)
Interest Capitalised	-	-	-
Revaluations	(26,369)	-	(26,369)
Impairments	-	-	-
Balance at 31 March 2016	**108,766**	**-**	**108,766**
Analysis of investments:			
The balance of investments comprises:			
Core Department	108,766	-	108,766
Agencies 2016	-	-	-
Core Department	42,017	-	42,017
Agencies 2015	-	-	-

Analysis by period:

	£'000
Not later than one year	1,355
Later than one year and not later than five years	22,903
Later than five years	84,508
Balance at 31 March 2016	**108,766**

£6.951 million of the closing balance relates to 324 long term loans in place with 16 housing associations. These loans were awarded for a term of 30 years at the relevant interest rate at the time of the application which varies between 8.25% and 12.38%. £40.606 million remains outstanding in respect of Get Britain Building, Affordable Homes and Empty Homes loans which were awarded at 0% interest and are repayable in instalments until 2033. As a result these have been discounted by £6.177 million to reflect the timing of the receipt of payments. NICHA FTC funding of £94.498 million was issued during 2015-16 and is replacing grant funding for NICHA. This is also at 0% interest and is repayable in installments over 25 years as a result these have also been discounted by £27.112 million

15 Cash and cash equivalents

	2015-16 Core Department & Agencies £'000	**2014-15 Core Department & Agencies £'000**
Balance at 1 April	(791)	(1,984)
Net change in cash and cash equivalent balances	(384)	1,193
Balance at 31 March	**(1,175)**	(791)

The following balances at 31 March are held at:

	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Commercial bank balances	(1,183)	(803)
Cash at bank and in hand	8	12
Short term investments	-	-
Balance at 31 March	**(1,175)**	(791)

16 Trade receivables and other current assets

(The figures quoted below are net of any impairment or discount. Gross amounts are at Note 12).

16 Amounts falling due within one year:

	Note	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Inter-Departmental receivable with DWP		685	2,123
VAT		1,641	2,475
Benefit overpayments			
- Contributory benefits		631	706
- Non-contributory benefits		6,498	5,395
- Housing benefit		7,623	7,200
- Social Fund		61	74
- Other		-	-
Benefit prepayments			
- Contributory benefits		29,099	41,132
- Non-contributory benefits		14,443	23,722
Social Fund loans	15.1a		
- Funeral loans		(2,440)	(2,735)
- Budget loans		37,096	39,308
- Crisis loans		11,424	12,782
NIF receivable		4,240	4,295
NIHE receivable	15.1b	52,365	57,710
Grant repayable by NICHA		6,809	4,712
HAG recoverable from Housing Associations		-	-
HAG recoverable from NIHE		3,801	6,237
Grant overpaid to NIHE landlord		-	6,227
EU Receivable		10,047	12,200
Other receivables	15.1c - 15.1e	7,581	7,306
Housing Benefit Rent and Rates Prepayment		3,512	3,025
Prepayments and accrued income		6,288	5,168
Amounts due from the Consolidated Fund in respect of supply		-	-
Total amounts falling due within one year		**201,404**	239,062

16.1a Social Fund Funeral Loans are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Social Fund Loans to be stated in the statement of financial position at their fair value. The impairment and discounting adjustment to the gross receivable amounts provide the fair value. The total net receivable for all funeral loans after impairment and discounting is £0.167 million (2014-15 £0.268 million).

16.1b Loans to the NIHE of £51.685 million and accrued interest of £0.680 million are recoverable within one year. There is a corresponding trade payables to DFP (Consolidated Fund) and to local authorities for this.

16.1c Other Receivables

	2015-16 £'000	2014-15 £'000
Loan/interest receivable	368	435
Warm Homes on behalf of NIHE	51	31
Regional		
SEUPB	692	0
Land sales	54	380
Clawback	51	44
Overseas receivables	85	106
Compensation Recovery Unit	726	695
Impairment	-142	-250
Potential receivables (see 15.1e)	297	264
Sundry (see below)	1,330	1,320
	3,512	3,025

16.1d Included within other receivables is £0.678 million (2014-15 £1.204 million) that will be due to the Consolidated Fund once the receivables are collected and £0.006 million unassigned client funds.

16.1e In 2015-16 the Social Security Agency undertook an exercise to value the benefit receivables amount not yet identified to Debt Centre NI (DCNI) and held at local and central benefit offices. The valuation is based on a stock count at 31 March 2016 and historical trends of average overpayment values. This has been valued in total at £3.723 million and is disclosed as £0.297 million in other receivables less than one year, and £3.426 million in other receivables falling due after more than one year.

16.2 Amounts falling due after more than one year:

	Note	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
Benefit overpayments			
- Contributory benefits		3,926	3,297
- Non-contributory benefits		40,441	39,750
- Housing benefit		11,577	11,347
- Social Fund		-	-
- Other		-	-
Social Fund loans	16.2a	-	-
- Funeral loans		2,607	3,003
- Budget loans		20,958	23,625
- Crisis loans		13,150	14,417
NIHE receivable	16.2b	301,283	352,967
Other receivables	16.2c	3,426	4,837
Total amounts falling due after more than one year		**397,368**	**453,243**
Total trade receivables and other current assets		**598,772**	**692,305**

16.2a Social Fund Funeral Loans are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Social Fund Loans to be stated in the statement of financial position at their fair value. The impairment and discounting adjustment to the gross receivable amounts provide the fair value. The total net receivable for all funeral loans after impairment and discounting is £0.167 million (2014-15 £0.268 million).

16.2b Loans to the NIHE of £51.685 million and accrued interest of £0.680 million are recoverable within one year. There is a corresponding trade payables to DFP (Consolidated Fund) and to local authorities for this.

16.2c Other receivables consist of £3.426 million relating to the valuation of benefit overpayment debt not yet identified to Debt Management Unit and held at local and central offices.

Potential Receivables- Compensation Recovery Unit

This balance represents social security benefits recoverable from insurance compensation claims. This receivable is only recognised in the statement of financial position at the point at which a settlement is notified to the Compensation Recovery Unit by the compensator. For benefit recoveries, this needs to be shown in the statement of financial position.

Certificates of recoverable benefit are issued upon request to compensators (primarily insurance companies) where a compensation claim is made as a result of an accident or injury. Until there is acceptance of liability by the compensator and a payment made for compensation, the SSA has no right to demand recovery of benefit payments made as a consequence of this accident or injury. Therefore, no acknowledgement is made in the SSA's Statement of Financial Position, apart from those cases that have been settled but where the recoverable benefit element has not yet been received.

As an indication of the cash generated from this income stream for the SSA for the year to 31 March 2016, £5.568 million (2014-15 £4.836 million) has been included in the Statement of Comprehensive Net Expenditure as a reduction to gross expenditure. There is no information to indicate that this level of income will differ significantly in the next financial year.

HSC Trusts

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 compensators and due to the Health and Social Care Trusts (HSCTs). The CRU collects the monies due from the insurance compensators on behalf of the HSC 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. The value for the potential balance due at 31 March 2016 is estimated to be £30.209 million (2014-15: £28.767 million).

The total payments made from the Department to the Health Trusts in respect of claims recovered by the CRU from insurance companies for the year ended 31 March 2016 were £10.177 million (2014-15: £10.171 million).

The CRU exercise also identifies potential recoveries from the insurance compensators on behalf of the Department for the payment of social security benefits. The value for the potential balance due at 31 March 2016 is estimated to be £33.253 million (2014-15: £30.850 million)

The value for the potential receivable balance at 31 March 2016 is estimated to be £3.723 million (2014-15: £3.601 million) and is disclosed as £0.297 million (2014-15: £0.264 million) within other programme receivables less than one year, and £3.426 million (2014-15: £3.337 million) within other programme receivables falling due after more than one year (see Note 17.2b)

For this financial year the equivalent amount of the receivables transferred between Northern Ireland and the Department for Work and Pensions (DWP) (GB) have been recorded as DWP receivables and payables balances. Accordingly, within the total balance of Interdepartmental receivable of £0.685 million there is an amount of £0.363 million which represents the balance owing from DWP to the Department for benefit overpayment receivables that have transferred from NI to GB.

17 Trade payables and other current liabilities

17.1 Amounts falling due within one year:

	Note	2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
VAT		-	-
Other taxation and social security		1	1
Bank overdraft	15	1,183	802
Inter-Departmental payable with DWP		132	78
Trade payables:			
- Non-capital		1	-
- Capital		14	4
Benefit accruals:			
- Contributory benefits		29,424	20,257
- Non-contributory benefits		42,655	24,743
- Social Fund		-	54
- Other		-	-
NIF payable		-	-
Cash In Transit		53,312	18,624
NIHE payable	17.1a	52,365	4,861
Vested Land Payable		3,700	39,876
Other payables		22,695	3,509
Grants accrual	17.1b	29,154	2,647
Housing Benefit accrual		19,997	92,428
EU grants accrual		379	9,747
Financial Assistance Scheme accrual		4,985	18,818
Deferred Grant Income		2,647	57,710
Other accruals and deferred income		23,064	21,001
Amounts issued from the Consolidated Fund for supply but not spent at year end		1,838	3,052
Consolidated Fund extra receipts due to be paid to the Consolidated Fund		-	
- Received		1,087	375
- Receivable		678	1,204
Total amounts falling due within one year		**289,311**	319,791

17.1a NIHE Loans comprise of the following: payables to DFP (Consolidated Fund) of £49.289 million (2014-15 £54.730 million) and to local authorities of £2.396 million (2014-15 £2.262 million). Also included in the total is accrued interest of £0.680 million (2014-15 £0.718 million). These are shown in the DSD Statement of Financial Position. There is a corresponding trade receivable of £52.365 million (2014-15 £57.710 million) due from the NIHE.

17.1b

Other Payables		£'000	£'000
O'Brien (see below)	17.1c	15,300	14,650
NI Court Tribunal Service		1,012	744
Grant payable to NICHA		1,172	-
Land sales deposits		55	108
Equal pay		13	15
HMRC		104	292
Intergovernment		2,353	1,640
Health service		1,042	1,281
Unassigned client fund receipts		15	6
Miscellaneous		1,629	2,265
		22,695	21,001

17.1c O'Brien v Ministry of Justice

The other payables figure includes an accrual of £15.300 million in respect of judicial pension liabilities arising as a result of the O'Brien case.

This case involved a challenge by Mr O'Brien to the non-provision of pensions to fee-paid part-time judges.

In 2013, the Supreme Court (and the Court of Justice of the European Union) held that Mr O'Brien was a part-time worker within the meaning of the Directive and Regulations, and was therefore eligible to pension entitlement. The cost of providing this pension entitlement and the pension entitlement for all part-time judges who were fee paid by the Department, has been reflected in the financial statements of this Department.

The Department is responsible for the pension arrangements of members of the judiciary who have been paid by the Department. The Department and judicial members are obliged to make contributions in line with the Judicial Pension Scheme administered by the Ministry of Justice and the Department is responsible for paying these accrued benefits. The judicial pension scheme is unfunded, with benefits being paid as they fall due and guaranteed by the Department for service up to 31 March 2016. The assets and liabilities of the scheme are not included in these financial statements, but contributions accrued to date are estimated to be sufficient to cover the scheme liabilities. The judiciary are due to join the Judicial Pension Scheme administered by the Ministry of Justice by December 2016.

17.2 Amounts falling due after more than one year:

		2015-16 Core Department & Agencies £'000	2014-15 Core Department & Agencies £'000
NIHE payable	17.2a	301,283	352,967
Other programme payables			
Total amounts falling due after more than one year		301,283	352,967
Total payables and other current liabilities		590,594	672,758

17.2a NIHE Loans comprise of the following trade payables to DFP (Consolidated Fund) of £293.492 million (2014-15 £342.780 million) and to local authorities of £7.791 million (2014-15 £10.187 million). There is a corresponding trade receivable for for this total £301.283 million (2014-15 £352.968 million) due from NIHE.

18 Provisions for liabilities and charges

	Note	2015-16 Core Department & Agencies Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000	2014-15 Core Department & Agencies Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000
Balance at 1 April		37	150,139	1,967	152,143	104	172,476	2,245	174,825
Provided in the year	5	5	66,996	580	67,581	3	-	472	475
Provisions not required written back	5	-	-	(189)	(189)	-	(25,655)	(503)	(26,158)
Provisions utilised in the year		(29)	(4,985)	(46)	(5,060)	(69)	(4,861)	(235)	(5,165)
Borrowing Costs (Unwinding of discount)	5	-	6,569	14	6,583	(1)	8,179	(12)	8,166
Other	5	1	-	(1)	-	-	-	-	-
Balance at 31 March		**14**	**218,719**	**2,325**	**221,058**	37	150,139	1,967	152,143

Analysis of expected timing of discounted flows

	2015-16 Core Department & Agencies Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000	2014-15 Core Department & Agencies Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000
Not later than one year	9	4,953	1,973	6,935	2	4,685	1,599	6,286
Later than one year and not later than five years	4	24,036	234	24,274	-	22,803	20	22,823
Later than five years	1	189,730	118	189,849	35	122,651	348	123,034
Balance at 31 March	**14**	**218,719**	**2,325**	**221,058**	37	150,139	1,967	152,143

18 Provisions for liabilities and charges (continued)

Early departure costs

The Department (and its Agency) meet the additional costs of benefits beyond the normal Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS(NI)) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS(NI) over the period between early departure and normal retirement date. The Department and its Agency provide for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.37% in real terms.

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, (1.55)% for short-term, (1.0)% for medium-term and (0.8)% for long-term provisions.

Other

Other programme provisions include personal injury £0.821 million, equal opportunities £0.112 million and O'Brien long service award £1.392 million. The long service award is related to the Judicial Pension Scheme (JPS). The JPS is an unregistered pension scheme and, as such, does not receive the same tax treatment as a registered scheme. One implication of this is that retirement lump sums paid from the JPS are taxed, whereas these would be tax free under current tax arrangements in a registered pension scheme. In addition to the JPS lump sum, judges are paid a long service award which, in effect, seeks to compensate judges for the tax paid on the lump sum. It is likely that fee-paid judges will also be paid pension benefits from an unregistered pension scheme. Therefore, an equivalent long service award is likely to be paid. GAD calculates the provision in respect of Northern Ireland for the long service award each year. The net long service award that members receive is the same as the tax paid on the lump sum. The long service award is itself an employee benefit that is subject to income tax and national insurance and the liability for the award is grossed up for both income tax (at an assumed marginal rate) and employer National Insurance payable by DSDNI on the long service awards. The 2015-16 ratio is just over 9% of the overall liability. So the provision for long service awards for fee paid judges that are DSD's responsibility might reasonably be estimated as just over 9% of the total liability of £15.300 million.

19 Contingent liabilities disclosed under IAS 37

The Department has entered into the following contingent liabilities:

Housing

There is a judicial review of the Department's decision to withdraw payment of Special Needs Management Allowance (SNMA) to up to 34 housing association owned registered care homes. FOLD Housing Association brought the legal challenge, asserting that the Department's decision is unlawful. The Department's legal counsel were 'cautiously optimistic' at the conclusion of the hearing in March 2016. This was not recorded at March 2015 as the likelihood of any liability was deemed as being remote at that time.

Urban Regeneration and Community Development Group:

There is an estimated contingent liability for outstanding public liability claims of £0.136 million.

Child Maintenance Service (CMS):

From April 1995 some debt has been deferred and will not be recoverable from clients provided certain conditions have been met. This could result in the Division taking over this debt from Parent with care.The maximum potential liability at 31 March 2016 is £0.008 million (2014-15 £0.011 million less £0.003 million). To date only £0.206 million has been paid out and as a result it is deemed too soon to accurately predict the amount.

Social Security Agency (SSA)

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 £0.547 million 2014-15: £0.489 million for successful appeals from insurance companies.

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.

19 Contingent liabilities disclosed under IAS 37 (continued)

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.

Dilapidation costs

The Department is aware of the likelihood that dilapidation costs will be payable following the departure from two buildings subject to private landlord lease rentals. It is not possible at this stage to estimate the costs likely to be incurred. However, it is reasonable to recognise a contingent liability of approximately £0.400m at this current time.

The Department has not entered into any unquantifiable contingent liabilities by offering guarantees or indemnities.

20 Related-party transactions

The Department for Social Development sponsors those bodies listed in Note 22. All these bodies are regarded as related parties with which the Department has had material transactions during the year.

