Department for Social Development
www.dsdni.gov.uk

Resource Accounts

for the year ended 31 March 2015

(Annex includes Child Maintenence Service Client Funds Account 2014-2015)

This publication is also available to download from our website at www.dsdni.gov.uk.

Any enquiries regarding this document should be sent to us at:

Resource Budgeting and Accounting Unit
4th Floor Lighthouse Building
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Resource Accounts
for the year ended 31 March 2015

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Management Commentary

1. Introduction

1.1 These accounts consolidate the financial information of the Department for Social Development for the financial year to 31 March 2015.

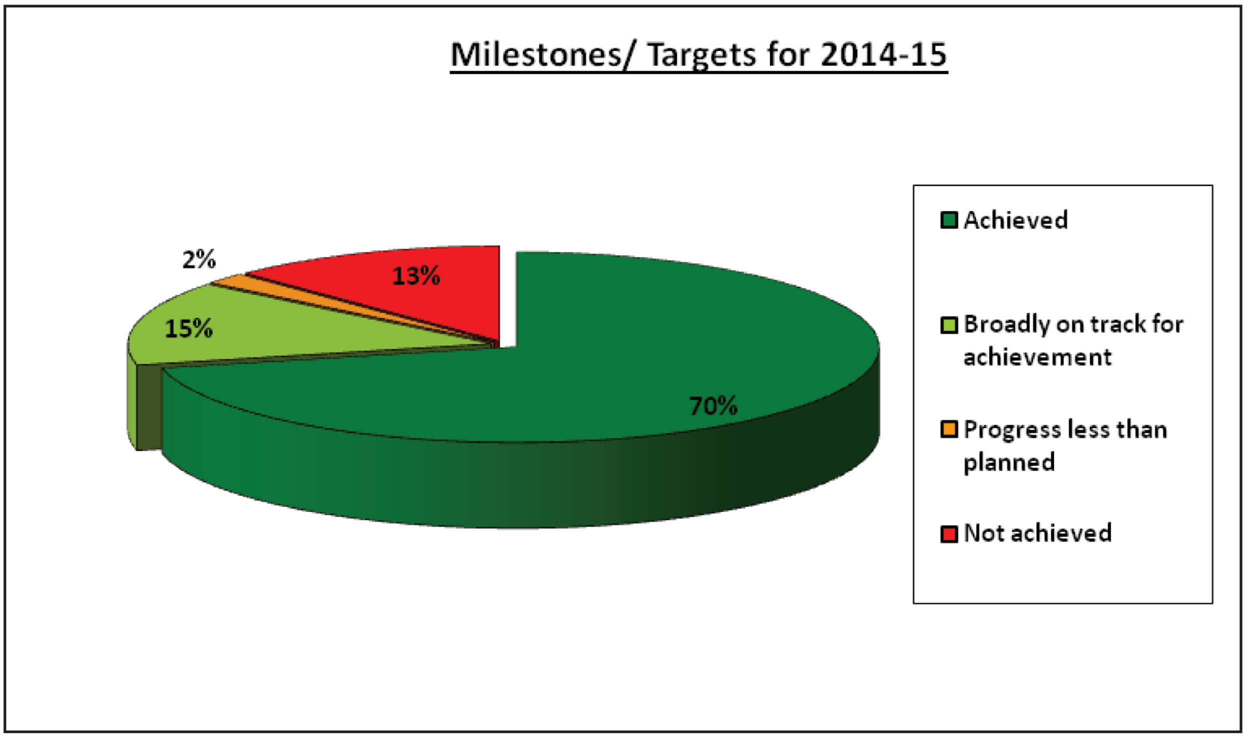
1.2 Delivering a budget of over £6 billion per annum through over 7,000 staff, the work of the Department is focused on our most disadvantaged citizens, families and communities. Through social security, child maintenance, providing social housing, addressing homelessness and supporting our poorest communities through neighbourhood renewal, together with our responsibilities for revitalising town and city centres, we have an impact on every residential area, community and town across Northern Ireland.

1.3 The Programme for Government 2011-15 provides the overarching direction for the Department's work and together with the budget and investment strategy, has been the basis for setting our priorities and plans.

1.4 Our vision is to 'help people change their lives for the better', working with our delivery partners to tackle disadvantage and build sustainable communities. Through major programmes such as welfare reform and housing reform, neighbourhood renewal and urban regeneration our focus is on initiatives that can build our economy, provide jobs and make our towns and cities more attractive places to invest in and visit, while at the same time safeguarding the unique needs of our customers.

Summary of our Achievements

1.5 The Business Plan for 2014-15 contained details of 61 milestones/targets. 52 (85%) were either achieved or broadly on track for achievement. The rate of progress towards achievement was less than planned for 2% of milestones/ targets and 13% were not achieved. Milestones/targets are illustrated in the chart below. Further details are provided in Section 6.3.



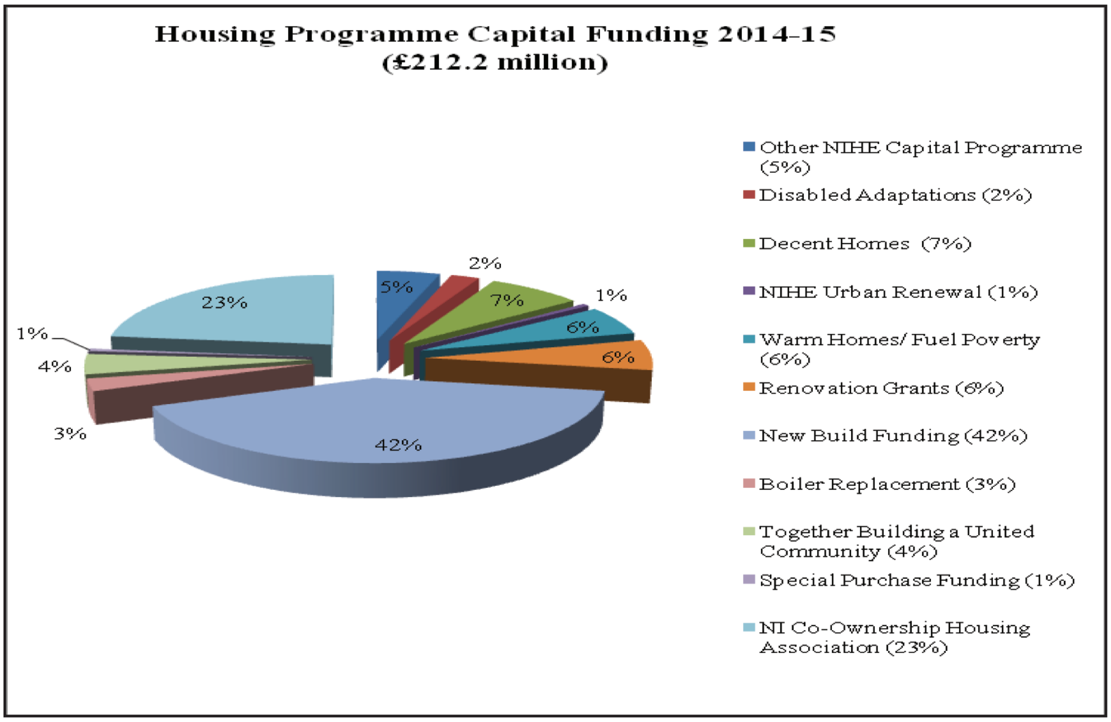
Our Expenditure

1.6

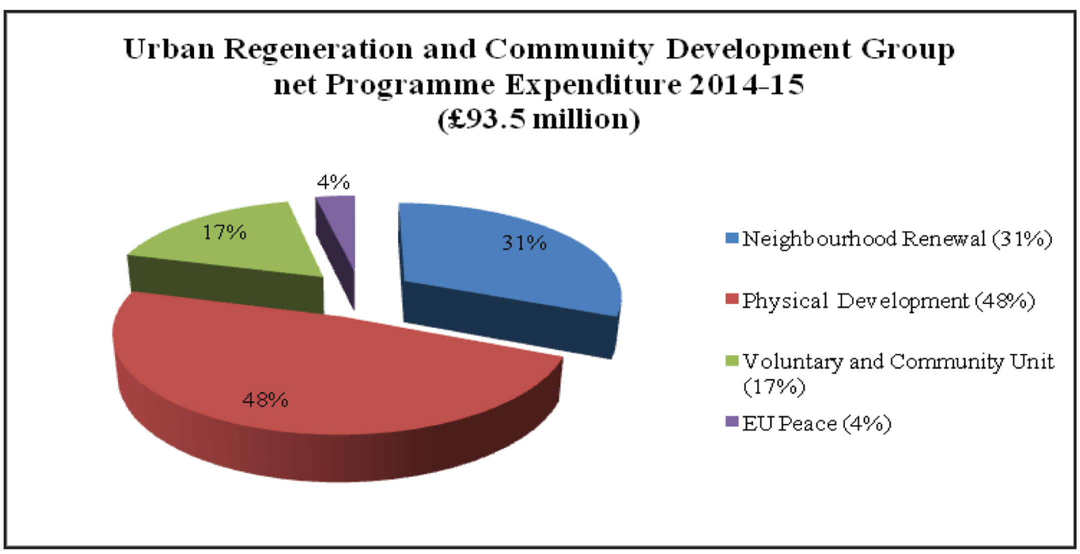
	Expenditure (£m) 2014-15	Expenditure (£m) 2013-14
Housing Programme	212.2	179.2
Urban Regeneration and Community Development	93.5	75.4
Resource Costs	586.3	569.3

A breakdown of expenditure during the year is outlined in the table above. Further details of our finance results are also included in Section 6.6. Information on benefit expenditure by the Social Security Agency can be found in the Agency's Annual Report and accounts at:
www.dsdni.gov.uk/index/publications.htm

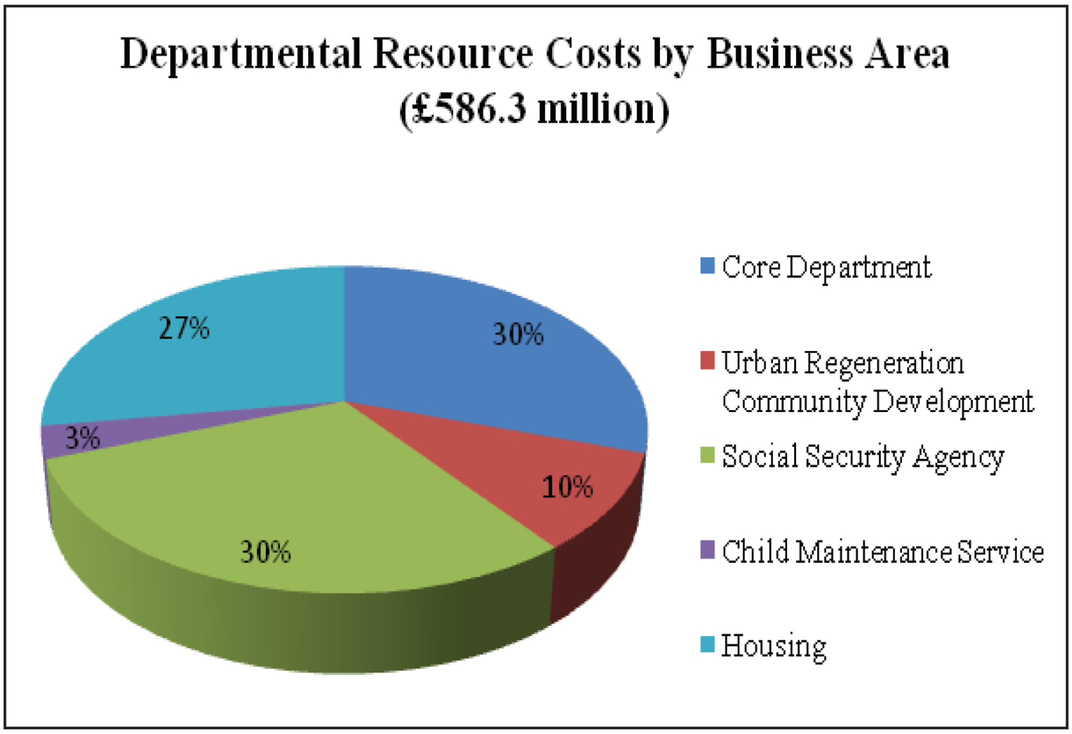
Housing



Urban Regeneration and Community Development



Departmental Resource Costs



(1) Excludes Social Security benefit and capital expenditure
(2) Includes National Insurance Fund administration costs, Financial Assistance Scheme and Independent Living Fund costs

Efficiency Delivery

1.7 All areas of the Department met or exceeded their efficiency delivery commitments for 2014-15, which resulted in an overall saving of £103.1 million against a target of £92.6 million, as depicted in the table below.

Project	2014-15 Published Target Savings Total (£m)	Savings Total Delivered in 2014-15 (£m)	Percentage of total achieved in 2014-15
Reduction in NIHE costs	30.69	32.48	105.8%
NIHE rental income increases	35.90	44.55	124.1%
Housing Division Resource Reduction	0.41	0.41	100.0%
Social Security Agency Resource Reduction	17.07	17.07	100.0%
Child Maintenance Service Resource Reduction	1.68	1.68	100.0%
Urban Regeneration and Community Development Group – Admin and Resource Reduction	5.40	5.40	100.0%
Core Department – Admin and Resource Reduction	1.48	1.48	100.0%
Total	**92.63**	**103.07**	**111.27%**

2. Our Principal Activities during 2014-15

2.1 The principal activities during 2014-15 were to:

- target and manage resources efficiently and effectively, find the most cost-effective means of meeting objectives within the finite resources available and to explore and take advantage of value for money opportunities for partnership working;

- maintain Northern Ireland's social security, child maintenance and pensions policy and legislation in accordance with the provisions of the Northern Ireland Act 1998;

- take forward the government's welfare reform initiative, including the enactment of legislation and the introduction of Universal Credit and related social security benefits;

- secure and provide funding to meet the needs of the housing programme, delivered primarily through the Housing Executive and registered housing associations;

- progress the development of policies for tenant participation, regulation and rent and detailed options for departmental, strategic and regional structures for the delivery of social housing in Northern Ireland;

- develop policy and promote social legislation in the areas of liquor licensing, gambling, pavement cafes and street trading and consult with stakeholders to ensure that legislation reflects changing social attitudes and expectations. This aims to provide an effective framework for control and enforcement, whilst respecting the freedom of the individual and avoiding imposing unnecessary burdens on business;

- assess and deliver most social security benefits and the Social Fund;

- promote financial responsibilities that parents have for their children, provide information and support to enable parents to make appropriate maintenance arrangements that best suit their circumstances and to deliver the statutory Child Maintenance Service;

- to lead on the development of a policy framework for community asset transfer which received Executive approval in May 2014. The policy framework will create an enabling environment for community ownership or management of surplus public sector assets;

- develop policy and legislation and implement programmes to tackle social, economic and physical regeneration in urban areas across Northern Ireland working in partnership with other public sector organisations and, where appropriate, seeking to attract private sector investment;

- develop overall policy and provide ongoing support for the voluntary and community sector by working with voluntary and community-based organisations; and

- put arrangements and people in place for the transfer of urban regeneration powers to local government.

3. Our Accounting Boundary

3.1 Our accounting boundary comprises the following core groupings:

- Resources and Social Policy Group;
- Urban Regeneration and Community Development Group; and
- the Social Security Agency.

3.2 The Programme for Government 2011-15 which provides the overarching direction for the Department's work, together with the budget and investment strategy, has been the basis for setting our priorities and plans. Our vision is 'to help people change their lives for the better', working with our delivery partners to tackle disadvantage and build sustainable communities. Full details of our responsibilities are set out in our Corporate Plan 2011-15, a copy of which can be obtained from the Department's internet site at: www.dsdni.gov.uk . Alternatively, a printed copy may be obtained from:

Corporate Planning and Governance Unit
Lighthouse Building
1 Cromac Place
Gasworks Business Park
Ormeau Road, BELFAST BT7 2JB
Telephone: 028 90829502

3.3 The functions of all other public sector bodies outside our accounting boundary are set out in paragraph 3.5 below.

Our Responsibility for Funds

3.4 Along with the Social Security Agency we also have 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.

- A Central Investment Fund for Charities into which Northern Ireland 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

3.5 We also have responsibility for Non-Departmental Public Bodies which sit outside our accounting boundary:

Our Executive Non-Departmental Public Bodies

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

- **The Charity Commission for Northern Ireland** was established in March 2009 and has seven Charity Commissioners. The Commission has responsibility for establishing and maintaining a publicly accessible register of charities in Northern Ireland and establishing a regulatory framework for the charitable sector here leading to an increase in public confidence and charitable giving.

Our Non-Executive Non-Departmental Public Bodies

- We have appointed a **Charities Advisory Committee** to advise on matters relating to the investment of charitable funds held in the Northern Ireland Central Investment Fund for Charities.

- **The Disability Living Allowance Advisory Board for Northern Ireland** was an independent body whose primary role was to provide advice on medical matters referred to it by the Department. The Public Authorities (Reform) Act (Northern Ireland) 2009 provided for its abolition and ministerial approval to proceed with the abolition of the Board was granted on 5 February 2013. Final steps to formally commence the abolition of the Board through a Commencement Order, to implement section 2 of the Public Authorities (Reform) Act (Northern Ireland) 2009, were taken and the body was abolished from 1 May 2015.

- We oversee the **Vaughan's Charitable Trust** and appoint one of the five trustees. The charity's capital is held in the Central Investment Fund for Charities. No public funding is involved and the charity uses the return on its investment to promote the advancement of agriculture in County Fermanagh, its primary charitable purpose.

Independent Statutory Bodies

- **The Office of the Social Fund Commissioner (Northern Ireland)'s** core business is to deliver independent reviews of discretionary Social Fund decisions made in the Social Security Agency. 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.

4. Our Reporting Cycle

4.1 During 2014-15 the Departmental Management Board and the Minister received quarterly progress reports against the Department's business plan. An end of year report is published on the internet at www.dsdni.gov.uk.

5. Our Corporate Governance and Risk Management Arrangements

5.1 Details of our corporate governance and risk management arrangements are included in the governance statement on pages 40 to 60.

6. Details of our Performance in the Period

6.1 The Northern Ireland Executive's top-level strategic planning document ***Programme for Government 2011-2015*** incorporates our commitments and provides a clear statement of the main policies and priorities. A separate Budget 2011-15 document summarises the Department's budget allocation. The commitments show the main outcomes that the Department is working to deliver within the resources made available. Associated delivery agreements set out Departments' plans to deliver results in return for the investment that is made through the budget allocations.

Our Business Plan 2014-15

6.2 The Business Plan 2014-15 sets out what the Department planned to achieve. It was developed to align with the budget for 2011-15 and sets out our targets and milestones for the year. An electronic copy can be obtained from the Department's internet site at: www.dsdni.gov.uk under the heading 'Features/Reports-Business Plans'. Alternatively, a printed copy may be obtained from:

Corporate Planning and Governance Unit
Lighthouse Building
1 Cromac Place
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How we performed during 2014-15

6.3 During the year we continued to successfully deliver a wide range of targeted programmes and services for the people of Northern Ireland. Details are provided in the following tables.

COMMITMENTS	2014-15 MILESTONE	STATUS
Strategic Theme - Housing		
Deliver 8,000 social and affordable homes.	2,000 social and affordable homes delivered by 31 March 2015.	**Achieved**
Support a range of initiatives aimed at reducing fuel poverty across Northern Ireland including preventative interventions.	To assist 9,000 homes, targeted at those homes in severe fuel poverty through the Boiler Replacement Scheme which by March 2015 will have assisted 24,000 homes with grants to replace inefficient boilers.	**Achieved**
Improve thermal efficiency of Housing Executive stock and ensure full double glazing in its properties. (Housing Executive to bring forward a strategy to improve the thermal efficiency of their housing stock including a programme aimed at providing full double glazing by 2014-15).	100% completed by 31 March 2015.	**Milestone not met but broadly on track for achievement[1]**
By the end of 2015-16, to have progressed the implementation of agreed changes to support the improved delivery of housing services to citizens of Northern Ireland.	By 31 March 2015 to have developed detailed proposals for the reform of social housing.	**Milestone not met but broadly on track for achievement[2]**
To deliver the Northern Ireland Housing Strategy Action Plan including the following key commitments:		
1. Review the Warm Homes Scheme	In rolling out affordable warmth, we will assist households in severe fuel poverty with energy efficiency measures which will improve Standard Assessment Procedure (SAP) by an average of 15% by 31 March 2015.	**Achieved**
2. Lead a fundamental review of social housing policy.	Finalise a revised social housing allocation policy by 31 March 2015.	**Milestone not met but broadly on track forachievement[3]**
3. Review the Supporting People programme including its policy and l egislative framework	To complete to first draft stage, the policy review of Supporting People by 31 March 2015	**Milestone not met but broadly on track for achievement[4]**
4. Working with the Northern Ireland Housing Executive, pilot a housing led approach to regeneration in four areas.	To complete action plans for three Building Successful Communities pilot areas by March	**Not achieved[5]**
To assist vulnerable people to live independently.	Provide assistance to at least 17,000 householders annually to live as independently as possible.	**Achieved**

COMMITMENTS	2014-15 MILESTONE	STATUS
A better regulated private rented sector more capable of meeting housing need	Ensure all councils receive guidance and information to enable them to enforce landlord registration and tenancy deposit law so that as many landlords as possible are registered and protect deposits. Ensure that all landlords who do register receive a toolkit on their rights and responsibilities regarding private rented sector law.	**Achieved**
Together: Building a United Community headline action of creating 10 new shared neighbourhood developments.	Subject to approval of plans by stakeholders, by 31 March 2015 to have opened one new shared neighbourhood development.	**Achieved**
Strategic Theme – Welfare Reform		
To deliver reform of the welfare system in NI which provides support for those that require it, those who are unemployed or economically inactive and which supports people as they transition back into employment.	To secure legislative passage and Royal Assent for the Welfare Reform Bill (NI) 2012 which takes account of actions agreed by the NI Executive to reform the welfare system so as to protect the vulnerable in our society.	**Not achieved[6]**
In light of NI Welfare Reform changes, reform the welfare system to help tackle some of the root causes of poverty and mitigate against adverse impact of individual reforms.	By 31 March 2015, to have completed a programme of work to support the implementation of the Agency's Welfare Reform projects.	**Achieved**
	By 31 December 2014, to have obtained Ministerial agreement of a Launch and Migration Strategy in advance of the introduction of Universal Credit.	**Not achieved[7]**
	By 31 December 2014, to have implemented the new Financial Support Service provision.	**Milestone not met but broadly on track for achievement[8]**
Percentage increase in those working age claimants in receipt of work focused benefits or on a support programme to enable them to move into work.	By 30 September 2014, to have completed the reassessment of all Incapacity Benefit claims.	**Achieved**
Implement a reformed statutory child maintenance system that will be more efficient and will work for parents, the taxpayer and children.	To have implemented the next phase of the Child Maintenance Reform by commencing an options review process of up to 6,000 legacy scheme cases by 31 March 2015.	**Achieved**
	To have improved operational performance, maintaining 605 jobs to the value of £18.2 million, providing child maintenance services to England on behalf of the Department of Work and Pensions for the 2014-15 year.	**Achieved**
	By 31 March 2015 to have maintained a cash value accuracy rate of 97% in respect of the 1993 and 2003 child maintenance schemes.	**Achieved**

COMMITMENTS	2014-15 MILESTONE	STATUS
Strategic Theme – Strengthened Communities and Vibrant Urban Areas		
Bring forward a new approach to regeneration which will build on what we know works and will aim to improve the effectiveness and efficiency of regeneration and community development investment. The aim towards a renewed focus on ensuring that regeneration tackles the underlying economic challenges.	To have reviewed and revised the published Framework Action Plan in light of policy or business delivery changes identified by 31 March 2015.	**Achieved**
	By 31 March 2015 to develop a reporting framework in relation to the Policy Framework with the new councils for use post April 2015.	**Not achieved**[9]
Invest in social enterprise growth to increase sustainability in the broad community sector.	Commence implementation of the Community Asset Transfer Policy and opportunities identified pending Executive approval.	**Achieved**
	To have initiated and supported up to 8 Community Transfer demonstration projects by 31 March 2015.	**Achieved**
	10 Social Enterprise Incubation Hubs across NI to become operational by 30 June 2014 as part of the OFMDFM Delivering Social Change programme.	**Achieved**
	To have reviewed the process of selecting the location of the Hubs by 31 March 2015.	**Achieved**
Develop a joined-up approach by the statutory, private and community sectors to maximise the potential regeneration opportunity for Belfast from the expansion of the University of Ulster's York Street Campus.	By 31 March, to bring forward an agreed design for the next major phase (Phase 3) of the Public Realm improvements in Belfast City Centre to complement and help maximise the regenerative impacts of the new UU campus at York Street.	**Achieved**
Reduce the gap between Neighbourhood Renewal Areas and Non-Neighbourhood Renewal Areas on key deprivation indicators relating to health, community safety, education and worklessness; and in addition respond to issues impacting negatively on areas outside Neighbourhood Renewal Areas through our Areas at Risk programme.	To have produced annual reports for each of the 36 Neighbourhood Renewal Areas by 30 June 2014.	**Achieved**
	To have updated the 36 Measurement of Outcome reports by 31 March 2015.	**Milestone not met but broadly on track for achievement**[10]
	By 30 September 2014 in conjunction with the Department of Education to have reviewed progress on the delivery of the Nurture Units in 20 schools.	**Achieved**
Deliver at least 45 schemes to improve landscapes in public areas to promote private sector investment in towns and cities across Northern Ireland.	By 31 March 2015 to have delivered 15 Public Realm schemes.	**Achieved**
Bring at least 18 comprehensive development opportunities to the market for consideration by March 2015.	By 31 March 2015 to have issued development briefs or initiated competitive procurement for 4 further schemes.	**Not achieved**[11]
Implement a volunteering strategy to promote and develop volunteering.	By 31 March 2015, to have completed an evaluation of the volunteering strategy.	**Milestone not met but broadly on track for achievement** [12]
	By 31March 2015 to have completed all actions within the volunteering strategy action plan for 2014/15.	**Achieved**

COMMITMENTS	2014-15 MILESTONE	STATUS
Continue to work with OFMDFM and Ilex on the regeneration of Derry/Londonderry.	By 31 August 2014 to have completed the first phase of remediation works as part of the construction of the North West Science Park at Fort George.	**Achieved**
	By 31 March 2015 to have agreed an approach to deliver wider remediation works for the Fort George site.	**Achieved**
Create a minimum of 2 urban village regeneration projects.	To commence work developing at least 2 urban villages by 31 March 2015.	**Achieved**
To stimulate social innovation across the voluntary and community Sector.	To form a cross – sectoral social innovation working group by September 2014 to develop opportunities for innovation.	**Achieved**

Further to the commitments detailed above the Department had the following additional targets:

COMMITMENT	2014-15 TARGET	STATUS
Tackling homelessness.	Provide a detailed assessment of the progress made in implementing the homeless strategy by 31 March 2015.	**Achieved**
Modernise service delivery to improve choice and accessibility for benefit claimants.	By 31 March 2015, to have undertaken a programme of work under the customer contact strategy to better prepare customers for the digital and telephony based service.	**Achieved**
	By 31 December 2014, to have implemented Year 1 Action Plan for Telephony Strategy.	**Milestone not met but broadly on track for achievement[13]**
	By 31 March 2015, to have implemented a Debt Management Contact Centre, delivering improvements to customer contact through enhanced telephony.	**Achieved**
Ensure benefit claimants are receiving the right benefit at the right time.	**Clearance (days)** Income Support 8 Jobseekers Allowance 11 State Pension 7 State Pension Credit 9 Disability Living Allowance 35 Employment & Support Allowance 14	**All achieved except Disability Living Allowance[14].**
	Financial Accuracy Income Support 99% Jobseekers Allowance 99% State Pension 99% State Pension Credit 98% Disability Living Allowance 99% Employment & Support Allowance 98%	**Income Support and Job-seekers Allowance achieved within tolerance. Remainder achieved except Employment & Support allowance[15]**

COMMITMENT	2014-15 TARGET	STATUS
Maximise the uptake of benefits by targeting those likely to be eligible for unclaimed benefit.	By 31 March 2015, to have implemented Year 2 of the plan for maximising incomes and outcomes of benefit uptake.	**Achieved**
	By 31 March 2015 to have issued an invitation to 25,000 people at risk of poverty offering a full and confidential benefits entitlement check.	**Achieved**
Develop and test new ways of collaborative working between government and the voluntary and community sector and promote more effective partnerships within the sector.	By 31 March 2015 to have completed implementations arising from the Report on Addressing Bureaucracy.	**Achieved**
Advance a range of policy and legislative proposals in support of Social Policy objectives.	By 30 June 2014 to have obtained royal assent for the Pavement Cafe Bill.	**Achieved**
	By 31 March 2015 to have developed draft guidance.	**Achieved**
Ensure the necessary arrangements are in place to enable local councils to take forward delivery of urban regeneration, tackling social need, community development and some housing functions from April 2015.	To put in place robust programme management arrangements that will support the seamless transfer of powers and functions from DSD to the councils by 31 March 2015.	**Not achieved**[16]
Reduce sickness absence.	The 2014/15 absence targets as set by NISRA are as follows: average number of working days lost per staff year 10.7 days; average number of long term absence spells per employee 12.3%; and average duration of long- term absences 47.6 working days.	**Progress less than planned**[17]
To operate an effective and timely budgetary control process within the Department as evidenced by the constant review of Departmental budgets and timely actions taken to ensure budget allocations meet key ministerial priorities, all of this within the financial control framework.	To deliver: efficiency savings of 1.5%; Final outturn within 1.5% of the final budget; and no overspends.	**Milestone not met but broadly on track for achievement**[18]

[1]To be completed by September 2015.
[2]Tranche 2 of the Social Housing Reform Programme extended to June 2015.
[3]Consultation has been delayed due to the need for modelling to evidence some proposals. Now expected within the second quarter of 2015-16
[4]At the time of writing, the report is expected to be complete by the end of June 2015.
[5]Carried forward to 2015-16, due to delays in appointment of external consultants.
[6]The Welfare Reform Bill progressed through to Consideration Stage however in view of a last minute Petition of Concern, Minister decided not to move to Final Stage.
[7]Not obtained due to ongoing work taken forward by the Department of Work and Pensions in GB.
[8]Following a pilot and evaluation a decision was taken not to proceed with the new Financial Support Service provision. However, elements of the pilot, i.e. benefit entitlement check and provision of a leaflet detailing organisations that offer advice and support will be taken forward and introduced into the existing service provision.
[9]Related to the transfer of Urban Regeneration and Community Development Group powers and functions which are deferred to 1 April 2016.
[10]The majority of Year 1 recommendations have been implemented. The remaining recommendations are being processed as part of Year 2 Action Plan and full implementation of these are expected to be achieved during 2015-16.
[11]Average clearance times for Disability Living Allowance stand at 38 days as opposed to a target of 35 days.
[12]Financial accuracy in relation to Employment and Support Allowance stands at 97% as opposed to a target of 98%.
[13]The majority of Year 1 recommendations have been implemented. The remaining recommendations are being processed as part of Year 2 Action Plan and full implementation of these are expected to be achieved during 2015-16.
[14]Average clearance times for Disability Living Allowance stand at 38 days as opposed to a target of 35 days.
[15]Financial accuracy in relation to Employment and Support Allowance stands at 97% as opposed to a target of 98%.
[16]Directly related to the transfer of Urban Regeneration and Community Development Group powers and functions which are deferred to 1 April 2016.
[17]Estimated that the 2014-15 outturn for the Department will be 11.3 days lost per employee against a target of 10.7 working days.
[18]Work is ongoing to complete the final outturn figures.

6.4 Full details of the Social Security Agency's results and achievements are contained in the Agency's annual report and accounts for 2014-15.
This document can be accessed at: www.dsdni.gov.uk/index/publications.htm.

Some of our Other Key Achievements

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

Housing

- The establishment of the six Buidling Successful Communities forums and a seminar bringing representatives from all six areas together to consider best practice;
- The implementation of Tenancy Deposit and Landlord Registration Schemes. Both schemes are helping to improve the private rented sector, making it a more viable housing option for more people. To date, £21.9 million of tenants' deposits have been protected and over 39,000 landlords have registered;
- Working in partnership with the Housing Executive and housing associations and against a difficult financial operating environment the 2,000 social housing target for 2014-15 was exceeded with 2,013 new homes delivered. The four year Programme for Government target to deliver 6,000 new social homes by 2015 was also surpassed with delivery of 6,101 houses;
- Working in partnership with the Northern Ireland Co – Ownership Housing Association, we have provided more than double the number of affordable homes specified in our annual Programme for Government target;
- The establishment of the Ministerial Panel Housing Thematic Sub-group to assist the delivery of 10 shared neighbourhoods under the Office of the First and deputy First Minister Together building a United Community strategy and the commencement of construction on four sites for future shared neighbourhoods;
- The Housing Repossessions Taskforce published an evidence paper in July 2014 which was described as 'an exemplar of high quality research being used to guide the development of housing policy'. The Taskforce published its final report in February 2015 which includes a suite of recommendations to help and encourage households to help themselves, and to increase the number of people who seek help at an early stage;
- Following a two year pilot exercise the Affordable Warmth Scheme was launched. This is an area- based targeted approach to identify homes suffering the worst effects of fuel poverty and providing energy efficiency measures to those households, thus reducing energy costs and improving thermal comfort. It involves partnership working with councils across Northern Ireland.

Child Maintenance

- As part of the child maintenance reform programme, Child Maintenance Service successfully launched an online client self- service portal on 29 July 2014 for customers using the new child maintenance scheme;

  The final phase of the child maintenance reform programme (known as Phase Two), which is aimed at encouraging separated parents to take greater financial responsibility for their children, commenced on 30 June 2014. This phase successfully introduced collection and enforcement fees for clients using the 'Collect and Pay' service on the new child maintenance scheme. Phase Two also initiated the closure of cases administered on the 1993 and 2003 schemes. Case closure activity is on schedule to close approximately 32,000 cases in Northern Ireland across the 1993 and 2003 Schemes. The result will be a single statutory scheme for child maintenance being in operation by the end of March 2017;

- As support to the implementation of the next phase of the NI child maintenance reform programme, Child Maintenance Service carried out an exercise on maintenance options available for clients. As of 31 March 2015 approximately 6,000 clients were contacted to review their child maintenance options. Of these, 1,000 have been taken forward to case closure, with the other clients making the choice to move to a family-based arrangement to arrange for maintenance direct, or have their cases closed;

- The number of children in Northern Ireland benefiting from maintenance either collected or arranged on the 1993 and 2003 Schemes was almost 17,000 in the quarter ending March 2015. During the same quarter, over 4,000 children were estimated to be benefiting through the new 2012 scheme. It should be noted that statistics on the 2012 scheme performance are still in the early stages of development and assurance and are classed as experimental statistics. The amount of maintenance collected or arranged across the 3 schemes increased by £0.2 million to £27.4 million in 2014-15. Over 92%, the highest level ever, of parents in NI contributed towards their child maintenance liability;

- Child Maintenance Service has exceeded their cash value accuracy figure of 97% in respect of the 1993 and 2003 child maintenance schemes; and

- Child Maintenance Service has successfully attracted additional investment from the Department for Work and Pensions for the delivery of child maintenance services in Eastern England, securing 330 new posts at a value of £9.1 million per annum. Child maintenance work undertaken in Belfast was formally recognised as 'best in class' by the Department for Work and Pensions and by March 2015 around 1,000 jobs were being funded as a result.

Strengthened Communities and Vibrant Urban Areas

Investment of over £46 million on capital projects (including Neighbourhood Renewal capital projects to regenerate our towns and cities. This includes:

- Successful delivery of a number of major public realm schemes to revitalise towns across Northern Ireland, notably Newry and Ballynahinch;

- Completed masterplans for Ballynahinch Town Centre, Holywood Town Centre, Castlereagh, Comber, Dromore (Co Down), Greenisland, Donaghadee and Omagh;

- £2.6 million in revitalisation projects to improve the external appearance of shop and street frontages in Lisburn, Limavady, Strabane, Castlereagh, Ballynahinch, Banbridge, Antrim, Randalstown, Ballymoney, Carrickfergus, Glengormley, Ballyclare, Ballymena and Magherafelt;

- Investment in the installation of free wi-fi in 23 towns across Northern Ireland;

- £2.5 million in the infrastructure of the former army base at Girdwood in north Belfast to support the other uses planned for the site;

- £1.2 million in regenerating Bank Square (Belfast) and the surrounding streets;

- Provided Urban Development Grants of £4 million to refurbish derelict or underused buildings;

- The delivery of over £21 million revenue funding through neighbourhood renewal to address a range of social, economic, health, education and environmental issues affecting people in disadvantaged areas in Northern Ireland;

- Through the Areas at Risk programme providing £0.5 million support to those communities outside the Noble 10% most disadvantaged that are at risk of decline;

- Successful delivery of Northern Ireland National Citizen Service;

- Provided funding through the Department's Volunteering Small Grants programme; and

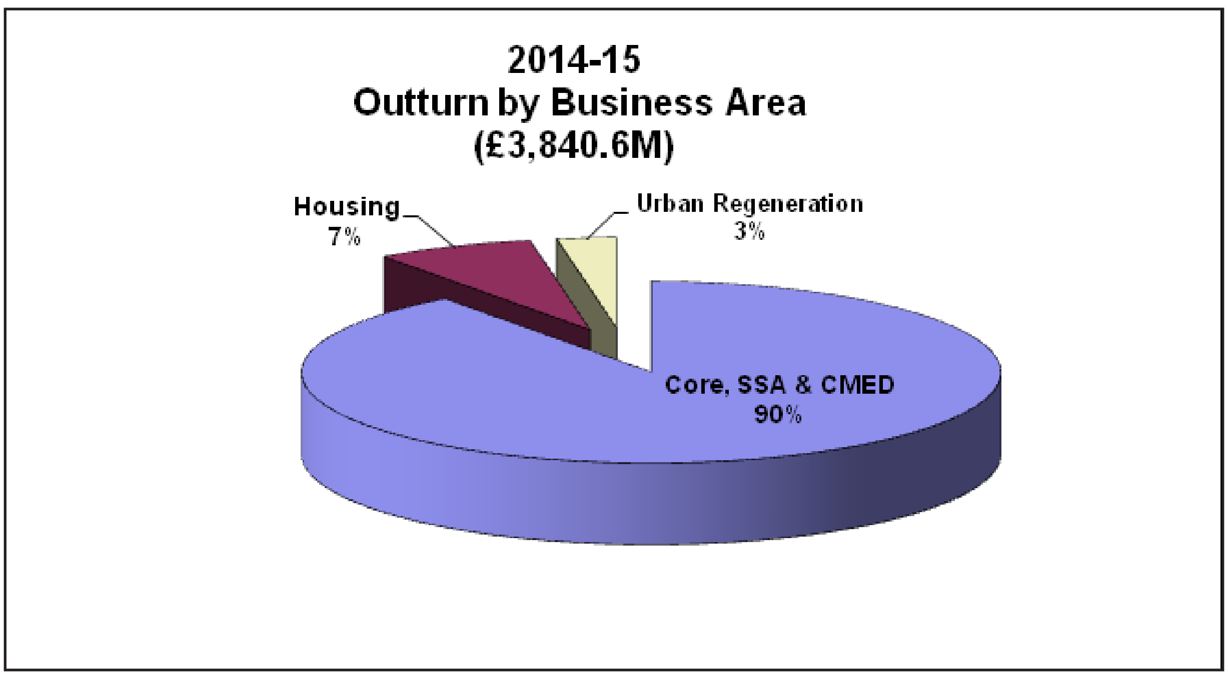
- The Licensing of Pavement Cafés Act (Northern Ireland) 2014 concluded its legislative passage and received royal assent on 12 May 2014. When fully implemented, the legislation will, for the first time, introduce a statutory licensing scheme for the regulation of pavement cafés by district councils in Northern Ireland.

Our Detailed Financial Results for the Year

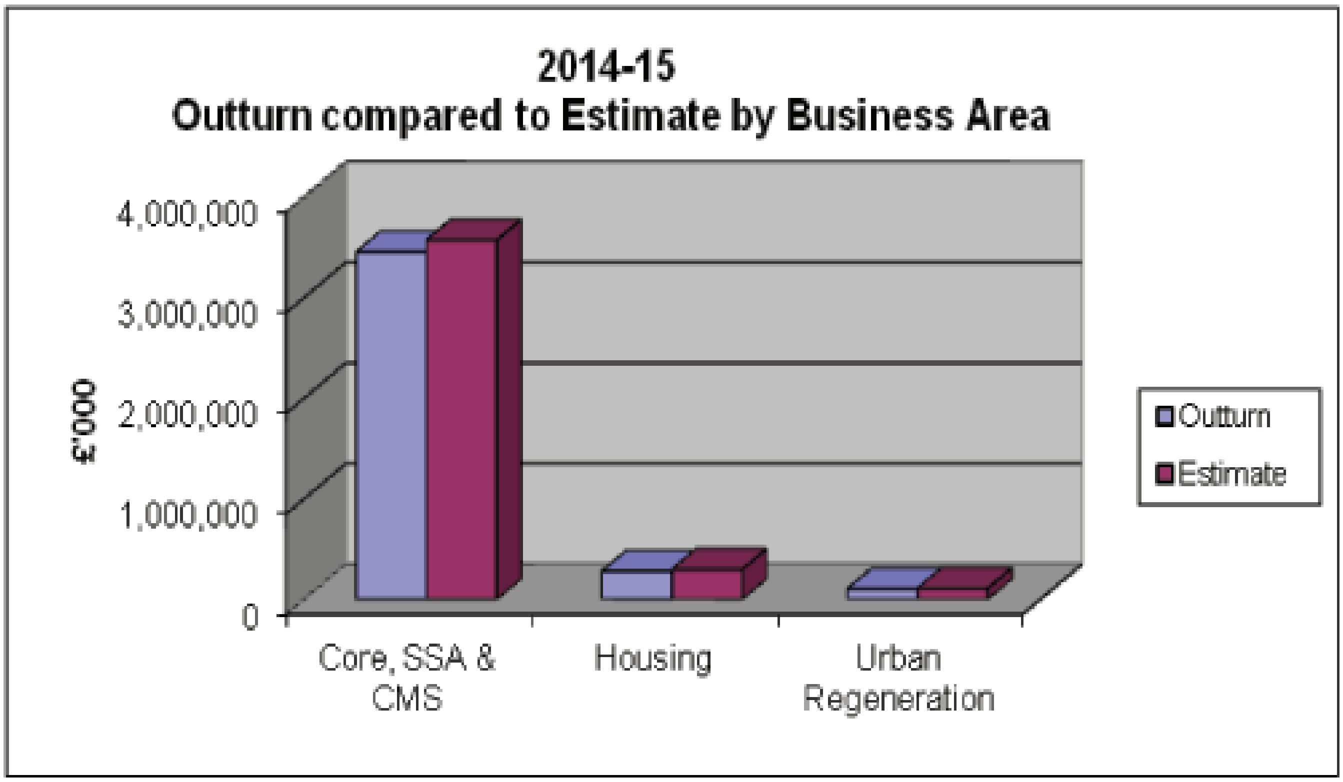
6.6 Departmental resource accounts form the principal financial reports of the Department and are published on an annual basis. Supply estimates are the means by which parliamentary (Assembly) authority is secured for most government expenditure.

6.7 Supply is granted on an annual basis, voted in the Main and Spring Supplementary Estimates and in the Budget Acts in Northern Ireland. Funding is sought on a Request for Resources Basis (RfR) of which the Department has three. RfR A covers the Department's social security and Child Maintenance Service business, RfR B covers housing and RfR C covers urban regeneration and community development.

6.8 The spend on each area for 2014-15 is shown below:



6.9 The spend per area compared with the Estimate for 2014-15 is shown below:



6.10 The net resource outturn of the Department in 2014-15 was £3.840 billion. The financial results of the Department are set out on pages 64 to 166.

Request for Resources A

6.11 **Core:** The variation between the estimate and the outturn was (5.0)%. The outturn was £43.958 million less than the estimate. The main reason for this was that the provision for the Financial Assistance Scheme was much less than forecast due to a reduction of cashflows of around 17 percent and lower discount rates.

6.12 **Social Security Agency:** The variation between the estimate and the outturn was 2.7%. The outturn was £72.323 million less than the estimate. The main reasons for this were:

- Disability benefits, Pension Credit, Employment and Support Allowance (non-contributory) and Income Support were less than the estimate due to new claims declining in the latter part of the year. Jobseeker's Allowance declined as employment increased.
- Social Fund expenditure was less than anticipated due to Cold Weather Payments not being triggered in the 2014-15 winter.

6.13 **Child Maintenance Service**: The variation between the estimate and the outturn was 4.1%. The outturn was £0.812 million less than the estimate. The main reasons for this were unexpected efficiencies in IT costs: notional costs and end of year adjustments to provisions and employee benefit accrual.

Request for Resources B

6.14 **Housing Programme:** Outturn expenditure was 6.6% (£19.662 million) less than the estimate. This is because NIHE Regional's drawdown of grant in aid was £9.5 million less than anticipated and housing grants to NIHE were £10.2 million lower than estimated.

Request for Resources C

6.15 **Urban Regeneration and Community Development Administration:** The variation between the estimate and the outturn was 4.6%. The outturn was £5.036 million less than the estimate. The main reason for this was:

- Non-cash items – the estimate was based on prior year figures which were at a higher level than this year. Land and Property Services determine the level of revaluation necessary and in the current year there was a reduction in downward and an increase in upward revaluation.

Fixed Assets

6.16 Details of movements in fixed assets are set out in **Notes 8-10.**

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

6.17 Contingent liabilities in this context are included in **Note 20** in the main body of the accounts.

Going Concern

6.18 In common with other government departments, the future financing of DSD's 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 therefore been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

7. Our Investment in the Future

7.1 We continue to participate in a range of Northern Ireland Civil Service central reform initiatives that are aimed at delivering modern, high-quality and efficient public services. These include a range of shared services delivered by the Enterprise Shared Services organisation in the Department of Finance and Personnel.

NI Direct

7.2 This initiative aims to provide citizens with a choice of communication channels and a single point of contact where they can interact with public services across central Government. We publish our customer facing information and online transactions via the 'NI Direct' site and these are spread across the themes of money, tax and benefits, employment, parents, housing and property, people with disabilities, caring for someone, pensions and retirement planning. Until January 2015 the Department managed the 'NI Direct' theme 'Money, Tax and Benefits'. This is now managed by Executive Information Services OFMDFM. The various business areas within the Department continue to work with 'NI Direct', to ensure changes that affect customers are communicated using their external communication procedures, which includes the use of social media.

Nibusinessinfo.co.uk

7.3 Nibusinessinfo.co.uk is the official gateway for Northern Ireland businesses seeking guidance and support for their individual needs and online dealings with government. There are seventeen subject areas offering practical advice on key business issues. There is an ongoing arrangement with the site owners to keep departmental information up to date and to contribute news stories and consultations when the Department's work has an impact on the business community.

Public Interest and Other

8. Our Policy on Employment of Disabled Persons

8.1 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 they feel falls within the remit of the Disability Discrimination Act.

9. Sustainability Report

9.1 Where applicable the Department utilises Office of the First Minister and deputy First Minister toolkits for proofing policies to assess social and environmental impacts.

9.2 In line with all Northern Ireland Civil Service departments, we are committed to the continual improvement of our environmental performance and to the promotion of energy efficiency in the workplace. The main targets for our estate are to become more environmentally efficient, to minimise the unsustainable impacts of consumption and to promote energy efficiency.

9.3 We continued to promote the DSD AWARE campaign throughout the year with the main focus remaining on behavioural change. The use of intranet articles and the distribution of posters helped staff focus on the strategic objectives of reducing landfill and energy conservation.

Waste

9.4 Unlike previous years, the Department, like other Northern Ireland government departments, is unable to provide information on waste as the main service provider ceased trading unexpectedly. However, we have continued with our recycling regime for plastic, aluminium, glass, cardboard and paper. A new Northern Ireland Civil Service wide recycling contract came into effect in April 2015 and recycling data will be supplied routinely by the new service provider.

9.5 DSD business continues to have a high dependency on paper in delivering its services. The Department is, 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 we use.

Energy

9.6 The Carbon Reduction Commitment Scheme (CRC) entered its second phase this year. In December 2013 for Phase 2 of the scheme the government announced that the allowance price in 2014-2015 would increase from £12 per tonne CO_2 to £16.40 per tonne CO_2 in the compliance sale. This was passed by Parliament in the Allocation Regulations 2013. Under this scheme emissions are reported a year in arrears and although our costs for 2013-2014 increased as a result of the government increase in the allowance price, the level of emissions generated by the Department reduced by 170 tonnes.

Housing Energy Efficiency

9.7 In 2014-15 there were a total of 15,972 vulnerable households which received energy efficiency measures through the Warm Homes Scheme, Affordable Warmth Programme and the Boiler Replacement Scheme. Since its launch in September 2012, the Boiler Replacement Scheme has assisted over 21,000 households and over 2,000 installers have carried out work as part of this scheme.

Double Glazing

9.8 Ongoing surveys by Housing Executive contractors and the addition of stock transfer dwellings into the double glazing programme mean that the outstanding requirement for upgrading to full double glazing in 2014-15 increased to 7,800 properties. The schemes to deliver all of these installations had dates of possession awarded to contractors during the 2014-15 financial year. Although all of these schemes will have started, due to the performance of one contractor, a number will not be completed until September 2015. Work has been reallocated to ensure the delivery of the Programme for Government commitment to ensure full double glazing in Northern Ireland Housing Executive properties.

Sustainability in Urban Regeneration Programmes

9.9 Our urban regeneration programmes aim to build sustainable communities and regenerate towns and cities across Northern Ireland. In delivering these we aim to achieve the highest standards in sustainability. This is sometimes measured by awards from a number of schemes which celebrate high achievement.

9.10 All regeneration projects which receive substantial assistance from public funds are expected to have a Building Research Establishment's Environmental Assessment Method (BREEAM) rating or equivalent. BREEAM is a voluntary scheme that works by awarding credits for meeting different environmental targets. It is the world's longest established and most widely used environmental assessment method and the winner of the 'Best Program Award' at the 2005 Tokyo World Sustainable Building Conference.

9.11 Projects with construction costs over £250,000 are expected to achieve either:

- a "very good" rating in the case of refurbishment; or
- an "excellent" rating in the case of new build.

More specifically, the following requirements apply in all cases:

- All projects are required to meet an average overall target of 10% recycle/reuse value of material content; and contractors should be required to use the Waste Resources Action Programme to demonstrate compliance;

- Contractors should be required to prepare a site waste management plan prior to start of work on site; and

- In schemes with construction costs of £200,000 or more, contractors should register the site with the Considerate Constructors Scheme. This scheme promotes respect for people and their local environment, which is a key aspect of the social responsibility 'pillar' of sustainable construction.

9.12 The Public Realm Scheme at Station Square in Portrush was the winner in the regeneration category at the Royal Institute of Chartered Surveyors awards ceremony in May 2014. This award showcases exceptional improvements to urban, rural or coastal areas where the scheme has conserved or improved the built or natural environment in a way that has contributed to the viability of the area.

9.13 The judges said "This is the flagship project in the delivery of the Portrush regeneration strategy, which aims to bring about comprehensive and sustainable regeneration of the resort, a key urban node on the Causeway coastal route. Station Square occupies a central position in the town and the point where all visitors by rail and car enter the town".

9.14 In November 2014 two neighbourhood renewal projects were recognised at the Co-operation Ireland Pride of Place Award. Pride of Place is an all-island competition which aims to recognise and celebrate the vital contributions that community partnerships make to society. The focus is on people coming together to shape, change and enjoy all that is good about their local area. It differs from other similar projects in that they specifically recognise the involvement of the local community in all aspects of rural and urban regeneration including, promoting social cohesion, involvement in planning, the promotion of heritage and environmental awareness. Armagh Neighbourhood Renewal Partnership Board won the Urban Neighbourhoods Category of the Cities Competition while the Downpatrick Health and Community Engagement Programme collected a runner up award in the Community Health category.

9.15 In Belfast city centre, the Department initiated work on a replacement pedestrian/cycle bridge at the Lagan Weir in October 2014 to take the place of the previous pedestrian-only bridge. This project, when completed in the summer of 2015, will provide a link for cyclists through the Titanic Quarter 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.

9.16 The Department also completed the Bank Square regeneration project in the final quarter of 2014-15 to help reinforce pedestrian priority in an area which was blighted by illegal parking/vehicle movements. The newly refurbished Bank Square is now protected as a pedestrian only public space through the use of newly installed rise and fall bollards. Cycling has again been accommodated by the inclusion of cycling racks within the project area.

9.17 We also facilitated the installation of a ground source heat pump at Girdwood Park for Belfast City Council's new Girdwood Community Hub, including this within the scope of the Girdwood Park infrastructure project, which was fully funded by DSD.

9.18 Apprenticeships, training places and other employment opportunities were provided during the delivery of Public Realm Streetscape and other capital projects in 2014-15 through the application of social clauses in design and construction contracts.

10. Our Payment Practice Codes

10.1 The Northern Ireland Civil Service is committed to the Better Payments Practice Code, as set out in Annex 4.6 of Managing Public Money Northern Ireland, and is subject to the Late Payment of Commercial Debt Regulations 2002. Payment is regarded as late if it is made outside the agreed terms or 30 days after receipt of a valid invoice where no terms are agreed.

10.2 In response to the current economic position the Department for Business Enterprise and Regulatory Reform in Great Britain announced on 21 October 2008 that *"central Government has committed to paying businesses within 10 days - and we're urgently speaking to the wider public sector to extend this commitment."*

10.3 We are committed to prompt payment within 10 days.

10.4 Details of the Department's payment performance are as follows:

Number of invoices Paid	Number of invoices paid within 10 days	Number of invoices paid within 30 days
14,452	13,530	14,186
Prompt Payment	93.62%	98.16%

11. Complaints Handling

11.1 The Department is committed to a consistent approach to complaints handling. 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.

11.2 During 2014-15 the Department received a total of 1,296 complaints, the majority of which were received by the Social Security Agency. 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 413 on the number of complaints received in 2013-14 (1,709).

11.3 Our customer complaints procedures are available on our internet website www.dsdni.gov.uk

12. Involving and Engaging our Staff

12.1 We place considerable reliance on the involvement of our employees and recognise the benefits of keeping them informed of progress and developments, especially of new initiatives being introduced. Information is communicated through meetings, team briefings, circulars, publication of business and training plans and the posting of relevant information on our intranet site.

12.2 Our staff also have access to welfare services, the Employee Assistance Programme provided by Carecall and to trade union membership. The DSD WELL Programme develops and delivers health and wellbeing interventions, providing advice and guidance to staff on a wide range of health issues.

12.3 We recognise the importance of good industrial relations and use the established Whitley process for consultation and negotiation with Trade Union Side. Representatives from management side and trade union side attend meetings of the various Whitley councils and committees which facilitate the sharing of information, discussion and consideration of our staff views. In addition a number of consultation fora have been established to enable information sharing and consultation on major change programmes including Welfare Reform, Review of Local Government, Social Housing Reform and impact of budget reductions.

12.4 During the 2014-15 financial year, staff undertook job related training involving 22,241 training days. This included corporate induction for 228 new staff that joined the Department.

12.5 The Department ran the second Celebrating our People Awards during 2014, with the Awards ceremony held on 10 September in the Spires Centre. Feedback has been very positive.

12.6 I chair the bi-monthly Employee Engagement Advisory Group meeting. The Group is made up of staff at all grades and from various business areas to represent the views of staff on importantissues Work is underway to develop behaviours to underpin the 4 values of the Department.

13. Our Health and Safety Arrangements

13.1 We are committed to adhering to all existing legislation on health and safety at work to ensure that staff and customer health and safety is not compromised.

13.2 Our health and safety policy and specific health and safety at work circulars are available on our intranet site. Our health and safety performance is subject to continuous auditing and review via the quarterly risk assessment and audit programme. During 2014-15 thirteen premises were subject to a full health and safety audit to determine their overall compliance with the requirements of the Health and Safety at Work (NI) Order 1978, all other relevant legislation, codes of practice and the departmental health and safety at work policy and guidance.

14. Freedom of Information Act 2000 and Environmental Information Regulations 2004

14.1 We are fully committed to meeting our obligations under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004, which came into force on 1 January 2005.

14.2 We have established a network of Local Information Managers located in all business areas through which requests for information are managed. The Departmental Information Manager monitors our compliance with the Freedom of Information Act and the Environmental Information Regulations and provides advice to all business areas.

14.3 We will continue to proactively publish information in accordance with the new model publication scheme.

15. Recruitment

15.1 Recruitment figures for the Department are published in the Department of Finance and Personnel annual recruitment report.