The Department had a related party transaction with the Special EU Programme Body (SEUPB). During the year the Department paid grants to SEUPB of £7.405 million. Of this amount £5.525 million is recoverable from the EU. At 31 March 2016 there was a receivables balance with the EU Commission of £10.047 million.

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, Social Services and Public Safety and the Department for Regional Development. Other entities include the Department of Employment and Learning, the Training and Employment Agency, the Department of Finance and Personnel and the Department for Work and Pensions in Great Britain, and their Executive Agencies.

No minister, board member, key manager or other related party has undertaken any material transaction with the Department for Social Development during the year.

21 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 Social Security Agency Benefits and Housing Benefit.

Social Security Agency ('the Agency')

Social Security legislation lays out the basis on which the Agency 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 Agency has a robust security strategy 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 Agency's counter fraud and error activities is set out in Part B - Strategies to Reduce Fraud and Error.

The Agency currently administers 33 benefits. Processing volumes related to this are approximately 28 million benefit payments per year, with 540,000 new claims and more than 746,000 changes of circumstances notified by customers. A benefit system of such a scale, complexity, and sensitivity to changing customer circumstances, and human behaviours, is vulnerable to fraud and human error. Despite these challenges the Agency has successfully maintained its levels of loss due to fraud and error at just 1%, or less, of its expenditure for the past four consecutive years - a performance which exceeds that of any comparative organisation.

During the calendar year 2015 the Agency has continued its regular monitoring and measurement of the levels of fraud and error. Essentially this involves two main activities:

(i) Financial Accuracy Monitoring
(ii) Benefit Reviews

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

The tables in this section show estimates for Customer Fraud, Customer Error and Official Error in terms of overpayments and underpayments. For clarity additional tables have also been included within the 2015 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 sampling approach introduces statistical uncertainty into the figures. This uncertainty is quantified with 95% confidence interval. These give the range in which the Department can be 95% sure that the true value lies for each of the estimates presented. 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.

Social Security Benefits Administered by the Social Security Agency

Official Error: The official error estimates for 2015 are based on the results of the Agency's Financial Accuracy Exercises completed in 2015 with the exception of Incapacity Benefit, Attendance Allowance, Bereavement Benefit, Carer's Allowance, Industrial Injuries Disablement Benefit, Maternity Allowance, Widow's Benefit, and Social Fund (Funeral Payments (FP) & Sure Start Maternity Grants (SSMG)). Incapacity Benefit is based on results from 2011; Widow's Benefit is based on results from 2012; Social Fund (FPSSMG) is based on results from 2013; Attendance Allowance, Bereavement Benefit, Carer's Allowance, Industrial Injuries Disablement Benefit, and Maternity Allowance are based on updated 2014 results. The Social Fund (Budgeting Loans, Community Care Grants, Crisis Loans) results for 2014 are based on a Financial Accuracy Exercise December 2013 - November 2014.

Customer Error and Customer Fraud: Customer error and customer fraud estimates for Employment and Support Allowance, Jobseeker's Allowance and State Pension Credit are based on results from the Benefit Review completed in 2015. Customer error and customer fraud estimates for Income Support are based on the results of the Benefit Reviews completed in 2012 updated. Customer error and customer fraud estimates for Carer's Allowance are based on the results of the Benefit Reviews completed in 2010 updated. Customer error and customer fraud estimates for Incapacity Benefit and State Pension are based on the results of the Benefit Reviews in 2009 updated. Customer error and customer fraud estimates for Disability Living Allowance are based on the results of the Benefit Review in 2008 updated.

Benefit Expenditure: In summary the expenditure stated for 2015 includes expenditure on 13 benefits, a total of £5,010 million, plus an amount of £71.8 million on other benefit expenditure in year, total annual expenditure £5,082 million.

Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2015 includes, Christmas Bonus £5.1 million, Retirement Pension £4.1 million, Job Grant £1.8 million, Family Benefits £4k, Severe Disablement Allowance £7.1 million, Winter Fuel Payments £53.3 million, and Cold Weather Payments £0.4 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 Agency. The respective annual amounts for these training allowances are not included within the Agency's programme operating costs in the accounts but are instead netted off from the respective receivable or payable balance held with the Department for Employment and Learning (DEL) at the financial year-end.

Social Fund: Social Fund financial accuracy for Budgeting Loans (BL), Community Care Grants (CCG) and Crisis Loans (CL) was measured in 2015. Social Fund Funeral Payments (FP) and Sure Start Maternity Grants (SSMG) are based on updated 2013 results. This does not affect the statistical validity of the Social Fund result as the remaining elements are still measured to a 95% confidence level.

Incapacity Benefit: Incapacity Benefit expenditure is £0, but an accounting adjustment related to the benefit has resulted in a negative expenditure. It has not been applied to the benefit, but added in as an additional expenditure item.

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 2015 benefit expenditure on Housing Benefit for tenants was £666.4 million.

It is estimated that there was a total amount of approximately £19.5 million overpaid through fraud and error in Housing Benefit for tenants for the year 2015. This represents approximately 2.9% of the related expenditure for the calendar year, of which £14.3 million (2.1%) is Customer Fraud, £2.0 million (0.3%) is Customer Error and £3.3 million (0.5%) is Official Error. The overall percentage has decreased to 2.9% from 3.4% in 2014.

2015 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2015. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2015.

2014 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2014. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2014.

2. Housing Benefit – for owner occupiers: **by legislation this benefit is administered by the Department of Finance and Personnel (DFP)**. **Operationally, this function is carried out by the Land and Property Services** an executive Agency within DFP. The 2015 benefit expenditure on Housing Benefit for owner occupiers was £41.5 million.

It is estimated that there was a total amount of approximately £7.7 million overpaid through fraud and error in Housing Benefit for owner occupiers for the year 2015. This represents approximately 18.6% of the related expenditure for the financial year, of which £2.5 million (5.9%) is Customer Fraud, £1.7 million (4.1%) is Customer Error and £3.6 million (8.6%) is Official Error. Compared to 2014 overpayments in Housing Benefit for owner occupiers have decreased from £8.2m (19.5%) to £7.7m (18.6%) in 2015.

Housing Benefit – for owner occupiers has been included in the Resource Accounts of the Department for Social Development from 2006/2007.

2015 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2015. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2015.

2014 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2014. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2014.

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

Total Departmental benefit expenditure has increased from £5,670 million in 2014, to £5,790 million in 2015. £666.4 million of the £5,790 million relates to Housing Benefit expenditure for NIHE tenants in 2015

£41.5 million relates to Housing Benefit expenditure for owner occupiers.

A: Overpayments

Benefit Overpayments

The table below shows the Department's total estimates of benefit overpayments for the last 2 years, 2015 and 2014 (all social security benefits including Housing Benefit).

Estimates of benefit overpayments for 2015 and 2014

2015	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	5,789,575,334	25,063,811	19,525,393	33,124,289	0.4%	0.3%	0.6%
Customer Error	5,789,575,334	8,683,174	6,215,284	11,900,843	0.1%	0.1%	0.2%
Customer Fraud	5,789,575,334	45,061,975	35,838,547	55,626,332	0.8%	0.6%	1.0%
Total Overpayments	**5,789,575,334**	**78,808,960**	**67,771,017**	**92,481,207**	**1.4%**	**1.2%**	**1.6%**

2014	Expenditure £	Monetary Value of Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval
Official Error	5,669,605,007	24,452,865	20,312,034	29,347,089	0.4%	0.4%	0.5%
Customer Error	5,669,605,007	14,352,043	11,049,589	18,429,691	0.3%	0.2%	0.3%
Customer Fraud	5,669,605,007	43,632,254	32,946,132	55,891,021	0.8%	0.6%	1.0%
Total Overpayments	**5,669,605,007**	**82,437,163**	**70,510,474**	**96,252,299**	**1.5%**	**1.2%**	**1.7%**

[1] 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

The Department estimates that approximately £78.8 million overpaid through fraud and error in social security benefits (including Housing Benefit) for 2015. This represents approximately 1.4% of the total benefit expenditure, including housing benefit, for 2015, of which £45.1 million (0.8%) is Customer Fraud, £8.7 million (0.1%) is Customer Error and £25.1 million (0.4%) is Official Error.

The comparative estimate for 2014 is that there was approximately £82.4 million overpaid through fraud and error in social security benefits (including housing benefit) for 2014. This represents approximately 1.5% of the total benefit expenditure for 2014, of which £43.6 million (0.8%) is Customer Fraud, £14.4 million (0.3%) is Customer Error and £24.5 million (0.4%) is Official Error. In summary, Departmental loss in 2015 decreased by 0.1% despite an increase in benefit expenditure over the same period of almost £120 million. The decreased loss detected during 2015 related solely to reductions is customer behaviour. The levels of loss due to official error remained at 0.4%. Levels of loss due to customer error in 2014 decreased to just 0.1% of benefit expenditure in 2015.

Social Security Benefits (Excluding Housing Benefit): From the total £78.8 million overpayments, the 2015 estimate for overpayment through fraud and error which is attributable to social security benefits administered by the SSA is £51.5m. This represents approximately 1.0% of the total social security benefit expenditure for 2015, of which £28.3 million (0.6%) is Customer Fraud, £5.0 million (0.1%) is Customer Error and £18.2 million (0.4%) is Official Error. In summary, loss in 2015 in monetary terms reduced slightly despite an increase in benefit expenditure over the same period, but after roundings, remain at 1.0%.

A detailed breakdown of the total overpayment amount for 2015 of £78.8 million, which includes Housing Benefit, is disclosed in the following tables. The tables are produced to depict the individual totals arising from the three main elements of benefit overpayments, i.e. Official Error, Customer Error and Customer Fraud. Figures for the 2014 year are also included for comparative purposes. 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 the 2015 and 2014 years.

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 2015. Estimates of Official Error in 2014 are also shown for comparative purposes.

Estimates of official error overpayments across all benefits in 2015

Benefit	Expenditure £	Monetary Value of Official Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	989,773,652	1,294,980	0	3,430,009	0.1%	0.0%	0.3%	Jan 15 - Dec 15
Employment and Support Allowance	796,194,114	7,224,184	4,402,821	10,451,970	0.9%	0.6%	1.3%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	0.0%	0.0%	0.0%	Jan 11 - Dec 11 updated
Income Support	161,596,096	1,533,956	502,257	2,928,784	0.9%	0.3%	1.8%	Jan 15 - Dec 15
Jobseeker's Allowance	152,014,282	510,445	33,086	1,168,469	0.3%	0.0%	0.8%	Jan 15 - Dec 15
State Pension	2,122,961,315	3,464,933	50,001	9,331,917	0.2%	0.0%	0.4%	Jan 15 - Dec 15
State Pension Credit	289,462,889	3,716,745	2,038,382	5,629,313	1.3%	0.7%	1.9%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Bereavement Benefit	18,804,160	58,212	0	263,696	0.3%	0.0%	1.4%	Jan 14 - Dec 14 updated
Carer's Allowance	147,948,299	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Industrial Injuries Disablement Benefit	30,072,954	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Maternity Allowance	12,145,695	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Social Fund	84,633,632	432,001	153,034	669,846	0.5%	0.2%	0.8%	See note
Widow's Benefit	1,484,804	3,787	0	11,977	0.3%	0.0%	0.8%	Jan 12 - Dec 12 updated
Housing Benefit Tenants	666,441,937	3,255,219	1,125,684	6,204,995	0.5%	0.2%	0.9%	Jan 15 - Dec 15
Housing Benefit Owner Occupier	41,493,183	3,569,349	2,768,323	4,427,469	8.6%	6.7%	10.7%	Jan 15 - Dec 15
Incapacity Benefit	-878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,789,575,334**	**25,063,811**	**19,525,393**	**33,124,289**	**0.4%**	**0.3%**	**0.6%**	

Estimates of benefit overpayments due to Official Error in 2014

Benefit	Expenditure £	Monetary Value of Official Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	941,783,887	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
Employment and Support Allowance	695,364,654	9,440,861	6,193,584	13,116,659	1.4%	0.9%	1.9%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	0	0	0	0.0%	0.0%	0.0%	Jan 11 - Dec 11 updated
Income Support	182,401,406	1,385,053	454,148	2,515,658	0.8%	0.2%	1.4%	Jan 14 - Dec 14
Jobseeker's Allowance	203,689,564	1,086,913	390,359	1,980,944	0.5%	0.2%	1.0%	Jan 14 - Dec 14
State Pension	2,052,991,404	1,291,155	213,830	2,966,545	0.1%	0.0%	0.1%	Jan 14 - Dec 14
State Pension Credit	312,566,969	3,279,589	2,148,625	4,597,610	1.0%	0.7%	1.5%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
Bereavement Benefit	18,878,651	58,443	4,278	161,591	0.3%	0.0%	0.9%	Jan 14 - Dec 14
Carer's Allowance	139,870,422	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
Industrial Injuries Disablement Benefit	29,940,720	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
Maternity Allowance	12,179,365	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
Social Fund	85,581,696	822,607	377,605	1,574,892	1.0%	0.4%	1.8%	See note
Widow's Benefit	1,668,584	4,255	0	13,460	0.3%	0.0%	0.8%	Jan 12 - Dec 12 updated
Housing Benefit Tenants	649,781,614	2,856,649	1,541,960	4,366,258	0.4%	0.2%	0.7%	Jan 14 - Dec 14
Housing Benefit Owner Occupier	42,202,861	4,227,341	3,288,844	5,209,528	10.0%	7.8%	12.3%	Jan 14 - Dec 14
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,669,605,007**	**24,452,865**	**20,312,034**	**29,347,089**	**0.4%**	**0.4%**	**0.5%**	

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

2 Social Fund: Social Fund financial accuracy for Budgeting Loans (BL), Community Care Grants (CCG) and Crisis Loans (CL) was measured in 2015. Social Fund Funeral Payments (FP) and Sure Start Maternity Grants (SSMG) are based on updated 2013 results. This does not affect the statistical validity of the Social Fund result as the remaining elements are still measured to a 95% confidence level.

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 2015. Estimates of Customer Error in 2014 are also shown for comparative purposes.

Estimates of customer error overpayments across all benefits in 2015

Benefit	Expenditure £	Monetary Value of Customer Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	989,773,652	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	796,194,114	2,882,277	1,407,742	4,577,749	0.4%	0.2%	0.6%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	1.0%	0.0%	2.9%	Jan 09 - Dec 09 updated
Income Support	161,596,096	708,786	0	1,732,479	0.4%	0.0%	1.1%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	152,014,282	98,284	0	287,908	0.1%	0.0%	0.2%	Jan 15 - Dec 15
State Pension	2,122,961,315	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	289,462,889	1,249,539	461,156	2,234,372	0.4%	0.2%	0.8%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	81,193	0	414,505	0.1%	0.0%	0.3%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	666,441,937	1,959,918	454,286	4,189,948	0.3%	0.1%	0.6%	Jan 15 - Dec 15
Housing Benefit Owner Occupier	41,493,183	1,703,178	1,147,689	2,286,992	4.1%	2.8%	5.5%	Jan 15 - Dec 15
Incapacity Benefit	-878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,789,575,334**	**8,683,174**	**6,215,284**	**11,900,843**	**0.1%**	**0.1%**	**0.2%**	

Estimates of benefit overpayments due to Customer Error in 2014

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	941,783,887	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	695,364,654	3,673,277	1,835,801	5,969,231	0.5%	0.3%	0.9%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	84,752	0	250,088	1.0%	0.0%	2.9%	Jan 09 - Dec 09 updated
Income Support	182,401,406	800,041	0	1,955,533	0.4%	0.0%	1.1%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	203,689,564	79,446	0	200,906	0.0%	0.0%	0.1%	Jan 14 - Dec 14
State Pension	2,052,991,404	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	312,566,969	4,577,903	2,729,592	6,716,408	1.5%	0.9%	2.1%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,878,651	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	139,870,422	76,760	0	391,873	0.1%	0.0%	0.3%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	29,940,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,179,365	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	85,581,696	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,668,584	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	649,781,614	2,402,634	780,845	4,558,353	0.4%	0.1%	0.7%	Jan 14 - Dec 14
Housing Benefit Owner Occupier	42,202,861	2,657,231	1,905,232	3,468,979	6.3%	4.5%	8.2%	Jan 14 - Dec 14
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,669,605,007**	**14,352,043**	**11,049,589**	**18,429,691**	**0.3%**	**0.2%**	**0.3%**	

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

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 2015. Estimates of Customer Fraud in 2014 are also shown for comparative purposes.