Off- Payroll Engagements

15.2 Off- payroll engagements at an annual cost of over £58,200 per annum during 2014-15 are outlined below:

Off -payroll engagements as at 1 April 2014	7
New engagements during the year	0
Engagements transferred onto organisation's payroll during the year	0
Engagements that have come to an end during the year	3
Closing number of off-payroll engagements as at 31 March 2015	4

Employee Gender

15.3 At 31 March 2015 there were 7,143 staff members 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+)	13	6	19
Employees	2,957	4,167	7,124
Total	**2,970**	**4,173**	**7,143**

16. Reconciliation of Resource Expenditure between Estimates, Accounts and Budgets.

	2014-15 £'000	2013-14 Restated £'000
Net Resource Outturn	**3,840,694**	**3,877,108**
Adjustments:		
Non-voted expenditure in the Statement of Comprehensive Net Expenditure	2,454,025	2,346,777
Consolidated Fund Extra Receipts in the Statement of Comprehensive Net Expenditure	(2,981)	(2,490)
Adjustment for National Insurance Fund receipts	15,852	20,820
Social Fund grant funding adjustment	(1,790)	491
Fair value adjustments in respect of Social Fund loans	2,474	-
Public Corporation Equity withdrawal	(15,500)	-
Net Operating Cost (Accounts)	**6,292,774**	**6,242,706**
Adjustments to remove:		
- Charities Commission (NI)	(1,801)	(1,572)
- Notional charges	(23,798)	(23,741)
- NIHE Strategic Grant-in-Aid	(235,279)	-
- Funding which is paid into the Social Fund	(57,680)	(58,667)
- Capital grants	(60,081)	(179,235)
Adjustments to include:		
Social Fund spend	57,680	61,312
National Insurance Fund Administration costs (DFP)	1,168	1,626
Full resource consumption of NDPBs or other bodies	152,303	1,376
Public Corporation Equity withdrawal	15,500	-
Resource Budget Outturn (Budget)	**6,140,786**	**6,043,805**
of which		
Departmental Expenditure Limits (DEL)	586,637	569,276
Annually Managed Expenditure (AME)	5,554,149	5,474,529

Andrew Hamilton
Accounting Officer
30 June 2015

17. Management of the Department

Our Minister and Senior Officials

17.1 We operate under the direction of a minister. The Permanent Secretary, the Department's most senior official, chairs the Departmental Management Board that is comprised of the senior official in charge of each business area and two independent members. Further details are set out in the table below. Our on-vote Executive Agency is headed by a Chief Executive who is supported by his own Executive Board.

17.2 The Permanent Secretary is the Accounting Officer for the Department and the Chief Executive performs this role for the Social Security Agency.

17.3 Mervyn Storey MLA replaced Nelson McCausland MLA as Minister responsible for the Department on 24 September 2014.

Permanent Secretary:	
Mr Will Haire	1 April 2014 – 1 March 2015
Temporary Permanent Secretary:	
Mr Andrew Hamilton	2 March 2015- 31 March 2015
Deputy Secretary and Head of Resources and Social Policy Group:	
Mr Andrew Hamilton	1 April 2014 - 1 March 2015
Deputy Secretary and Head of Urban Regeneration and Community Development Group:	
Ms Tracy Meharg	1 April 2014 - 31 March 2015
Chief Executive, Social Security Agency:	
Mr Tommy O'Reilly	1 April 2014 - 31 March 2015
Independent Members:	
Mr Roy Keenan	1 April 2014 - 31 March 2015
Mr Deep Sagar	1 April 2014 - 31 March 2015

**The Director of Financial Management was placed as a member of the Board from 1 April 2015*

Appointment of the Permanent Secretary and Members of the Management Board

17.4 The permanent head of the Department was 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 has been filled on a temporary basis. The temporary head of the Department has been appointed for an interim term in accordance with Part 1.05, Chapter 8 of the Northern Ireland Civil Service Staff Handbook.

17.5 Appointments to executive Departmental Management Board positions were determined in accordance with Northern Ireland Civil Service promotion and appointment procedures.

17.6 An independent member of the Management Board chairs the Departmental Audit and Risk Assurance Committee and the Universal Credit Programme Board. A second independent member of the Management Board chairs the Social Security Agency Audit Committee. Both independent board members were appointed by the then Permanent Secretary following open competition.

17.7 The gender breakdown for the Board is five male and one female.

Pension Liabilities

17.8 Pension liabilities in respect of Ministers, the Permanent Secretary and members of the Management Board are covered in the remuneration report. There are no pension liabilities in respect of independent board members.

Conflict of Interests

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

18. Auditor Details

Our Internal Audit Arrangements

18.1 As explained in the Governance Statement, the Accounting Officer and the Board are independently advised by an internal audit service. The primary objective of Internal Audit is to provide the Accounting Officer with an independent and objective opinion on risk management, control and governance by measuring and evaluating their effectiveness in achieving our agreed objectives.

18.2 During 2014-15, the Department's Internal Audit Function was subject to an external quality review and was found to be in full compliance with the Public Sector Internal Audit Standards.

18.3 During 2014-15 Internal Audit carried out planned programmes of work as agreed by the Departmental Audit and Risk Assurance Committee and the Social Security Agency Audit Committee. All audits were conducted in accordance with the Public Sector Internal Audit Standards and outcomes have been reported to all concerned, including senior management.

18.4 Our Internal Audit Unit also provides an internal audit service to one of the Department's arm's length bodies, the Charity Commission for Northern Ireland. Whilst sponsorship responsibility for Ilex Urban Regeneration Company transferred from the Department to the Office of the First Minister and deputy First Minister from 1 April 2013, under a memorandum of understanding between the Department and Ilex, the Department continued to deliver the internal audit function.

Further Independent Scrutiny

18.5 We are also subject to independent scrutiny from the Northern Ireland Audit Office. The Northern Ireland Audit Office is independent of government and is tasked by the Assembly to hold the Northern Ireland Departments and their Agencies to account for their use of public money. The Comptroller and Auditor General works closely with the Assembly's Public Accounts Committee which can require Accounting Officers and senior officials to account for their actions in relation to the management of public funds.

18.6 The accounts and supporting notes relating to our activities for the year ended 31 March 2015 have been audited by the Northern Ireland Audit Office. As the Comptroller and Auditor General issued a qualified opinion on the Department's resource accounts in 2014-15, he has also issued a report which is at pages 167 to 177.

18.7 The cost of the audit for 2014-15 is a notional cost of £0.270 million. This fee represents the cost for the audit of the financial statements carried out by the Comptroller and Auditor General for DSD, Social Security Agency, Charities Commission for Northern Ireland, Central Investment Fund for Charities, Charitable Donations and Bequests and Social Fund. There was no remuneration paid for non-audit work during the year.

18.8 The auditor was appointed by statute and will report to the Assembly on the audit examination.

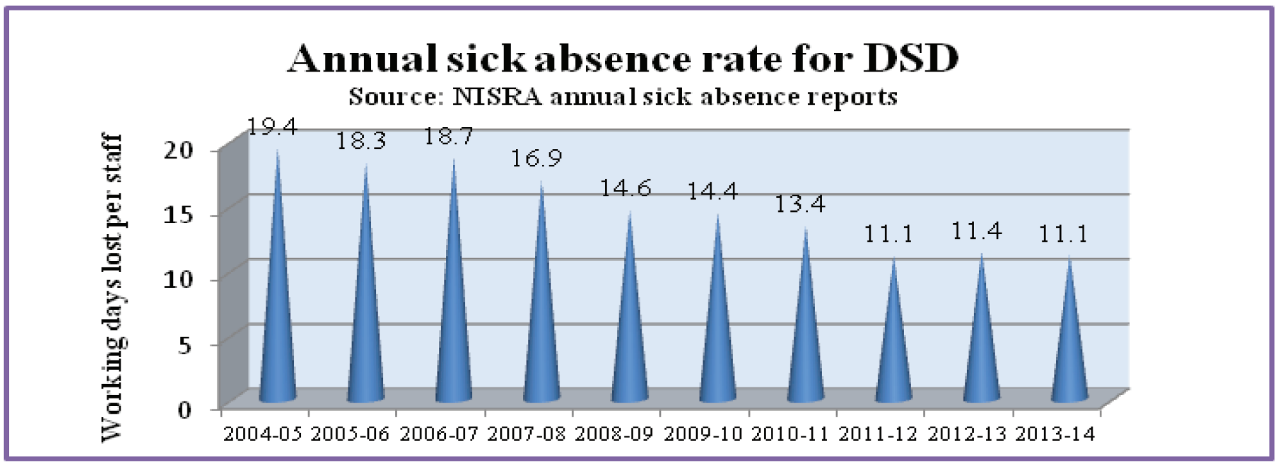
18.9 So far as I am aware, the Department's auditors are in possession of all relevant audit information.

18.10 I have taken all steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

19. Our Managing Attendance Arrangements

19.1 The overall sick absence target for 2014-2015 was 10.7 days lost per staff member. The verified figures for 2014-2015 will not be available until September/October 2015. Estimates of performance against the target to date provided by the Northern Ireland Statistics and Research Agency indicate that outturn for the Department will be 11.3 days lost per employee.

19.2 Our health and wellbeing WELL Programme is based on the themes of prevention, early intervention and responsibility. Staff are encouraged to look after their health and we provide them with the information, advice and support to make healthy lifestyle choices, with the aim of preventing illness. This work is supported by an active group of committed staff representatives, the DSD WELL Champion Network. The WELL Programme is informed by staff needs identified in both surveys and ongoing feedback.



20. Our Data Protection Arrangements

20.1 The number of personal data-related incidents during 2014-15 is summarised in the table below with comparable figures for 2013-14.

Personal Data- Related Incidents		
Nature of Incident	**2013-14 Occurrences**	**2014-15 Occurrences**
Incidents where personal data has been lost	1	4
Incidents where access to personal data has not complied with Data Protection requirements	5	7

20.2 We place considerable emphasis on the secure handling and transfer of all data and continue to implement measures to strengthen the security of information in our possession. Any personal data related incidents are fully investigated to see if controls can be improved and if any disciplinary action against staff is appropriate.

20.3 Throughout the year there has been new guidance issued and other policies have been revised and issued to our staff. These included guidance on:
Information Security Incident Response Plan, six good practice guides on various areas of information security, secure file transfer protocol, revised guidance issued on DSD information security policy, information transfer, Blackberry security, IT security operating procedures, Departmental information charter, personal information policy and bogus calls. The Departmental security and information asset owner handbooks have been updated throughout the year to reflect changes to policy.

20.4 A security cultural change programme took place during the year to help raise awareness in relation to information security. This involved issuing good practice guides, posters and having a news story on the home page of the Department's intranet site. Security audits were carried out to check compliance levels with our 'clear desk' policy. E-mail content filtering for information being sent outside the secure network continued and all reports received were investigated and action taken as appropriate.

20.5 The Social Security Agency strengthened its approach to information security on a number of fronts. A new Audit Trail Analysis System (ATAS 2) has been fully implemented across Agency benefits and a centralised team of specialists now carry out a range of targeted internal checks, on highest risk cases, to identify and challenge the misuse of information systems.

20.6 The Social Security Agency, given its scale and extent of personal information held, has established an Information Asset Owner Support Team which assists the information asset owner in the delivery of the Agency's information security responsibilities. It now acts as the central contact point for reporting and investigating information security breaches, both major and minor. During the year the team focused on five specific areas of information security to strengthen its approach and address known risks. The areas to be reviewed and enhanced were included in the Agency's balanced scorecard and progress monitored through the Agency's governance and accountability processes.

20.7 The work of the team was also subject to a specific internal audit inspection. Among the controls and procedures strengthened during the year were new processes for the reporting and handling of information security breaches across the Agency, greater consistency in approach, the introduction of independent information asset owner led investigations into major incidents, refined rules to help the targeting and detection of suspicious systems access and a programme of refresher training across all telephony staff to protect against bogus callers.

20.8 During the year, the Agency also undertook a complete refresh of its Information Assets Register, and provides regular returns to the Department on its small systems accreditations, quarterly information asset owner checklists and monthly returns on major and minor incidents.

21. Our Section 75 Equality Duty

21.1 Section 75 of the Northern Ireland Act 1998 places a duty on us when carrying out our functions relating to Northern Ireland to have due regard to the need to promote equality of opportunity between:

- persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- men and women;
- persons with a disability and persons without; and
- persons with dependants and persons without.

21.2 The Act also requires us to have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group.

Our Disability Duties

21.3 Under Section 49A of the Disability Discrimination Act 1995 (DDA 1995) (as amended by Article 5 of the Disability Discrimination (Northern Ireland) Order 2006), the Department is required when carrying out its functions to have due regard to the need to:

- promote positive attitudes towards disabled people; and
- encourage participation by disabled people in public life.

These are collectively referred to as the 'disability duties'.

21.4 In line with Section 49B of the Act we have developed a disability action plan showing how we propose to fulfil these duties in relation to our functions.

Our Equality and Good Community Relations Duty

21.5 The promotion of equality and good community relations is at the forefront of our programmes and activities. The actions taken by us in relation to our equality duties are detailed in an annual report to the Equality Commission.

Diversity Training for Staff

21.6 Diversity Now, the equal opportunities and diversity training course for NICS staff, has been rolled out across the NICS and is mandatory for all staff. It is delivered in 2 ways – a classroom version is provided for new staff while existing staff take an on-line version that is delivered via their office computer every three years.

Better Regulation

21.7 In line with the Better Regulation strategy, our policies are assessed to ensure that there are no unnecessary burdens placed on the business, voluntary and community and social economy sectors. Actions taken are subsequently included in the Department of Enterprise, Trade and Investment's Better Regulation annual report.

Our Corporate Responsibility Policy

21.8 Our commitment to the principle of corporate responsibility is demonstrated by the wide range of activities that we have supported and encouraged our staff to participate in. In addition to our corporate commitment on the environment, as outlined in section 9, during 2014-15 we:

- organised fundraising events for a number of charities including the NI Hospice, NI Childrens Hospice, Cancer Research, Cancer Awareness (Movember), MS Society, Chest Heart and Stroke and the Welcome Organisation;
- participated in the Giving Tree Appeal by donating 3,260 gifts with an estimated value of £63,000;
- continued our support for the 'Koppers for Kids' initiative, which to date has raised over £53,300 for the Northern Ireland Children's Hospice;
- allowed staff time to donate blood;
- enabled staff donations to charities from their wages through payroll giving; and
- supported Action Cancer through the NICS Live Action Cancer Shops Challenge raising approximately £74,000.

21.9 The Department has taken part in the "Business in the Community Cares Scheme" since 2009 and back in April 2013 we increased our status to the Diamond Super Plus Level. We are the only organisation in Northern Ireland to hold this status. This level commits the Department to complete 20 challenges by our staff. Those participating in these challenges have contributed a half day's leave to match the half day provided by the Department. Challenges in 2014-15 included Employer Supported Volunteering at Sheils House, Carrickfergus, Harberton School, Belfast, Creggan Country Park, Speedwell Trust and Ceara School in Lurgan. These challenges are a very tangible way for staff to give back to the most vulnerable in our society.

Andrew Hamilton

Andrew Hamilton
Accounting Officer
30 June 2015

22. Remuneration Report

22.1 The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a restructured Senior Civil Service (SCS) pay settlement broadly in line with the Senior Salaries Review Board report which he commissioned in 2010. The commitment to a Pay and Grading Review for SCS was the second phase of the equal pay settlement approved by the Executive.

Service Contracts

22.2 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.

22.3 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.

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

Salary and pension entitlements

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

Remuneration (Audited Information)

	2014-15				2013-14			
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	38,000	-	20,000	58,000
Mervyn Storey *Member of Legislative Assembly (from 24 September 2014)*	24,528	-	9,000	34,000	-	-	-	-

Senior Management Remuneration (Audited Information)

	2014-15				2013-14			
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 (to 1 March 2015)	105-110 (110-115 full-year equivalent)	-	(26,000)	85-90	110-115	-	14,000	125-130
Mr Andrew Hamilton Temporary Permanent Secretary (from 2 March 2015)	5-10 (105-110 full year equivalent)	-	6,000	15-20	-	-	-	-
Mr Andrew Hamilton (from 23 September 2013) **Deputy Secretary Resources, & Social Policy Group**	90-95 (100-105 full year equivalent)	-	18,000	105-110	50-55 (100-105 full year equivalent)	-	13,000	60-65
Ms Heather Cousins (3 May 2011 to 20 September 2013) **Deputy Secretary Resources, & Social Policy Group**	-	-	-	-	40-45 (85-90 full year equivalent)	-	-	40-45 85-90 full year equivalent)
Mr Tommy O'Reilly* Chief Executive, Social Security Agency	100-105	-	25,000	125-130	100-105	-	9,000	110-115
Ms Jenny Pyper (1 September 2011 to 25 October 2013) **Deputy Secretary Urban Regeneration & Community Development Group**	-	-	-	-	45-50 (85-90 full year equivalent)	-	2,000	45-50
Mr Michael Daly (28 October 2013-6 January 2014) **Deputy Secretary Urban Regeneration & Community Development Group**	-	-	-	-	10-15 (70-75 full year equivalent)	-	21,000	30-35

	2014-15				2013-14			
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
Ms Tracy Meharg (from 7 January 2014) **Deputy Scretary Urban Regeneration & Community Development Group**	95-100	-	19,000	110-115	20-25 (90-95 full year equivalent)	-	5,000	25-30
Mr Roy Keenan Independent Board Member	£500 per day.19.5 days = £9,750	Expenses during 2014-15= £2,260.80	-	-	£500 per day. 24.25 days = £12,125	Expenses during 2013-14 = £3,185.85	-	
Mr Deep Sagar Independent Board Member (from 1 August 2013)	£500 per day. 16.25 days = £8,125	Expenses during 2014-15= £2,563.10	-	-	£500 per day. 12.2 days = £6,100	Expenses during 2013-14 = £1,309.78	-	
Ms Lorraine Clinton Independent board member (to 18 July 2013)	-	-	-	-	£500 per day. 6 days =£3,000	Expenses during 2013-14= £1,210.64		
Band of Highest Paid Director's Total Remuneration***	100-105				110-115			
Median Total Remuneration	£23,679				£23,688			
Ratio	4.33				4.75			

**In line with the Senior Civil Service 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 £95-£100k pay band and one in the £105-110k payband received a non-consolidated pensionable payment in 2014-15 (2013-14 one in the £100-105,000 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.*

**** The band applicable is that of the highest paid director at the year end.*

Top to Median Pay Multiples Ratio

22.6 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.

22.7 The banded remuneration of the highest paid director in the Department in the financial year 2014-15 at the year end was £100k-105k (2013-14, £110k – 115k). This was 4.33 times (2013-14, 4.75) the median remuneration of the workforce, which was £23,679 (2013-14, £23,688).

22.8 One employee received remuneration in excess of the highest paid director in 2014-15, none in 2013-14. Remuneration ranged from £16,300 to £107,665 (2013-14, £16,300 to £112,918). 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.

22.9 The change in the pay multiple ratio between 2013-14 and 2014-15 is due to a change in the payband of the highest paid director.

Salary

22.10 '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.

22.11 The Department for Social Development was under the direction and control of Nelson McCausland until 23 September 2014 and Mervyn Storey from 24 September 2014 until the end of 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 minister's role as MLA which are disclosed elsewhere.

Benefits in kind

22.12 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.

22.13 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.

22.14 Pension Benefits (Audited Information)

Minister	Accrued pension at age 65 as at 31/3/15	Real increase in pension at age 65	CETV at 31/3/15*	CETV at 31/3/14*	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Nelson McCausland ***Member of Legislative Assembly***	5-10	0-2.5	102	88	8
Mervyn Storey ***Member of Legislative Assembly***	0-5	0-2.5	32	24	5

* 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

22.15 Pension benefits for ministers are provided by the Assembly Members' Pension Scheme (Northern Ireland) 2012 (AMPS). The scheme is made under section 48 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.

22.16 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 the Act of Assembly for that purpose representing the balance of cost. This is currently 21.6% of the ministerial salary.

22.17 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)

22.18 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 ministerial service, not just their current appointment as a minister. 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.

The real increase in the value of the CETV

22.19 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.

22.20 **Pensions of Senior Management (Audited Information)**

Officials	Accrued pension at age 60 as at 31/3/15 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/15	CETV at 31/3/14	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr Will Haire **Permanent Secretary** (to 1 March 2015)	45-50 plus lump sum 140-145	-2.5 to 0 plus lump sum 0-2.5	1,032	1,003	-20	-
Mr Andrew Hamilton **Temporary Permanent Secretary** (from 2 March 2015) **Deputy Secretary Resources & Social Policy Group** (to 1 March 2015)	40-45 plus lump sum 120-125	0 - 2.5 plus lump sum 2.5-5	886	821	23	-
Mr Tommy O'Reilly **Chief Executive, Social Security Agency**	40-45 plus lump sum 125-130	0-2.5 plus lump sum 2.5-5	885	820	23	-
Ms Tracy Meharg **Deputy Secretary Urban Regeneration & Community Development Group**	30-35 plus lump sum 90-95	0-2.5 plus lump sum 2.5-5	578	535	14	-

Northern Ireland Civil Service (NICS) Pension arrangements

22.21 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 Parliament 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 are eligible for membership of the nuvos arrangement or they can opt 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.

22.22 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 moved to alpha from that date. Members who, on 1 April 2012, were within 10 years of their normal pension age have not moved 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 is 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

22.23 For 2015, public service pensions have been increased by 1.2% for pensions which began before 6 April 2014. Pensions which began after 6 April 2014 have been increased proportionately.

Employee contribution rates for all members for the period covering 1 April 2015 to 31 March 2016 are as follows:

Scheme Year 1 April 2015 to 31 March 2016

Pay band- assessed each pay period		Contribution rates- classic members	Contribution rates- classic plus, premium, nuvos and alpha
From £	To £	From 01 April 2015 to 31 March 2016	From 01 April 2015 to 31 March 2016
0	15,000.99	3%	4.6%
15,001.00	21,000.99	4.6%	4.6%
21,001.00	47,000.99	5.45%	5.45%
47,001.00	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.

22.24 The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (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 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

22.25 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.dfpni.gov.uk/civilservicepensions-ni**

Cash Equivalent Transfer Values

22.26 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

22.27 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.

Andrew Hamilton
Accounting Officer
30 June 2015

Statement of Accounting Officer's responsibilities

Under the Government Resource and Accounts Act (NI) 2001, the Department of Finance and Personnel Northern Ireland has directed 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 and Personnel Northern Ireland, 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 and Personnel Northern Ireland has appointed 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. 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 and Personnel Northern Ireland.

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Scope of Responsibility

As Accounting Officer from 2 March 2015, I have responsibility for maintaining an effective governance system that supports the achievement of the Department for Social Development's policies, aims and objectives, whilst safeguarding the public funds and departmental assets, in accordance with the responsibilities assigned to me in *Managing Public Money (NI)*.

I am the main policy advisor to the Minister on all matters relating to our Department. It is my responsibility to ensure that the Minister is fully aware of, and involved as necessary, in managing risks which impact on us and our sponsored bodies. The Minister approves our Corporate and Business Plans and Programme for Government commitments from which all corporate risks are derived. I ensure that he receives regular reports on all aspects of our performance, including a formal quarterly progress report which highlights any significant deviation from achievement of targets in the Department's Business Plan, financial implications and any emerging risk.

On 4 July 2014 a Ministerial Direction was sought from Minister Nelson McCausland for the provision of transitional funding for the Integrated Services for Children and Young People project in Greater Shankill and West Belfast. This project was cross-cutting, involving contributions from both DHSSPS and DSD and Executive approval was sought. The Minister's Direction required that up to £270k be made available to the Greater Shankill Partnership and the West Belfast Partnership. Ministers agreed that DSD should provide 75% (£199.5k) of the total funding of £266k and DHSSPS the remaining 25% (£66.5k). The funding was managed through a Service Level Agreement made between the Public Health Agency and the two Partnerships.

I am also responsible for ensuring a high standard of financial management in the Department as a whole. Therefore, I have a duty to be satisfied that the Social Security Agency and the Arm's Length Bodies which are sponsored by the Department have adequate systems and procedures in place to promote the proper conduct of their businesses.

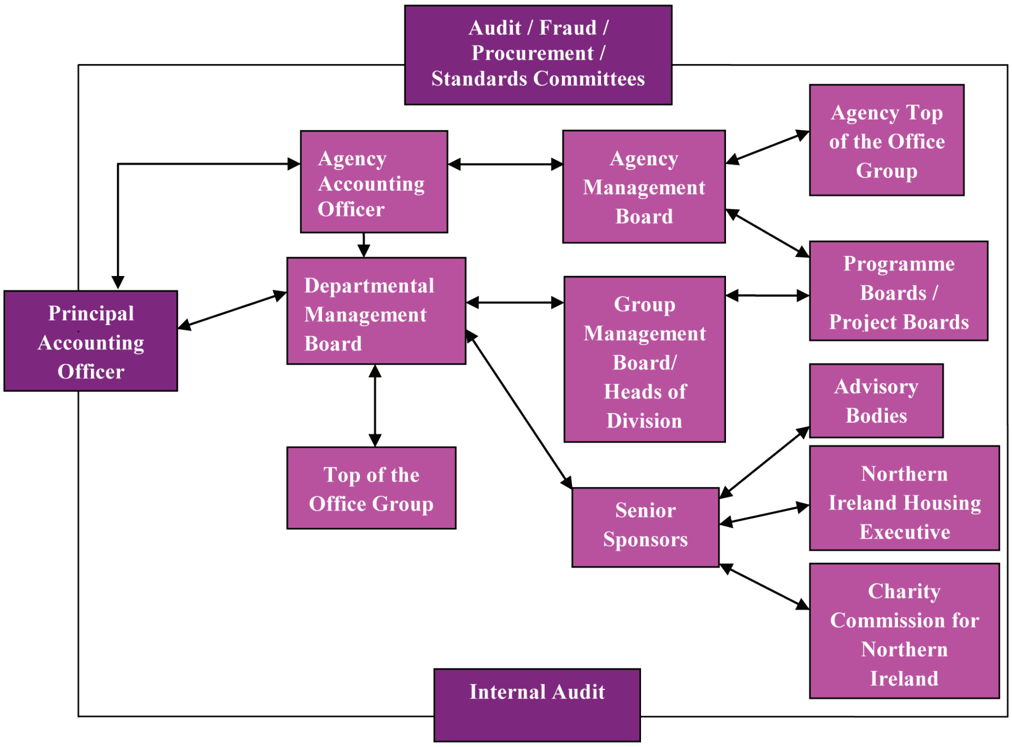
My predecessor appointed the Chief Executive of the Social Security Agency as Accounting Officer accountable for the maintenance and operation of systems of good governance in the Agency and for the production of an associated Governance Statement. I draw assurance from this statement that governance arrangements and controls are operating effectively.

My predecessor also appointed the Chief Executives of the Northern Ireland Housing Executive and the Charity Commission for Northern Ireland as Accounting Officers. These Chief Executives are responsible for the maintenance and operation of a governance system in their respective organisations and they provide me with quarterly assurance statements to confirm that arrangements are operating effectively. The resignation of the Northern Ireland Housing Executive Chief Executive was accepted on 27 May 2015. The Housing Executive is now running a recruitment exercise and have engaged the Local Government Staff Commissioners Office to manage the process for them.

Our relationship with our sponsored bodies is overseen by the Deputy Secretary of the Resources and Social Policy Group and the Deputy Secretary of the Urban Regeneration and Community Development Group.

The Department's Governance Framework

I have in place a governance framework, which is published on the internet at www.dsdni.gov.uk. The framework provides the system of direction and control for the organisation, confirms the scope of the arrangements and explains the importance placed on organisational structures, policies, plans and review arrangements which have been established to properly manage the Department's affairs.



The Department's governance arrangements, including the operation of the Departmental Management Board and Board sub-committees, are substantially compliant with the HM Treasury guidelines on *Corporate Governance in Central Government Departments: Code of Good Practice 2013*.

Departmental Management Board

The Departmental Management Board was chaired by Will Haire until his retirement on 1 March 2015 and included the two Deputy Secretaries from the Department, the Chief Executive of the Social Security Agency and two independent members. The Board supported the delivery of effective corporate governance across the Department. From 2 March 2015 I have been the Temporary Permanent Secretary and chaired the final Departmental Management Board meeting of the year on 20 March 2015. The Director of Financial Management was placed as a member of the Board from 1 April 2015.
The Board met six times during 2014-15 and was attended as set out in the table below:

Board Members	Board Meetings Attended
Will Haire (Chair)	4
Andrew Hamilton (Resources and Social Policy Group) Chair of Departmental Management Board from March 2015	6
Tommy O'Reilly (Social Security Agency)	4
Tracy Meharg (Urban Regeneration and Community Development Group)	5
Roy Keenan (Independent Member)	6
Deep Sagar (Independent Board Member)	6

The Board supports my strategic oversight and leadership of the Department by bringing a wide range of relevant experience to bear, and through offering rigorous challenge and scrutinising performance.

During 2014-15 the Board considered a wide range of business matters, including those reserved for the Board such as:

- Reviewing performance against Business Plan commitments and Programme for Government milestones;
- Departmental corporate risks;
- Key risks in Arms Length Bodies and the quarterly assurances from the Chief Executives of those bodies;
- Financial and budgetary reports; and
- Significant human resource issues.

A number of key strategic issues were discussed at the Board, in particular, Welfare Reform, Reform of Social Housing, the Reform of Local Government, government spending cuts in the Civil Service, the Voluntary Exit Scheme and the reform of government departments.

In line with best practice, the operational procedures of the Board and the quality of data used by the Board are kept under continuous review to ensure that the Board is content that it is provided with all requisite information to enable it to make informed decisions, taking into account all relevant risks facing the organisation. The Board obtains assurance relating to the quality of information it receives through a number of measures including;

- assurance ratings of Internal Audit reviews;
- statistical information produced by the Department's statisticians;
- financial information prepared from internal and external finance systems; and
- human resources information, mainly data on attendance management.

Strategic issues reserved for the Board's attention are scheduled in an annual planner. A categorised agenda for each meeting is drawn up, minutes of the meetings record the business carried out and agreed actions. In addition, the Departmental Audit and Risk Assurance Committee, the Procurement Sub-Committee and the Fraud Sub-Committee help to ensure that emerging issues are highlighted and brought to the attention of the Board when necessary.

The Department also maintains a register of interests to ensure that potential conflicts of interest can be identified and addressed in advance of Board discussions. The register is formally revisited on an annual basis. Where conflicts exist, they are recorded in the Board minutes. No significant conflicts of interest were recorded during the year.

In line with the Code of Good Practice the Board completed an anonymous evaluation of its effectiveness. In general there was an overall improvement from the 2013-14 survey, however there was slight reduction in satisfaction on how the Board manages its time and timeliness of the receipt of documentation. A paper outlining the general themes emerging from the survey with recommendations was presented to the Board in March 2015. Going forward it was agreed that the frequency of Board meetings should be increased from 6 to 10 per year; with one meeting focusing on the creation of the new Department for Communities, its risks and new areas of work, and that minutes should clearly detail challenges made by members.

Board Committees

Audit and Risk Assurance Committee

The Board is supported and advised by a Departmental Audit and Risk Assurance Committee, which provides assurances on risk management, control and governance within the Department. The Committee, which is chaired by a non executive member of the Board, met four times during 2014-15. The quorum for committee meetings is 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
Diarmuid McLean (Member)	3
Lian Patterson (Member)	4

The Committee's annual report to the Board has provided me with assurance that good governance exists in the Department and where any improvements were necessary, action has been or is being taken to address specific issues.

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

The Audit Committee held specific focus sessions with additional updates at each Committee meeting on the Reform of Local Government and Social Housing Reform, 2 of the 3 major programme reforms. The Committee also noted that the delay of the Welfare Reform Bill through the Assembly has considerably delayed the introduction of Universal Credit and other reforms to the welfare system. The Committee is content that appropriate governance structures are in place for effective oversight of all programmes.

During the year the Audit Risk Forum, initially set up for the chairpersons of all audit committees within the departmental family to facilitate co-operation, identify common issues and develop best practice, was opened to all committee members. This is expected to enhance greater governance and control within the Department and its Arms Length Bodies.

The Committee is aware of the major changes that will affect the Department in 2015-2016 with the Voluntary Exit Scheme and the introduction of the new Department for Communities. In its self-assessment exercise the Committee identified the need for the replacement member, who was appointed in April 2015, to have a skills set, which included change management in order to ensure that the Committee would have the experience and skills required to support the Board.

Fraud Sub-Committee

The Board is also advised by a Fraud Sub-committee, which is chaired by the Deputy Secretary of Resources and Social Policy Group. This committee provides strategic oversight of the Department's counter-fraud activities across all areas of the Department, the Social Security Agency, and our sponsored bodies. The Committee met twice during 2014-15. Key issues examined included:

- actions taken in response to customer fraud in social security benefits, including Housing Benefit;
- cases involving fraud and error investigated by the Northern Ireland Housing Executive; and
- the outcome of investigations carried out by Corporate Investigations Unit involving governance and financial irregularities in external grant funding and incidences of internal fraud and serious irregularity.

Counter-fraud strategies discussed by the Committee included arrangements for co-operation with HM Revenue and Customs, Social Security Agency and Northern Ireland Housing Executive plans to utilise real time information, the recommendations in the Northern Ireland Audit Office report on Tenancy Fraud and the Public Accounts Committee report on Social Housing Tenancy Fraud. Police Service of Northern Ireland representatives from the Financial Crime Team of the Organised Crime Branch delivered presentations on case referrals under the Memorandum of Understanding and preparation of evidential packs.

Procurement Sub-Committee

This sub-committee provides strategic oversight of the procurement processes within the Department and its Arm Length Bodies. The Sub-Committee advises me on the compliance and consistency of approach for the implementation of Public Procurement Policy. It is also chaired by the Deputy Secretary of Resources and Social Policy Group and includes senior staff from each business area.

The Committee has oversight in developing effective processes to ensure that all members of staff are aware of their responsibilities in connection with the procurement process in line with Northern Ireland Public Procurement Policy and Central Procurement Directorate guidance. The Sub-Committee completed a review of its Terms of Reference in November 2014 and will be subject to a further review in two years' time.

The Department's Service Level Agreement with Central Procurement Directorate is currently subject to review. Local Operating Agreements are also in place between Central Procurement Directorate, Urban Regeneration and Community Development Group, Housing Division and the Social Security Agency; these will also be subject to review following issue of the current Service Level Agreement. Regular meetings were held between officials from my Department and key account managers with Central Procurement Directorate during the 2014-15 year.

In addition, the Department has completed a procurement training awareness package, developed by the Committee, to enhance procurement skills throughout the Department. The roll out of this training included the sessions for all procurement practitioners from Deputy Principals up to the senior officials within the Department.

Risk and Control Framework

The risk management arrangements that are in place within the Department assist in identifying and managing potential risks that could impact on the achievement of business objectives and outcomes. The arrangements are regularly reviewed. All business areas have in place appropriate procedures to identify and evaluate risks. Risk owners regularly monitor and escalate risks to a more senior level and ultimately to the Departmental Management Board. Within this reporting period the Board identified two new risks, the Northern Ireland Civil Service Voluntary Exit Scheme and the establishment of the new Department for Communities . Project boards have been established to manage both of these risks. Arrangements are also in place for emergency and contingency planning. One risk, relating to Welfare Reform, materialised during this reporting period. The Welfare Reform Bill was scheduled to reach final stage on 9 March 2015 but was deferred to 26 May 2015, when it failed to pass, this is now recorded in the issues log and monitored by the Departmental Management Board.

Assurances

A key element of the departmental risk management processes is the provision of regular assurances. All business areas across the Department provide quarterly and annual assurance statements that effective risk management arrangements are in place. This is in addition to the assurances I require confirming there is robust governance over a range of other specific areas.
The Department enhanced the process by mapping assurance against each of the risks on the Corporate Risk Register, which was presented to both the Departmental Management Board and the Departmental Audit and Risk Assurance Committee, after which a bench marking exercise against best practice was carried out. An official from the Department of Business Innovation and Skills in Great Britain provided a presentation to the Board, the Audit and Risk Assurance Committee and other relevant staff on 22 May 2015 which will inform future improvements in this area.

The Chief Executives of the Department's sponsored bodies provide me with quarterly Stewardship Statements and also submit their risk registers to the Departmental Management Board and the Departmental Audit and Risk Assurance Committee for review on a quarterly basis.

In addition, I also take assurance on the effectiveness of the departmental risk management processes from the work of the Department's Internal Audit Unit. The Head of Internal Audit provides an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Department's framework of governance, risk management and control. For 2014-15 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 is regularly updated on progress against the audit plan and the findings of audits and a database is used to monitor the implementation of outstanding internal audit recommendations from those reports providing a limited or unacceptable opinion.

Enterprise Shared Services

I draw assurance from the audit opinion received from the Head of Internal Audit in the Department of Finance and Personnel on the various components of Enterprise Shared Services. These include Account NI which is responsible for the Department's transaction processing, HR Connect which is responsible for the Department's human resource management arrangements, and IT Assist which provided our IT support services. I note 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)

I have received an assurance statement from the Accounting Officer in the Department of Finance and Personnel which administers Housing Benefit and rate rebates for owner occupiers on our behalf. This statement confirms that controls were in place to ensure that the administration of Housing Benefit rate rebates for owner occupiers was efficient and effective. It states that controls provide reasonable assurance that errors will not occur, or if they do occur, that they will be detected and corrected in sufficient time to reduce the impact to tolerable or negligible levels.

A total of £42.9 million was awarded by Land and Property Service Housing Benefit for the period 1 April 2014 – 31 March 2015. At 31 March 2015 there were 59,414 active cases for Housing Benefit.

The assurance statement reports a slight fall in financial accuracy from 89.7% in 2013-14 to 89.1% in 2014-15. The overall fall is due to a substantial increase in workloads caused by the introduction of the Automated Transfer to Local Authority System (ATLAS) system of notifications. Land and Property Service has taken a number of actions to deal with fraud and error, for example by taking risk based interventions they are reducing backlogs by targeting customer errors e.g. end of benefit ATLAS notifications. Fraud and error is also monitored by the Audit Risk and Assurance Committee and it remains an issue on their corporate risk register. Internal monitoring and quality checks are now embedded into the working culture and, to maintain skills and experience, there was an embargo on elective transfers.

Any suspected fraud is taken forward by Social Security Agency Benefit Investigation Service and overpayments arising from fraudulent claims are raised through the rate account.

Full details of fraud and error in Housing Benefit for owner occupiers are recorded at page 145 to 164 of the Financial Results.

Limited Audit Opinions

During 2014-15 Internal Audit issued seven "Limited" opinion audit reports.

Internal Audit's review of the Central Investment Fund for Charities, which is administered on behalf of the Department through a recognised Fund Manager, attracted a "Limited" audit opinion primarily due to contractual issues that prevented the new Investment Manager contract from being finalised. This issue has now been resolved.

The audit of Government Procurement Cards also attributed a "Limited" audit opinion due to concerns in respect of the controls in place in relation to the approval, use, monitoring and administration of the cards.

A follow up audit was subsequently completed in April 2015 and the audit opinion revised to 'satisfactory'.

The audit of Tribunal Appeals Service, which issued in draft in May 2015, 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 Service (NICTS), targets consistently not achieved, facilities for tribunal hearings not competitively procured and no clear project methodology to coordinate, manage and control the outworking of the transfer of statutory responsibility for Tribunal Appeals Service from DSD to DOJ.

Two "Limited" audit opinion reports were attributed to Child Maintenance Services(CMS): "Gateway/ Choices" and "CMS Case Closure and Transition Actions". The "Limited" audit opinion assigned to the "Gateway/Choices" assignment was mainly due to non-reporting of performance against KPI's, failure to invoke escalation procedures when KPI's were missed and the absence of independent assurance over the quality of the service provided by a third party. Internal Audit's review of "CMS Case Closure and Transition Actions" noted that whilst management had developed adequate manual intervention checks and controls these were operating ineffectively, and a "Limited" audit opinion was therefore assigned.

Two audits within the Social Security Agency attracted "Limited" audit opinions. The audit of "Income Support – North Region" attributed a "Limited" audit opinion due to concerns in respect of the effectiveness of controls over the award and payment of Income Support, particularly the non-completion of key mandatory checks in accordance with the Operations Directorate Checking Database. Internal Audit's review of "Mail Opening Scanning and Image Circulation (MOSAIC)" also attracted a "Limited" audit opinion primarily due to weaknesses in controls identified in respect of the receipt of post, the post opening process and the recording and security of valuable documents received by the Mail Opening Unit. Each of the areas that received a "Limited" Internal Audit opinion during 2014-15 will be subject to a follow-up review in 2015-16.

Management of Significant Risk and Control Issues

There were a number of significant risks and control issues to be managed during the year, as outlined within the following themes:

Welfare Reform and Universal Credit

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 sixty 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 programmes and the new reforms involve significant challenges both in terms of timescales, and the impact of change on the existing Agency structure, operational and IT delivery models and funding arrangements. In addition to the wide scale changes for the Agency there are also external bodies and enablers whose input is essential to ensure the successful delivery of the new programmes.
The continuing delays in passing legislation to implement changes to the welfare system continue to pose a significant risk and control issue for the Agency. This is creating operational challenges in ensuring services to people in Northern Ireland are not impacted by the pace of reform in the Department for Work and Pensions. The operational challenges for the Agency will only increase as the Department for Work and Pensions completes the changes to the welfare system, resulting in additional cost as the Agency puts in place measures to address the demands of making payments under different benefit systems.

The failure to pass legislation means that not only are the legislative frameworks for social security in Northern Ireland and Great Britain becoming increasingly divergent, but there are also increasing difficulties as the information technology systems, which currently enable the Social Security Agency to process and pay existing benefits, are replaced within the Department for Work and Pensions (DWP) and Her Majesty's Revenue and Customs (HMRC), with new systems to support the new benefits.

During 2016 and 2017 most working age benefit claimants in Great Britain will move to Universal Credit which results in the existing information technology functionality for new claims for working age claimants no longer being required by DWP and HMRC. The Social Security Agency currently uses these systems to process and pay working age benefits and alternative arrangements will be needed if Northern Ireland does not have the necessary legislative power to make Universal Credit payments.

To continue to pay the existing working age tax credits and social security benefits to over 400,000 households in Northern Ireland would require the Executive to develop its own specific information technology systems as DWP and HMRC close the legacy systems. Developing a standalone information technology system in Northern Ireland would have significant financial, legislative, procurement and operational challenges. Alternatively Northern Ireland could procure the existing information technology systems from the DWP and HMRC but this strategy also carries similar levels of risk.

The introduction of Welfare Reform in Great Britain has also seen the discretionary elements of Social Fund (Community Care Grants and Crisis Loans for Living Expenses) abolished and the funding transferred from central government to local authorities. Northern Ireland has secured the necessary funding to continue to fund Community Care Grants and Crisis Loans for Living Expenses in Northern Ireland and to continue to use the DWP Social Fund Computer System to make such payments. This will allow social fund payments to continue until the Welfare Reform Bill has passed through the Assembly.

The Stormont Castle Agreement detailed a number of mitigation measures which the 5 Executive parties agreed should be implemented in return for the Welfare Reform Bill completing its legislative passage through the Assembly to Royal Assent. These measures require the development of a number of schemes which are to be the mechanisms for delivering the mitigation for welfare reform.

Securing political agreement whilst developing and implementing the 5 schemes within the financial and operational constraints set down in the Stormont Castle Agreement will be extremely challenging. Whilst the Welfare Reform Bill has been subject to further delay, officials are continuing to plan for implementation should there be an early agreement on progressing with welfare reform.

The Department and Agency Management Boards are closely monitoring the progress on the Welfare Reform Bill and have escalated issues including the lack of contingency arrangements for replacing the services provided by DWP and HMRC to Executive level.

Reform of Local Government

In April 2013, the Executive agreed a package of powers and functions to transfer from central to local government from April 2015. In November 2014, after some useful discussion between the Minister and a number of his Executive colleagues, the Executive agreed to remove the housing provisions that were previously included in the Bill re-titling it the 'Regeneration Bill'. Given the delay in the Executive agreeing to the introduction of the Bill on 8 December 2014, the regeneration and community development powers and Laganside function, subject to the passing of the legislation, will now transfer to local government one year later than originally planned on 1 April 2016.

The Regeneration Bill completed the Second Stage on 20 January 2015 and the transfer of powers and functions from the Department remains on target for implementation in April 2016. A Northern Ireland Gateway Process Healthcheck Review was carried out in January 2014 and a further review is planned for autumn 2015.

Social Housing Reform Programme

The Social Housing Reform Programme was initiated to take forward work on ministerial proposals for reform of the Social Housing sector.
The second stage of the programme is focusing on:

- Development of an Outline Business Case which identifies, and assesses, the options for the future delivery model for social housing in Northern Ireland.

- Development of important policy proposals for:

    - A future social housing rent policy for Northern Ireland – scheduled for public consultation in early summer 2015;
    - A tenant participation strategy – underwent public consultation January to April 2015;
    - A new approach to regulation – undergoing public consultation March to June 2015; and
    - Future engagement of the housing system with local government following implementation of the Local Government Reform.

To ensure that there is widespread understanding of the matters being considered, and so that both the Committee and the Northern Ireland Executive are fully briefed on the issues to inform their considerations and decision making, regular briefings have been provided to the Social Development Committee on all aspects of the programme. Additionally, the Programme has actively engaged with stakeholders on the policies under development.

Housing Associations

Previous statements referred to the robust nature of the inspection process and how this has contributed to improvement in the performance of Housing Associations over the past five years. Northern Ireland Audit Office has acknowledged improvements across the sector. At present four of the current 24 housing associations have not achieved a satisfactory inspection rating. However, I am content that each of these associations is moving forward with improvement plans to address the weaknesses and this progress is monitored by the Housing Division Governance and Inspection team. I have provided an update on the current status for each in the following paragraphs.

- Woodvale and Shankill Housing Association (formerly Harmony Homes) was subject to a follow-up inspection during the 2014-15 year which reflected improvements in performance. In the follow up inspection the organisation provided clear evidence to demonstrate improvement and as such the Inspection Team was able to raise the assurance rating from the previous rating of 'No Assurance' to one of 'Limited Assurance'. A further inspection is scheduled for July 2015 to confirm that progress is continuing.

- Hearth Housing Association has agreed to enter into a Group structure arrangement with Clanmil Housing Association. The Group structure will provide Hearth with a level of administrative support across all aspects of its business which is not cost effective to establish given their current limited resources. Negotiations have completed and group structure arrangements have been in place since April 2015.

- Convenanter Housing Association has engaged Triangle Housing Association as a managing agent. Given the size of the Association (some 47 units) this represents the best means by which the Association will be able to address the professional and administrative requirements which are beyond their current capacity. A further inspection is currently underway and will inform the success of this arrangement with a draft report due to issue to the Association at the end of June 2015.

- In the previous statement my predecessor had referred to Craigowen, which is a small Association that provides accommodation for a very specific needs group. He had referred to the difficulties within the Association and the progress it had made during the year in strengthening its board and governance arrangements. In May 2014 the Association entered into a Management Agreement with South Ulster Housing Association. This agreement will provide the skills and expertise in Property Management which were not available internally to Craigowen.

Advanced Land Purchases

Helm

Last year an agreement was reached with Helm to resolve the issue of the Advanced Land Purchase at Great Georges Street, Belfast. The Department has accounted for the first part of this agreement in 2014-15, with £1.762 million successfully settled. Arrangements are in place to ensure the grant will be fully accounted for by the end of 2016-17 and although this may be challenging all parties are fully committed to ensure success.

Trinity Housing Association

During the year, Trinity Housing Association merged with Oaklee to form Oaklee Trinity Housing. During March 2015 agreement was reached with Oaklee Trinity to resolve the issue of £0.835 million in respect of an Advanced Land Purchase payment at Crossgar. Oaklee Trinity made a case for £0.194 million of allowable expenses (costs associated with their efforts in developing the scheme). The balance was fully recovered by Northern Ireland Housing Executive by 31 March 2015 and a debtor relating to this was recorded in the Department's accounts in March 2015.

PAC hearing on Advanced Land Purchases and conflict of interest

A PAC hearing was held on 18 February 2015 to consider Northern Ireland Audit Office reports from 2011 to 2014, the Helm inspection of 2011 and a conflict of interest involving Trinity Housing Association. I am awaiting the report from the Public Accounts Committee and am therefore unable to comment any further at this stage.

Inspection of the Northern Ireland Housing Executive Landlord Function

In last year's statement my predecessor made reference to the creation of an inspection team to undertake routine inspections of the landlord function within the Northern Ireland Housing Executive, thus aligning the Northern Ireland Housing Executive landlord function to the same rigour as the rest of the sector. Housing Division has agreed the Memorandum of Understanding with the Northern Ireland Housing Executive. The inspection team has been established and completed its first initial inspection. The first inspection examined the implementation of Response Maintenance recommendations made from various audits and reviews undertaken since 2010. Based on the findings of this inspection, I am satisfied that the progress of implementation of recommendations from previous audits, which was reported by Northern Ireland Housing Executive's Landlord Services Division is complete and accurate.

The Housing Division Inspection team also considered that the positive progress made to date is a reflection of the significant commitment of all Northern Ireland Housing Executive management and staff to raise governance standards.

Aligned to housing associations, a rolling programme of inspections for the Northern Ireland Housing Executive is currently being developed for the next financial year.

Northern Ireland Housing Executive Planned Maintenance – overpayments

Last year's statement for the Department referred to overpayments made by the Northern Ireland Housing Executive to its planned maintenance contractors. A settlement agreement was reached and, based on advice provided by Queen's Counsel, was accepted by the Board of the Northern Ireland Housing Executive at its meeting in March 2014 subject to the necessary approvals being obtained. This was subsequently approved by the Department of Finance and Personnel and the settlement was announced by the Chairman on 5 August 2014.

Housing Benefit Administered by the Northern Ireland Housing Executive

The fraud and error figures for Housing Benefit as calculated by the Standards Assurance Unit reveal a figure of 4.1% which is the same as last year. The breakdown of these figures reveals that:

- Official error reduced from 1.5% to 1.1%
- Customer error reduced slightly from 0.9% to 0.4%
- Customer fraud showed an increase from 1.8% to 2.6%

The high level summary received from Standards Assurance Unit shows 50% of the value of the fraud relates to passported claims where fraud was passported into housing benefit from other Social Security Agency benefits.

The Northern Ireland Housing Executive continue to carry out activities such as case reviews, compliance checks and data matching in order to reduce the levels of Housing Benefit fraud and error. A peer review has recently been carried out by the Single Investigation Service in the Social Security Agency. This review has made a number of recommendations including the adoption of further Best Practice and closer working with the Social Security Agency Single Investigation Services in order to target particular types of cases. The Northern Ireland Housing Executive is developing a revised Fraud and Error Strategy which is planned for August 2015 and a number of activities will rollout from this work. Work also began in November 2014 on the Real Time Information Project matching HMRC data on earnings and pensions against that declared on housing benefit claims.

Tenancy Fraud

A Public Accounts Committee hearing on the NIAO report "*Tackling Social Housing Tenancy Fraud in Northern Ireland*" took place on 14 May 2014 and their report which consisted of eight recommendations was issued on 22 October 2014. The Public Accounts Committee has asked the Department to complete a progress report measuring the extent of tenancy fraud and to provide an assessment of the success of its counter fraud measures over the next 12 months. Northern Ireland Housing Executive and the Northern Ireland Federation of Housing Associations have been advised of this and it is a key focus of the Local Tenancy Fraud Group at quarterly meetings.

A Tenancy Audit Programme which commenced in the Northern Ireland Housing Executive in April 2014 has been completed. This involved carrying out checks on 2,800 tenancies which had no contact with the Northern Ireland Housing Executive in the previous 12 months. This exercise led to the recovery of 24 properties. Nineteen of these were voluntary terminations and five went through the abandonment procedure. Three of these are still ongoing. This would indicate the level of tenancy fraud is considerably below the Northern Ireland Audit Office estimate of 2% based on GB outcomes. This may also be due in part to the level of anti tenancy fraud actions introduced and the heightened awareness of tenancy fraud among staff and tenants.

Also of significance is the number of properties recovered by the Northern Ireland Housing Executive. In 2014-15, 466 properties were recovered (including the 24 properties referred to above) which was an increase of 249 when compared to the 2013-14 year. This represents a considerable saving to the public purse. The figures for the same period for all Housing Associations will be available later this year.

The Northern Ireland Housing Executive and the Housing Associations are currently embarking on a joint exercise to determine a more accurate baseline for social housing tenancy fraud across all of the housing stock in Northern Ireland. It has been agreed that properties from two of the larger Housing Associations, Apex and Oaklee Trinity are to represent the Housing Association sample for this exercise.

The Northern Ireland Housing Executive visits to proprieties commenced on 27 March 2015. The initial visits have all been completed and the NIHE are now processing those addresses which were not closed in the original visits. Two cases have been referred to the Counter Fraud Unit, 18 have either been recovered or are in the process of being recovered and 45 cases are still being reviewed. The Housing Association visits commenced in May 2015 and it is anticipated that these visits will be completed by the end of June 2015.

The Local Tenancy Fraud Group continues to meet quarterly in order to ensure the implementation of the recommendations from the Northern Ireland Audit Office report and the subsequent Public Accounts Committee Report. Work is underway to explore the options for the establishment of a single tenant fraud team to provide investigative service to both Northern Ireland Housing Executive and the housing associations to enhance the service by joining forces to share expertise, good practice and streamline resources.

21 of the 24 housing associations have developed and implemented individual Tenancy Fraud Policy and Action Plans. The remaining three housing associations are working to get these in place. Work is progressing within the Northern Ireland Housing Executive and housing associations to sign up further utility providers and gain access to credit referencing.

Affordable Home Loans Fund

The £19 million Affordable Home Loans Fund was launched in March 2014 to provide up to 600 affordable homes (both new-build and refurbished empty homes) across Northern Ireland by 2020. It is financed through loans to housing associations.

The three housing associations delivering this initiative (Apex, Clanmil and OakleeTrinity) are required to engage with lending institutions to partner with them in delivering a new shared equity product, a key element of the pilot. This has proved challenging.

The Department has worked closely with the three housing associations, the Federation of Housing Associations and the Council for Mortgage Lenders to resolve this issue. Good progress has been made and recent indications are that the banks will be in the position to partner the Housing Associations in the delivery of the shared equity product by late spring. This will allow both refurbished empty homes and new-builds to be sold as affordable homes and the Housing Associations can then begin delivering towards their target of 600 homes by 2020.

Social Housing Development Programme

The Social Housing Development Programme for 2014-15 required housing associations to deliver 2,000 new social housing starts. The social housing target was achieved with 2,013 new starts. This programme was managed by the Northern Ireland Housing Executive and delivered by housing associations. My Department monitored the delivery of the programme via monthly meetings with the Northern Ireland Housing Executive where progress was discussed and actions taken to address issues such as blockages to delivery and potential underspends were agreed.

Supporting People

In 2012, the Department published 'Facing the Future Northern Ireland Housing Strategy 2012 – 2017'. Within the strategy's action plan, under Theme 2 -'meeting housing needs and supporting the most vulnerable', there was a commitment by the Department to review the Supporting People Programme, particularly its policy and legislative framework. It also committed the Department to work with the Department of Health, Social Services and Public Safety (DHSSPS) to identify how to make best use of resources to support independent living. It is envisaged that the review will be completed by summer 2015.

In addition, the Northern Ireland Housing Executive has commissioned an independent review of the supporting people contract management process. This review is ongoing and the Department will monitor progress and implementation of any recommendations. Findings are expected in summer 2015. The Department will also continue to work with the Northern Ireland Housing Executive, the Regulation and Quality Improvement Authority and the Department of Health, Social Services and Public Safety to establish an appropriate regulation and inspection process for the delivery of housing support services.

Northern Ireland Housing Executive- Centre of Procurement Expertise

Following an 'Assurance of Action Plan' (AAP) review, carried out on 2 and 3 March 2015 by an independent review team, the final report noted a significant improvement in the management and delivery of procurements carried out by the Northern Ireland Housing Executive Centre of Procurement Expertise and that all previous recommendations of the Accreditation Assessment had been satisfactorily addressed, some in an exceedingly effective manner. The report also commended staff for the way they have adopted new methods of working within a relatively short period. As a result of the Assurance of Action Plan review the Northern Ireland Housing Executive has implemented the action plan and thus retained its Centre of Procurement Expertise status.

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 and it would be unable to register the Fund whilst the Department is Trustee.

Budget Issues

The Department successfully managed a 4.4% (£29 million) cut to its budget in 2014-15. The Department also went through a significant 2015-16 budget exercise during the 2014-15 year. DSD will have to deliver £63.3million of Resource Budget savings during 2015-16. The Department will continue to monitor this position against future potential pressures.

Data Security

The Department is committed to ensuring that all the sensitive information entrusted to it is managed lawfully and appropriately. 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 set 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.

Security incidents within the Department are collated and reported to the Top of the Office Group and Audit and Risk Assurance Committee every six months. During 2014-15 there were eleven personal data related incidents reported which included four incidents where personal data was lost and seven incidents where access to personal data did not comply with data protection requirements. Internal action was sufficient to address the incidents and referral to the Information Commissioner's Office was not required.

The Departmental Information Asset Owner Forum continues to meet twice a year Information Asset Owner's hold asset registers and complete associated quarterly risk assessments on all their information assets. During the year the Departmental Security Handbook and the Information Asset Owner Handbook were reviewed and re-issued which provides a central point for guidance for all staff and Information Asset Owners respectively. In addition, six-monthly papers are presented to the Top of the Office Group on information security and assurance.

Benefit Fraud and Error

For the 2014-15 year the NI Comptroller and Auditor General (C&AG) has again qualified his opinion on the regularity of benefit expenditure, with the exception of State Pension (SP). This is due to the level of overpayments attributable to fraud and error which have not been applied to the purposes intended by the Assembly; and because of the level of over and underpayments in such benefit expenditure which are not in conformity with the relevant authorities.