Estimates of customer fraud overpayments across all benefits in 2015

Benefit	Expenditure £	Monetary Value of Customer Fraud £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Customer Fraud as % of expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	989,773,652	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	796,194,114	13,546,013	9,135,756	18,264,430	1.7%	1.1%	2.3%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	2.2%	0.0%	5.4%	Jan 09 - Dec 09 updated
Income Support	161,596,096	1,177,111	0	2,920,208	0.7%	0.0%	1.8%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	152,014,282	5,814,674	3,521,926	8,316,136	3.8%	2.3%	5.5%	Jan 15 - Dec 15
State Pension	2,122,961,315	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	289,462,889	5,967,835	3,651,107	8,739,232	2.1%	1.3%	3.0%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	1,781,433	0	5,463,888	1.2%	0.0%	3.7%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	666,441,937	14,311,278	7,685,906	21,925,401	2.1%	1.2%	3.3%	Jan 15 - Dec 15
Housing Benefit Owner Occupier	41,493,183	2,463,632	1,660,428	3,374,941	5.9%	4.0%	8.1%	Jan 15 - Dec 15
Incapacity Benefit	-878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,789,575,334**	**45,061,975**	**35,838,547**	**55,626,332**	**0.8%**	**0.6%**	**1.0%**	

Estimates of benefit overpayments due to Customer Fraud in 2014

Benefit	Expenditure £	Monetary Value of Customer Fraud £	[1]Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	[1] Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	941,783,887	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	695,364,654	9,530,103	5,636,738	14,150,318	1.4%	0.8%	2.0%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	184,245	0	458,238	2.2%	0.0%	5.4%	Jan 09 - Dec 09 updated
Income Support	182,401,406	1,328,663	0	3,296,181	0.7%	0.0%	1.8%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	203,689,564	7,653,772	4,674,629	11,050,457	3.8%	2.3%	5.4%	Jan 14 - Dec 14
State Pension	2,052,991,404	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	312,566,969	4,842,613	2,894,392	7,107,079	1.5%	0.9%	2.3%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,878,651	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	139,870,422	1,684,168	0	5,165,563	1.2%	0.0%	3.7%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	29,940,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,179,365	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	85,581,696	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,668,584	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	649,781,614	17,066,884	8,358,113	26,848,206	2.6%	1.3%	4.1%	Jan 14 - Dec 14
Housing Benefit Owner Occupier	42,202,861	1,341,808	752,200	2,066,461	3.2%	1.8%	4.9%	Jan 14 - Dec 14
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,669,605,007**	**43,632,254**	**32,946,132**	**55,891,021**	**0.8%**	**0.6%**	**1.0%**	

[1] The confidence intervals quoted for each benefit relate to the individual benefit Monetary Value of Customer Fraud. The table also quotes a total Monetary Value of Customer Fraud figure with associated confidence intervals. The lower confidence interval quoted for the total Monetary Value of Customer Fraud should not equal the sum of the lower confidence interval for each individual benefit Monetary Value of Customer Fraud. The upper confidence interval quoted for the total Monetary Value of Customer Fraud should not equal the sum of the upper confidence interval for each individual benefit Monetary Value of Customer Fraud.

B: Strategies to Reduce Social Security Benefit Fraud and Error

The Social Security Agency administers 33 benefits equating to a total benefit spend of £5,082 million.

Reduction of fraud and error has been a long-standing commitment at the core of the Agency's business priorities. The strategy is underpinned by five key principles to prevent, detect, correct, punish and deter. The selection of appropriate intervention activities based on delivering the key principles ensures the governance and controls that have sustained the improved performance of recent years.

In addition, major reductions in levels of both staff and customer error to some degree depend on the extent to which existing benefit complexities are addressed and simplified and on the modernisation of IT systems that support benefit delivery.

Clear evidence, derived from the Agency's performance in significantly reducing the levels of fraud and error, demonstrate the Agency's long term strategies are working. Over the longer term estimated overpayments have decreased from 2.2% (£70.7 million) of benefit expenditure in 2003-04 to just 1% (£51.5 million) in 2015. Performance on overpayments has been sustained at between at 1.0% or below for the last 5 consecutive years with benefit expenditure over the same period increasing from £4.5bn to over £5bn.

Current and proposed activities are designed to be proportionate, represent value for money with regard to the cost of control, facilitate customer accessibility, ensure timely benefit payments, and deliver impacts on fraud and error. The Agency 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.

[1] *A new methodology for calculating the annual estimates of fraud and error was implemented in 2008. Accordingly caution should be taken when comparing the estimates with previous years*

Fraud and Error Reduction Board

The Agency's Fraud and Error Reduction Board sets the strategic direction for countering fraud and error, evaluates operational responses and is responsible to the Agency Management Board for providing performance assurance. Mitigating the losses from fraud and error is one of the Agency's key priorities. The approach to the challenge is multi-dimensional.

Improving financial accuracy is as much about detecting and correcting underpayments as it is about overpayments. Addressing overpayments and underpayments are key functions of Error Reduction activity.

Official Error Strategy and Activities

For 2015, losses from official error rose marginally from 0.3% in 2014 to 0.4% of benefit expenditure in 2015. Error Reduction Division allocates funds to Error Reduction Teams located in the Regions and Central Benefits for the specific purpose of reducing staff error and ensuring 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 Agency.

The Agency's Standards Assurance Unit (SAU) measures and reports the levels of fraud and error in benefits to influence the direction to be undertaken to combat fraud and error. Standards Assurance Unit examines the work undertaken by the Error Reduction Teams in the Regions and Central Benefits to provide an independent assurance to Error Reduction management that work is completed in an accurate manner.

During 2015-16, error reduction activity amounted to over 76,000 actions. This led to the adjustment of benefit in almost 10,000 cases, with a total monetary value of over £25.9 million. Just over £11.3 million of adjustments to payments related to customers entitled to additional benefits.

The Agency 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 Agency performance within this area.

Customer Fraud and Error

Single Investigation Service

The integrated Single Investigation Service was established in April 2013 to form a single, more cohesive organisation to tackle customer fraud and error. Using information from diverse sources, the Agency identifies and focuses on threats posing greatest risk. Cases are managed through three approaches - customer compliance, case intervention and criminal fraud investigation, to detect and correct fraud and error and apply penalties where appropriate to deter further abuse.

There is growing evidence that this approach is working as during 2015, loss through customer fraud and customer error dropped marginally from 0.69% (£34.5 million) in 2014 to 0.66% (£33.3 million) in 2015. Within this, customer error dropped to a historic low of 0.1% (£5.0 million).

Criminal Investigation Route: During 2015-16, 5,945 fraud investigations were undertaken leading to 931 penalties or convictions. In 2015-16 the monetary value of adjustments arising from the discovery of fraud was estimated to be £9.2 million.

Customer Compliance interviews have continued to generate very positive outcomes in the correction and prevention of customer error. In the past year (2015-16) Customer Compliance Officers within Single Investigation Service (SIS) carried out 4,286 Compliance Interviews resulting in changes in 34% of cases and led to over £6.8 million in benefit adjustments. This in turn freed up investigators to focus on high risk fraud cases and to maximise results from criminal investigations.

Case Intervention involves contacting customers by phone or post to establish whether the circumstances of the benefit claim have changed and if necessary making correction. The Single Investigation Service undertook 2,998 case interventions achieving a 12% hit rate with 353 positive outcomes. The estimated monetary value of adjustments in these cases equated to £1.2 million.

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 2015 to 31 March 2016.

Confiscation orders secured	14 (Value £223k)
Compensation orders	1 (£2k)
Voluntary payments	8 (£78k)
Total recovery	**£304k**

Total may not equal sum of figures due to rounding.

National Fraud Initiative (NFI) The Agency has been involved in four National Fraud Initiative data matching exercises to date. The following table reports the cases referred for criminal investigation and the resultant outcome in terms of convictions, administrative penalties and overpayments.

	NFI 2008	NFI 2010	NFI 2012	NFI 2012B
Referred For Criminal Investigation	1,238	486	1,274	275
Convictions	174	54	13	3
Administrative Penalty	35	24	9	1
Overpayments identified	£6.0m	£1.4m	£471k	£112k

Real Time Information Initiatives

Given the notable reduction in NFI outputs, the Agency has now limited its intake of new NFI referrals to Housing Benefit non-passported cases, in favour of directing resources towards the new Real Time Information (RTI) matching systems that utilise real time HMRC information in respect of earnings and non state pension income.

Based on an initial pilot of this referral stream, the Agency's Fraud & Error Reduction Board agreed that SIS should give priority to RTI referrals in 2015-16 and it was decided that RTI cases would comprise three quarters of the SIS workload going forward. Initial findings show this new referral source is a potentially significant step in the Agency's drive for continual improvement and maintaining low levels of customer fraud and error. The Agency has proactively engaged with DWP colleagues to confirm arrangements for the continuation of the initiative through 2015-16 and beyond, until wider use of Real Time Information is fully rolled out to benefit offices assessing fresh claims.

The Agency is working with the Department of Work and Pensions (DWP) colleagues to rollout Wider use of RTI (WuRTI), this is aimed at expanding the use of data across the Agency, to enhance the targeting of fraud and error in real time. Initial activity will be focused on State Pension Credit with implementation due to commence in Summer 2016. Plans to extend this to Housing Benefit, Carers Allowance, Employment Support Allowance, and other benefit areas are being explored in conjunction with DWP. The rollout of WuRTI provides the Agency with the ability to detect undeclared earnings or non state pension income at the point of claim and to ensure the claim is correct before it is put into payment.

Future Single Investigation Service Strategy

Modernisation Programme: The Agency's fraud and error modernisation programme is well under way. This involves working closely with partner organisations to position the Agency in readiness for incoming Welfare reforms and the move towards new digital services. The focus is the mitigation of any potential future risks and to create an infrastructure necessary to deal promptly and effectively with fraud and error.

Principally these initiatives are:

- **Joined up working** – closer liaison and joint working with Her Majesty's Revenue and Customs and the NI Housing Executive to enable joint prosecutions of customers who abuse both the tax credit and benefit systems

- **Targeting** – continued development, alongside DWP, of the use of new data sources including Real Time Information (RTI), to enhance future fraud prevention and detection capability, with particular focus at the gateway - the point of entry to a benefit claim in preparation for the introduction of Universal Credit

- **Deterrence** – legislative measures contained within the Welfare Reform Bill to prevent and deter those intent on committing fraud including increased penalties (effective from 4 April 2016) and tougher loss of benefit provisions will be introduced in Autumn 2016

- **Communication** – continuing to remind staff and the wider public of the need to remain vigilant and to report suspected fraud

The Agency, through the auspices of the Department for Work and Pensions, continues to develop relationships with counter fraud Agencies abroad and both foster cooperation with the Department of Social Protection in the Republic of Ireland to make further inroads into cross jurisdictional customer fraud with the purpose of protecting each other's social welfare programmes.

C: Underpayments

Benefit Underpayments

The table below shows the Department's total estimates of benefit underpayments for the last two years, 2015 and 2014 (all social security benefits including Housing Benefit).

Overall the figure for estimated amounts of underpayments is £29.6m, or 0.5% of expenditure in 2015 compared to £35.5 million (0.6%) in 2014.

Estimates of underpayments across all benefits for 2015 and 2014

2015 Error Category	Expenditure £	Monetary Value of Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval
Official Error	5,789,575,334	18,503,407	14,509,423	23,518,771	0.3%	0.3%	0.4%
Customer Error	5,789,575,334	11,105,236	3,301,819	23,018,244	0.2%	0.1%	0.4%
Total Underpayments	**5,789,575,334**	**29,608,642**	**20,842,502**	**42,534,340**	**0.5%**	**0.4%**	**0.7%**

2014 Error Category	Expenditure £	Monetary Value of Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval
Official Error	5,669,605,007	28,288,800	22,597,026	35,213,931	0.5%	0.4%	0.6%
Customer Error	5,669,605,007	7,166,689	0	18,443,938	0.1%	0.0%	0.3%
Total Underpayments	**5,669,605,007**	**35,455,489**	**26,219,183**	**48,689,301**	**0.6%**	**0.5%**	**0.9%**

[1] 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

The Agency 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 Agency's strategy which gives equal priority to identifying and correcting underpayments and overpayments.

Official Error – Underpayments

The table below sets out the estimate of benefit underpayments due to Official Error in 2015. Estimates for 2014 are also shown for comparative purposes.

Estimates of official error underpayments across all benefits in 2015

Benefit	Expenditure £	Monetary Value of Official Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	989,773,652	403,245	0	1,227,275	0.0%	0.0%	0.1%	Jan 15 - Dec 15
Employment and Support Allowance	796,194,114	5,545,098	3,076,185	8,367,753	0.7%	0.4%	1.1%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	0.5%	0.0%	1.1%	Jan 11 - Dec 11 updated
Income Support	161,596,096	1,146,109	315,795	2,252,261	0.7%	0.2%	1.4%	Jan 15 - Dec 15
Jobseeker's Allowance	152,014,282	851,176	287,226	1,536,441	0.6%	0.2%	1.0%	Jan 15 - Dec 15
State Pension	2,122,961,315	2,452,221	739,267	4,661,947	0.1%	0.0%	0.2%	Jan 15 - Dec 15
State Pension Credit	289,462,889	3,271,397	1,748,002	5,003,515	1.1%	0.6%	1.7%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	402,721	0	2,075,221	0.2%	0.0%	1.0%	Jan 14 - Dec 14 updated
Bereavement Benefit	18,804,160	63,953	0	271,404	0.3%	0.0%	1.4%	Jan 14 - Dec 14 updated
Carer's Allowance	147,948,299	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Industrial Injuries Disablement Benefit	30,072,954	62,761	0	343,813	0.2%	0.0%	1.1%	Jan 14 - Dec 14 updated
Maternity Allowance	12,145,695	23,378	0	96,183	0.2%	0.0%	0.8%	Jan 14 - Dec 14 updated
Social Fund	84,633,632	349,712	35,068	962,684	0.4%	0.0%	1.1%	Joint Exercise
Widow's Benefit	1,484,804	26,850	0	90,515	1.8%	0.0%	6.1%	Jan 12 - Dec 12 updated
Housing Benefit Tenants	666,441,937	3,647,772	2,031,070	5,535,511	0.5%	0.3%	0.8%	Jan 15 - Dec 15
Housing Benefit Owner Occupier	41,493,183	257,012	73,554	508,532	0.6%	0.2%	1.2%	Jan 15 - Dec 15
Incapacity Benefit	-878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,789,575,334**	**18,503,407**	**14,509,423**	**23,518,771**	**0.3%**	**0.3%**	**0.4%**	

Estimates of benefit underpayments due to Official Error in 2014

Benefit	Expenditure £	Monetary Value of Official Error £	[1] Lower Confidence Interval £	[1] Upper Confidence Interval £	Monetary Value of Official Error as % of expenditure	[1] Lower Confidence Interval	[1] Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	941,783,887	3,134,065	691,616	6,359,789	0.3%	0.1%	0.7%	Jan 14 - Dec 14
Employment and Support Allowance	695,364,654	11,562,130	7,838,661	15,711,816	1.7%	1.1%	2.3%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	40,458	0	90,313	0.5%	0.0%	1.1%	Jan 11 - Dec 11 updated
Income Support	182,401,406	612,647	193,821	1,195,505	0.3%	0.1%	0.7%	Jan 14 - Dec 14
Jobseeker's Allowance	203,689,564	1,220,866	321,274	2,394,862	0.6%	0.2%	1.2%	Jan 14 - Dec 14
State Pension	2,052,991,404	3,201,405	1,489,656	5,487,233	0.2%	0.1%	0.3%	Jan 14 - Dec 14
State Pension Credit	312,566,969	2,725,272	1,274,252	4,543,195	0.9%	0.4%	1.5%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	404,034	0	1,243,008	0.2%	0.0%	0.6%	Jan 14 - Dec 14
Bereavement Benefit	18,878,651	64,207	164	168,343	0.3%	0.0%	0.9%	Jan 14 - Dec 14
Carer's Allowance	139,870,422	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
Industrial Injuries Disablement Benefit	29,940,720	62,485	0	202,394	0.2%	0.0%	0.7%	Jan 14 - Dec 14
Maternity Allowance	12,179,365	23,443	0	59,946	0.2%	0.0%	0.5%	Jan 14 - Dec 14
Social Fund	85,581,696	470,899	61,091	1,116,253	0.6%	0.1%	1.3%	See note
Widow's Benefit	1,668,584	30,173	0	101,718	1.8%	0.0%	6.1%	Jan 12 - Dec 12 updated
Housing Benefit Tenants	649,781,614	4,369,018	1,885,566	7,348,702	0.7%	0.3%	1.1%	Jan 14 - Dec 14
Housing Benefit Owner Occupier	42,202,861	367,700	181,263	582,553	0.9%	0.4%	1.4%	Jan 14 - Dec 14
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,669,605,007**	**28,288,800**	**22,597,026**	**35,213,931**	**0.5%**	**0.4%**	**0.6%**	

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

2 Social Fund: Social Fund financial accuracy for Budgeting Loans (BL), Community Care Grants (CCG) and Crisis Loans (CL) was measured in 2015. Social Fund Funeral Payments (FP) and Sure Start Maternity Grants (SSMG) are based on updated 2013 results. This does not affect the statistical validity of the Social Fund result as the remaining elements are still measured to a 95% confidence level.