During 2014-15, sustaining performance on fraud and error remained at the core of the Agency's key business priorities. The regular monitoring and measuring of official error, customer error and customer fraud continued throughout the year as part of the Agency's Financial Accuracy and Benefit Review processes.

For the 2014 year the level of benefit overpayments increased marginally to 1.0% of total benefit expenditure. Agency performance on overpayments has therefore been sustained at between 0.9% and 1.0% for the last four consecutive years with benefit expenditure over the same period increasing from £4.5 billion to nearly £5.0 billion (an increase of 12%). The amounts for estimated benefit overpayments are as follows:

- 2014 - estimated overpayments of £51.9 million or 1.0% of total benefit spend.
- 2013 - estimated overpayments £45.6 million; 0.9% of total benefit spend.

The position with benefit underpayments was:

- 2014 - estimated underpayments were £30.2 million; 0.6% of total benefit expenditure.
- 2013 – estimated underpayments were £24.7 million; 0.5% of total benefit expenditure.

In summary the marginal increase in the level of Agency overpayments in 2014 related solely to the fraudulent behaviour of claimants with the levels of customer fraud increasing from 0.3% of total benefit spend in 2013 to 0.5% in 2014. The levels of loss due to staff error successfully reduced to just 0.3% in 2014 - an improvement on the 2013 position (0.4%). Levels of loss due to customer error in 2014 were maintained at their historically low levels of just 0.2% of expenditure.

Throughout the 2014-15 year the Agency continued to develop its wide range of activities to reduce fraud and error. 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. The Fraud and Error 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 which have sustained the improved performance of recent years.

The approach to the fraud and error challenge is multi-dimensional involving case intervention, checking cases to prevent or detect error, and staff accuracy meetings. It includes the extensive work undertaken by the Error Reduction Division to prevent and detect staff error and the fraud compliance and intervention staff within the Agency's Single Investigation Service in addressing customer fraud and error. In 2014 the Agency continued to fully utilise its risk based targeting approach; given that managing and understanding intelligence is essential to allow it to focus on those threats posing greatest risk. 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.

The Agency continues with the implementation of the significant fraud and error modernisation programme and is working closely with the Department for Work and Pensions (DWP) in GB and HM Revenue and Customs. This work will prepare the Agency for incoming welfare reforms and the move towards new digital services. The focus is on the mitigation of any potential future risks and to create an infrastructure necessary to deal promptly and effectively with fraud and error. The key developments throughout the 2014-15 year have been:

- **Single Investigation Service (SIS)**

  The new 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 which pose the 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.

- **Joined up working**

  The Agency continues to build closer liaison with HM Revenue and Customs through data sharing and to consider options to pursue cases of mutual interest to enable joint prosecutions of customers who abuse both the tax credit and benefit systems. In addition to this, during 2015-16 the Agency is seeking opportunities to work more closely with the Northern Ireland Housing executive in relation to Housing Benefit compliance activity.

- **Targeting**

  Continued development, alongside DWP, of the use of new data sources including Real Time Information to enhance future fraud prevention and detection capability, with particular focus at the gateway, the point of entry to a benefit claim.

- **Deterrence**

  Legislative proposals contained within the Welfare Reform Bill to prevent and deter those intent on committing fraud including increased penalties and loss of benefit.

- **Communication**

  Continuing to remind staff and the wider public of the need to remain vigilant and to report suspected fraud.

National Fraud Initiative /Real Time Information Initiatives

During 2014-15 the Agency has maintained its co-operation with the Northern Ireland Audit Office on the National Fraud Initiative data matching exercises. This involves comparing different sets of data and allows potentially fraudulent claims and payments to be identified. The Agency has been involved in four National Fraud Initiative Programmes to date, and work continues to conclude the relatively small number of outstanding cases. Whilst the Agency will continue to work directly with the Northern Ireland Housing Executive on future criminal investigations arising from the Northern Ireland Housing Executive 2014 National Fraud Initiative exercise, the Agency is also now working with DWP, to utilise real time HM Revenue and Customs information in respect of earnings and non state pension income. This rich source of data is also enhancing the Agency's fraud and error prevention and detection capability. Based on initial findings, this new Real Time initiative 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 Real Time Information initiative into 2015-16 and beyond until such time as the strategic wider use of Real Time Information solution is fully rolled out.

It is important to recognise that administering a complex benefit system to a high degree of accuracy in a cost effective manner is a significant challenge. Tackling fraud and error will continue to be a business priority for the Agency, and this will include a specific focus on dealing with the potential for new and emerging risks arising from the Welfare Reform changes.

Social Fund White Paper Accounts

The Agency is responsible for the production of the NI Social Fund White Paper accounts. For a number of years these accounts have been qualified on the same basis of irregularity as the Agency annual accounts; this is due to the estimated level of official error in Social Fund benefit expenditure. For the 2013-14 financial year the NI Comptroller and Auditor General placed a qualified audit opinion on the regularity of Social Fund expenditure. This was due to the estimated level of error in Social Fund payments (except for Winter Fuel Payments and Cold Weather Payments).

Child Maintenance

The Department, through the Child Maintenance Service, has made significant progress in delivering major reforms to child maintenance. It has taken a two-pronged approach: more support for separated families to work together and reach family-based arrangements; and, for those that need it, the new statutory 2012 Scheme delivered by the Child Maintenance Service which can collect money on behalf of parents.

The new 2012 Statutory Scheme opened on a pathfinder basis in December 2012 and then to all new applicants on 25 November 2013. At the same time, the Child Maintenance 'Choices' service, became the official 'gateway' to the new statutory scheme. At this gateway parents are provided with information and support to help them understand what will work best for them and to be able to take greater financial responsibility for their children. The statutory scheme no longer remains the default option for parents arranging child maintenance.

On 30 June 2014 the second phase of the reform programme introduced collection and enforcement charges for clients using the new statutory scheme. The purpose of these charges is to encourage parents, where possible, to agree their own arrangements. For those that cannot it offers a more focused collection service with greater enforcement powers. However, parents can avoid collection charges entirely by using the Direct Pay service, which can be a step towards a more collaborative relationship but still offers a degree of oversight from the Child Maintenance Service. The uptake on this service has been very positive with over 60 per cent of parents using Direct Pay by March 2015 (compared to 22 per cent as at 31 March 2014).

The other key element to the second phase of the reform programme is the ending of liabilities on cases in the 1993 and 2003 schemes, which also commenced, as a pathfinder, in summer 2014. This will, by the end of 2017-18 year, lead to there being just one statutory scheme in operation.

The Department is required to prepare a Client Funds Account (annexed to the Department's Resource Accounts). This is a receipts and payment account showing mainly the receipts of child maintenance from non-resident parents and payments made to persons with care responsibilities for those children.

In the Northern Ireland Audit Office report on the Client Funds Account, the Comptroller and Auditor General has provided an unqualified opinion that receipts and payments are properly presented, but he has repeated modified opinions on other aspects from previous years, both of which relate to the historic weaknesses with the 1993 and 2003 statutory schemes.

The first is a qualified opinion on the regularity of receipts and payments because the assessment of some of the amounts due to be paid is incorrect. The second is a disclaimer of opinion on arrears due to insufficient evidence to substantiate the level of maintenance arrears and because the accumulated arrears owed by some non-resident parents are misstated reflecting inaccurate assessments and incorrect processing since the inception of the statutory schemes.

Recent advances in assessment checking and root cause analysis have resulted in consistent accuracy rates on 1993 and 2003 Schemes. However, the issues that led to the modification of the audit opinion are unlikely to be substantially resolved. These are historic failings for which the strategic solution was 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.

Nomadic Charitable Trust Loan

As reported last year, the Department incurred expenses in 2006 (£113k) in relation to emergency repair work to SS Nomadic to enable it to enter Belfast Harbour. The Department and the Nomadic Charitable Trust agreed a five year repayment schedule for the 'loan' however no payments were ever made.

The decision to regard the expenditure as a loan was to be the subject of DFP approval but this was never sought and there was no business case prepared at the time to explore the rationale for this decision or the terms on which payment should be sought. An appraisal was completed recently and this concluded that the preferred option should have been to incur directly the costs of the repairs covered by the 'loan' amount. In the circumstances therefore it was not possible to make a case for retrospective approval.

The Department subsequently wrote to DFP setting out the circumstances and events which led to the Department seeking their approval to write off the outstanding debt in the Department's accounts in respect of the £113k loan. DFP raised a number of concerns and issues which the Department sought to address. However, DFP has now confirmed that the request for write off cannot be granted as they consider the loan to be irregular with no evidence base to provide retrospective approval.

Neighbourhood Renewal Project

Through management's internal checking process the non disclosure of a conflict of interest was identified in relation to funding awarded to a neighbourhood renewal project. DSD's Internal Audit completed a review of the project and of the conflict of interest procedures within the Urban Regeneration Community Development Group Directorate. The recommendations were accepted by management and implemented in May 2015. The Department are also in the process of reviewing its conflict of interest policies and procedures in light of the NIAO's recent publication of the Good Practice Guide on Conflicts of Interest.

Fort George

From 1 April 2013, the Department assumed operational responsibility for the redevelopment of the Fort George ex-military base from Ilex. A Programme Board is in place to direct and oversee the redevelopment of the site. Outline planning permission for the Fort George Development Framework has not yet been secured due to difficulties in resolving some access and transport issues which were referred to in the previous year's statement. An addendum to the planning application addressing these issues was submitted to the Planning Service on 5 December 2014 and is currently with the DOE Minister for a decision.

Significant Fraud Investigations

Type	No. at 1 April 2014	Received	Closed	No. at 31 March 2015
External Investigations	3	2	4	1
Internal Investigations	20	50	58	12

Of the 58 internal cases closed, one involved a member of staff attempting to defraud the department of salary by misrepresentation. The member of staff was dismissed and the case was referred to the Police Service Northern Ireland but was not suitable for prosecution. Another case involved a member of staff trading a private business on official premises during departmental time. This has been referred to Departmental Human Resources for consideration of action.

Conclusion

Although a short time in post as Accounting Officer, I am satisfied that the Department 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.

Andrew Hamilton

Andrew Hamilton
Accounting Officer
30 June 2015

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 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity and the related notes. I have also audited the Statement of Assembly Supply 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 Report that is described in that report 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's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; 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 Statement of Assembly Supply properly presents the outturn against voted Assembly control totals and that those totals have not been exceeded. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by 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 £5.7 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 £3.6 billion, the estimated levels of fraud and error, as reported in Note 23 to the financial statements resulted in total overpayments of £81.1 million and underpayments due to official error of £25.1 million. 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 both over and underpayments arising because of official error are irregular because 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.

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 which have not been applied to the purposes intended by the Northern Ireland Assembly and because of the level of overpayments and underpayments due to official error in such benefit expenditure which are not in conformity with the relevant authorities.

Qualified opinion on regularity

In my opinion, in all material respects:

- the Statement of Assembly Supply properly presents the outturn against voted Assembly control totals for the year ended 31 March 2015 and shows that those totals have not been exceeded; and
- except for the £106.2 million of incorrect benefit expenditure attributable to fraud and error referred to above, 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's affairs as at 31 March 2015 and of its net operating cost, cash flows and changes in taxpayers' equity 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 and Personnel directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Department of Finance and Personnel directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Management Commentary, Directors' Report and Strategic 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 part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.

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

K J Donnelly

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

1 July 2015

Statement of Assembly Supply

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 2014-15

	2014-15							2013-14
	Estimate			Outturn			Net total outturn compared with estimate: saving/ (excess)	Outturn
	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 SoAS2)								
Providing a fair system of financial help to those in need, providing services that encourage family based child maintenance arrangements and encouraging social responsibility:	3,639,915	(68,217)	3,571,698	3,517,807	(63,202)	3,454,605	117,093	3,507,341
Request for Resources B (note SoAS2)								
Providing access to decent, affordable, sustainable homes and Housing support services in Northern Ireland:	351,762	(51,834)	299,928	332,100	(51,834)	280,266	19,662	278,975
Request for Resources C (note SoAS2)								
Improving the physical, economic, community and social environment of neighbourhoods, towns and cities in Northern Ireland with a particular emphasis on tackling disadvantage:	127,005	(16,259)	110,746	115,711	(9,888)	105,823	4,923	90,792
Total resources (note SoAS9)	4,118,682	(136,310)	3,982,372	3,965,618	(124,924)	3,840,694	141,678	3,877,108
Non-operating AR			(37,168)			(34,590)	(2,578)	(17,441)

Statement of Assembly Supply (continued)

Net cash requirement 2014-15

		2014-15			2013-14
	Note	**Estimate £'000**	**Outturn £'000**	**Net total outturn compared with estimate: saving/ (excess) £'000**	Outturn £'000
Net cash requirement	SoAS10	3,913,521	3,814,783	98,738	3,687,455

Summary of income payable to the Consolidated Fund

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

	Note	**2014-15 Income £'000**	**Forecast *Receipts* *£'000***	**2014-15 Income £'000**	**Outturn *Receipts* *£'000***
Total	SoAS11	2,081	*2,081*	2,981	*2,410*

Explanations of variances between Estimate and outturn are given in Note SoAS2 and in the Strategic Report.

The notes on pages 88 to 166 form part of these accounts.

Notes to the Departmental Resource Accounts (Statement of Assembly Supply)

SoAS 1

Statement of accounting policies

These financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel. The Statement of Assembly Supply and supporting notes contained in the FReM are consistent with the requirements set out in the 2014-15 Consolidated Budgeting Guidance and Supply Estimates in Northern Ireland Guidance Manual. 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. Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (NI) Orders 1986 and 1990, accounting standards issued or adopted by the Accounting Standards Board, International Financial Reporting Standards and accounting and disclosure requirements issued by the Department of Finance and Personnel as far as those requirements are appropriate.

The International Accounting Standards Board 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 have an effective date of January 2013 but have not yet been EU adopted. The application of these IFRS changes is subject to further review by Treasury and other relevant authorities before due process consultation.

Accounting boundary IFRSs are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on the Office of National Statistics control criteria, as designated by Treasury. A review of the Northern Ireland financial process is currently under discussion with the Northern Ireland Executive, which will bring Northern Ireland departments under the same adaptation. Should this go ahead, the impact on departments is expected to focus around the disclosure requirements under IFRS 12. The impact on the consolidation boundary of NDPBs and trading funds will be subject to review, in particular, where control could be determined to exist due to exposure to variable returns (IFRS 10) and where joint arrangements need reassessing.

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.

SOAS 1.1 Accounting Convention

The Statement of Assembly Supply and related notes are presented consistently with Treasury budget control and Supply Estimates in Northern Ireland. The aggregates across government are measured using National Accounts, prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The budgeting system and the consequential presentation of Supply Estimates and the Statement of Assembly Supply and related notes have different objectives to IFRS-based accounts. The system supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Assembly authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

• ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and

• support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

SoAS 1.2 Comparison with IFRS-based accounts

There are no material differences between the Departmental Accounts and IFRS-based accounts.

SoAS 1.3 PFI and other Service Concession arrangements

The National Accounts basis for recognising service concession arrangements is broadly similar to UK-GAAP, applying a risk-based test to determine the financial reporting. IFRS-based recognition of service concesssion arrangements (IFRIC 12) is determined using control tests, which can result in a different on/off balance sheet treatment

SoAS 1.4 Prior Period Adjustments (PPAs)

PPAs resulting from an error in previous recording, or from an accounting policy change initiated by the Department, need to be voted by the Assembly in the current year, whereas in IFRS-based accounts (IAS 8) they are treated as adjustments to previous years. (PPAs resulting from a change in accounting policy brought in by a new or modified accounting standard are not included in Estimates, so there is no misalignment.)

The notes on pages 88 to 166 form part of these accounts.

	2014-15					Outturn			Estimate	2013-14
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Total	Net total outturn compared with Estimate	Net total outturn compared with Estimate, adjusted for virements	Prior Year Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	18,554	180,794	-	199,348	(16,921)	182,427	184,169	1,742	1,742	203,338
Belfast Benefit Delivery Centre	-	18,342	-	18,342	(18,069)	273	352	79	79	156
Eastern Area (GB Child Maintenance Group)	-	27,881	-	27,881	(27,881)	-	-	-	-	-
Child Maintenance Service	-	18,799	-	18,799	(94)	18,705	19,328	623	623	18,105
Mesothelioma Compensation Scheme	-	-	237	237	(237)	-	-	-	-	-
Independent Living Fund	-	-	8,276	8,276	-	8,276	8,404	128	128	8,800
Discretionary Support Scheme	-	-	13,708	13,708	-	13,708	13,720	12	12	13,747
Housing benefit rates (tenants)	-	-	78,334	78,334	-	78,334	78,334	-	-	76,223
Housing benefit rates (owner occupiers)	-	-	42,909	42,909	-	42,909	42,909	-	-	41,064
Grants to Motability	-	-	993	993	-	993	1,100	107	107	992
Annually managed expenditure										
Non-contributory and means-tested benefits:										
- Pension benefits	-	-	5,422	5,422	-	5,422	5,569	147	147	5,092
- Disability benefits	-	-	1,314,645	1,314,645	-	1,314,645	1,338,221	23,576	23,576	1,269,605
- Industrial injuries benefits	-	-	30,036	30,036	-	30,036	29,790	(246)	(246)	29,761
- Pension credit	-	-	299,643	299,643	-	299,643	305,451	5,808	5,808	320,010
Income support - non-Pensioners,Jobseeker's allowance, Employment and Support Allowance and Universal Credit:										
- Income support - non-pensioners	-	17,300	169,357	186,657	-	186,657	196,256	9,599	9,599	235,024
- Jobseeker's allowance (income based)	-	-	162,673	162,673	-	162,673	170,054	7,381	7,381	190,709

SoAS2 Analysis of net resource outturn by function

	2014-15									2013-14
						Outturn			Estimate	
				Gross				Net total outturn	Net total outturn compared with	
	Admin	Other Current	Grants	Resource Expenditure	Accruing Resources	Net Total	Net Total	compared with Estimate	Estimate, adjusted for virements	Prior Year Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
- Employment and support allowance (non-contributory)	-	-	403,109	403,109	-	403,109	424,515	21,406	21,406	292,037
Job Grant	-	-	1,956	1,956	-	1,956	1,956	-	-	1,896
Housing benefit (rent)	-	-	573,697	573,697	-	573,697	579,292	5,595	5,595	560,328
Discretionary housing payments	-	-	3,202	3,202	-	3,202	3,400	198	198	3,422
Financial Assistance Scheme (Non cash costs)	-	(17,476)	-	(17,476)	-	(17,476)	11,000	28,476	28,476	89,687
Movement in provisions (non benefit)	-	(193)	-	(193)	-	(193)	254	447	447	1,951
Market Fluctuations	-	(1)	-	(1)	-	(1)	50	51	51	-
Non-Budget										
Social Fund (Regulated)	-	-	3,790	3,790	-	3,790	13,044	9,254	9,254	4,276
Social Fund in respect of Winter Fuel Payments	-	-	53,890	53,890	-	53,890	53,920	30	30	53,900
Social Fund (Discretionary)	-	-	-	-	-	-	-	-	-	-
Northern Ireland National Insurance Fund	-	-	66,100	66,100	-	66,100	66,100	-	-	65,500
Notional Charges	21,830	-	-	21,830	-	21,830	24,510	2,680	2,680	21,718
Total	40,384	245,446	3,231,977	3,517,807	(63,202)	3,454,605	3,571,698	117,093	117,093	3,507,341

	2014-15									2013-14
					Outturn				Estimate	
	Admin	Current	Grants	Resource Expenditure	Accruing Resources	Total	Total	Net total outturn compared with Estimate	Net total outturn compared with Estimate, adjusted for virements	Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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										
Assistance to the voluntary housing movement	-	-	-	-	-	-	-	-	-	113,759
Housing - other expenditure	10,029	605	1,467	12,101	(12,036)	65	1,381	1,316	1,316	6,226
Housing grants to the NI Housing Executive	-	15,605	25,246	40,851	-	40,851	51,017	10,166	10,166	142,457
Renovation grants and group repair of dwellings	-	-	-	-	-	-	-	-	-	13,000
Interest Payments on Housing Loans	-	39,798	-	39,798	(39,798)	-	-	-	-	-
Social Protection Fund (Fuel Allowance Payments)	-	-	-	-	-	-	-	-	-	(213)
Annually managed expenditure (AME):										
Movement in Provisions	-	-	-	-	-	-	1	1	1	-
Revaluations to Fair Value of Loans	-	3,605	-	3,605	-	3,605	2,177	(1,428)	(1,428)	3,316
Non-Budget										
Grant-In-Aid Paid to the Northern Ireland Housing Executive	-	-	235,279	235,279	-	235,279	244,802	9,523	9,523	-
Notional Charges	466	-	-	466	-	466	550	84	84	430
Total	10,495	59,613	261,992	332,100	- 51,834	280,266	299,928	19,662	19,662	278,975

SoAS2 Analysis of net resource outturn by function

	2014-15					Outturn			Estimate	2013-14
	Admin	Other Current	Grants	Gross Resource Expenditure	Accruing Resources	Net Total	Net Total	Net total outturn compared with Estimate	Net total outturn compared with Estimate, adjusted for virements	Prior Year Outturn
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	8,823	7,645	65,621	82,089	(204)	81,885	80,006	(1,879)	(1,879)	66,794
Community and Voluntary Sector funding	1,507	-	14,379	15,886	-	15,886	15,917	31	31	15,642
EU Programme for Peace and Reconciliation	-	-	12,914	12,914	(9,684)	3,230	4,612	1,382	1,382	1,364
Annually managed expenditure										
Urban Regeneration/Community Development Non-cash items	-	1,520	-	1,520	-	1,520	6,450	4,930	4,930	3,828
Non-Budget										
Charity Commission (NI)	-	-	1,801	1,801	-	1,801	1,861	60	60	1,572
Notional Charges	1,501	-	-	1,501	-	1,501	1,900	399	399	1,592
Total	11,831	9,165	94,715	115,711	- 9,888	105,823	110,746			
								4,923		
Total	**11,831**	**9,165**	**94,715**	**115,711**	**(9,888)**	**105,823**	**110,746**	**4,923**	**4,923**	**90,792**
Resource Outturn	**62,710**	**314,224**	**3,588,684**	**3,965,618**	**(124,924)**	**3,840,694**	**3,982,372**	**141,678**	**141,678**	**3,877,108**

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.

Social security administration easements are due to reduced salary costs and reductions in other forecast costs including the employee benefit accrual.

Employment and Support Allowance (non-contributory) was less than Estimate due to reduced rate of claims in latter part of the year.

Financial Assistance Scheme (Non cash costs) is less than forecast due to a reduction in cashflows of around 17% and reduced Nominal Rates for years 5-10 also had an impact.

Social Fund (Regulated) is less than estimate due to Cold Weather payments not being triggered in the 2014-15 winter.

Movement in Provisions (non benefit) were less than Estimate as more provisions being released than new provisions being required during the year.

Explanation of the variation between Estimate and outturn for Request for Resources B (RfR B) Housing grants to the NIHE are £10.2 million lower than estimated. An additional £12 million was incorporated into the estimates by DFP to facilitate the possibility of a late allocation of funding to NIHE relating to a January monitoring round bid. In the end, the bid was unsuccessful and the funding was not allocated in the budget.

Grant-In-Aid Paid to the Northern Ireland Housing Executive was £9.5 million lower than anticipated as NIHE Regional's (NDPB) need for funding was less than estimated.

Explanation of the variation between Estimate and outturn for Request for Resources C (RfR C) EU Programme for Peace and Reconciliation was £1.382 million less than Estimate due to match funding being no longer available from SEUPB.

Urban Regeneration/Community Development Non-cash items were £4.729 million less than Estimate due to reductions in impairments and revaluations.

SoAS3 Contributory benefit expenditure paid from the National Insurance Fund

	Note	**2014-15** £'000	2013-14 Restated £'000
Pension benefits			
Retirement pension			
- basic element		1,647,819	1,584,337
- additional component		424,909	398,459
Christmas bonus		3,648	3,343
Widow's benefit			
- basic element		13,260	13,613
- additional component		1,716	1,918
- widow's payment		5,371	5,467
Unemployment, Invalidity and Sickness Benefits		93	10
Unemployment, incapacity and other benefits			
Jobseeker's Allowance			
- Contributions Based		13,879	18,846
Incapacity Benefit			
- basic element		1,868	72,297
- additional component		25	1,424
Employment Support Allowance (Contribution Based)		329,273	235,190
Family benefits			
Maternity Allowance		12,164	11,873
Periodicity and Paydays		-	-
Total	SoAS9.2	**2,454,025**	2,346,777

The notes on pages 88 to 166 form part of these accounts.

SoAS4 Non-contributory benefit expenditure

	2014-15	2013-14 Restated
	£'000	£'000
Pension benefits		
Non-contributory retirement pension	3,911	3,584
Christmas bonus	1,511	1,509
Disability allowance		
Attendance allowance	205,322	201,625
Carers allowance	141,763	132,652
Severe disablement allowance	15,353	39,796
Disability living allowance	956,136	898,016
Disability working allowance	(5)	(6)
Miscellaneous Diseases Scheme	1	-
Industrial injuries benefits	30,067	29,749
Income support for the elderly/Pension Credit		
Income support for the elderly	1,297	1,926
Pension Credit	307,899	325,463
Family benefits		
Family credit	34	(2)
Maternity Payments	1,615	-
Community Care Grants	13,708	13,747
Other Fair Value Adjustments and Write Offs - Crisis Loan	2,474	(308)
Income support - non-pensioners and Jobseeker's Allowance		
Income support (non-pensioners)	169,806	222,072
Jobseeker's allowance (income based)	166,001	194,555
Employment Support Allowance (Non-contribution Based)	405,044	293,503
Total	**2,421,937**	2,357,881

SoAS5 Statutory benefits

	2014-15	2013-14
	£'000	£'000
Statutory Sick Pay (SSP) and Statutory Maternity Pay (SMP)	66,100	65,500
Total	**66,100**	65,500

The notes on pages 88 to 166 form part of these accounts.

SoAS6 Other social grants and disbursements

	Note	**2014-15 £'000**	2013-14 £'000
Grants to independent bodies			
Independent living funds	SoAS2	8,276	8,800
Motability	SoAS2	993	992
Housing benefit			
Rent rebate	SoAS2	210,983	203,895
Rent allowances	SoAS2	362,714	356,433
Rates	SoAS2	121,243	117,287
Discretionary rent allowances			
Discretionary Housing Payments	SoAS2	3,202	3,422
Social Fund disbursements			
Funeral payments		-	2,711
Cold weather payments		375	-
Maternity payments		-	1,673
Community care payments		-	-
Winter fuel payments		53,900	54,045
Other-fair value adjustments and impairment of debt written off		2	(72)
Total		**761,688**	749,186

SoAS7 National Insurance Fund administration

	Note	**2014-15 £'000**	2013-14 £'000
NIF Administration costs incurred by the Department		15,852	20,820
Total	SoAS9.1 & SoAS12	**15,852**	20,820

The notes on pages 88 to 166 form part of these accounts.

SoAS8 Programme overheads

	Note	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Restated Core Department £'000	2013-14 Restated Consolidated £'000
Increase in provision for fair value adjustments	SoAS8.1	-	2,851	-	(1,086)
Programme debt written off	SoAS8.2	-	18,712	-	19,680
Total		**-**	**21,563**	-	18,594
Non-contributory programme overheads	5	-	19,911	-	15,165
Contributory programme overheads		-	1,652	-	3,429
Total		**-**	**21,563**	-	18,594

SOAS8.1 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	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Contributory benefits		-	(780)	-	317
Non-contributory benefits		-	3,969	-	472
Social Fund payments		-	(338)	-	(1,875)
Total	SoAS8	**-**	**2,851**	-	(1,086)

The notes on pages 88 to 166 form part of these accounts.

SOAS8.2 Bad debts written off

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

		2014-15		2013-14 Restated	
	Note	**Core Department £'000**	**Consolidated £'000**	Core Department £'000	Consolidated £'000
Contributory benefits					
Pension benefits		-	1,233	-	1,411
Incapacity benefits		-	462	-	1,042
ESA Contributory		-	577	-	516
Other	SoAS8a	-	160	-	143
Non-contributory benefits					
Disability benefit		-	2,266	-	2,547
Income support		-	2,925	-	2,692
Pensions		-	5,216	-	4,062
ESA Non Contributory		-	1,252	-	1,223
Other	SoAS8b	-	1,195	-	5,701
Social Fund					
Funeral Payments		-	2,950	-	-
Budgeting Loans		-	339	-	343
Other adjustments	SoAS8c	-	137	-	-
Total		**-**	**18,712**	-	19,680

SoAS8a

Other contributory benefits include Job Seekers' Allowance £0.159 million and Maternity Allowance £0.001 million.

SoAS8b

Other non-contributory benefits include Job Seeker's Allowance £0.981 million, Crisis Loans £0.200 million, JSA £0.013 million, Industrial Injuries £0.001 million).

SoAS8c

Other adjustments consist of £0.003 million salary overpayment debt written off and £0.134 million fair value adjustment of salary overpayment debt.

The notes on pages 88 to 166 form part of these accounts.

SoAS9 Reconciliation of outturn to net operating cost and against Administration Budget

SoAS9.1 Reconciliation of net resource outturn to net operating cost

		2014-15			2013-14 Restated
		Outturn	Supply Estimate	Outturn compared with Estimate	Outturn
	Note	£'000	£'000	£'000	£'000
Net Resource Outturn	SoAS2	**3,840,694**	3,982,372	141,678	3,877,108
Prior period adjustments		-	-	-	-
Non-supply Expenditure (net)	SoAS3	2,454,025	-	(2,454,025)	2,346,777
AR not treated as income - funding from NIF to cover administration costs	SoAS7	15,852	-	(15,852)	20,820
Other Social Fund adjustments		684	-	(684)	490
Non-supply Income (CFERs)	SoAS11	(2,981)	(380)	2,601	(2,490)
Public Corporation Equity Withdrawal		(15,500)	-	15,500	-
Other		-	-	-	1
Net Operating Cost		**6,292,774**	**3,981,992**	**(2,310,782)**	6,242,706

SoAS9.2 Non-supply expenditure

	Note	2014-15 £'000	2013-14 Restated £'000
Contributory benefits (net)		2,452,373	2,343,348
NIF write-offs and movement on debt provision	SoAS8	1,652	3,429
Total gross non-supply expenditure	5	**2,454,025**	2,346,777

SoAS9.3 Outturn against final Administration Budget

	2014-15		2013-14
	Budget £'000	Outturn £'000	Outturn £'000
Gross Administration Budget	41,729	38,913	32,676
Income allowable against the Administration Budget	-	(17)	-
Net outturn against final Administration Budget	**41,729**	**38,896**	32,676

The notes on pages 88 to 166 form part of these accounts.

SoAS10 Reconciliation of net resource outturn to net cash requirement

	2014-15				2013-14
	Note	Estimate £'000	Outturn £'000	Net total outturn compared with Estimate saving/ (excess) £'000	Outturn £'000
Resource Outturn	SoAS2	3,982,372	3,840,694	141,678	3,877,108
Capital:					
Acquisition of property, plant and equipment	8 & 9	22,595	5,438	17,157	2,673
Investments	15	13,000	13,000	-	15,900
Non-operating Accruing Resources:					
Proceeds of fixed asset disposals		(3,325)	(3,321)	(4)	(1,685)
Repayments of loans to other bodies	15	(16,690)	(16,687)	(3)	(1,157)
Repayments of Crisis Loans		(17,153)	(14,582)	(2,571)	(14,599)
Accruals to cash adjustments:					
Non-cash items	3,4,5	(51,170)	(12,840)	(38,330)	(120,084)
Changes in working capital other than cash		19,952	(16,856)	36,808	(100,125)
Changes in payables falling due after more than one year		-	56,997	(56,997)	63,145
Use of provision	19	6,213	5,165	1,048	6,853
Other Social Fund adjustments	SoAS9.1	-	684	(684)	490
Rates rebates (owner occupier)	5	(42,273)	(42,909)	636	(41,064)
Net cash requirement		**3,913,521**	**3,814,783**	98,738	3,687,455

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

Outturn was £98.738 million less than estimate. The key reasons for this are detailed in Note SoAS2.

The notes on pages 88 to 166 form part of these accounts.

SoAS11 Income payable to the Consolidated Fund

SoAS11.1 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	2014-15 Income £'000	Forecast *Receipts* £'000	2014-15 Income £'000	Outturn *Receipts* *£'000*
Operating income and receipts - excess Accruing Resources		-	-	463	-
Other operating income and receipts not classified as Accruing Resources		2,081	2,081	2,518	2,410
Subtotal of operating income and receipts surrenderable to the Consolidated Fund		2,081	2,081	2,981	2,410
Non-operating income and receipts - excess Accruing Resources	SoAS7	-	-	-	-
Amounts collectable on behalf of the Consolidated Fund		-	-	-	-
Excess cash surrenderable to the Consolidated Fund	SoAS4	-	-	-	-
Total income payable to the Consolidated Fund		**2,081**	***2,081***	**2,981**	***2,410***

In addition to the income detailed above, the Department also received £0.011 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 £0.010 million. £0.015 million was paid over to DFP in 2014-15 and there is a balance owing at the year end of £0.006 million (see note 18.1c).

The notes on pages 88 to 166 form part of these accounts.

SoAS12 Reconciliation of income recorded within the Statement of Comprehensive Net Expenditure to operating income payable to the Consolidated Fund

	Note	2014-15 £'000	2013-14 Restated £'000
Operating income	7	130,203	129,833
Public Corporation Equity Withdrawal		(15,500)	-
Other		(2,650)	4,719
NIF Administration Costs	SoAS7	15,852	20,820
NIF Contributory Benefits	SoAS3	-	18,846
NIF Contributory Benefits - write offs		-	(167)
Gross Income		127,905	174,051
Income authorised to be Accruing Resource (deduct the lower of AR and Estimate)		(124,924)	(171,561)
Operating Income payable to the Consolidated Fund	SoAS11.1	**2,981**	2,490

Other includes: EU Funding for ERDF Boiler Replacement Income £2.650 million.

SoAS13 Non-operating income - Excess Accruing Resources

There was no non-operating income - excess Accruing Resources during 2014-15.

The notes on pages 88 to 166 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

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.

		2014-15						2013-14 Restated	
		Core Department			**Consolidated**			Core Department	Consolidated
	Note	**Staff Costs £'000**	**Other Costs £'000**	**Income £'000**	**Staff Costs £'000**	**Other Costs £'000**	**Income £'000**	£'000	£'000
Administration costs:									
Staff costs	3	28,908			28,908			27,622	27,622
Other administration costs	4		14,436			14,436		9,618	9,618
Operating Income	7			(17)			(17)	-	-
Programme costs:									
Request for Resources A									
Staff costs	3	38,195			180,960			34,199	182,551
Programme Costs	5		828,440			3,316,513		942,147	3,369,499
Income	7			(28,350)			(47,787)	(25,204)	(44,553)
Request for Resources B									
Staff costs	3	-			-			-	-
Programme Costs	5		324,255			324,255		352,971	352,971
Income	7			(68,699)			(68,699)	(77,081)	(77,081)
Income EU	7			(2,650)			(2,650)	(3,000)	(3,000)
Request for Resources C									
Staff costs	3	1,886			1,886			1,705	1,705
Programme Costs	5		101,994			101,994		81,796	81,796
Income	7			(1,366)			(1,366)	(1,064)	(1,064)
Income EU	7			(9,684)			(9,684)	(4,135)	(4,135)
National Insurance Benefits and Non-Voted Expenditure									
Programme Costs	SoAS3		-			2,454,025		-	2,346,777
Totals		**68,989**	**1,269,125**	**(110,766)**	**211,754**	**6,211,223**	**(130,203)**	1,339,574	6,242,706
Net operating costs for the year ended 31 March 2015	SoAS9			**1,227,348**			**6,292,774**	1,339,574	6,242,706

The notes on pages 88 to 166 form part of these accounts.

Consolidated Statement of Comprehensive Net Expenditure (continued)

Other Comprehensive Net Expenditure

	Note	2014-15		2013-14	
		Core Department £'000	**Consolidated £'000**	Core Department £'000	Consolidated £'000
Items that will not be reclassified to net operating costs:					
Net gain/(loss) on revaluation of Property Plant and Equipment		3,382	3,681	2,947	4,410
Net gain/(loss) on revaluation of Intangibles		2	23	4	129
Items that may subsequently be reclassified to net operating costs:					
Net gain/(loss) on revaluation of assets classified as held for sale		1,019	1,019	(4,481)	(4,481)
Total Comprehensive Expenditure for the year ended 31 March 2015		1,222,945	6,288,051	1,341,104	6,242,648

The notes on pages 88 to 166 form part of these accounts.

Consolidated Statement of Financial Position as at 31 March 2015

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	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Non-current assets:					
Property, plant and equipment	8	98,011	112,349	91,811	106,463
Intangible assets	9	173	752	215	872
Financial Assets	15	40,640	40,640	32,624	32,624
Total non-current assets		138,824	153,741	124,650	139,959
Trade and other receivables falling due after more than 1 year	17	365,814	453,243	425,317	517,877
Current assets:					
Assets classified as held for sale	10	6,773	6,773	8,669	8,669
Trade and other receivables	17	110,109	239,062	106,799	200,091
Financial Assets	15	1,377	1,377	1,185	1,185
Cash with paying agents	16	-	-	-	-
Cash and cash equivalents	16	2	12	2	12
Total current assets		118,261	247,224	116,655	209,957
Total assets		**622,899**	**854,208**	666,622	867,793
Current liabilities:					
Trade and other payables (amounts falling due within one year)	18	(166,563)	(319,791)	(188,262)	(307,876)
Provisions	19	(6,083)	(6,083)	(4,606)	(5,159)
Total current liabilities		(172,646)	(325,874)	(192,868)	(313,035)
Non current assets plus/less net current assets/liabilities		450,253	528,334	473,754	554,758
Non-current liabilities					
Trade and other payables (amounts falling due after more than one year)	18	(352,967)	(352,967)	(409,964)	(409,964)
Provisions	19	(145,714)	(146,060)	(169,439)	(169,666)
Total non-current liabilities		(498,681)	(499,027)	(579,403)	(579,630)
Assets less liabilities		**(48,428)**	**29,307**	(105,649)	(24,872)
Taxpayers' equity & other reserves:					
General fund		(101,660)	(27,031)	(154,898)	(77,048)
Revaluation reserve		53,232	56,338	49,249	52,176
Total Equity		**(48,428)**	**29,307**	(105,649)	(24,872)

The notes on pages 88 to 166 form part of these accounts.

Andrew Hamilton

Andrew Hamilton
Accounting Officer
30 June 2015

Consolidated Statement of Cash Flows for the year ended 31 March 2015

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	**2014-15** £'000	2013-14 £'000
Cash flows from operating activities			
Net operating cost	SoCNE	(6,292,774)	(6,242,706)
Adjustments for non-cash transactions	6	55,749	161,148
(Increase) in cash with Paying Agents	16	-	2,871
(Increase)/Decrease in trade and other receivables	17	25,663	90,353
less movements in receivables relating to items not passing through the Statement of Comprehensive Net Expenditure	*17*	(3,266)	(13,564)
Increase/(Decrease) in trade payables	18	(45,082)	(29,545)
less movements in payables relating to items not passing through the Statement of Comprehensive Net Expenditure	*18*	1,205	10,252
Use of provisions	19	(5,165)	(6,853)
Adjustment to Net Operating Profit		14	(9)
Net cash (outflow) from operating activities		**(6,263,656)**	(6,028,053)
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(5,338)	(2,442)
Purchase of intangible assets	9	(100)	(231)
Proceeds of disposal of property, plant and equipment		3,321	1,685
Loans to other bodies	15	(13,000)	(15,900)
Repayments from other bodies	15	1,187	1,157
Movement in receivables/payables for capital		1,606	3,410
Net cash outflow from investing activities		**(12,324)**	(12,321)
Cash flows from financing activities			
From the Consolidated Fund (Supply) - relating to the current year		3,817,836	3,691,075
From the Consolidated Fund (Supply) - relating to the prior year		(3,619)	(9,717)
From the National Insurance Fund		2,465,337	2,365,674
Payments to the National Insurance Fund		(2,469,877)	(2,367,597)
Net financing		**3,809,677**	3,679,435
Payments to the National Insurance Fund		2,469,877	2,367,597
Net increase/(decrease) in cash and cash equivalents in the year before adjustment for receipts and payments to the Consolidated Fund		**3,574**	6,658
Receipts due to the Consolidated Fund which are outside the scope of the Department's activities		(6)	(7)
Payments of amounts due to the Consolidated Fund		(2,375)	(2,432)
Net increase/(decrease) in cash and cash equivalents in the year after adjustment for receipts and payments to the Consolidated Fund	16	**1,193**	4,219
Cash and cash equivalents at the beginning of the period	16	**(1,984)**	(6,203)
Cash and cash equivalents at the end of the period	16	**(791)**	(1,984)

The notes on pages 88 to 166 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	Core Department			Consolidated		
		General Fund	Revaluation Reserve	Total Reserves	General Fund	Revaluation Reserve	Total Reserves
		£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013		(65,445)	51,092	(14,353)	59,953	52,463	112,416
Net Assembly Funding - drawn down		1,199,288	-	1,199,288	3,691,075	-	3,691,075
Net funding from the National Insurance Fund in year		970	-	970	2,365,674	-	2,365,674
Net Funding from the Social Fund		-	-	-	-	-	-
Supply (payable)/receivable adjustment	17 & 18	5,674	-	5,674	(3,619)	-	(3,619)
CFERs Income payable to the Consolidated Fund		(2,038)	-	(2,038)	(2,490)	-	(2,490)
Release of reserves to the Statement of Comprehensive Net Expenditure	5.2	10	-	10	10	-	10
Comprehensive Net Expenditure for the year	SoCNE	(1,339,574)	-	(1,339,574)	(6,242,706)	`	(6,242,706)
Non-Cash Adjustments:							
Non-cash charges - auditor's remuneration	4 & 5	161	-	161	267	-	267
Non-cash charges - other	3,4,5	45,663	-	45,663	64,537	-	64,537
Inter-Company Fixed Asset Transfers		-	-	-	-	-	-
Movements in Reserves							
Transfers between reserves		311	(311)	-	344	(344)	-
Movements in Reserves		-	(1,531)	(1,531)	-	58	58
Other		82	(1)	81	(10,093)	(1)	(10,094)
Balance at 31 March 2014		**(154,898)**	**49,249**	**(105,649)**	**(77,048)**	**52,176**	**(24,872)**

Consolidated Statement of Changes in Taxpayers' Equity (continued)

	Note	Core Department		Consolidated		
		General Fund	Revaluation Reserve	General Fund	Revaluation Reserve	Total Reserves
		£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014		**(154,898)**	**49,249**	**(77,048)**	**52,176**	**(24,872)**
Net Assembly Funding - drawn down		1,229,509	-	3,817,836	-	3,817,836
Net funding from the National Insurance Fund in year		736	-	2,465,337	-	2,465,337
Net Funding from the Social Fund		-	-	-	-	-
Supply (payable)/receivable adjustment	17 & 18	4,946	-	(3,052)	-	(3,052)
Excess Vote - Prior Year		-	-	-	-	-
CFER Income payable to the Consolidated Fund	SoAS11	(2,588)	-	(2,981)	-	(2,981)
Release of reserves to the Statement of Comprehensive Net Expenditure	5.2	(17)	-	(17)	-	(17)
Comprehensive Net Expenditure for the year	SoCNE	(1,227,348)	-	(6,292,774)	-	(6,292,774)
Non-Cash Adjustments:						
Non-cash charges - auditor's remuneration	4 & 5	160	-	270	-	270
Non-cash charges - other	3,4,5	47,391	-	66,437	-	66,437
Movements in Reserves						
Transfers between reserves		419	(417)	560	(558)	2
Movements in Reserves		28	4,400	28	4,720	4,748
Other		2	-	(1,627)	-	(1,627)
Balance at 31 March 2015		**(101,660)**	**53,232**	**(27,031)**	**56,338**	**29,307**

Other General Fund movement consists of: movement in National Insurance Fund £(1,647) million, adjustment to opening balance £0.014 million, cfer income write off £0.003 million and rounding £0.003 million.

Revaluation Reserve

		Property, Plant and Equipment £'000	Intangible Assets £'000	Total £'000
Opening Balance at 31 March	2014	52,015	161	52,176
Movements in Reserves		4,214	(52)	4,162
Closing Balance at 31 March	**2015**	**56,229**	**109**	**56,338**

The notes on pages 88 to 166 form part of these accounts.

1 Notes to the financial statements for the year ended 31 March 2015

1.1 Statement of Accounting Policies

These financial statements have been prepared in accordance with the 2014-15 *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.

Without limiting the information given, the financial statements meet the accounting and disclosure requirements of the Companies (NI) Orders 1986 and 1990, accounting standards issued or adopted by the Accounting Standards Board, International Financial Reporting Standards and accounting and disclosure requirements issued by the Department of Finance and Personnel as far as those requirements are appropriate.

Accounting boundary IFRSs are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on the Office of National Statistics control criteria, as designated by Treasury. A review of the Northern Ireland financial process is currently under discussion with the Northern Ireland Executive, which will bring Northern Ireland departments under the same adaptation. Should this go ahead, the impact on departments is expected to focus around the disclosure requirements under IFRS 12. The impact on the consolidation boundary of NDPBs and trading funds will be subject to review, in particular, where control could be determined to exist due to exposure to variable returns (IFRS 10) and where joint arrangements need reassessing.

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 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.

1.3 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. Transactions between entities included in the consolidation are eliminated.

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 24, together with a list of excluded bodies.

Future Changes to the Departmental Boundary

The Stormont House Agreement contains a commitment to reduce the number of NICS departments from twelve to nine following the Assembly election in May 2016, which will involve functions transferring from some departments to others. The number, names and high level functions of the new departments are currently being considered by ministers. It is anticipated that staff working in the affected areas will move with the function. The proposed nine departmental model outlines a machinery of government change where the range of functions of the Department for Social Development will increase to incorporate some of those of other departments from May 2016, as well as responsibility for some of those non-departmental bodies currently sponsored by another department.

1.4 **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. March 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. The next valuation is due during 2015-16. The revaluations for the 2014-15 financial year were based on indices applicable at March 2015. (For the previous financial year the December 2013 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.

1.5 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 as 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 Delivery 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 Delivery 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.

1.6 Non-Current Assets Held for Resale

The Department classifies a non-current asset as held for sale where its value is expected to be realised principally through a sale transaction rather than through continuing use. In order to meet this definition, International Financial Reporting Standard 5 requires that the asset must be immediately available for sale in its current condition and that its sale is highly probable. A sale is regarded as highly probable where an active plan is in place to find a buyer for the asset through appropriate marketing at a reasonable price and the sale is considered likely to be concluded within one year. Non-current assets held for sale are valued on the basis of open market value less any material directly attributable selling costs. In line with this definition £0.574 million was transferred from property, plant and equipment to assets held for resale. (In 2013-14 £9.733 million was transferred from assets held for resale to property, plant and equipment). This represents the additions less disposals of the assets held for sale in note 10 of the accounts.

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

The loan stock is valued at cost, which is considered to be a close approximation of the market value (see Note 15).

1.8 Vesting of land

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

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

1.9 **Leases**

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

1.10 **Service Concession Arrangements**

Service concession arrangement transactions have been accounted for in accordance with International Financial Reporting Interpretations Committee 12 (IFRIC 12), as required by the Government Financial Reporting Manual. Where the government body controls the use of the asset and the residual interest in the asset at the end of the arrangement, the Department does not have any assets to recognise within the contract period. The service charges are recorded as an operating cost (Note 5).

1.11 **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.

1.12 **Cash and Cash Equivalents**

Due to funding requirements it is departmental policy to hold and manage centrally all operational bank accounts. The total of the centrally held bank balances 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 18 - trade payables and other current liabilities.

1.13 **Operating income**

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

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 for the 2014-15 financial year there is no longer the requirement to show these amounts as income. These amounts are included within Programme expenditure. The comparative year's figures have been restated to reflect this change.

1.14 Administration and Programme Expenditure

The statement of comprehensive net expenditure is analysed between administration and programme income and 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.

1.15 Employee Benefits including Pensions

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

The employee benefit accrual is based on information from the HR Connect payroll system. The accrual is calculated based on the actual leave amount outstanding per employee as at 31 March 2015, 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 Section 22 of the annual report.

1.16 **Grants Payable**

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

Housing association grants may be repayable to the Department on the sale of housing properties and land. In addition, most grants provided by Urban Regeneration Division contain a provision within the letter of offer for clawback of the grant in particular circumstances. The amount of the repayment that is known with reasonable certainty should be included within trade receivables (Note 17).

1.17 **Contingent Liabilities**

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

These comprise:

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

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

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

1.18 **Provisions**

The Department provides for legal or constructive obligations which are of uncertain timing or amount at the statement of financial position date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. This relates to early retirement costs, superannuation contributions, potential legal actions and provision for future liabilities in respect of contracts. Where the effect of the time value of money is significant the estimated risk-adjusted cash flows are discounted using the real rate set by HM Treasury. This is currently (1.5)%, (2013-14: (1.9)%) 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 1.3% (2013-14: 1.8%).

In the 2013-14 financial year an assessment against IAS 37 Provisions, Contingent Liabilities and Contingent Assets was undertaken on Departmental benefit related provisions i.e. the Compensation Recovery Unit (CRU) provision. In 2013-14 the CRU provision amount, after in year utilisation, was written back and the impact of this is included in the comparative year's figures. Details on compensation recoveries are disclosed within Contingent Liabilities (Note 20).

1.19 **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.

1.20 **Third Party Assets**

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

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

The Department is the sponsoring body for Vaughan Charity (Trustees) and holds third party assets in the form of shares in the Northern Ireland Central Investment Fund for Charities.
These are not departmental assets and are not included in the accounts.

1.21 **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 17 and 18).

1.22 **Early departure costs**

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

1.23 **EU income**

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

1.24 **Funding from Assembly vote**

Vote funding is not treated as income on the face of the statement of comprehensive net expenditure, instead cash voted and drawn down is credited to the general fund.

1.25 **Provision of agency services**

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

The expenditure in relation to these services is reported as programme costs in the statement of comprehensive net expenditure with the related accruing resources treated as operating income.

1.26 **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 2014-15 was 2.2%, (2013-14: 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 17 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 2.2% (2013-14 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.

1.27 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.

1.28 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:

(a) the case satisfies the criteria for waiver; and
(b) 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 2.2% is also applied to the benefit receivables balance at the end of the accounting period to estimate the present value of cash flows (2013-14: 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.

1.29 **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 14.

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 17.

1.30 **Deferred Income**

Deferred income of £2.647 million includes the cost of decontamination work at Fort George army barracks (Note 18). 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 2015-16.

1.31 **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 5 Programme Costs, Note SoAS4 Non-contributory benefit expenditure and SoAS6 Other social grants and disbursements.

The balance for Funeral Loans at the year end remains within Note 17 - Trade receivables and other current assets. Funeral Loan fair value adjustments are reflected in Note 5 Programme Costs, Note SoAS4 Non-contributory benefit expenditure and SoAS6 Other social grants and disbursements.

1.32 **Prior Period Adjustments**

Benefit Income and Expenditure
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 for the 2014-15 financial year there is no longer the requirement to show these amounts as income. These amounts are included within Programme expenditure. The comparative year's figures have been restated to reflect this change. The statements and notes impacted by this change are as follows:

	2013-14 Original £'000	2013-14 Revised £'000	Variance £'000
Statement of Comprehensive Net Expenditure RfR A income	(49,267)	(44,553)	+4,714
SoAS 12 Operating Income	136,194	129,833	-6,361
Note 5 Grants and other current expenditure*	3,559,093	3,551,004	-8,089
Note 7 Programme Income- Other	128,031	121,670	-6,361

***Programme Overheads**

Note SoAS 8 has been restated also due to Urban Regeneration and Community Development Group overheads being reclassified to Note 5. This meant a reduction of £3,375k in note 5 grants and other current expenditure (the remaining £4,714k was in relation to CRU and CMS – see above).

2 Statement of Operating Costs by Operating Segment

	Note	2014-15				2013-14			
						Restated			
		Reportable Segment 1 £'000	Reportable Segment 2 £'000	Reportable Segment 3 £'000	Total £'000	Reportable Segment 1 £'000	Reportable Segment 2 £'000	Reportable Segment 3 £'000	Total £'000
Gross Expenditure		5,972,516	334,750	115,711	6,422,977	5,919,522	358,028	94,989	6,372,539
Income		(47,804)	(71,349)	(11,050)	(130,203)	(44,553)	(80,081)	(5,199)	(129,833)
Net Expenditure	SoAS9	**5,924,712**	**263,401**	**104,661**	**6,292,774**	5,874,969	277,947	89,790	6,242,706
Total Assets		**237,689**	**473,983**	**142,536**	**854,208**	207,666	524,305	135,822	867,793

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 2014-15 from 2013-14.

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	**2014-15 Total £'000**	2013-14 Total £'000
Total net expenditure reported for operating segments		6,292,774	6,242,706
Total net expenditure per the Statement of Comprehensive Net Expenditure		**6,292,774**	6,242,706

2.2 Reconciliation between Operating Segments and SoFP

	Note	**2014-15 Total £'000**	2013-14 Total £'000
Total assets reported for operating segments		854,208	867,793
Total assets per the Consolidated Statement of Financial Position		**854,208**	867,793

3 Staff numbers and related costs

3.1 Staff costs comprise:

	2014-15					2013-14
	Permanent staff * £'000	**Others £'000**	**Ministers £'000**	**Special advisers £'000**	**Total £'000**	Total £'000
Wages and salaries	166,122	4,369	50	-	170,541	170,462
Social security costs	10,804	-	5	-	10,809	11,120
Other pension costs	30,393	-	11	-	30,404	30,296
Sub Total	207,319	4,369	66	-	211,754	211,878
Less recoveries in respect of outward secondments	-	-	-	-	-	-
Total net staff costs	**207,319**	**4,369**	**66**	**-**	**211,754**	211,878

Of which:

	Charged to Administration	Charged to Programme	**Total**
Core Department	28,908	40,081	**68,989**
Agencies	-	142,765	**142,765**
Total net costs	**28,908**	**182,846**	**211,754**

* Permanently employed staff includes the cost of the Department's Special Advisor employed during the financial year 2014-15. The Advisor was paid in the Special Advisor payband of £59,037 to £91,809 (2013-14: £58,452 to £91,809)

From 16 May 2011 until 23 September 2014 the Department was under the control of Nelson McCausland. Since 24 September 2014 the Department has been under the control of Mervyn Storey. 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 Resource Accounts as at 31 March 2015..

For 2014-15, employer's contributions of £30.183 million were payable to the PCSPS(NI) (2013-14 £30.165 million) at one of four rates in the range 18% to 25% 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 a new career average earning scheme from April 2015. From 2015-16 the rates will range from 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 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 £0.060 million (2013-14 £0.055 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 12.5% (2013-14 , 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, 0.8% (2013-14 £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.
12 (2013-14: 17) individuals retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.019 million (2013-14 £0.029 million).

Of the total expenditure on staff costs in 2014-15 of £211.754 million (2013-14 £211.878 million) £195.280 million relates to Request for Resources A (2013-14 £196.873 million), £5.246 million relates to Request for Resources B (2013-14 £4.300 million) and £11.228 million relates to Request for Resources C (2013-14 £10.690 million).

3.2 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.

	2014-15 Number					2013-14 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:	6,187	389	1	1	6,578	6,696
Objective 2 Promoting measurable improvements to housing in Northern Ireland:	120	1	-	-	121	95
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:	259	5	-	-	264	257
Staff engaged on capital projects	-	-	-	-	-	-
Total	**6,566**	**395**	**1**	**1**	**6,963**	7,048
Of which:						
Core Department	2,232					
Agencies	4,730					
	6,962					

3.3 Reporting of Civil Service and other compensation schemes - exit packages

(Comparative data for 2013-14 is shown in brackets.)

	2014-15					
	Core Department			Consolidated		
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	6(8)	6(8)	-	9(13)	9(13)
£10,000 - £25,000	-	3(0)	3(0)	-	6(5)	6(5)
£25,000 - £50,000	-	2(0)	2(0)	-	7(5)	7(5)
£50,000 - £100,000	-	-	-	-	-	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages by type	**-**	**11(8)**	**11(8)**	-	22(23)	22(23)
Total Resource Cost £	**-**	**157,282**	**157,282**	-	431,599	431,599

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.

4 Other Administration Costs

4.1 Other administration costs

The other administration costs of the core Department, its on-vote Executive Agencies, and its non-executive non-Departmental public bodies include:

	Note	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Accommodation costs		1,521	1,521	1,436	1,436
Contracted services		1,327	1,327	1,369	1,369
Travel and subsistence		313	313	367	367
Management consultancy		4,790	4,790	203	203
Medical adjudication		7	7	6	6
Postage		228	228	257	257
Printing and stationery		116	116	135	135
Computer and office running costs		179	179	211	211
Other expenditure	4.1a	1,537	1,537	1,074	1,074
Non-cash items	4.2	4,418	4,418	4,560	4,560
Total		**14,436**	**14,436**	9,618	9,618

4.1a Other administration costs include: Telecom £0.175 million, Machinery & Equipment £0.033 million, Staff Training £0.058 million, Legal and Other Professional costs £0.212 million, Compensation Payments £0.074 million, Advertising & Publicity £0.031million, Contracted out services £0.598 million, Research Costs £0.024 million and miscellaneous £0.332 million.