Customer Error - Underpayments

The table below sets out the estimate of benefit underpayments due to Customer Error in 2015. Estimates of underpayments for Customer Error in 2014 are also shown for comparative purposes.

Estimates of customer error underpayments across all benefits in 2015

Benefit	Expenditure £	Monetary Value of Customer Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	989,773,652	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	796,194,114	4,637,779	2,403,294	7,250,645	0.6%	0.3%	0.9%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
Income Support	161,596,096	115,732	0	596,576	0.1%	0.0%	0.4%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	152,014,282	0	0	0	0.0%	0.0%	0.0%	Jan 15 - Dec 15
State Pension	2,122,961,315	3,938,350	0	15,450,318	0.2%	0.0%	0.7%	Jan 09 - Dec 09 updated
State Pension Credit	289,462,889	1,378,309	358,482	2,719,838	0.5%	0.1%	0.9%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	0	0	0	0.0%	0.0%	0.0%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	666,441,937	745,336	216,956	1,449,856	0.1%	0.0%	0.2%	Jan 15 - Dec 15
Housing Benefit Owner Occupier	41,493,183	289,730	118,618	489,856	0.7%	0.3%	1.2%	Jan 15 - Dec 15
Incapacity Benefit	-878,476	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,789,575,334**	**11,105,236**	**3,301,819**	**23,018,244**	**0.2%**	**0.1%**	**0.4%**	

Estimates of benefit underpayments due to Customer Error in 2014

Benefit	Expenditure £	Monetary Value of Customer Error £	Lower Confidence Interval £	Upper Confidence Interval £	Monetary Value of Customer Error as % of expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	941,783,887	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	695,364,654	1,626,077	510,537	2,959,282	0.2%	0.1%	0.4%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
Income Support	182,401,406	130,633	0	673,385	0.1%	0.0%	0.4%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	203,689,564	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
State Pension	2,052,991,404	3,808,548	0	14,941,096	0.2%	0.0%	0.7%	Jan 09 - Dec 09 updated
State Pension Credit	312,566,969	1,080,001	337,569	2,098,746	0.3%	0.1%	0.7%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,878,651	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	139,870,422	0	0	0	0.0%	0.0%	0.0%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	29,940,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Living Allowance	12,179,365	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	85,581,696	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,668,584	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	649,781,614	248,364	37,428	512,657	0.0%	0.0%	0.1%	Jan 14 - Dec 14
Housing Benefit Owner Occupier	42,202,861	273,067	74,189	524,052	0.6%	0.2%	1.2%	Jan 14 - Dec 14
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,669,605,007**	**7,166,689**	**0**	**18,443,938**	**0.1%**	**0.0%**	**0.3%**	

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

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 Agency 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 Agency 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 2015, the 2015 estimate for DLA 'change in customer circumstances' overpayments is estimated by applying the 2008 percentage. In comparison the 2015 estimate is £56.1 million, 5.7% of expenditure. The 2014 estimate was £53.4 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 2015, the 2015 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. In comparison the 2015 estimate is £28.6 million, 2.9% of expenditure. The 2014 estimate was £27.3 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

22 Entities within the departmental boundary

The entities within the boundary during 2015-16 were as follows:

Executive Groups
Resources and Social Policy Group (RSPG)
Urban Regeneration and Community Development Group (URCDG)
Child Maintenance Service (CMS)

Executive Agency
*Northern Ireland Social Security Agency**

Executive Non-Departmental Public Bodies
Northern Ireland Housing Executive*
Charity Commission for Northern Ireland*

Advisory Non-Departmental Public Bodies
Charities Advisory Committee
Disability Living Allowance Advisory Board for Northern Ireland- abolished from 1 May 2015

Directly Provided Services
The Department performs a range of services for other bodies. The resources allocated to those activities come mainly from outside the Department. The Belfast Benefits Centre and the Eastern Area process social security benefit claims, and process child support cases respectively on behalf of agencies in Great Britain.

Independent Statutory Bodies
Office of the Social Fund Commissioner
The accounts of the bodies in italics have been consolidated in the group accounts of the Department.

* The accounts relating to these bodies are available on the individual websites.

23 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.

24 Events after the Reporting Period

On 9 May 2016, the 12 NICS departments were restructured to become 9. As a result, the Department for Social Development became part of the Department for Communities (DfC). More details can be found in the Directors' Report. As noted in the accounting policies note, since the functions for DSD continue to be carried out in DfC, the accounts have been prepared on a going concern basis.

On 23 June the UK held a Referendum to determine whether the country would remain in or leave the EU. The Department is currently considering the impact of the majority leave result on its activities. However, it is likely to be some time before the impact, if any, will be known.

The Accounting Officer authorised the issue of these financial statements on 30 June 2016.

N I A O

Northern Ireland Audit Office

Report by the Comptroller and Auditor General
for Northern Ireland

Department for Social Development

Resource Accounts

2015-16

Part 1: Introduction

1.1 The Department for Social Development (DSD) has responsibility for housing, urban regeneration, community development, social security and child support and in 2015-16 was responsible for the payment of £5,789 million in benefits, of which £5,089 million was paid by the Social Security Agency (SSA), £666 million was paid by the Northern Ireland Housing Executive (NIHE) and £41 million was paid by Land and Property Services (L&PS). Under the Stormont House Agreement, DSD became the Department for Communities (DfC) from 9 May 2016.

1.2 This report reviews the results of my audit of the Department for Social Development (the Department) and sets out the reasons for my qualified audit opinion on fraud and error in benefit expenditure (Part 2).

1.3 This report also highlights additional problems in the Housing Association sector generally (Part 3). I have also provided an update on the issues I reported on last year.

Part 2: Fraud and error in benefit expenditure

Background to the Audit Qualification

2.1 My audits of the financial statements of the two bodies responsible for paying the vast majority of the benefits which the Department is responsible for, i.e. SSA and NIHE, have now been completed. In each of these I considered that the estimated levels of fraud and error in benefit expenditure continues to be material and as in previous years my regularity audit opinion on certain benefit expenditure in each of these accounts continues to be qualified. The background to my decision on each of these is discussed further below.

2.2 The Department of Finance (formerly Department of Finance and Personnel) is the Department responsible for L&PS which produces the Statement of Rate Levy Account, which records benefit expenditure processed by L&PS. In 2014-15[1] the estimated levels of fraud and error in this benefit expenditure continued to be material and as in previous years my regularity audit opinion on this benefit expenditure continued to be qualified.

Benefits processed by SSA, NIHE & LPS

2.3 SSA processes 88 per cent of total benefit expenditure. The estimated level of overpayments due to fraud and error remained at 1% of benefit expenditure, the same as 2014-15 and slightly above the 0.9 per cent of benefit expenditure recorded in 2013-14. I welcome that the level of official error underpayments fell in the year from £23.6 million (0.5 per cent of benefit expenditure) in 2014, to £14.6 million (0.3 per cent of benefit expenditure. In reaching my decision to qualify my audit opinion, I recognised that there is an inherent risk of fraud and error in the administration of a complex benefit system which would make it difficult for SSA to reduce the estimated rate of fraud and error further from its current level, particularly because of potential welfare reform changes. Nevertheless, the total level of estimated overpayments and underpayments due to fraud and error continues to be material at 1.3 per cent of total benefit expenditure administered by SSA which is the reason why my regularity opinion continues to be qualified in the accounts of the SSA and the Department.

2.4 NIHE processes Housing Benefit for those claimants who do not own their home. It accounts for 11 per cent of total benefit expenditure. The estimated level of overpayment fraud and error within these payments has reduced slightly this year from 4.1 per cent in 2014-15 to 3.5 per cent in 2015-16. I considered this to be material and my regularity audit opinion was qualified in the accounts of NIHE and the Department in respect of this Housing Benefit. I have included this matter in my report on the NIHE's 2015-16 accounts.

2.5 L&PS processes the remaining one per cent of total benefit expenditure. This comprises Housing Benefit payments for claimants who own their house and are entitled to apply for a rates rebate if they are on low income and suffering financial hardship. There is estimated to be a substantial amount of overpayments due fraud and error within these payments amounting to 19.3 per cent in 2015-16 (compared to 20.4 per cent in 2014-15). My regularity audit opinion was qualified in the 2014-15[2] Statement of Rate Levy Account and the Department in respect of this Housing Benefit.

1 The 2015-16 Statement of Rate Levy Account will not be certified until after the Summer Recess.

2 The 2015-16 Statement of Rate Levy Account will not be certified until after the Summer Recess.

Departmental arrangements for monitoring and reporting fraud and error

2.6 The Department's Standards Assurance Unit (SAU) regularly monitors and provides estimates of levels of fraud and error within the benefits processed by SSA, NIHE and LPS as outlined in Note 21 (entitled Payment Accuracy) to the financial statements. In order to facilitate the timetable for the production of the financial statements, the Department's testing on 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 benefit system.

2.7 Caution however should be exercised when examining the estimates for trends, due to the measurement uncertainties explained in Note 21. In particular, estimated levels of fraud and customer error in some benefits are a number of years old. For example, Disability Living Allowance, which accounted for £1.0 billion of expenditure in 2015-16, has not been measured for fraud and error since 2008. Similarly State Pension (£2.1 billion) and Carer's Allowance (£0.15 billion) have not been measured since 2010 and 2009 respectively. I believe that the absence of up-to-date information on error rates in such large benefit streams creates a risk that the Department is making decisions based on out-of-date measurements. I acknowledge the Agency has only finite resources available to complete the whole range of fraud and error work and to measure fraud and customer error in Disability Living Allowance for example, would require a cessation of this measurement in higher risk areas.

Qualified opinion due to fraud and error in benefit payments

2.8 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 which govern them.

2.9 The criteria that are used to determine entitlement to each benefit and the method to be used to calculate the amount due to be paid are set out in legislation. Where fraud or error has resulted in an over or under payment of benefit to an individual who is either not entitled to that benefit, or is paid at a rate which differs from that specified in the legislation, these payments made are not in conformity with the governing legislation.

2.10 Figure 1 below shows the total benefit payments made during the calendar year of 2015 and the estimated level of fraud and error in relation to these benefits, based on the work completed by SAU. The total benefits (other than State Pension) amounted to £3.6 billion with estimated over and under payments (on which I have qualified my audit opinion) comprising:

- overpayments of £75.3 million (1.3 per cent of total benefits); and
- underpayments due to official error of £16.1 million (0.3 per cent of total benefits).

2.11 All overpayments are irregular, whereas only underpayments made as a result of official error are deemed irregular. Underpayments due to customer error are not deemed irregular.

2.12 I consider the estimated levels of fraud and error in benefit expenditure to be material and I have therefore qualified my audit opinion on the regularity of benefit expenditure (other than in relation to State Pension).

Figure 1: Estimated Overpayments and Underpayments due to fraud and error in benefit expenditure[3] reported in 2015-16[4] (Note 21 to the financial statements)

	Benefits other than State Pension)	State Pension	Total
	£ million	£ million	£ million
Expenditure	**3,666.6**	**2,123.0**	**5,789.6**
Overpayments due to:			
Customer fraud	45.1	0	45.1
Customer error	8.7	0	8.7
Official error	21.6	3.5	25.1
Sub-total	**75.3**	**3.5**	**78.8**
% of total benefits	1.3%	0.1%	1.4%
Underpayments[5] due to:			
Official error	**16.1**	**2.5**	**18.6**
% of total benefits	0.3%	0.1%	0.4%

Source: Department for Social Development financial statements 2015-16
Note: table does not total due to rounding

3 Estimated fraud and error in DLA and Carers Allowance is included within these amounts.

4 Estimates in figures 1 and 3 are to the nearest £0.1million and within 95 per cent confidence intervals.

5 Underpayments exclude those due to customer error which are not part of the audit qualification estimated to be £11.1 million (2014 - £7.2 million).

State Pension Benefit

2.13 My regularity opinion is not qualified in respect of State Pension payments because the testing carried out by SAU found no fraud within State Pension payments and the estimated level of error (as shown in Figure 1) within State Pension is not significant. Although overpayments as a result of official error increased from £1.3 million (0.1 per cent of State Pension benefit) in 2014-15 to £3.5 million (0.2 per cent of State Pension benefit) in 2015-16, this is not significant in the context of the £2.1 billion spend on State Pension.

2.14 The Department told me the State Pension error rate had risen because State Pension expenditure is of such a scale of benefit spend that even a slight difference in error found during the sampling exercises makes a significant difference when extrapolated into the global error values. For 2015, there was only a £38 difference in error found compared to the 2014 total. During sampling however this was sufficient to impact the extrapolated error value from £1.3m, 0.1% of State Pension expenditure in 2014; to £3.5m, 0.2% of State Pension expenditure in 2015; thus explaining the increases of £2.2m and 0.1% respectively. The Department also stressed, despite the increase of 0.1% in 2015, the continuing exceptionally high level of accuracy across the State Pension benefit of 99.7%.

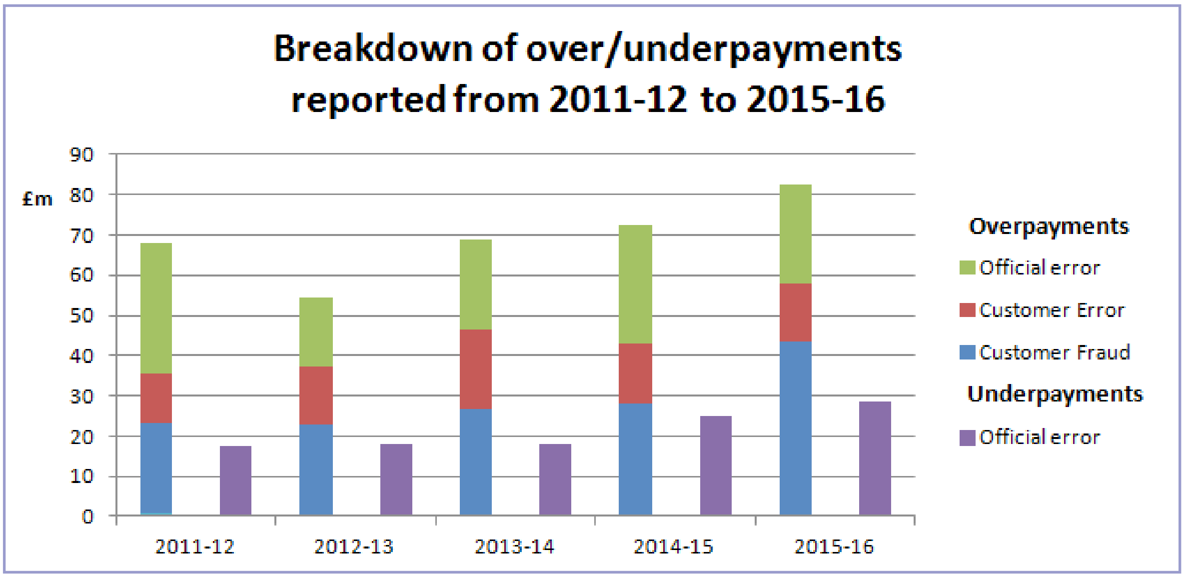
Estimated levels of fraud and error

2.15 The Payment Accuracy Note (Note 21) divides over and under payments into the following categories:

- Fraud – this arises when customers deliberately seek to mislead the Department to claim money to which they are not entitled; and
- Error – this arises because of customer error or official error:
    - Customer error occurs when customers make inadvertent mistakes with no fraudulent intent; and
    - Official error arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department. Official error results in both overpayments and underpayments.