Of the total expenditure on other administration costs in 2014-15 of £14.436 million (2013-14 £9.618 million) £6.698 million relates to Request for Resources A (2013-14 £6.358 million), £5.249 million relates to Request for Resources B (2013-14 £0.757 million) and £2.489 million relates to Request for Resources C (2013-14 £2.503 million).

4.2 Administration costs: non-cash items

	Note	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Notional costs (excluding Minister's salaries)	4.3	4,365	4,365	4,514	4,514
Depreciation on administration property, plant and equipment	8 & 9	53	53	46	46
Permanent diminution in value of administration property, plant and equipment		-	-	-	-
Total	4.1 & 6	**4,418**	**4,418**	4,560	4,560

4.3 Notional costs

Certain services are provided and received by the Department without the transfer of cash. Amounts of £4.365 million (2013-14 £4.514 million) are included in the net cost of operations and are made up as follows:

	Note	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Services provided by other Departments					
Accommodation costs	4.3a	1,697	1,697	1,634	1,634
Other indirect charges and services	4.3b	2,546	2,546	2,764	2,764
		4,243	4,243	4,398	4,398
Other notional costs					
Auditor's remuneration and expenses	4.3c	122	122	116	116
		122	122	116	116
Total	4.2	**4,365**	**4,365**	4,514	4,514

4.3a Accommodation costs include charges levied from the Accommodation and Construction Division of DFP.

4.3b Other indirect charges and services are levied by DFP, DHSSPS, DRD, DWP and NICS Recruitment Service.

4.3c 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

5.1 Programme Costs consist of:

	Note	2014-15 Core Department £'000	Consolidated £'000	2013-14 Restated Core Department £'000	Consolidated £'000
Grants and other current expenditure		1,199,690	3,598,449	1,207,456	3,551,004
Non-contributory programme overheads	SoAS8	-	19,911	-	15,165
Non-supply expenditure: contributory benefits	SoAS9.2	-	2,454,025	-	2,346,777
Accommodation costs		5,463	8,813	7,070	10,000
Contracted services		6,500	38,078	5,695	38,908
Travel and subsistence		163	1,422	215	1,560
Management consultancy		1,579	1,901	1,675	2,057
Medical adjudication		4,717	6,299	11,789	13,273
Postage		50	2,217	64	2,229
Printing and stationery		58	906	62	998
Computer and office running costs		23	983	23	1,303
Card Account		-	5,055	-	5,319
Other programme costs	5a	5,038	7,463	2,962	5,912
Non-cash items	5.2	31,408	51,265	139,903	156,538
		1,254,689	6,196,787	1,376,914	6,151,043
Less: programme income	7	(110,749)	(130,186)	(110,484)	(129,833)
Total		**1,143,940**	**6,066,601**	1,266,430	6,021,210

5a Other programme costs include: early departure and other staff charges £0.648 million, legal and other professional costs £2.937 million, staff training & conference fees £0.281 million, telecommunications £0.267 million, advertising and publicity £0.197 million, special payments £0.636 million (£0.020 million relates to payments for CMS Client Funds special payments for maladministration), Housing Advisory Branch £0.572 million, third party research £0.032 million, landlord registration £0.224 million, currency exchange losses £0.015 million and miscellaneous £1.654 million.

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 SoAS2 includes programme overheads.

5.2 Programme costs: non-cash items

	Note	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Notional costs (excluding Minister's salaries)	5.3	211	19,367	196	19,176
Depreciation on programme property, plant and equipment	8 & 9	1,710	2,585	1,519	2,186
Release from General Fund in respect of GB capital items		(17)	(17)	10	10
Loss on disposal of programme property, plant and equipment		65	77	1	11
Profit on disposal of programme property, plant and equipment		-	-	(122)	(122)
Movement in programme provisions	19	(17,332)	(17,517)	91,291	91,462
Permanent diminution in value of programme property, plant and equipment		257	256	2,628	(565)
Housing Benefit Owner Occupiers		42,909	42,909	41,064	41,064
Other		3,605	3,605	3,316	3,316
Total	5.1 & 6	**31,408**	**51,265**	139,903	156,538

Other non-cash programme costs include: Discounting of Affordable Homes Loans £1.744 million and Empty Homes loans £2.230 million due to an additional loan and the timing of repayments less the reversal of impairments for Get Britain Building Loans (£0.369) million.

5.3 Notional costs

Certain services are provided and received by the Department without the transfer of cash. Amounts of £19.367 million (2013-14 £19.176 million) are included in the net cost of operations and are made up as follows:

	Note	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Services provided by other Departments					
Accommodation costs	5.3a	-	16,030	-	15,843
Other indirect charges and services	5.3b	173	3,189	151	3,182
		173	19,219	151	19,025
Other notional costs					
Auditor's remuneration and expenses	5.3c	38	148	45	151
		38	148	45	151
Total	5.2	**211**	**19,367**	196	19,176

5.3a Accommodation costs include charges levied from the Accommodation and Construction Division of DFP.

5.3b Other indirect charges and services are levied by DFP, DHSSPS, DRD, DWP and NICS Recruitment Service.

5.3c The audit fee represents the cost for the audit of the financial statements carried out by the Comptroller & Auditor General in respect of the SSA and CMS. There was no remuneration paid for non-audit work during the year.

6 Non-cash items

		2014-15		2013-14	
	Note	**Core Department £'000**	**Consolidated £'000**	Core Department £'000	Consolidated £'000
Administration (excluding Ministers' salaries)	4.2	4,418	4,418	4,560	4,560
Administration (Ministers' salaries)	3	66	66	50	50
		4,484	4,484	4,610	4,610
Programme	5.2	31,408	51,265	139,903	156,538
Other		-	-	-	-
Total		**35,892**	**55,749**	144,513	161,148

6a The programme non-cash items in 2014-15 of £51.265 million (2013-14 £156.538 million) comprises movements in provision (excluding amounts utilised in year) £(17.517) million, Housing Benefit Owner Occupiers £42.909 million, discounting of Get Britain Building, Affordable and Empty Homes loans £3.605 million, programme depreciation £2.585 million, permanent diminution in value of programme property, plant and equipment £0.256 million, loss on disposal of property, plant and equipment £0.077 million, release from the General Fund in respect of GB capital items £(0.017) million, auditors' remuneration £0.148 million and notional charges £19.219 million.

2013-14 comprises movements in provision (excluding amounts utilised in year) £91.462 million, Housing Benefit Owner Occupiers £41.064 million, discounting of Get Britain Building, Affordable and Empty Homes Loans £3.316 million, programme depreciation £2.186 million, permanent diminution in value of programme fixed assets £(0.565) million, profit on disposal of property, plant and equipment £(0.111) million, release from the General Fund in respect of GB capital items £0.010 million, auditors' remuneration £0.151 million and notional charges £19.025 million.)

6.1 The total of non-cash transactions included in the reconciliation of operating cost to operating cash flows in Schedule 4 comprises:

	Note	**2014-15** Core Department £'000	**2014-15** Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Non-cash items (as above)		35,892	55,749	144,513	161,148
Less non-cash income					
- profit on sale of property, plant and equipment		-	-	-	-
- proceeds on disposal of assets held for sale		-	-	-	-
Other		-	-	-	-
Total non-cash transactions		**35,892**	**55,749**	144,513	161,148

6.2 The total of non-cash items included in the reconciliation of resources to cash requirement in Note SoAS10 comprises:

	Note	**2014-15** Core Department £'000	**2014-15** Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Total non-cash transactions as above		35,892	55,749	144,513	161,148
Non-cash items per Reconciliation of Resources to Cash Requirement		**35,892**	**55,749**	144,513	161,148

7 Income

7.1 Operating Income

This note analyses the income recorded in the Statement of Comprehensive Net Expenditure, net of any transfers between Request for Resources (See Note SoAS12).

Operating income is as follows:	Note	2014-15 RfR A £'000	RfR B £'000	RfR C £'000	Total £'000	2013-14 Restated Total £'000
Administration income:						
Fees and charges to external customers		-	-	-	-	-
Other		17	-	-	17	-
		17	-	-	17	-
Programme income:						
EU receipts		-	2,650	9,684	12,334	7,135
Interest receivable		-	902	-	902	1,028
Profit on disposal of programme assets		-	-	-	-	-
Other	7b	47,787	67,797	1,366	116,950	121,670
	5.1	47,787	71,349	11,050	130,186	129,833
Total	SoAS12	**47,804**	**71,349**	**11,050**	**130,203**	129,833
Of which:						
Core Department		28,367	71,349	11,050	110,766	110,484

7a Other administration Accruing Resources include: Consolidated Fund extra receipts £0.016 million and recoveries for summer school £0.001 million .

7b Other programme accruing resources include: recoveries of secondees' costs £0.375 million, HAG recoverable £9.786 million, £15.500 million in respect of NIHE sales, interest reimbursements from NIHE £39.798 million, Landlord Registration £2.713 million, Fort George decontamination costs £0.195 million, recoveries from DWP £18.069 million in respect of BBDC, income from DWP of £27.880 million in respect of Eastern Area expenditure, Consolidated Fund extra receipts £1.600 million,
2012 Scheme charging income £0.079 million and miscellaneous £0.955 million.

There was no income from services provided to external and public sector customers in 2014-15.

8 Property, plant and equipment

2014-15	Land £'000	Buildings £'000	Heritage Assets £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Antiques & Works of Art [2] £'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	-	-	-	-	-	-	-	-	-	-
Additions	4,911	-	-	-	19	-	88	-	-	5,018
Transfers in	320	-	-	-	-	-	-	-	-	320
Intercompany transfers in	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-
Disposals	(154)	(25)	-	-	(3)	-	(13)	-	-	(195)
Intercompany transfers out	-	-	-	-	-	-	-	-	-	-
Reclassifications	(573)	(1,508)	-	-	-	-	1,508	-	-	(573)
Impairments	-	-	-	-	1	-	1	-	-	2
Upward Revaluations	212	-	-	3,087	-	-	1	1	-	3,301
Downward Revaluations	(9)	(48)	-	-	-	-	1	-	-	(56)
At 31 March 2015	**65,343**	**11,320**	**-**	**43,464**	**1,107**	**83**	**2,661**	**51**	**-**	**124,029**

8 Property, plant and equipment

2014-15		Land £'000	Buildings £'000	Heritage Assets £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Antiques & Works of Art [2] £'000	Total £'000
Depreciation											
At 1 April	2014	5	974	-	7,001	766	80	894	29	-	9,749
Adjustments to opening balances		-	-	-	-	-	-	-	-	-	-
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		-	-	-	371	-	-	-	-	-	371
Downward Revaluations		18	(820)	-	-	(3)	-	-	-	-	(805)
At 31 March	**2015**	**27**	**368**	**-**	**8,472**	**895**	**81**	**1,798**	**39**	**-**	**11,680**
Carrying amount at 31 March	**2015**	**65,316**	**10,952**	**-**	**34,992**	**212**	**2**	**863**	**12**	**-**	**112,349**
Carrying amount at 31 March	2014	60,631	11,927	-	33,376	324	3	181	21	-	106,463

2014-15	Land £'000	Buildings £'000	Heritage Assets £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Antiques & Works of Art [2] £'000	Total £'000
Asset Financing:										
	Land £'000	**Buildings £'000**	**Heritage Assets £'000**	**Infrastructure Assets £'000**	**Information Technology £'000**	**Plant & Machinery £'000**	**Furniture & Fittings £'000**	**Transport Equipment £'000**	**Antiques & Works of Art [2] £'000**	**Total £'000**
Owned	65,316	9,588	-	34,992	212	2	863	12	-	110,985
Finance leased	-	1,364	-	-	-	-	-	-	-	1,364
On-Balance Sheet	-	-	-	-	-	-	-	-	-	-
PFI contracts and other service concession arrangements Contracts	-	-	-	-	-	-	-	-	-	-
Carrying amount at 31 March 2013	**65,316**	**10,952**	**-**	**34,992**	**212**	**2**	**863**	**12**	**-**	**112,349**
Of the total:										
Core Department	61,219	1,599	-	34,992	16	2	171	12	-	98,011
Agencies	4,097	9,353	-	-	196	-	692	-	-	14,338
Carrying amount at 31 March 2015	**65,316**	**10,952**	**-**	**34,992**	**212**	**2**	**863**	**12**	**-**	**112,349**

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

8 Property, plant and equipment

2013-14	Land £'000	Buildings £'000	Heritage Assets £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Antiques & Works of Art [2] £'000	Total £'000
Cost or valuation										
At 1 April 2013	68,081	10,030	-	37,447	1,141	80	992	47	-	117,818
Adjustments to opening balances	1	(2)	-	-	-	-	-	-	-	(1)
Additions	2,257	53	-	-	38	3	91	-	-	2,442
Transfers in	85	-	-	-	-	-	-	-	-	85
Intercompany transfers in	-	-	-	-	-	-	-	-	-	-
Donations	-	-	-	-	-	-	-	-	-	-
Disposals	(692)	(2)	-	-	(87)	-	(8)	-	-	(789)
Intercompany transfers out	-	-	-	-	-	-	-	-	-	-
Reclassifications	(9,733)	-	-	-	-	-	-	-	-	(9,733)
Impairments	(32)	2,393	-	-	-	-	1	-	-	2,362
Upward Revaluations	669	429	-	2,930	-	-	-	3	-	4,141
Downward Revaluations	-		-	-	(2)	-	(1)	-	-	(113)
At 31 March 2014	**60,636**	**12,901**	**-**	**40,377**	**1,090**	**83**	**1,075**	**50**	**-**	**116,212**
Depreciation										
At 1 April 2013	2	1,613	-	5,724	717	79	873	18	-	9,026
Adjustments to opening balances	-	-	-	-	-	-	-	-	-	-
Intercompany transfers in	-	-	-	-	-	-	-	-	-	-
Charged in year	3	833	-	1,012	154	1	34	9	-	2,046
Disposals	-	-	-	-	(78)	-	(7)	-	-	(85)
Intercompany transfers out	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-	-
Impairments	-	(805)	-	-	-	-	-	-	-	(805)
Upward Revaluations	-	(667)	-	265	(27)	-	(6)	2	-	(12)
Downward Revaluations	-	-	-	-	-	-	-	-	-	(421)
At 31 March 2014	**5**	**974**	**-**	**7,001**	**766**	**80**	**894**	**29**	**-**	**9,749**
Carrying amount at 31 March	60,631	11,927	-	33,376	324	3	181	21	-	106,463
Carrying amount at 31 March	68,079	8,417	-	31,723	424	1	119	29	-	108,792

Asset Financing:

	Land £'000	Buildings £'000	Heritage Assets £'000	Infrastructure Assets £'000	Information Technology £'000	Plant & Machinery £'000	Furniture & Fittings £'000	Transport Equipment £'000	Antiques & Works of Art [2] £'000	Total £'000
Owned	60,631	10,482	-	33,376	324	3	181	21	-	105,018
Finance leased	-	-	-	-	-	-	-	-	-	-
On-Balance Sheet PFI contracts and other service concession arrangements	-	1,445	-	-	-	-	-	-	-	1,445
Contracts	-	-	-	-	-	-	-	-	-	-
Carrying amount at 31 March 2014	**60,631**	**11,927**	**-**	**33,376**	**324**	**3**	**181**	**21**	**-**	**106,463**
Of the total:										
Core Department	56,516	1,705	-	33,376	23	3	167	21	-	91,811
Agencies	4,115	10,222	-	-	301	-	14	-	-	14,652
Carrying amount at 31 March 2014	60,631	11,927	-	33,376	324	3	181	21	-	106,463

9 Intangible assets

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 31 March 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 Intangible assets (continued)

2013-14	Computer Software £'000	Other £'000	Total £'000
Cost or valuation			
At 1 April 2013	1,659	18	1,677
Additions	231	-	231
Donations	-	-	-
Disposals	(105)	-	(105)
Reclassifications	-	-	-
Impairments	1	-	1
Upward Revaluations	10	-	10
Downward Revaluations	33	-	33
At 31 March 2014	1,829	18	1,847
Amortisation			
At 1 April 2013	963	17	980
Charged in year	185	1	186
Disposals	(104)	-	(104)
Impairments	-	-	-
Upward Revaluations	5	-	5
Downward Revaluations	(92)	-	(92)
At 31 March 2014	957	18	975
Carrying amount at 31 March 2014	**872**	**-**	**872**
Carrying amount at 1 April 2013	696	1	697
Asset Financing:			
Owned	872	-	872
Finance leased	-	-	-
Contracts	-	-	-
Carrying amount at 31 March 2014	**872**	**-**	**872**
Of the total:			
Core Department	215	-	215
Agencies	657	-	657
Carrying amount at 31 March 2014	**872**	**-**	**872**

10 Assets classified as held for sale

	2014-15	2013-14
	£'000	£'000
Balance at 1 April	8,669	6,942
Additions	1,968	10,911
Disposal	(3,232)	(871)
Reclassification	(1,394)	(1,178)
Upwards Revaluation	6,807	-
Downward Revaluations	(6,045)	(7,135)
Balance at 31 March	**6,773**	8,669

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 2015-16.

Analysis of Assets held for sale

The carrying amount of assets held for resale comprises:		
Core Department	2015	6,773
Agencies	2015	-
Core Department	2014	8,669
Agencies	2014	-

11 Impairments

	2014-15	2013-14
	£'000	£'000
Amount charged to the Statement of Comprehensive Net Expenditure	256	(565)
Amount taken through the revaluation reserve	5,016	4,099
Total impairment charge for the year	**5,272**	3,534

12 Capital and other commitments

12.1 Capital commitments

	2014-15		2013-14	
	Core Department £'000	**Consolidated £'000**	Core Department £'000	Consolidated £'000
Contracted capital commitments at 31 March not otherwise included in these financial statements				
Information Technology	-	54	-	57
Total	-	54	-	57

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.

12.2.1 Operating leases

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

	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'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	2,064	2,064	2,029	2,029
Later than one year and not later than five years	1,328	1,328	2,940	2,940
Later than five years	-	-	-	-
Total	3,392	3,392	4,969	4,969
Other:				
Not later than one year	6	24	39	119
Later than one year and not later than five years	-	11	43	84
Later than five years	-	-	-	-
Total	6	35	82	203
Total obligations under operating leases	**3,398**	**3,427**	5,051	5,172

Other commitments under operating leases include: photocopier leases £0.030 million and carparks £0.005 million.

12.2.2 Finance leases

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

12.3 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:

		2014-15		2013-14	
		Core Department	Consolidated	Core Department	Consolidated
	Note	£'000	£'000	£'000	£'000
Not later than one year		86	26,986	87	29,171
Later than one year and not later than five years		291	58,338	342	83,396
Later than five years		-	2,255	35	3,235
Total		377	87,579	464	115,802

Included within Other Financial Commitments are:

Medical Support Services (MSS) (£30.600 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 2014-15 are £8.054 million (2013-14: £8.616 million).

Standard Service Business Allocation (£39.898 million)

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 2014-15 are £13.845 million (2013-14: £15.693 million).

Post Office Card Account (£15.035 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 2014-15 are £5.07 million (2013-14: £4.918 million).

Simple Payment Service (£1.669 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 2014-15 year are £0.266 million (2013-14: £0.381 million).

Personal Independence Payment (PIP) / Capita Contract

The contract for the Personal Independence Payment (PIP) Assessment Service in Northern Ireland was awarded to Capita Business Services Limited on 20 November 2012. Subject to the Welfare Reform Bill successfully completing passage through the Northern Ireland Assembly, PIP will be introduced in Northern Ireland at a later date. Capita Business Services Limited will be responsible for carrying out independent assessments, on behalf of the Department, required for assessing entitlement to PIP. The contract costs will be subject to the date of the commencment of the contract and the volume of assessments undertaken.

Landlord Registration Database (£0.377 million)

The Department aimed to have registered all landlords holding property in Northern Ireland by February 2015. By 31 March 2015 approximately 40,000 landlords had registered. The maintenance cost for administrating this database has been contracted until 2020. Landlord registration is administered through NI Direct.

13 Government grant commitments

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
Government grant commitments at 31 March for which no provision has been made	44,812	44,812	83,242	83,242
Other	-	-	-	-
Total	**44,812**	**44,812**	83,242	83,242

Future amounts payable under EU letters of Offer are included within this note as a commitment rather than as a provision within note 19.

14 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 2.2%. The Treasury's discount rate is substantially independent of changes in market interest rates.

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

(i) Cash and cash equivalents

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

Cash and cash equivalents 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 2014 and 31 March 2015 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 2014-15 accounts are:

	Gross	**Impairment & Discounting Debt**	**Net Receivables**
Gross Receivables	**£'000**	**£'000**	**£'000**
Receivables(amounts falling due less than one year):			
Contributory Benefits	903	(197)	706
Non-contributory Benefits	7,385	(1,990)	5,395
Housing Benefit	9,633	(2,433)	7,200
Funeral Loans	185	(2,920)	(2,735)
Other Loans	52,591	(502)	52,089
CRU Receivable	695	(250)	445
Housing Association Loans	1,247	-	1,247
Get Britain Building Loans	133	(3)	130
NIHE Loans	57,710	-	57,710
Receivables(amounts falling due more than one year):			
Contributory Benefits	12,019	(8,722)	3,297
Non-contributory Benefits	93,056	(53,307)	39,749
Housing Benefit	24,235	(12,888)	11,347
Funeral Loans	4,854	(1,851)	3,003
Other Loans	41,001	(2,959)	38,042
Housing Association Loans	6,952	-	6,952
Get Britain Building Loans	40,606	(6,918)	33,688
NIHE Loans	352,967	(88,019)	264,948
	706,172	**(182,959)**	**523,213**

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.

15 Investments and loans in other public sector bodies

	2014-15			2013-14		
	Loans £'000	**Other £'000**	**Total £'000**	Loans £'000	Other £'000	Total £'000
Balance at 1 April 2014	33,809	-	33,809	22,382	-	22,382
Additions	13,000	-	13,000	15,900	-	15,900
Repayments	(1,187)	-	(1,187)	(1,157)	-	(1,157)
Revaluations	(3,605)	-	(3,605)	(3,316)	-	(3,316)
Balance at 31 March 2015	**42,017**	**-**	**42,017**	33,809	-	33,809

Analysis of investments

The balance of investments comprises:

Core Department	2015	42,017	-	42,017
Agencies	2015	-	-	-
Core Department	2014	33,809	-	33,809
Agencies	2014	-	-	-

Analysis by period:

	£'000
Not later than one year	1,377
Later than one year and not later than five years	21,845
Later than five years	18,795
Balance at 31 March 2015	**42,017**

£8.198 million of the closing balance relates to 367 long term loans in place with 17 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%. £1.247 million of the amount due in under one year relates to these loans. Of the remainder, £0.033 million relates to a Get Britain Building repayment and £0.098 million relates to Empty Homes loans, both due from Clanmil. Get Britain Building, Affordable Homes and Empty Homes loans totalling £40.739 million were awarded at 0% interest and are repayable in instalments until 2033. As a result these have been discounted by £6.921 million to reflect the timing of the receipt of payments.

16 Cash and cash equivalents

16.1 Cash and cash equivalents

	2014-15		2013-14	
	Core Department	Consolidated	Core Department	Consolidated
	£'000	£'000	£'000	£'000
Balance at 1 April	(5,350)	(1,984)	(9,300)	(6,203)
Net change in cash and cash equivalent balances	844	1,193	3,950	4,219
Balance at 31 March	**(4,506)**	**(791)**	(5,350)	(1,984)

The following balances at 31 March are held at:

	2014-15		2013-14	
	Core Department	Consolidated	Core Department	Consolidated
	£'000	£'000	£'000	£'000
Commercial bank balances	(4,508)	(803)	(5,352)	(1,996)
Cash at bank and in hand	2	12	2	12
Short term investments	-	-	-	-
Balance at 31 March	**(4,506)**	**(791)**	(5,350)	(1,984)

17 Trade receivables and other current assets

(The figures quoted below are net of any impairment or discount. Gross amounts are at Note 14).

17.1 Amounts falling due within one year:

		2014-15		2013-14	
	Note	**Core Department £'000**	**Consolidated £'000**	Core Department £'000	Consolidated £'000
Administration					
VAT		371	371	229	229
Prepayments and accrued income		218	218	264	264
Other administration receivables	17.1a	42	42	18	18
Programme					
Inter-Departmental receivable with DWP		-	-	12	12
VAT		807	2,104	660	1,635
Benefit overpayments					
- Contributory benefits		-	706	-	647
- Non-contributory benefits		-	5,395	-	6,646
- Housing benefit		7,200	7,200	7,102	7,102
- Social Fund		-	74	-	98
Benefit prepayments					
- Contributory benefits		-	41,132	-	18,053
- Non-contributory benefits		-	23,722	-	12,291
Social Fund loans					
- Funeral loans		-	(2,735)	-	(4,300)
- Other loans	17.1b	-	52,090	-	51,844
NIF receivable		-	4,295	-	5,942
Prepayments and accrued income		347	4,950	1,553	6,701
Interest receivable		-	109	-	3
Amounts due from the Consolidated Fund in respect of supply		4,946	-	5,675	-
NIHE receivable	17.1c	57,710	57,710	63,822	63,822
Other programme receivables	17.1d - 17.1f	38,468	41,679	27,464	29,084
Total amounts falling due within one year		**110,109**	**239,062**	106,799	200,091

17.1a Other administration receivables consist of: payroll debtors £0.004 million, travel cards £0.014 million and miscellaneous £0.024 million.

17.1b Other Social Fund loans consist of: Budget Loans £39.308 million, Crisis Loans £12.782 million. 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 £0.268 million (2013-14 £0.144 million).

17.1c Loans to the NIHE of £56.992 million and accrued interest of £0.718 million are recoverable within one year. There is a corresponding trade payables to DFP (Consolidated Fund) and to local authorities for this.

17.1d Other programme receivables consist of:
Housing Benefit rent and rates prepayments £7.306 million, loan interest receivable £0.435 million, grant repayable by NICHA £4.712 million, £4.836 million for HAG recoverable from Housing Associations not yet recovered by NIHE Reg, £1.401 million for HAG recovered from Housing Association by NIHE Reg, £6.227 million of Grant overpaid to NIHE Landlord, £0.031 milllion for Warm Homes expenditure paid on behalf of NIHE Regional, EU receivable £12.200 million, landlord registry £0.004 million, land sales receivable £0.380 million, clawback receivables £0.044 million, overseas receivables £0.106 million, Compensation Recovery Unit receivable £0.695 million, impairment (£0.250), potential receivables £0.264 million (see 17.1f), Department for Work and Pensions £2.123 million and sundry receivables £1.165 million. (See below for further details.)

17.1e Included within other programme receivables is £1.204 million (2013-14 £0.633 million) that will be due to the Consolidated Fund once the receivables are collected.

17.1f In 2014-15 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 2015 and historical trends of average overpayment values. This has been valued in total at £3.601 million and is disclosed as £0.264 million in other programme receivables less than one year, and £3.337 million in other programme receivables falling due after more than one year.

17 .2 Amounts falling due after more than one year:

		2014-15		2013-14	
	Note	**Core Department £'000**	**Consolidated £'000**	Core Department £'000	Consolidated £'000
Programme					
Benefit overpayments					
- Contributory benefits		-	3,297	-	3,125
- Non-contributory benefits		-	39,750	-	40,982
- Housing benefit		11,347	11,347	10,883	10,883
Social Fund loans					
- Funeral loans		-	3,003	-	4,444
- Other loans	17.2a	-	38,042	-	40,448
NIHE receivable	17.2b	352,967	352,967	409,964	409,964
Other programme receivables	17.2c	1,500	4,837	4,470	8,031
Total amounts falling due after more than one year		**365,814**	**453,243**	425,317	517,877
Total trade receivables and other current assets		**475,923**	**692,305**	532,116	717,968

17.2a Other Social Fund loans consist of: Budget Loans £23.625 million, Crisis Loans £14.417 million. 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 £0.268 million (2013-14 £0.144 million).

17.2c Loans to the NIHE of £352.967 million are shown in the DSD Statement of Financial Position. There is a corresponding trade payables to both DFP (Consolidated Fund) and to local authorities for this.

Intra-Government Balances	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15 £'000	2013-14 £'000	2014-15 £'000	2013-14 £'000
Balances with other central government bodies	13,855	11,670	-	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	84,751	87,903	365,814	420,847
Subtotal: intra-government balances	98,606	99,573	365,814	420,847
Balances with bodies external to government	140,456	100,518	87,429	97,030
Total trade receivables and other current assets at 31 March	239,062	200,091	453,243	517,877

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.

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 2015 is estimated to be £28.767 million (2013-14: £29.017 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 2015 were £10.171 million (2013-14: £11.096 million).

CRU - Department Recoveries

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 2015 is estimated to be £30.850 million (2013-14: £30.261 million).