2.16 Figure 2 and Figure 3 below show the trends since 2011-12 in estimated levels of fraud and error for all benefits.

Figure 2: Total estimated fraud and error in benefit expenditure reported from 2011-12 to 2015-16



Source: Department for Social Development financial statements 2011-12 to 2015-16. The Department highlighted that the amounts of over and under payments need to be considered in the context of total social security benefit expenditure which has increased annually and this information is included in the Payment Accuracy Note to the accounts.

Figure 3: Trends in total estimated fraud and error in benefit expenditure

	2011-12 £ million	**2012-13 £ million**	**2013-14 £ million**	**2014-15 £ million**	**2015-16 £ million**
Total benefit expenditure	**5,054.9**	**5,334.5**	**5,511.7**	**5,669.6**	**5,789.6**
(1) Overpayments					
Customer fraud	22.7	26.9	28.2	43.5	45.1
Customer error	14.8	19.5	14.9	14.4	8.7
Official error	17.0	22.3	29.4	24.5	25.1
TOTAL	**54.5**	**68.7**	**72.5**	**82.4**	**78.9**
% of benefit expenditure	**1.1%**	**1.3%**	**1.3%**	**1.5%**	**1.4%**
(2) Underpayments					
Official error	**17.8**	**18.0**	**24.8**	**28.3**	**18.5**
% of benefit expenditure	**0.3%**	**0.3%**	**0.5%**	**0.5%**	**0.3%**

Source: Department for Social Development financial statements 2011-12 to 2015-16
Note: table does not total due to rounding

Customer fraud and error

2.17 Means tested benefits such as State Pension Credit, Income Support, Jobseeker's Allowance and Employment and Support Allowance tend to have the highest rates of customer fraud and error as they require the customer to provide complete and accurate information in order to establish entitlement to benefit. The estimated amount of fraud has risen from £43.6 million (0.8 per cent of total benefits) last year to £45.1 million (0.8 per cent of total benefits) this year and is now at its highest level since 2004-05.

2.18 The Department has in the past told me that one of the main reasons for customer error is the complexity of and lack of understanding of the benefit system by the customer. The estimated amount of customer error has fallen significantly in monetary terms from £14.4 million (0.3 per cent of total benefits) last year to only £8.7 million in 2014-15 (0.2 per cent of total benefits) and this compares very favourably against the 0.4% (2014-15) recorded at DWP.

2.19 I am concerned at the increase in customer fraud this year from £43.6 million to £45.1 million. I also note the results of the SAU which show an increase in the number of cases which were considered to have fraud or error compared to last year, as outlined below:

- State Pension Credit – 1 in 10 cases (1 in 8 cases in 2014-15);
- Employment and Support Allowance – 1 in 11 cases (1 in 17 cases in 2014-15);
- Jobseeker's Allowance – 1 in 17 cases (1 in 21 cases in 2014-15);
- Housing Benefit (NIHE) – 1 in 11 cases (1 in 14 cases in 2014-15) and
- Housing Benefit (LPS) – 1 in 6 cases (1 in 6 cases in 2014-15).

2.20 Whilst I acknowledge the Department has maintained its focus on targeting, detecting and preventing customer fraud and error, I am disappointed with the continuing rise in the level of fraud and I asked the Department to comment further on them and in particular what action it was taking to address the common cause of the above frauds, namely, customers incorrectly declaring their level of income and capital.

2.21 The Department acknowledged the monetary increase in customer fraud in 2015 but stressed the margins of the increase – from 0.77% in 2014 to 0.78% in 2015 – a difference of 0.01%. The Department also highlighted that, when taken together, loss through customer fraud and customer error combined had in fact improved from 1.02% in 2014 to 0.93% in 2015. Nevertheless, the Department views the continued reduction of customer fraud and error as a high priority and continually analyses its findings from measurement and sampling to target its resources at those areas of greatest risk.

2.22 Focusing specifically on undeclared income, the Department introduced the use of Real Time Information in 2014; this uses real time HM Revenue and Customs (HMRC) payroll data to specifically target undeclared income. The Department confirmed that real time earning information is proving an extremely effective source of intelligence in detecting and removing the irregular payment of benefit. In 2016 the Department plans to extend the use of this real time earnings data source to detect undeclared earnings or non state pension income at the point of claim and to ensure the claim is correct before it is put into payment.

Official error

2.23 Official errors are those that are attributed as being the fault of the Department. The control of official error is the area within Fraud and Error where the Department has the most influence. They can take time to identify and correct and as a result their cumulative impact on resource and efficiency can be considerable. The main reasons for official errors continue to be:

- incorrectly recording a customer's income;
- incorrectly applying complex benefit rates; and
- making errors in establishing the customer's status (such as their fitness for work, living arrangements etc).

2.24 Estimated overpayments due to official error have increased slightly from £24.5 million (0.4 per cent of total benefits) in 2014-15 to £25.1 million (0.4 per cent of total benefits) in 2015-16. In contrast estimated underpayments due to official error have fallen significantly from £28.3 million (0.5 per cent of total benefits) in 2014-15 to £18.5 million (0.3 per cent of total benefits) in 2015-16. I welcome that underpayments due to official error in Employment and Support Allowance fell by £6.0 million from £11.6m (1.7 per cent of annual expenditure) to £5.6 million (0.7 per cent of annual expenditure). Official errors leading to underpayments can lead to hardship for customers.

DSD & DWP – comparisons

2.25 Administering a complex benefits system to a high degree of accuracy in a cost effective way is challenging. To show how the Department is performing in relation to levels of fraud and error, it is helpful to compare its performance with that of the Department for Work and Pensions (DWP) in Great Britain. Key comparisons are set out in the table below.

Figure 4 – Fraud and Error in Benefit Expenditure – Great Britain[6] and Northern Ireland[7]

Fraud and Error Category	DWP – Great Britain – 2015-16	DSD – Northern Ireland – 2015-16
	% of benefit expenditure	% of benefit expenditure
Overpayments		
Official Error	0.4%	0.4%
Customer Fraud	0.9%	0.8%
Customer Error	0.5%	0.2%
Reported Sub-total	**1.8%**	**1.4%**
Underpayments		
Official Error	0.4%	0.3%
Reported Sub-total	**0.4%**	**0.3%**
TOTAL - Overpayments and Underpayments	**2.2%**	**1.7%**

Note: table may not total due to rounding

2.26 It is clear overall, that for both overpayments and underpayments, the Department is performing well compared with DWP. The work being done by the Department to minimise underpayments is significantly better. Although overpayments due to official error and fraud are very similar, DSD customers are much less likely to be overpaid benefits as a result of their error in submitting a claim than is the case for DWP customers.

Counteracting fraud and customer error

2.27 I acknowledge the considerable effort and resources that the Department has put into reducing the estimated levels of fraud and customer error, as outlined in the Corporate Governance section of its Annual Report and I would encourage the Department to continue to look for new methods to reduce the levels of fraud and error.

2.28 Importantly, since August 2014, the Department has been receiving HMRC Real Time Information (RTI) data on earnings and non state pension income and matching this against current social security benefit claims. The Department has found that the quality of the data matches has been high with initially 75 per cent of cases subject to investigation. This data is identifying unreported working, unreported secondary occupations and unreported or misreported occupational pensions. The Department welcomes the enhanced capability arising from RTI for targeting fraud and error and is redirecting resources to this important work in order to maximise its effectiveness in preventing, detecting and reducing further the level of fraud and error within the benefit system.

[6]DWP, 'Fraud and Error in the Benefit System - Preliminary data for 201516, May 2016' – figures shown are for benefits administered by it which are comparable to those administered by the Department.

[7]Source – DSD Resource Accounts 2015-16 – Note 21, Payment Accuracy Note

2.29 I welcome that the Department has a dedicated Fraud & Error project team charged with progressing new initiatives. Of note is the project involving the Department working with DWP in the development of new IT systems and data sources, including the implementation of the Wider Use of RTI (WuRTI). The rollout of WuRTI should help the Department detect undeclared earnings when a claim is made and ensure any income related benefit paid is correct. I welcome that initial focus will be on State Pension Credit, a benefit which I have already noted continues to have high levels of fraud or customer error (1 in 10 cases in 2015-16). I note that plans to extend WURTI to Employment Support Allowance, Carers Allowance Housing Benefit and other benefit areas are also being explored by the Department with DWP.

2.30 At 31 March 2016, 1,748 RTI related cases are subject to investigation with 6 already resulting in prosecution and a further 76 resulting in administrative penalties being imposed. The total value of overpayments identified to date is almost £700,000. A further 48 cases have been passed to the Public Prosecution Service to decide whether or not to prosecute the individuals concerned. Work on the remaining cases is ongoing and going forward should result in significant levels of fraud and also customer error being identified.

2.31 I continue to be impressed by the outcomes from the Customer Compliance interviews conducted by the Department. Such interviews are generally carried out in cases where it would not be reasonable or represent value for money to undertake a full and resource intensive fraud investigation. These targeted interviews have identified customer errors in 34% of cases, with a total of £6.8 million of adjustments in 2015-16, or £1,590 per interview. This has resulted in a payback of around £15 for each £1 of costs incurred.

2.32 Now that Welfare Reform is gathering pace in Northern Ireland, new challenges in relation to fraud and error are certain to arise. I note that in 2015-16 DWP has provisionally estimated that fraud in Universal Credit has been 5.4 per cent, although customer error has been low at only 0.2 per cent. With this in mind I welcome that the new Department for Communities has a Universal Credit Board in place and that a new Fraud and Error Strategy is likely to be in place by around April 2017.

2.33 Important developments in counteracting fraud and error in future years are taking place, some of which are at an early stage. Going forward, I will consider these developments and particularly the outcomes from RTI based data matching, interrogation and subsequent investigation. In my view it is also critical that fraud and error in relation to Universal Credit is minimised at the earliest stages of Universal Credit rollout.

Disability Living Allowance - Changes in Circumstances

2.34 Note 21 of the Department's financial statements outlines cases where a gradual change in customers' needs has occurred, so that entitlement to Disability Living Allowance (DLA) may have changed. It is considered unreasonable to expect the customer to know at which point that had occurred and therefore it is likely that the Department will only become aware of this when the individual's DLA entitlement is subject to a periodic reassessment. If this reassessment finds that their condition has gradually improved or deteriorated to an extent that it now impacts on their care and/or mobility needs, then there may be a change in the benefit allowance paid to the individual. This would not, however, result in any underpayments or overpayments in the period up to the reassessment because under benefit legislation it is for the Department to prove that entitlement to DLA is incorrect. Any adjustment to an individual's entitlement would therefore only take place from the date of the review.

Figure 5: DLA benefit expenditure

	2011-12 £ million	2012-13 £ million	2013-14 £ million	2014-15 £ million	2015-16 £ million
DLA benefit expenditure	787	842	887	942	990
% of total benefit expenditure	16%	16%	16%	17%	17%

Source: Department for Social Development financial statements 2011-12 to 2015-16

2.35 SAU last carried out a full benefit review of DLA in 2008 when DLA expenditure amounted to £670 million and at that time it estimated that around 18.2 per cent of DLA cases contained a change in customer circumstances that had not been reflected in the DLA benefit being paid. Figure 5 shows the increase in DLA expenditure from £787 million in 2011-12 to £990 million in 2015-16 and using these same percentages, SAU estimate that in 2015-16, some customers may have received £56.1 million more than they would have been potentially entitled to if their circumstances were reassessed, and other customers are estimated to have received £28.6 million less than they would have been potentially entitled to. While customers receiving DLA are periodically reassessed, SAU have not since 2008 carried out a full benefit review on a sample of these reassessments to determine estimated levels of fraud and error in DLA, which accounts for 17 per cent of the Department's total benefit spend.

2.36 I acknowledge that these DLA cases are legally and procedurally correct. However I am concerned by the amounts that could be involved in potential adjustments to DLA benefit as a result of changes in circumstances. I note that the Department excludes these potential adjustments from their reported fraud and error over and underpayment figures. Identifying when customer circumstances change at the earliest opportunity is important for both the Department and the customer. Last year the Department told me that it continues to identify DLA cases that are likely to result in a change of circumstances. The Department explained that its Fraud and Error Reduction Board continues to ring-fence specific funding year on year to target and correct these specific DLA cases and that in 2014-15 it had examined 1,647 cases under Periodic Enquiry which resulted in a monetary value of adjustment of just over £5 million. I note that this is a correction of over £3,000 per case examined. I asked the Department what is currently being done to identify such changes so that the DLA paid is better aligned to customer circumstances and whether it plans to undertake a benefit review of DLA in order to provide more accurate estimates of the level of fraud and error in this particular benefit.

2.37 Personal Independence Payment (PIP) is a new benefit for working age customers (16-64 years) which is replacing Disability Living Allowance (DLA). It is planned that PIP will go-live on 20 June 2016 and from this date any new working-age customers whose disability has an impact on their daily lives will have to claim PIP instead of DLA. In addition to New Claims for PIP, all existing DLA working age customers (16-64 years), of which there are approximately 125,000, will be invited to claim PIP and be reassessed for it over a 3 year period. The Department told me that during 2015 it continued with its Periodic Enquiry process for Disability Living Allowance - which identifies cases where a change of circumstances is more likely. In 2015-16 the Department examined 1,747 cases which resulted in 447 adjustments and a monetary value adjustment (MVA) of just over £2.5 million. This represents a correction value of approximately £1,400 per case examined, less than half that of 2014-15.

2.38 The Department acknowledged the assessment date of the fraud/error data in DLA, but highlighted the Agency's consistent risk based approach to benefit security and the need therefore to continue directing measurement at those benefits with the highest risk of customer fraud and error; specifically Jobseekers Allowance, Employment Support Allowance, and State Pension Credit. It is also important to note that the Department's statisticians take the uncertainty of using data from Benefit Review exercises undertaken prior to 2015 into account when calculating the confidence intervals reported alongside the current year's fraud/error estimates. In addition DLA is subject to an annual Official Error measurement exercise.

2.39 The Department also highlighted the introduction of the new benefit, the Personal Independence Payment (PIP) in June 2016. As this benefit rolls out across Northern Ireland DLA caseloads and expenditure will steadily reduce- again underpinning the approach that benefit review exercises should continue to focus on the areas of greater risk. A planned migration of current DLA cases to PIP is due to commence in January 2017. The administration of the PIP benefit will also involve much more regular reviews and thus remove the risks associated with changing circumstances in DLA cases.

Conclusion

2.40 The estimated monetary amount of customer fraud for the Department is now £45.1 million, rising from £43.5 million in the prior year. The estimated levels of customer fraud have increased significantly over the past number of years in the benefit payments made by the Social Security Agency, NIHE and L&PS. The level of underpayments remains at 0.3 per cent of total benefit expenditure.

2.41 I consider that the estimated levels of fraud and error reported are material and I have therefore qualified my opinion on the 2015-16 Department's Resource Accounts on the regularity of benefit expenditure (other than State Pension benefits).

Part 3: Other Reporting Matters

The Housing Association Sector

3.1 The Department provides funding via the Housing Executive to the Housing Association sector each year and this amounted to £101 million during 2015-16. This incorporated Housing Association Grant, Voluntary Purchase Grant and Adaptation Grant. In order to satisfy itself that this money is properly spent, the Department's Governance and Inspection Team (the Team) conducts regular inspections of all Housing Associations in Northern Ireland examining governance, finance, housing management, property management and property development.

3.2 Further progress by the Department and the Housing Associations in Northern Ireland have meant the number of Associations being awarded limited or no assurance following an inspection has fallen from four in 2014-15 to one in 2015-16. This Housing Association is relatively small comprising less than 450 housing units (1% of 47,115 total Housing Association stock at 31 December 2015) and has little or no ongoing development. The Association is currently subject to a further inspection and is in discussions with the Department on the way forward.

3.3 I note the Department has recently revised its inspection programme focusing on specific problem Housing Associations and thermatic reviews. The Department told me that the Inspection programme would also include sufficient coverage of development activity to provide appropriate assurance on the expenditure of grant on a yearly basis. Current and future inspection coverage will therefore involve Associations responsible for approximately 50% of the Social Housing Development Programme each year.

3.4 This is an area which I may return to in the future.

Other Housing Association issues: Public Accounts Committee Report

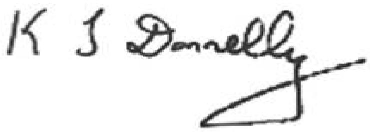
3.5 The Public Accounts Committee published a report in September 2015 on the Department for Social Development – Advance Land Purchases. The report considered the handling of issues that arose in two particular schemes that received Advanced Land Purchase (ALP) grants i.e. Helm Housing Association – Great George Street Belfast and Trinity Housing Crossgar.

Advance Land Purchase by Helm – Great Georges Street, Belfast

3.6 I have previously reported on the issues related to the purchase of a site in 2007 by Helm in Great Georges Street, Belfast which was supported by £8.1 million under the Department's ALP arrangements. As no units were built on the site, a settlement agreement was reached between Helm, the Department and NIHE on 1 July 2014 for the full amount to be repaid to the Department over a three-year period. A debtor was recorded in the Department's accounts at 31 March 2014, of which £4.48 million has now been settled, a shortfall of £2.12 million compared to the figure proposed in the settlement agreement at 31 March 2016. I asked the Department what actions were being taken to ensure the remaining amount of £3.62 million at 31 March 2016 will be settled in full by 31 March 2017 in accordance with the settlement agreement. The Department told me that the NI Housing Executive is currently in correspondence with HELM regarding the allowable costs and the Vesting value of the property. If these issues can be resolved they should be in a position to clear the account during 2016-17 as anticipated

Trinity Housing – Crossgar

3.7 I also previously reported on issues relating to a site in Crossgar which was purchased by Trinity[5] Housing Association for £835,215 in 2008. In 2014-15 the Housing Executive reached an agreement with Choice to recover the £835,215 ALP less allowable expenses of £194,096 associated with costs incurred to develop the scheme. In my 2015-16 audit I noted that Choice repaid £835,215 on 31 March 2015 to the Housing Executive who forwarded the full amount on to the Department on 1 April 2015.



KJ Donnelly
Comptroller and Auditor General

30 June 2016

Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU

[8] Trinity merged with Oaklee to form OakleeTrinity in July 2014 OakleeTrinity changed its name to Choice Housing (Ireland) in December 2015 and subsequently merged with Ulidia Housing in July 2015 and Open Door in December 2015.

Annex A

CHILD MAINTENANCE SERVICE (CMS) CLIENT FUNDS ACCOUNT

2015 - 16

Management Commentary

1.1 Major Reforms

The Department through the Child Maintenance Service ("CMS") has continued to make significant progress in delivering major reforms to child maintenance including the implementation of the 2012 scheme, while at the same time administering the 1993 and 2003 schemes, whilst preparing them for eventual closure by 2018.

The Department 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 new 2012 statutory scheme, which can collect money on behalf of parents. In addition, the Child Maintenance Choices service, which operates as the official 'gateway' to the new statutory scheme, 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 HMRC and the Department's benefits system to carry out the assessment calculations.

Following the introduction of the 2012 scheme on a pathfinder approach in December 2012, the scheme opened to all new applicants in November 2013. The Department was then able to proceed to its second phase of reform on 30 June 2014. This included the introduction of collection and enforcement charges as part of a package of financial incentives to encourage parents to take greater financial responsibility for their children.

Once an application is made to the 2012 scheme, both parents can avoid collection charges entirely by using the Direct Pay service (where parents organise payments between themselves based upon a CMS calculation), which can be a step towards a more collaborative relationship. It is encouraging to see that, at March 2016, two out of three parents using the new statutory scheme are already using this service and thus avoiding charges completely.

The other key element to the second phase of reform is the closure of existing 1993 and 2003 scheme cases. By 2018, this activity will result in there being just one statutory system in operation, the 2012 system. We expect case closure to affect around 32,000 cases. We have already contacted 18,000 parents to alert them to this part of the reform journey and explain what it means to them.

1.2 Performance during 2015/16 - 2012 Scheme

The caseload at 31 March 2016 was 6,613. At that point 89.4 per cent of case groups were contributing towards their current liability.

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 £5,219k (2014/15, £2,534k) was paid between parents:

- £4,301k through Direct Pay; and,
- £918k through Collect and Pay

1.2.1 Direct Pay

A case is classed as Direct Pay when the maintenance calculation has been derived by the CMS (after assessment of the case) and the paying parent pays maintenance direct to the receiving parent. Parents are incentivised, through fees on the Collect and Pay service, to choose Direct Pay.

As at 31st March 2016, 66 per cent of those parents due to pay their liability were using Direct Pay rather than the collection service. While payments made through Direct Pay do not flow through the Client Funds Bank Account they are a key part of the reforms. Payments due under Direct Pay are considered to be made in full and on time unless CMS is informed otherwise.

Where a payment is reported as missed, both clients are asked to provide evidence of the missed payment. Where it is deemed the paying parent is unlikely to pay, the case may be changed to collect and pay where enforcement tools are available to re-establish compliance and recover any outstanding arrears, including any arrears which accrued while the case was Direct Pay.

1.2.2 Receipts of child maintenance – Collect and Pay

During 2015/16, 17,806 (2014/15, 11,679) individual receipts were recorded. Total monies received (including collection charges) were £1,173k (2014/15, £947k) with 99.8 per cent of receipts by volume received electronically.

1.2.3 Payments of child maintenance – Collect and Pay

During 2015/16, 18,120 (2014/15, 12,205) individual payments were made to parents with care with a total value of £918k (2014/15, £827k). One hundred per cent are made by funds transferred electronically to clients' bank accounts.

1.3 Performance during 2015/16 - 1993 and 2003 Schemes

The live caseload on the 1993 and 2003 schemes was at 19,626 by the end of March 2016 (25,715 at March 2015). The number of 1993 and 2003 scheme cases with a current liability of child maintenance (i.e. excluding those cases with arrears of child maintenance only) reduced to 7,970 (13,334 at March 2015), whilst the percentage of cases contributing to their current liability of child maintenance was 91.3 per cent by the end of March 2016 (92.2 per cent at March 2015).

The number of children benefiting from maintenance through the 1993 and 2003 schemes in the quarter to March 2016 was 10,164, a reduction of 6,797 since March 2015, which can be largely attributed to all new maintenance applications now being processed on the 2012 scheme and the commencement of the programme to close all cases on the 1993 and 2003 systems. The amount of maintenance collected or arranged over the year through the 1993 and 2003 schemes was £18.3 million (down from £24.7 million collected and arranged in the 12 months to March 2015).

1.4 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 £63.6 million at 31 March 2016 (£69.0m at 31 March 2015).

1.5 Assessment Accuracy

Assessment accuracy compares the aggregate weekly value of correct and incorrect assessments made by caseworkers to calculate the percentage of accurate cases.

For the year to 31 March 2016, the reported accuracy for the Legacy Schemes (1993 and 2003 Schemes) was 96.2% (2014/15: 98.0%).

With the 2012 scheme, the Department has simplified the way it 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 system to establish parental income and calculate maintenance.

This is the first year that assessment accuracy has been reported for the 2012 Scheme. The reported accuracy for the year to 31 March 2016 was 93%. This figure does not take account of fully automated transactions; those where a caseworker does not intervene. Work is on-going to accurately identify these automated transactions and to determine the impact on the overall assessment accuracy for the 2012 Scheme.

It is worth noting that it took nearly 20 years to achieve the accuracy levels on the legacy systems that the new 2012 Scheme is already delivering just 3 years since its introduction. It is also expected to improve as caseworkers become more familiar with the system but also due to the impact of increasing volumes of automated calculations, particularly Annual Reviews. This is where each case is updated after 12 months with the latest gross income which is usually sourced automatically from HMRC.

Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the Department of Finance (formerly the Department for Finance and Personnel Northern Ireland) has directed the Department for Communities (formerly the Department for Social Development) to prepare a statement of Client Funds Accounts for the financial year ended 31 March 2016 in the form and on the basis set out in the Accounts Direction. The Client Funds Account must comprise a Receipts and Payments Account and 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 arrears must be categorized as to its collectability.

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

- observe the Accounts Direction issued by the Department of Finance, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Department of Finance appoints the Head of Department as Accounting Officer of the department. The Accounting Officer for the Department for Social Development is also the Accounting Officer for the Child Maintenance Service Client Funds. For the 2015-16 accounts, the Accounting Officer for the Department for Communities (DfC) takes on the responsibilities associated with the annual accounts for the Department for Social Development since DfC came into being shortly after the 2015-16 financial year end. 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' Client Funds, are set out in Managing Public Money Northern Ireland published by the Department of Finance.

The Accounting Officer confirms that, as far as he or she is aware, there is no relevant audit information of which the Department's auditors are unaware, that he or she has taken all the steps necessary to make himself or herself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

He or she also confirms that the accounts as a whole is fair, balanced and understandable and takes personal responsibility for the accounts and the judgments required for determining that it is fair, balanced and understandable.

Leo O'Reilly
Accounting Officer
29 June 2016

Governance Statement 2015-16

Introduction

The Department for Communities (formerly the Department for Social Development) 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 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 schemes through the Child Maintenance Service.

The governance arrangements set out in the Departmental Resource Account for the year ended 31 March 2016 relate to the Child Maintenance Service as part of the Department.

This statement covers topics which are specific to the Child Maintenance Service operating within the Department with particular emphasis on the significant control weaknesses identified in relation to child maintenance.

2012 Scheme

The new 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.

Parents can avoid collection fees completely if they choose to set up a family-based arrangement or pay by Direct Pay. The charging structure introduced adds 20% to each of the paying parents' usual child maintenance amounts and deducts 4% from each of the receiving parents' usual child maintenance amount.

The introduction of charging for our services aims to encourage clients to make an active choice about their child maintenance arrangements rather than automatically default to the statutory service. 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, turn to the Collect and Pay statutory service.

Case Closure Programme

The Case Closure Programme commenced in 2014 and includes processes to contact all 1993 and 2003 system clients to consider if they would like their arrears managed on the 2012 system or to be written off.

The intention being that all legacy scheme cases will be closed over the next three years or so, and the 1993 and 2003 systems decommissioned, leading to there being just one statutory scheme in operation, the 2012 Scheme.

For clients who decide to have their arrears managed on the 2012 system, the current process is to transfer arrears from the 1993 and 2003 systems to the 2012 system. Financial control is maintained via a dedicated finance team who complete a daily reconciliation to ensure arrears are accurately received and attributed to the correct payee, either parent with care or the Department.

Separate teams have also been established to control the case closure programme, one to prepare the 1993 and 2003 system cases for either closure or transfer to the 2012 system and a second team to control the necessary case build on that system. During the reporting year to 31 March 2016 £4.06 million of arrears had transferred to the 2012 system with only £0.02 million not held on a system at year end due to incidents on the case build process on the 2012 system.

1993 and 2003 Scheme

Many of the control weaknesses highlighted in previous years accounts and documented below, arise as a result of the limitations of the systems underpinning the 1993 and 2003 statutory schemes, which have led to repeated modified 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.

Limited Audit Opinion

Internal Audit's review of the Custody & Control of Actividentity Cards within CMS attracted a "Limited" audit opinion primarily due to the ineffectiveness of management controls including:

- Actividentity cards missing or unaccounted for;
- mandatory checks on smartcards not being completed;
- receipt of new cards not being adequately recorded on a timely basis; and
- leavers / long term absentees not returning cards to stock.

Actividentity cards are personal identification devices required by staff to access CMS computer systems. Given the sensitive nature of the data held on CMS information systems it is imperative for management within CMS to ensure that appropriate controls are in place and are effective to mitigate the risk of loss or misuse of the data held. A total of eight recommendations to address concerns raised were included in the audit report and management action is ongoing to implement them. A follow up review to determine if the recommendations have been fully implemented will be completed by Internal Audit during 2016-17.

Significant Governance and Internal Control Challenges

Accuracy of Maintenance Assessments

Assessment accuracy remains an issue for the 1993 and 2003 schemes. It is central to the modified audit opinions on the Client Funds Account due to the inaccuracy of maintenance assessments and consequent uncertainty around the reported arrears. The accumulated inaccuracies arising mainly from earlier years continue to affect current arrears balances.

The Department does not have the resources to identify, review and correct all errors on previous cases. Additionally, as the Department is wholly reliant on the Department for Work and Pensions for the provision of IT systems, the Department is not in a position to correct the underlying deficiencies which have contributed to these errors. The Department continues to focus on accuracy of current work to drive through improvements and ensure high standards going forward and has reported an accuracy level of 96.2% against a divisional target of 97% on all decisions taken during the year. Although slightly below target, this continues to represent a significant improvement on historic accuracy; however, the level of inaccuracy is still regarded as material.

In respect of the 2012 Scheme, internally reported assessment accuracy for 2015/16 is 93% however this does not fully reflect the automation of the CMS 2012 system. In addition, caseworkers are still learning and gaining experience with a new system and its processes; the accuracy of assessments made by caseworkers on the 2012 system is expected to improve over time. There are also a number of initiatives in progress to deliver targeted improvements in areas where weaknesses have been recognised.

Accounting Information

Due to the limitations of the Division's Child Support Computer Systems (CSCS and CS2) supporting the 1993 and 2003 schemes, the evidence available to support the accuracy and completeness of outstanding maintenance arrears balances continues to be limited or unavailable. Therefore, there continues to be significant uncertainty over the accuracy and completeness of the outstanding maintenance arrears balances.

Due to the absence of a satisfactory audit trail to support the outstanding maintenance arrears balances recorded in note 6.1 of the Account only, the Comptroller and Auditor General is unable to conclude on the accuracy and completeness of maintenance arrears balances and has disclaimed his audit opinion in respect of this note alone. This is on the basis that he considers the uncertainties in relation to maintenance arrears to be both material and pervasive.

Cases Managed off the Main Systems

Prior to the implementation of 2012 system, the Department operated two main child maintenance computer systems. These were 1993 (previously known as CSCS) and 2003 (previously known as CS2) systems. Data issues, software defects or both mean that some cases either cannot be managed at all on the 2003 system, or can only partially be managed on that system.

At 31 March 2016, there were 2,179 cases managed wholly off the 2003 system compared with 3,340 at 31 March 2015. These represent £0.88m of the overall arrears balance reported in Note 6.1 of this Account (2015: £2.1m).

These cases are managed on a number of small IT systems; however, the limited functionality of these systems means a significant additional resource is required to manage these cases.

Statement of Balances

Due to insufficient information being available in underlying IT systems, the Client Funds Receipts and Payments Account and Statement of Balances have historically been prepared using bank statements. The Statement of Balances discloses the balance on the bank account at the year end. The year-end bank balance is then broken down between funds received into the bank which are awaiting clearance and cleared funds which are awaiting distribution.

The analysis of cleared funds is heavily reliant on system generated reports. While the Division 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; therefore, the un-reconciled balance will be subject to fluctuations. The Department will continue to take all necessary steps to resolve this issue as far as possible.

Reimbursements to Clients

Where cases are subject to significant delay or maladministration, the Department can incur costs in the form of special payments for compensation for delay, maladministration or financial loss, where appropriate. Such costs are reflected within the Accountability Report of the DSD Resource Account. This totalled £0.12m in 2015-16 (£0.22m in 2014-15).

Information Security

The control challenge remains to protect the vast amount of sensitive personal data necessary to assess and pay child maintenance while, at the same time, making efficient use of that data.

The Department is committed to ensuring that all the sensitive information entrusted to it is managed lawfully and appropriately. As noted previously, Internal Audit issued one "Limited" audit opinion in 2015/16 in respect of the Custody and Control of Actividentity Cards. Management are committed to implementing the recommendations made by Internal Audit to strengthen the control framework in respect of the custody of these cards.

Legislation, including the Official Secrets Act, Data Protection Act 1998, Freedom of Information Act 2000, Computer Misuse Act 1990 and the Human Rights Act 1998, sets out the legal framework within which the Department must operate and ensure the safe storage and handling of information. The Department fully recognises these legal responsibilities and takes all necessary actions to ensure that it continues to comply with legislation regarding its management of personal data and other information.

Management Information

Progress has been made in the development and enhancement of management information available for the 2012 Scheme. Whilst this progresses, contingency reports have been developed to allow performance to be monitored.

The 1993 and 2003 computer systems lack the functionality to 'age' arrears of balances due to the parent with care from the non-resident parent. This impacts the Department's ability to assess the collectability of debt. The cost of remedying this issue is considered to be prohibitive.

Conclusion

The Department will continue to work with the Department for Work and Pensions in Great Britain on the continued development of the new Child Maintenance system and will continue to take all possible action to work around the longstanding system issues and mitigate the associated risks.

I am satisfied that the Child Maintenance Service has an effective governance structure and is operating to a high standard of integrity and probity. In signing this report I have taken assurances from the Departmental Audit and Risk Assurance Committee and I will continue to monitor Internal Audit, Northern Ireland Audit Office and Public Accounts Committee recommendations to ensure that all issues are addressed.

Leo O'Reilly
Accounting Officer

29 June 2016

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

I certify that I have audited the financial statements of the Child Maintenance Service Client Funds for the year ended 31 March 2016 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. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of Accounting Officer and auditor

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 properly present the receipts and payments during the year. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining 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. This includes an assessment of: whether the accounting policies are appropriate to the Child Maintenance Service's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Child Maintenance Service; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Management Commentary and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate/report.

I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments 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 for qualified opinion on regularity

The Department is required to calculate maintenance assessments in accordance with the relevant legislation. My examination of maintenance assessments identified cases that have been calculated incorrectly.

Qualified opinion on regularity

In my opinion, except for the maintenance assessments calculated in error, in all material respects the receipts and payments and the financial transactions recorded in the account conform to the authorities which govern them.

Basis for disclaimer of opinion on maintenance arrears balances

My audit examination of maintenance arrears balances was limited because of insufficient evidence to substantiate the level of maintenance arrears included within Note 6.1 to the account and I was unable to confirm the accuracy and completeness of the maintenance assessments which form the basis of the maintenance arrears balances. Whilst I am not able to provide a precise estimate of the level of error, I consider the level of gross error to be material. As the Client Funds account is not prepared on an accruals basis the maintenance arrears figures in Note 6.1 do not impact on other disclosures within the account. Consequently the disclaimer of my audit opinion extends to Note 6.1 only.

Disclaimer of opinion on maintenance arrears balances

Because of the significance of the issues described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate evidence to conclude on the accuracy and completeness of the maintenance arrears balances at Note 6.1.

Unqualified opinion on the receipts and payments account

In my opinion:

- the account properly presents the receipts and payments of the Department for Social Development's Child Maintenance Service for the year then ended and the cash balances held as at 31 March 2016; and
- the account has been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance and Personnel directions issued thereunder.

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.

Matters on which I report by exception

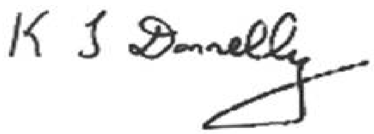
I have not received all of the information and explanations that I considered necessary to substantiate the accuracy and completeness of maintenance arrears balances referred to above.

In respect solely of my disclaimed opinion relating to the maintenance arrears balances:

- I was unable to determine whether the Department maintained adequate accounting records to support the level of outstanding maintenance arrears totalling £63.6 million;
- I was unable to determine if Note 6.1 is in agreement with the accounting records; and
- I have not therefore received all the information and explanations I require for my audit.

I have nothing to report in respect of the following matter which I report to you if, in my opinion the Governance Statement does not reflect compliance with the Department of Finance's (formerly Department of Finance and Personnel) guidance.

My detailed observations are included in my report attached to the account.



KJ Donnelly
Comptroller and Auditor General

Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

30 June 2016

CHILD MAINTENANCE SERVICE (CMS) CLIENT FUNDS ACCOUNT

Receipts and Payments Account for the Year Ended 31 March 2016

	Notes	2015-16 £’000	2014-15 £’000
Receipts	2	13,105	17,057
Bank Interest	3	-	-
Total Receipts		**13,105**	**17,057**
Less Payments to :			
Persons With Care		12,384	16,369
the Department (including fees)		670	638
Department for Work and Pensions (DWP)		80	133
Non Resident Parents		141	211
Total payments		**13,275**	**17,351**
Net (Payments)/Receipts		**(170)**	**(294)**
Balance as at 1 April		533	827
Balance as at 31 March	**4**	**363**	**533**

Statement of Balances as at 31 March

	Notes	2015-16 £’000	2014-15 £’000
Funds awaiting clearance	**4**	**126**	**131**
Cleared funds awaiting distribution	**4**	**237**	**402**
Balance on bank account		**363**	**533**

The notes on pages 194 to 200 form part of these accounts.

Leo O’Reilly
Accounting Officer

29 June 2016

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. In addition the amount of arrears should be categorised as to its collectability.

1.4 The outstanding maintenance arrears note has been prepared on an accruals basis.

2. Receipts and Payments

2.1 Receipts from clients relate to child maintenance and fees collected from non-resident parents by CMS for payment, to parents with care (maintenance), to the Department or to the Department for Work and Pensions (DWP).

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 6.1 and 6.2). This is due principally to timing differences and the inclusion of non-maintenance receipts in the amounts shown in the Receipts and Payments Account.

2.3 Money is also received from the Department to refund Non-Resident Parents in cases where an overpayment has been made, and the amount is irrecoverable. This totalled £20k (2014/15: £96k) and is included within the Accountability Report of the Resource Account.

2.4 The payments to the Department of £670k, include payments of £440k (2014/15 £538k) that have been made in respect of funds received on 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.

2.5 Payments to the Department include £196k of enforcement and collection charges (2014/15: £80k) which have been applied to parents using the new statutory 2012 Scheme following the implementation of the second phase of the reform programme in June 2014.

3. Interest Received and Paid

3.1 CMS receives interest on balances deposited in the Client Funds bank account, at the Bank of England base rate minus 0.5%. Persons With Care or Non-Resident Parents may, in specific circumstances, be entitled to receive interest payments when CMS, through its own fault, has delayed paying over maintenance received/refunds. No interest was received or paid in 2015-16 (2014-15 £nil) as a consequence of the low Bank of England base rate.

4. Statement of Balances

4.1 The balances relate to sums collected from Non-Resident Parents and interest received which had not been paid over to Persons With Care, the Department, the Department for Work and Pensions or Non-Resident Parents at year end.

4.2 The balances relating to funds awaiting clearance are amounts that CMS has received into its bank account but have not yet cleared through the bank's clearance processes.

4.3 The balances relating to cleared funds awaiting distribution are amounts that CMS has received into the Client Funds bank account but have not yet been paid out to Persons With Care, the Department, the Department for Work and Pensions or Non-Resident Parents.

5. Outstanding Maintenance Arrears at 31 March 2016

5.1 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.

5.2 1993 and 2003 schemes

There are four types of maintenance assessments:

- Full maintenance assessments – where the 1993 rules apply and both the parent with care and the non-resident parent provide all the information requested.
- Interim maintenance assessments – where the 1993 rules apply and it has not been possible to obtain sufficient information to make a full maintenance assessment.
- Maintenance calculation – where the 2003 rules apply and both the parent with care and the non-resident parent provide all the information requested.
- Default maintenance decision – where the 2003 rules apply and it has not been possible to obtain sufficient information to make a maintenance calculation.

The majority of interim maintenance assessments were set at punitive rates to encourage contact from, and compliance by, the non-resident parent, and hence take no account of their income or ability to pay.

Where the statutory maintenance service is in contact with a non-resident parent on whom an interim maintenance assessment has been imposed, a proportion of the amount outstanding may prove collectable. This is particularly likely where the non-resident parent is co-operating with us and we are able to replace the interim maintenance assessment with a full maintenance assessment.

Where an interim maintenance assessment has been imposed on or after 18 April 1995, the subsequent full maintenance assessment will be backdated and will replace the interim maintenance assessment. Any amounts collected under the interim maintenance assessment will be offset against the full maintenance assessment due.

A default maintenance decision is a calculation based on a weekly average wage and is not set at punitive rates.

5.3 2012 scheme

The 2012 scheme offers one simpler assessment type based on gross income and benefits in payment. The system pulls data automatically from HM Revenue and Customs and the Department's benefits system to carry out the assessment calculations.

Collectability of Outstanding Maintenance Arrears

5.4 In line with the Accounts Direction, CMS undertook an "Outstanding Maintenance Arrears Analysis Exercise" to estimate the collectability of outstanding maintenance arrears during 2014-2015. The results have been used as the basis to estimate the collectability of outstanding maintenance arrears as at 31 March 2016. This Exercise established three categories for the total outstanding maintenance arrears i.e. 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 each element of 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. The full amount of outstanding maintenance arrears in this category has been estimated as probably uncollectable.

5.5 The outstanding arrears for 2012 Scheme cases are considered likely to be collected based on these arrears primarily accruing within the last 2 years.

5.6 The amounts outstanding on individual cases remain and continue to be due in full. CMS will continue to consider any new facts brought to its attention regarding collectability and have not waived its discretion to take action in the future to collect any amount outstanding which becomes collectable.

5.7 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 it, 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.

5.8 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.

5.9 In total £3.31m has been written off under these powers across the 1993, 2003 and 2012 schemes in the financial year (2014/15: £5.11m).

Note 6.1 Outstanding Maintenance Arrears as at 31 March 2016

	1993 Scheme (CSCS) £'000	2003 Scheme (CS2) £'000	Legacy Arrears hosted on 2012 System £'000	2012 Scheme £'000	Total £'000
Opening balances as at 1 April 2015	**22,653**	**45,201**	**552**	**587**	**68,993**
Transfer between systems *(Note a)*	(688)	(3,370)	4,058	-	-
Write Off *(Note 6.3ii)*	(981)	(2,189)	(42)	(102)	(3,314)
Maintenance Charged in Year	1,022	15,778	-	1,605	18,405
Maintenance Adjustments *(Note b)*	(1,807)	(5,794)	(108)	(158)	(7,867)
Maintenance Received in Year	(1,332)	(10,255)	(64)	(918)	(12,569)
Closing balances as at 31 March 2016	**18,867**	**39,371**	**4,396**	**1,014**	**63,648**
Collectability analysis					
Likely to be collected	2,354	8,859	283	1,014	12,510
Possibly uncollectable	1,421	5,017	165	-	6,603
Probably uncollectable	15,092	25,495	3,948	-	44,535
	18,867	39,371	4,396	1,014	63,648

Note a
Transfer between systems relates to the movement of 1993 and 2003 schemes arrears balances to the 2012 system as part of the Case Closure Programme.

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 6.2 Outstanding Maintenance Arrears as at 31 March 2015

	1993 Scheme (CSCS) £'000	2003 Scheme (CS2) £'000	Legacy Arrears hosted on 2012 System £'000	2012 Scheme £'000	Total £'000
Opening balances as at 1 April 2014	**28,052**	**50,465**	**76**	**225**	**78,818**
Transfer between systems *(Note a)*	(20)	(486)	506	-	-
Write Off *(Note 6.3ii)*	(2,878)	(2,178)	(13)	(38)	(5,107)
Maintenance Charged in Year	1,665	21,594	-	1,326	24,585
Maintenance Adjustments *(Note b)*	(2,300)	(10,361)	-	(99)	(12,760)
Maintenance Received in Year	(1,866)	(13,833)	(17)	(827)	(16,543)
Closing balances as at 31 March 2015	**22,653**	**45,201**	**552**	**587**	**68,993**
Collectability analysis					
Likely to be collected	2,889	9,542	183	587	13,201
Possibly uncollectable	1,742	5,397	106	-	7,245
Probably uncollectable	18,022	30,262	263	-	48,547
	22,653	45,201	552	587	68,993

Note a

Transfer between systems relates to the movement of 1993 and 2003 schemes arrears balances to the 2012 system as part of the Case Closure Programme.

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 6.3 **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 2015/16 was £18.41m (2014/15: £24.59m); this decrease is as a result of greater use of 'maintenance direct' and 'direct pay' services, which removes the compulsion to use the Department's collection service.

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 2015/16 totalled £7.87m (2014/15: £12.76m); this decrease is attributable to a reduction in the number of adjustments arising from case closure activities undertaken.

iii) CMS has continued to make use of write off powers introduced as part of Write off and Part Payment legislation, with £3.31m being written off on 1993, 2003 and 2012 schemes in 2015/16 (2014/15: £5.11m); this decrease is primarily as a result of a decrease in the volume of requests from PWC's for their arrears not to be collected.

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 subsequent 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 receipts in Note 6. The total value of receipts allocated to cases in 2015/16 was £12.57m (2014/15: £16.54m). Additionally the Receipts and Payments Account includes payments of non-child maintenance not reported in Note 6, which purely covers child maintenance

Northern Ireland Audit Office

Report by the Comptroller and Auditor General for Northern Ireland

Department for Social Development

Child Maintenance Service

Client Funds Account

2015-16

Introduction

1. The Child Maintenance Service was a Division within the Department for Social Development (DSD) during the financial period covered by this report. Under the Stormont House agreement, DSD became the Department for Communities (DfC) from 9 May 2016. Its main purpose is to:

   - promote the financial responsibility parents have for their children;
   - provide information and support about the different child maintenance options available to parents; and
   - provide an efficient statutory maintenance service with effective enforcement powers.

2. The Department is required under an Accounts Direction from the Department of Finance (formerly Department of Finance and Personnel) to prepare a CMS Client Funds Account. This is a receipts and payments account showing mainly receipts of child maintenance from non-resident parents and payments made to persons with care responsibilities for those children.

3. The Department is also required to provide a summary of the amounts due in respect of unpaid maintenance assessments together with its assessment of the extent to which any outstanding maintenance arrears are likely to be collected at the year end. The administration costs of running CMS are not included within this account but instead are accounted for through the Department's Resource Account.

4. I am required to examine and certify the CMS Client Funds Account and report the results to the Northern Ireland Assembly. In doing this I give an opinion on three specific elements of the account:

   - the regularity of the receipts and payments included in the account i.e. if they comply with the regulations governing them;
   - the truth and fairness of the figures included in relation to the outstanding maintenance arrears in note 6.1 which I am required to report on specifically; and
   - that the receipts and payments part of the account (i.e. the remainder of the account apart from note 6.1) is properly presented.

5. This report provides a summary of the issues giving rise to the qualifications and also provides an update on the issues I reported on last year.

Qualified Audit Opinions

6. In every year since the inception of child support in April 1993, my audit opinion has been qualified and my work this year has again concluded that a qualified audit opinion is still required in relation to the following areas:

   - on the regularity of the receipts and payments reported in the account. This is because the receipts and payments are based on maintenance assessments calculated over several years and I consider the estimated level of error in these maintenance assessments to be material (see paragraphs 7 to 17); and

- on the accuracy and completeness of the outstanding maintenance arrears at 31 March 2016 as shown in note 6.1. As a result of an inadequate audit trail, my examination of the arrears balance was severely limited and therefore I was unable to obtain enough evidence to satisfy myself as to the accuracy and completeness of the outstanding maintenance arrears of £63.6 million (see paragraphs 18 to 23).

My opinion in relation to the receipts and payments part of the account being properly presented is not qualified. Further details of the basis for my opinions are provided below.

Qualified Audit Opinion - Regularity of maintenance assessments

7. In each of my audits since 1993, I have identified a significant level of error in maintenance assessments. The level of error was particularly high in the early years of child support and there has been considerable improvement more recently. Since maintenance assessments, once calculated, can stay in place for a number of years, the level of error in past years is likely to continue to impact on the amounts collected from non-resident parents and subsequently paid to the parent with care in the current year.

8. I acknowledge that the Department's problems have been due in part to inadequate and poorly performing IT systems developed by the GB child maintenance body to calculate assessments due under the relevant schemes. These systems continue to support individual cases and consequently contribute in particular to outstanding maintenance arrears figures in note 6.1 to the CMS Client Fund Account. The Department has previously told me that the underlying and fundamental weaknesses in both the CSCS system (used for cases beginning 1993 to 2003) and CS2 system (used for cases beginning 2003 to 2013) cannot be addressed. As a result these systems are not fit for purpose but their underlying problems would be too costly to put right.

9. The Department introduced its new CMS2012 scheme in December 2012 and since 25 November 2013 all new cases are being processed through a new IT system that supports this scheme. As part of the second phase of the reform programme, CMS continued, where possible, with the closure of liabilities on cases recorded on the CSCS and CS2 systems where parents had sought a reassessment. Parents had to choose between making their own, family-based arrangement and applying to the 2012 Scheme. Where an application has been made to the 2012 Scheme, any outstanding legacy arrears will transfer across to the 2012 Scheme. The intention is by the end of 2017-18 to have all cases managed on the CMS2012 scheme which would then allow for the closure of the legacy schemes and associated IT systems. The Department has told me it is not reviewing the arrears balances transferred to the CMS2012 scheme for accuracy. Therefore the errors already in the legacy arrears balances will continue in the CMS2012 scheme and as a consequence material error will remain in future years.

10. I asked the Department to comment on whether it is still on target to have all cases managed on the CMS2012 scheme by 2017-18 and how it intended to ensure the accuracy of the legacy assessments brought onto the new CMS 2012 scheme. The Department told me there are controls in place to ensure that arrears balances transition accurately from the legacy systems to the 2012 system. This internal control process ensures that the individual balances of debt listed on the Legacy systems are accurately input, reconciled and recorded as opening debt on the 2012 system. However, the accuracy of the original assessments which created these debt balances on the Legacy systems is not being re-assessed for its accuracy given the

disproportionate cost of undertaking such a huge exercise.

11. In addition, the Department told me that the Case Closure programme is being undertaken in a structured approach to minimise the risk of disrupting maintenance payments This programme is on schedule and it is expected that by 2018 all clients needing a statutory scheme will be using the 2012 Scheme.

12. The CMS 2012 scheme uses a new computer system, separate from the two previous systems and it is able to obtain information on income directly from HMRC records so that assessments can be calculated automatically. It is anticipated that this will reduce the administrative burden of the process, create more accurate assessments and operate more efficiently. I would encourage the Department to continue working with their GB counterparts to ensure the integrity of this system and I shall continue to monitor progress in this area.

13. The Department has established a Case Monitoring Team (CMT) within CMS to provide estimates of the level of error in maintenance assessments (cash value accuracy). I am satisfied that this approach is reasonable and that the results produced by CMT represent the best available measure of cash value accuracy and are a reasonable estimate of the rate of errors in maintenance assessments. In 2015-16 the comparable level of error in legacy cases was 3.8 per cent as set out in Figure 1 below.

Figure 1: Cash Value Accuracy of Maintenance Assessments

	2011-12	2012-13	2013-14	2014-15	2015-16
Legacy Level of error	3.6%	3.5%	1.9%	2.0%	3.8%
Legacy Systems Cash Value Accuracy	96.4%	96.5%	98.1%	98.0%	96.2%
CMS 2012 Cash Value Accuracy	n/a	n/a	n/a	n/a	93%
Cash Value Accuracy Target	97%	97%	97%	97%	97%

Source: Case Monitoring Team (CMT)

14. Legacy Cash Value Accuracy is a measure of the number of correct assessments against the number of incorrect assessments for CSCS and CS2 cases only. The 2015-16 accuracy figures also contain the results of CMS 2012 cases.

15. The Department is required to calculate maintenance assessments in accordance with the relevant legislation. When an error is made in a maintenance assessment, both the receipt and associated payment are incorrect and have not complied with the relevant legislation. In my opinion the amount of error in relation to maintenance receipts and associated payments this year are significant both because of the level of error in this year's assessments and also in assessments made in previous years that continue to impact on the current year.

16. Therefore whilst the account properly presents the amounts of child maintenance received and paid in the year, I have qualified my audit opinion on the regularity of maintenance assessments on which the receipts and payments reported in the account are calculated because of the levels of error identified in those assessments made in both the current year and in previous years. These assessments are not in accordance with the legislation governing them and therefore are not in line with the purposes intended by the Assembly.

17. I note that the level of error in legacy cases has increased from 2 per cent last year to 3.8 per cent this year and that the cash value accuracy target has remained the same at 97 per cent. I asked the Department to comment on this and the Department told me that 2015/16 has proven to be a challenging year in terms of the increased volume of 2012 cases and the accompanying moves of experienced staff from the legacy schemes to the 2012 scheme. Although the level of error has increased slightly from the prior year, given the scale of work being delivered with reduced resources and the management of 3 schemes plus clerical cases whilst continuing to meet case closure timescales and targets set by GB, the achievement of 96.2% for legacy in Cash Value Accuracy, demonstrates that the Child Maintenance Service has been able to maintain delivery of high quality services during a programme of major change. In addition, the Department has continued to make significant investment in its people with extensive training and coaching provided throughout the year. The Cash Value Accuracy target is reviewed annually and has been set at 97% as the Department considers that this continues to represent a challenging target for the Child Maintenance Service.

18. In my 2014-15 report I noted that the cash value accuracy figure of 98 per cent did not include any CMS 2012 cases. Whilst the Department had carried out an initial exercise on some CMS 2012 cases, this was not to determine the cash value accuracy. As noted at figure 1 above, the Department has calculated a cash value accuracy rate of 93% for CMS 2012 cases in 2015-16. This is an error rate of 7%. I asked the Department to comment on this and the Department told me that this is the first year that assessment accuracy has been reported for the 2012 Scheme. The reported accuracy rate of 93% does not take account of fully automated transactions; those where a caseworker does not intervene. Work is on-going to accurately identify these automated assessments and to determine the impact on the overall assessment accuracy for the 2012 Scheme.

19. The Department also told me that the accuracy rate for the 2012 Scheme is expected to improve as caseworkers become more familiar with the system. A number of initiatives have been introduced by CMS management during the year to drive improvements in the accuracy rate. This has been evidenced through month-on-month improvements experienced since November 2015 with CMS achieving an in-month accuracy rate of 97% in March 2016. In addition, improvements in the accuracy rate are expected as a result of the impact of increasing volumes of automated assessments, particularly Annual Reviews. This is where each case is updated after 12 months with the latest gross income which is usually sourced automatically from HMRC.

Disclaimed Audit Opinion - Note 6.1 Outstanding maintenance arrears

20. Where the Department is responsible for collecting child maintenance payments from non-resident parents but those payments are not received, then this is recorded as maintenance arrears and the total amount of unpaid maintenance assessments is shown in note 6.1 to the accounts. This figure is based on the accounting records from three systems:

Figure 2: Outstanding Maintenance arrears

System	At 31 March 2012 £'000	At 31 March 2013 £'000	At 31 March 2014 £'000	At 31 March 2015 £'000	At 31 March 2016 £'000
Child Support Computer System (CSCS) introduced 1993	**33,371**	**29,668**	28,052	22,653	18,866
Child Support 2 (CS2) introduced 2003	**47,613**	**51,841**	50,465	45,201	39,371
Child Maintenance Scheme 2012 (CMS 2012) introduced December 2012	-	-	301	1,145	5,410
Total	**81,834**	**81,509**	**78,818**	**68,999**	**63,647**

Source: CMS Accounts 2015-16

The total of £63.6 million represents the cumulative amount of arrears since child support arrangements were established in 1993, being the amounts owed by the non resident parent to the parent with care. Current legislation only allows the Department to write off arrears in very limited circumstances, for example where the parent with care no longer wants the arrears collected. I note that the reduction in the outstanding maintenance arrears figure has been achieved mainly by CMS making use of write off powers introduced in December 2012 as part of Write Off and Part Payment legislation, resulting in £3.3 million of outstanding arrears being written off in 2015-16 (2014-15: £5.1 million). I asked the Department to comment on its plans to reduce maintenance arrears further in the future.

21. The Department told me the decrease in the outstanding maintenance arrears in 2015-16 has been achieved primarily through a number of activities undertaken by CMS in respect of Legacy scheme cases. Firstly the proactive closure of Legacy scheme cases has continued during the year, with wholly clerical and compliant cases starting the closure journey during this time. During this process any outstanding arrears on cases are reviewed and clients contacted, where appropriate, to discuss available options. In addition, CMS has undertaken case preparation activities on the arrears only caseload (cases that have arrears outstanding but that have no on-going maintenance liability in place). As part of these activities clients were also contacted to discuss the outstanding arrears balances and the available options.

22. The Department has also told me that in both of the above processes a significant number of Parents with Care have requested that their arrears are not to be pursued and therefore for their arrears to be written off. Primarily these requests are as a result of an agreement already being in place between both parents or that the arrears have already been satisfied between both parties.

23. In respect of the collection of the remaining outstanding maintenance arrears, the Department acknowledges there is no 'silver bullet' solution; but will continue to explore collection initiatives to tackle the historic arrears and will continue to proactively engage with parents in respect of any arrears due, both prior to and during the formal case closure journey. The Department will also maintain a watching brief on any policy development for arrears management and closure in the Department for Work and Pensions (DWP).

24. The CSCS and CS2 IT systems have a long history of problems and are unable to directly generate the information needed to prepare the arrears figure in the Account, on a case by case basis. The outstanding maintenance arrears at 31 March 2016 comprises numerous individual cases and can only be derived from these two legacy systems, using a series of complex manual workarounds, in addition to the balance from the new CMS 2012 system. In the absence of accurate information to support the £58.2 million outstanding maintenance arrears balance from the CSCS and CS2 systems, my examination of this amount was severely limited as there is no reliable evidence available to support the arrears balances relating to these systems.

25. The more recently introduced CMS 2012 system does however enable the Department to substantiate the balances of maintenance arrears on a case by case basis. However, as noted in paragraph 9, the Department is not reviewing the arrears balances transferred to the CMS2012 scheme for accuracy. Therefore the errors already in the legacy arrears balances will continue in the CMS2012 scheme and as a consequence material error will remain in future years. There were 6,613 cases on the CMS2012 system at the end of March 2016 with an outstanding maintenance arrears balance of £5.4 million. This balance of arrears is not significant in comparison to the £63.6 million total of outstanding maintenance arrears at note 6.1 and for that reason the note is still disclaimed.

26. In relation to note 6.1 only, I was unable to conclude on the accuracy and completeness of the maintenance arrears balances and therefore my audit opinion in respect of this note is disclaimed. This type of audit qualification reflects the fact that I consider the uncertainties in relation to maintenance arrears to be both material and pervasive to that note.

27. I recognise that it is difficult for the Department to fully resolve this issue as it has been caused by IT problems that go back to the beginning of the Department's involvement in child support arrangements. The Department told me that significant attempts have been made in recent years to generate arrears listing reports on a case by case basis; however, due to the limitations of the Child Support IT systems, CSCS and CS2, it has not been possible to generate accurate case listings which fully reconcile to the Client Funds Account. The Department has also told me that it has implemented a range of operational reports which allow the Department to focus recovery action in non-compliant cases. With the implementation of the 2012 Scheme, the significant improvements delivered to date have enabled the Department to provide an accurate arrears listing for 2012 Scheme cases. The availability of this arrears listing enables the Department to meet the requirement of Recommendation 10 of the 2008 Public Accounts Committee report[1] for 2012 Scheme cases.

1 Report on Northern Ireland Resource Accounts – Northern Ireland Child Support Agency Client Funds 2003-04 – 2006-07

Other issues

Outstanding maintenance arrears and its collectability

28. The Department has assessed that £51.1 million is considered to be probably and possibly uncollectable following the application of the 2014-15 collectability review to the 2015-16 balances. This means that the Department now considers that it is likely to collect less than 19 per cent of the total maintenance arrears balance. I asked the Department to comment on the significant level of maintenance arrears considered to be probably and possibly uncollectable.

29. The Department told me the next collectability review is scheduled for 2017/18 in respect of the Legacy Scheme arrears; this is in accordance with the agreed 3 year cycle. In respect of the 2012 Scheme it is expected that the next collectability review will be in 2016/17.

30. The Department has also told me the arrears balance on the Client Funds Account has been accumulating since 1993. As this balance ages, it becomes increasingly difficult to collect. In addition, there are other factors which limit the Department's ability to collect arrears such as the significant percentage of paying parents who remain on benefits (26%). With the removal of compulsion for clients on benefits to use the Child Maintenance Service from 2008, there are fewer new cases. Additionally, the Department's policy direction in respect of Child Maintenance since 2008 has been to promote and support separating families in establishing effective family based arrangements. The overall impact of these policy and legislative changes is a reducing caseload, a higher proportion of which will be older cases with arrears balances that are extremely difficult to collect and where the Department's options for legal enforcement are severely limited. These limitations have a direct impact on the Department's ability to collect outstanding maintenance arrears, which in many cases date back to the 1993 scheme.

31. Additionally, the Department notes that £8.4m of the outstanding maintenance arrears relates to Interim Maintenance Assessments (IMA's), where the 1993 rules apply and it has not been possible to obtain sufficient information to make a Full Maintenance Assessment (FMA). The majority of IMA's 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 Department has been able to establish contact with the non-resident parent on whom an IMA has been imposed, a FMA can then be completed. Where an IMA has been imposed on or after 18 April 1995, the subsequent FMA will be backdated and will replace the IMA, which in the majority of cases will result in a significant reduction in the amount of arrears due. A substantial element of IMA arrears are therefore considered to be uncollectable.

Enforcement of arrears

32. The Department has a number of options open to it to try to pursue outstanding maintenance arrears and the use of these options is detailed in Table 3 below. Whilst I acknowledge that some of these options may be difficult to administer, I note that the Department has used enforcement powers in only 13.2% per cent of its arrears cases and that the total number of cases where enforcement powers have been used has decreased in 2015-16, although they have been used in an increased percentage of cases. I would encourage the Department to further increase its utilisation of these powers.

Figure 3: Cases where enforcement powers have been used by CMS

Enforcement Powers	2011-12 Number	2012-13 Number	2013-14 Number	2014-15 Number	2015-16 Number
Deductions from earnings orders[1]	4,124	3,839	3,718	2,682	2199
Liability orders[2]	157	76	86	118	67
Lump Sum Deduction orders[3]	62	117	95	115	95
Regular Deduction orders[4]	10	35	31	29	65
Application to courts to force property /land to be sold	1	0	0	0	0
Total	**4,354**	**4,067**	**3,930**	**2,944**	**2426**
Number of cases in arrears	**30,900**	**30,455**	**31,481**	**25,715**	**18380**
Percentage of cases where enforcement powers are in place	**14.1%**	**13.4%**	**12.5%**	**11.4%**	**13.2**

Source: CMS

33. The Department told me that the number of cases contributing to a current liability remains high at 91.3% as at 31 March 2016. By ensuring more parents pay the child maintenance they owe, not only in full but on time, this leads to a more effective prevention and management of arrears, with more money flowing to children and avoids increasing debts owed by parents for their children. This improvement in collections has also reduced the requirement to refer cases to our Legal Enforcement Team. In addition, in delivering the full extent of its child maintenance remit, the Child Maintenance Service provides information and support to separated parents to help them collaborate and put in place their own family-based arrangements. Whilst this approach has contributed to a reduced caseload which in turn reduces the number of cases that would be available for enforcement, the increase in family-based arrangements represents a more positive outcome for the child, the family and society in general

34. The Department has also told me that it continues to work closely with the Enforcement of Judgements Office (EJO) to take enforcement action, where appropriate, in cases where parents are unwilling to meet child maintenance responsibilities and deliberately avoid making payments. The Department will continue to use the full extent of the enforcement powers available to it and will actively pursue enforcement action when it is appropriate to do so, the Department will also focus on securing more positive outcomes for children through family-based arrangements.

2 Deductions from earnings orders allow maintenance and arrears totalling up to 40 per cent of the non-resident parent's net income to be deducted by employers.

3 Liability orders are the first step to other civil enforcement measures using the Court system.

4 Lump sum deduction orders can be attached to savings accounts to recover child maintenance arrears.

5 Regular deduction orders are used to collect arrears at regular intervals.

Conclusion

35. I have qualified my opinion on the regularity of receipts and payments because I consider the estimated level of error in maintenance assessments to be material and therefore the receipts and payments do not conform to the authorities which govern them. In respect of my work relating to the outstanding maintenance arrears balance of £63.6 million within note 6.1, I was unable to obtain sufficient evidence to support this balance and accordingly I am unable to express an opinion on this note.

K J Donnelly

KJ Donnelly
Comptroller and Auditor General
30 June 2016

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