The value for the potential receivable balance at 31 March 2015 is estimated to be £3.601 million (2013-14: £3.913 million) and is disclosed as £0.264 million (2013-14: £0.352 million) within other programme receivables less than one year, and £3.337 million (2013-14: £3.561 million) within other programme receivables falling due after more than one year (see Note 17.2c).
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 for other programme receivables of £1.569 million there is an amount of £0.406 million which represents the balance owing from DWP to the Department for benefit overpayment receivables that have transferred from NI to GB.

18 Trade payables and other current liabilities

18.1 Amounts falling due within one year:

		2014-15		2013-14	
				Restated	
		Core		Core	
		Department	Consolidated	Department	Consolidated
	Note	£'000	£'000	£'000	£'000
Administration					
Other taxation and social security		1	1	2	2
Accruals and deferred income		4,233	4,233	2,549	2,549
Consolidated Fund extra receipts due to be paid to the Consolidated Fund					
- Received		1	1	-	-
- Receivable		11	11	1	1
Accounts payable		53	53	397	397
Programme					
Bank overdraft	16.2	4,509	802	5,354	1,997
Trade payables:					
- Non-capital		-	-	-	-
- Capital		4	4	24	24
Accruals and deferred income		2,037	14,585	2,447	17,791
Inter-Departmental payable with DWP		78	78	-	-
Benefit accruals:					
- Contributory benefits		-	20,257	-	32,264
- Non-contributory benefits		-	24,743	-	37,101
- Social Fund		-	54	-	34
Encashment control		-	-	-	-
Amounts issued from the Consolidated Fund for supply but not spent at year end		-	3,052	-	3,619
Consolidated Fund extra receipts due to be paid to the Consolidated Fund					
- Received		361	374	324	339
- Receivable		1,084	1,193	630	633
EU grants accrual		9,747	9,747	5,615	5,615
NIHE payable	18.1a	57,710	57,710	63,822	63,822
Other programme payables	18.1b	86,734	182,893	107,097	141,688
Total amounts falling due within one year		**166,563**	**319,791**	188,262	307,876

18.1a There is a trade receivable from NIHE of £57.710 million (2013-14 £63.822 million) and corresponding trade payables to DFP (Consolidated Fund) of £54.730 million (2013-14 £60.917 million) and to local authorities of £2.262 million (2013-14 £2.143 million). Also included in the total is accrued interest of £0.718 million (2013-14 £0.762 million). These are shown in the DSD Statement of Financial Position.

18.1b Other programme payables consist of:
Accruals: Housing Benefit £18.624 million, Financial Assistance Scheme £4.861 million , pension payments to Appeals Panel members falling due under the O'Brien test-case £14.650 million (See 18.1d), NICTS £0.744 million, Equal Pay £0.015 million, grants £39.876 million. Payables- EU grant to NIHE regional £0.374 million, vested land £3.509 million, land sales deposits £0.108 million, deferred grant income £2.647 million, HMRC £0.292 million, Inter Government £1.640 million, Health Service £1.281 million, DEL £0.037 million, cash in transit £92.428 million, receipts relating to unassigned client fund receipts £0.006 million and other payables £1.801 million.

18.1c O'Brien v Ministry of Justice

The other programme payables figure includes an accrual of £14.650 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.

A new Northern Ireland Judicial Pension Scheme (NIJPS) commenced on 1 April 2015. The Department of Justice is the Responsible Authority and Scheme Manager for the NIJPS. Membership of NIJPS is open to salaried and fee-paid judicial office holders specified in the Public Service Pensions Act (Northern Ireland) 2014 (Judicial Offices) Order (Northern Ireland) 2015. NIJPS replaces the final salary judicial pension scheme established under the Judicial Pensions and Retirement Act 1993 (JuPRA). The NIJPS is a Career Average Revaluated Earnings (CARE) pension scheme and links Normal Pension Age (NPA) to State Pension Age (SPA). Salaried judicial office holders who qualify for transitional protection remain in the JuPRA scheme until their taper end-date and then join the NIJPS.

Devolved fee-paid judicial office holders who have been successful in establishing pension entitlement and who do not qualify for either transitional protection or tapering protection may join the NIJPS. DSD is named, amongst others, as a respondent in a industrial tribunal case involving O'Brien' claims by fee-paid judicial office holders.

A case management discussion in respect of these claims is scheduled for mid-September 2015. The accrual of £14.650 million is a best estimate based on the departmental records of sittings undertaken by all fee paid members of appeal tribunals.

18.2 Amounts falling due after more than one year:

	2014-15 Core Department £'000	2014-15 Consolidated £'000	2013-14 Core Department £'000	2013-14 Consolidated £'000
Programme				
NIHE payable	352,967	352,967	409,964	409,964
Other programme payables	-	-	-	-
Total amounts falling due after more than one year	**352,967**	**352,967**	409,964	409,964
Total payables and other current liabilities	**519,530**	**672,758**	598,226	717,840

18.2a The NIHE trade payable comprises of the following trade payables to DFP (Consolidated Fund) of £342.780 million (2013-14 £397.510 million) and to local authorities of £10.187 million (2013-14 £12.454 million). There is a corresponding trade receivable for for this total £352.968 million (2013-14 £409.964 million) due from NIHE.

18.3 Intra-Government Balances

	Amounts falling due within one year		Amounts falling due after more than one year	
	2014-15 £'000	2013-14 £'000	**2014-15 £'000**	2013-14 £'000
Balances with other central government bodies	72,653	83,649	342,780	397,510
Balances with local authorities	10,571	15,156	10,187	12,454
Balances with NHS trusts	1,297	-	-	-
Balances with public corporations and trading funds	19,023	17,820	-	-
Subtotal: intra-government balances	103,544	116,625	352,967	409,964
Balances with bodies external to government	216,247	191,251	-	-
Total trade payables and other current liabilities at 31 March	**319,791**	307,876	**352,967**	409,964

19 Provisions for liabilities and charges

2013-14		Note	Core Department Early Departure Costs £'000	Core Department Financial Assistance Scheme £'000	Core Department Other Programme £'000	Core Department Total £'000	Consolidated Early Departure Costs £'000	Consolidated Financial Assistance Scheme £'000	Consolidated Other Programme £'000	Consolidated Total £'000
Balance at 1 April	2013		57	89,022	256	89,335	188	89,022	1,006	90,216
Provided in the year		5.2	1	81,459	1,730	83,190	41	81,459	2,439	83,939
Provisions not required written back		5.2	(10)	-	(116)	(126)	(26)	-	(673)	(699)
Borrowing Costs (Unwinding of discount)		5.2	(1)	8,228	-	8,227	(3)	8,228	(3)	8,222
Other		5.2	-	-	-	-	-	-	-	-
			(10)	89,687	1,614	91,291	12	89,687	1,763	91,462
Provisions utilised in the year			(25)	(6,233)	(323)	(6,581)	(96)	(6,233)	(524)	(6,853)
Balance at 31 March	**2014**		**22**	**172,476**	**1,547**	**174,045**	**104**	**172,476**	**2,245**	**174,825**

Analysis of expected timing of discounted flows

		Core Department Early Departure Costs £'000	Core Department Financial Assistance Scheme £'000	Core Department Other Programme £'000	Core Department Total £'000	Consolidated Early Departure Costs £'000	Consolidated Financial Assistance Scheme £'000	Consolidated Other Programme £'000	Consolidated Total £'000
Not later than one year		20	4,289	297	4,606	65	4,289	805	5,159
Later than one year and not later than five years		2	23,543	61	23,606	39	23,543	251	23,833
Later than five years		-	144,644	1,189	145,833	-	144,644	1,189	145,833
Balance at 31 March	**2014**	22	172,476	1,547	174,045	104	172,476	2,245	174,825

19 Provisions for liabilities and charges

2014-15	Core Department Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000	Consolidated Early Departure Costs £'000	Financial Assistance Scheme £'000	Other Programme £'000	Total £'000
Balance at 1 April 2014	22	172,476	1,547	174,045	104	172,476	2,245	174,825
Provided in the year	1	-	236	237	3	-	472	475
Provisions not required written back	-	(25,655)	(93)	(25,748)	-	(25,655)	(503)	(26,158)
Borrowing Costs (Unwinding of discount)	-	8,179	-	8,179	(1)	8,179	(12)	8,166
Other	-	-	-	-	-	-	-	-
	1	(17,476)	143	(17,332)	2	(17,476)	(43)	(17,517)
Provisions utilised in the year	(21)	(4,861)	(34)	(4,916)	(69)	(4,861)	(235)	(5,165)
Balance at 31 March 2015	**2**	**150,139**	**1,656**	**151,797**	**37**	**150,139**	**1,967**	**152,143**

Analysis of expected timing of discounted flows	**Core Department Early Departure Costs £'000**	**Financial Assistance Scheme £'000**	**Other Programme £'000**	**Total £'000**	**Consolidated Early Departure Costs £'000**	**Financial Assistance Scheme £'000**	**Other Programme £'000**	**Total £'000**
Not later than one year	2	4,685	1,396	6,083	2	4,685	1,396	6,083
Later than one year and not later than five years	-	22,803	-	22,803	-	22,803	-	22,803
Later than five years	-	122,651	260	122,911	35	122,651	571	123,257
Balance at 31 March 2015	**2**	**150,139**	**1,656**	**151,797**	**37**	**150,139**	**1,967**	**152,143**

19 Provisions for liabilities and charges

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 1.3% 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, (1.5)% for short-term, (1.05)% for medium-term and 2.2% for long-term provisions.

Other

Otherprogramme provisions include personal injury £0.546 million, equal opportunities £0.055 million and O'Brien long service award £1.366 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 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 £14.650 million.

20 Contingent liabilities disclosed under IAS 37

The Department has entered into the following contingent liabilities:

Value Added Tax

Her Majesty's Revenue and Customs (HMRC) is currently completing a review of Value Added Tax (VAT) compliance with the NI Executive government departments. The first stage of the HMRC review has focused on the VAT treatment of income streams included within the annual accounts i.e. output VAT. The review of income streams by HMRC is ongoing and is due to be completed in June 2015. The majority of the Department's queries raised with HMRC in relation to output VAT have been addressed. The next stage of the HMRC compliance review will focus on input VAT treatment and is due to commence in September 2015.

Urban Regeneration and Community Development Group:
There is an estimated contingent liability for outstanding public liability claims of £0.232 million. Further liabilities may arise depending on the outcome of other ongoing litigation against the Department.

Child Maintenance Service (CMS):

From April 1995 the Division has been able to defer some debt indefinitely, providing non-resident parents meet certain conditions on payment of regular maintenance and the remaining debt outstanding. This could result in the Department taking over this debt from clients. The maximum potential liability at 31 March 2015 is £0.011 million. This is the total potential amount that could be paid out by the Department to parents with care if the non-resident parent stays compliant over the year. To date, £0.200 million has been paid out on cases that meet the criteria.

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 £0.489 million (2013-14: £0.511 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.

Contingent liabilites 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.

Voluntary Exit Scheme
The Northern Ireland Civil Service launched a Voluntary Exit Scheme (VES) across all departments on 2 March 2015. The closing date for applications was 27 March 2015. At the Statement of Financial Position date, there is a possible obligation on the department which may give rise to a liability should any of the department's employees apply and be successful. It is not possible, at the balance sheet date, to quantify what this potential liability may be.

Litigation

The Department is aware that there are two potential litigation cases currently with the Departmental Solicitors Office. It is not possible at this stage to determine how these cases will progress, nor to estimate any financial liability that may arise.

The Department has not entered into any unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort.

21 Losses and special payments

	2014-15		2013-14	
	Core Department £'000	Consolidated £'000	Core Department £'000	Consolidated £'000
RfR A				
Social Security and Child Maintenance Services				
Losses				
Total (46 cases)	-	3	-	73
Special Payments				
Total (17,962 cases)	129	3,019	112	2,351
Comprising:	-	-	-	-
Ex-gratia payments (226 cases)	129	309	112	367
Extra-statutory payments (17,736 cases)	-	2,710	-	1,984
Social security - administered by the Social Security Agency				
Losses				
Total (51,629 cases)	-	18,580	-	19,684
Social security - administered by the Northern Ireland Housing Executive				
Losses				
Total (16,823 cases)	1,455	1,455	1,341	1,341
Reimbursement of Child Maintenance Overpayments				
Losses				
Total (38 cases)	26	26	84	84
RfR B				
Housing				
Losses				
Total (26 cases)1	918	918	310	310
Special Payments				
Total (27 cases)	619	619	11,279	11,279
Comprising:	-	-	-	-
Ex-gratia payments (14 cases)	504	504	1,086	1,086
Extra-statutory payments (13 cases)	115	115	9,849	9,849
RfR C				
Urban regeneration and community development				
Losses				
Total (8 cases)	61	61	3,207	3,207
Special Payments				
Total (1 case)	15	15	-	-
Comprising:	-	-	-	-
Ex-gratia payments (1 case)	15	15	-	-
Extra-statutory payments (0 cases)	-	-	-	-

There are no losses in excess of £250,000.

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.

22 Related-party transactions

The Department for Social Development sponsors those bodies listed in Note 24. 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 £12.913 million. Of this amount £9.685 million is recoverable from the EU. At 31 March 2015 there was a receivables balance with SEUPB of £10.937 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.

23 Payment Accuracy

This note provides detail on the area of Payment Accuracy (benefit fraud and error), and the relevant estimated amounts of overpayments and underpayments across all 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 2014 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 2014 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; The Department reviews a sample of claims and this sampling approach introduces statistical uncertainty into the figures. This uncertainty is quantified with 95% confidence intervals. 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.

Social Security Benefits Administered by the Social Security Agency

Official Error: The official error estimates for 2014 are based on the results of the Agency's Financial Accuracy Exercises completed in 2014 with the exception of Incapacity Benefit, Widow's Benefit and Social Fund (Funeral Payments and Sure Start Maternity Grants elements.) Incapacity Benefit estimates are based on the 2011 results, Widow's Benefit is based on the results from 2012 and Social Fund (Funeral Payments & Sure Start Maternity Grants elements) are based on updated 2013 results. No comparison for Industrial Injuries Disablement Benefit (IIDB) and Maternity Allowance (MA) is available for 2013 since they were measured for the first time in 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 2014. 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 2014 includes expenditure on 13 benefits, a total of £4,890 million, plus an amount of £87.9 million on other benefit expenditure in year, total annual expenditure £4,978 million.

Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2014 includes, Christmas Bonus £5.2 million, Retirement Pension £3.8 million, Job Grant £1.9 million, Severe Disablement Allowance £23.0 million, Winter Fuel Payments £53.9 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) were measured in 2014. 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.

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 2014 benefit expenditure on Housing Benefit for tenants was £649.8 million.

It is estimated that there was a total amount of approximately £22.3 million overpaid through fraud and error in Housing Benefit for tenants for the year 2014. This represents approximately 3.4% of the related expenditure for the calendar year, of which £17.1 million (2.6%) is Customer Fraud, £2.4 million (0.4%) is Customer Error and £2.9 million (0.4%) is Official Error. The overall percentage has increased to 3.4% from 3.2% in 2013. Customer Error has decreased from 0.7% to 0.4% and official error has decreased from 0.7% to 0.4%.

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.

2013 Official Error estimates for Housing Benefit for tenants are based on the results of Financial Accuracy Exercise in 2013. Customer Error and Customer Fraud estimates for Housing Benefit for tenants are based on the results of Benefit Review in 2013.

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 2014 benefit expenditure on Housing Benefit for owner occupiers was £42.2 million.

It is estimated that there was a total amount of approximately £8.2 million overpaid through fraud and error in Housing Benefit for owner occupiers for the year 2014. This represents approximately 19.5% of the related expenditure for the financial year, of which £1.3 million (3.2%) is Customer Fraud, £2.7 million (6.3%) is Customer Error and £4.2 million (10.0%) is Official Error. Compared to 2013 overpayments in Housing Benefit for owner occupiers have increased from £5.9m (14.4%) to £8.2m (19.5%) in 2014.

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

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.

2013 Official Error estimates for Housing Benefit for owner occupiers are based on the results of Financial Accuracy Exercise in 2013. Customer Error and Customer Fraud estimates for Housing Benefit for owner occupiers are based on the results of Benefit Review in 2013.

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

Total Departmental benefit expenditure has increased from £5,512 million in 2013, to £5,670 million in 2014.

£649.8 million of the £5,670 million relates to Housing Benefit expenditure for NIHE tenants in 2014
£42.2 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, 2014 and 2013 (all social security benefits including Housing Benefit).

Estimates of benefit overpayments for 2014 and 2013

2014	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	5,669,605,007	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%**

2013	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	5,511,668,373	29,400,170	23,565,621	37,433,582	0.5%	0.4%	0.7%
Customer Error	5,511,668,373	14,917,456	10,190,690	20,890,294	0.3%	0.2%	0.4%
Customer Fraud	5,511,668,373	28,240,969	18,920,777	39,179,483	0.5%	0.3%	0.7%
Total Overpayments	**5,511,668,373**	**72,558,595**	**60,589,875**	**87,386,326**	**1.3%**	**1.1%**	**1.6%**

[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 £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, including housing benefit, 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.

The comparative estimate for 2013 is that there was approximately £72.6 million overpaid through fraud and error in social security benefits (including housing benefit) for 2013. This represents approximately 1.3% of the total benefit expenditure for 2013, of which £28.2 million (0.5%) is Customer Fraud, £14.9 million (0.3%) is Customer Error and £29.4 million (0.5%) is Official Error. In summary, while Departmental loss in 2014 increased by £9.9 million; this represents just 0.14% of benefit expenditure over the same period of almost £160 million. The increased loss detected during 2014 related solely to fraudulent behaviour of claimants. The levels of loss due to official error decreased from 0.5% to just 0.4%. Levels of loss due to customer error in 2014 were maintained at their historically low levels of just 0.3% of expenditure.

Social Security Benefits (Excluding Housing Benefit): From the total £82.4million overpayments, the 2014 estimate for overpayment through fraud and error which is attributable to social security benefits administered by the SSA is £51.9m. This represents approximately 1.0% of the total social security benefit expenditure for 2014, of which £25.2 million (0.5%) is Customer Fraud, £9.3 million (0.2%) is Customer Error and £17.4 million (0.3%) is Official Error. In summary, while loss in 2014 increased by £6.3m, this represents a marginal increase of just under 0.1% of expenditure against an increase in benefit expenditure over the same period of almost £200m. The increased loss detected during 2014 related solely to fraudulent behaviour of claimants, with the levels of loss due to staff error successfully reduced to just 0.3% - an improvement on the 2013 position. Levels of loss due to customer error in 2014 were maintained at their historically low levels of just 0.2% of expenditure.

A detailed breakdown of the total overpayment amount for 2014 of £82.4 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 2013 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 2014 and 2013 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 2014. Estimates of Official Error in 2013 are also shown for comparative purposes.

Estimates of official error overpayments across all benefits in 2014

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	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 (BLCCGCL)	81,724,717	703,812	282,101	1,436,342	0.9%	0.3%	1.8%	Jan 14 - Dec 14
Social Fund (FPSSMG)	3,856,979	118,795	0	290,061	3.1%	0.0%	7.5%	Jan 13 - Dec 13 updated
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%**	

Estimates of benefit overpayments due to Official Error in 2013

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	886,543,993	1,885,017	0	4,552,197	0.2%	0.0%	0.5%	Jan 13 - Dec 13
Employment and Support Allowance	468,689,101	8,256,902	5,743,641	11,014,195	1.8%	1.2%	2.4%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	0	0	0	0.0%	0.0%	0.0%	Jan 11 - Dec 11 updated
Income Support	244,925,310	1,267,206	342,182	2,461,260	0.5%	0.1%	1.0%	Jan 13 - Dec 13
Jobseeker's Allowance	231,778,710	1,697,520	311,142	3,855,892	0.7%	0.1%	1.7%	Jan 13 - Dec 13
State Pension	1,963,548,513	574,828	0	1,592,356	0.0%	0.0%	0.1%	Jan 13 - Dec 13
State Pension Credit	327,464,655	6,140,262	3,860,098	8,477,229	1.9%	1.2%	2.6%	Jan 13 - Dec 13
Attendance Allowance	201,532,650	0	0	0	0.0%	0.0%	0.0%	Jan 13 - Dec 13
Bereavement Benefit	19,243,538	63,065	2,393	172,078	0.3%	0.0%	0.9%	Jan 13 - Dec 13
Carer's Allowance	129,894,806	0	0	0	0.0%	0.0%	0.0%	Jan 13 - Dec 13
Industrial Injuries Disablement Benefit	29,669,378	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	11,683,268	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,503,515	1,234,263	740,759	1,775,944	1.5%	0.9%	2.1%	Jan 13 - Dec 13
Widow's Benefit	1,859,977	4,743	0	15,004	0.3%	0.0%	0.8%	Jan 12 - Dec 12 updated
Housing Benefit Tenants	659,147,835	4,820,014	963,408	10,818,429	0.7%	0.1%	1.6%	Jan 13 - Dec 13
Housing Benefit Owner Occupier	40,721,424	3,456,350	2,593,680	4,431,897	8.5%	6.4%	10.9%	Jan 13 - Dec 13
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,511,668,373**	**29,400,170**	**23,565,621**	**37,433,582**	**0.5%**	**0.4%**	**0.7%**	

[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 2014. 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.
The total expenditure for Social Fund in 2014 was £85,581,696 with Monetary Value of Official Error £822,607 (1.0% of expenditure)
The period of Financial Accuracy Review for 2013 was Jan 13 - Dec 13
The period of Financial Accuracy Review for 2014 was Dec 13 - Nov 14

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 2014. Estimates of Customer Error in 2013 are also shown for comparative purposes.

Estimates of customer error overpayments across all benefits 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	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 (BLCCGCL)	81,724,717	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund (FPSSMG)	3,856,979	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%**	

Estimates of benefit overpayments due to Customer Error in 2013

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	886,543,993	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	468,689,101	2,591,438	997,475	4,714,179	0.6%	0.2%	1.0%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	1,056,396	0	3,117,241	1.0%	0.0%	2.9%	Jan 09 - Dec 09 updated
Income Support	244,925,310	1,074,281	0	2,625,855	0.4%	0.0%	1.1%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	231,778,710	592,579	0	1,693,374	0.3%	0.0%	0.7%	Jan 13 - Dec 13
State Pension	1,963,548,513	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	327,464,655	2,990,865	1,407,503	4,988,387	0.9%	0.4%	1.5%	Jan 13 - Dec 13
Attendance Allowance	201,532,650	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	19,243,538	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	129,894,806	71,285	0	363,924	0.1%	0.0%	0.3%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	29,669,378	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allow-ance	11,683,268	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,503,515	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,859,977	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	659,147,835	4,635,723	1,139,844	8,976,008	0.7%	0.2%	1.4%	Jan 13 - Dec 13
Housing Benefit Owner Occupier	40,721,424	1,904,889	1,280,657	2,528,385	4.7%	3.1%	6.2%	Jan 13 - Dec 13
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,511,668,373**	**14,917,456**	**10,190,690**	**20,890,294**	**0.3%**	**0.2%**	**0.4%**	

[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 2014. Estimates of Customer Fraud in 2013 are also shown for comparative purposes.

Estimates of customer fraud overpayments across all benefits in 2014

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	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 Allow-ance	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 Allow-ance	12,179,365	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund (BLCCGCL)	81,724,717	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund (FPSSMG)	3,856,979	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%**	

Estimates of benefit overpayments due to Customer Fraud in 2013

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	886,543,993	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	468,689,101	4,969,709	2,492,874	7,895,853	1.1%	0.5%	1.7%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	2,296,534	0	5,711,747	2.2%	0.0%	5.4%	Jan 09 - Dec 09 updated
Income Support	244,925,310	1,784,104	0	4,426,053	0.7%	0.0%	1.8%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	231,778,710	2,818,584	667,915	5,321,985	1.2%	0.3%	2.3%	Jan 13 - Dec 13
State Pension	1,963,548,513	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	327,464,655	2,638,935	1,374,015	4,330,121	0.8%	0.4%	1.3%	Jan 13 - Dec 13
Attendance Allowance	201,532,650	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	19,243,538	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	129,894,806	1,564,052	0	4,797,153	1.2%	0.0%	3.7%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	29,669,378	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allow-ance	11,683, 268	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,503,515	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,859,977	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	659,147,835	11,658,773	4,190,308	20,188,620	1.8%	0.6%	3.1%	Jan 13 - Dec 13
Housing Benefit Owner Occupier	40,721,424	510,278	233,449	837,160	1.3%	0.6%	2.1%	Jan 13 - Dec 13
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,511,668,373**	**28,240,969**	**18,920,777**	**39,179,483**	**0.5%**	**0.3%**	**0.7%**	

[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 (the Agency) administers 33 benefits equating to a total benefit spend of £4,978 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% (£51.9 million) in 2014. Performance on overpayments has been sustained at between 0.9% and 1.0% for the last 4 consecutive years with benefit expenditure over the same period increasing from £4.5bn to almost £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 2014, Agency losses from official error reduced to historic low levels of just 0.3% of benefit expenditure, or £17.4million in comparison to 0.4% of expenditure in 2013, or a monetary value of £21.1million. Overall benefit expenditure increased from £4,811.8 million to £4,977.6 million over the same period.

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 2014-15, error reduction activity amounted to over 80,000 actions, compared to 70,500 actions in 2013-14. This led to the adjustment of benefit in just over 13,000 cases, with a total monetary value of over £32.4million. Just over £17.5million 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 new 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.

During 2014 loss from customer error was maintained at historic low levels of just 0.2% (£9.3m) of benefit expenditure, similar to the 2013 outcome of 0.2% (£8.4m). **Customer fraud increased slightly by 0.17%,** with the estimate rising from 0.3% (£16.1m) of expenditure in 2013 to (0.5%) £25.2m in 2014. This relates mainly to customers failing to properly declare earnings and income, particularly occupational pensions.

Criminal Investigation Route: 5,322 fraud investigations were undertaken in 2014-15 leading to 743 penalties or convictions. In 2014-15 the monetary value of adjustments arising from the discovery of fraud was estimated to be £7.2 million.

Customer Compliance interviews have continued to generate very positive outcomes in correction and prevention of customer error. In the past year 2014-15 Customer Compliance activity has resulted in changes to over 33% of cases examined. This change rate is an improvement on previous years. Customer Compliance has also produced over £4.0 million in benefit adjustments. Directing cases to Customer Compliance frees 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 5,282 case interventions achieving a 13% hit rate with 683 positive outcomes. Overpayments of £510k, and underpayments of £23k, were identified. The estimated monetary value of adjustments in these cases equated to £2.7 million.

Financial Investigation Unit: In addition, as part of the Agency's wider Debt recovery function, the Agency's Financial Investigation Unit brought about the recovery of £495,161 of criminally obtained assets during 2014-15 by way of confiscation orders obtained through the Courts and voluntary payments.

National Fraud Initiative (NFI) During 2014-15 the Agency has maintained its co-operation with the Northern Ireland Audit Office on the National Fraud Initiative (NFI) data matching exercises. This involves comparing different sets of data and allows potentially fraudulent claims and payments to be identified. The Agency has been involved in four National Fraud Initiative Programmes to date. The following table reports the cases referred for criminal investigation and the resultant outcome in terms of convictions, The Agency has been involved in four National Fraud Initiative Programmes 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	43	2	0
Administrative Penalty	36	22	0	1
Overpayments identified	£5.9m	£1.1m	£122k	£13k

Real Time Information Initiatives

Given the notable reduction in NFI outputs, the Agency has opted not to participate in the upcoming 2014 NFI exercise, in favour of directing resources towards the new Real Time Information (RTI) matching systems. The Agency is working with Department for Work and Pensions (DWP) colleagues in order to utilise real time HMRC information in respect of earnings and non state pension income to enhance its fraud and error prevention and detection capability. This new referral stream is currently being used across a number of existing benefit caseloads with very positive results.

Of the initial 2,000 cases received in August 2014, 200 were randomly selected for testing. Following initial examination, and while too early to report criminal outcomes, over 80% were assessed as worthy of further investigation – compared to around 50% from other information sources. Subject to realising successful outcomes from those initial cases tested, it is intended to comprise around three quarters of the SIS workload with RTI referrals for the remainder of the year – to enable a full evaluation of the pilot and inform decisions as to future priorities. In summary, on initial findings, 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 into 2015-16 and beyond until such time as the strategic wider use of RTI solution is fully rolled out.

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 HMRC and the NIHE 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 RTI to enhance future fraud prevention and detection capability – with particular focus at the gateway- the point of entry to a benefit claim.
- **Deterrence -** legislative proposals contained within the Welfare Reform Bill to prevent and deter those intent on committing fraud including increased penalties and loss of benefit.
- **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, 2014 and 2013 (all social security benefits including Housing Benefit).

Overall the figure for estimated amounts of underpayments is £35.5m, or 0.6% of expenditure in 2014 compared to £31.8 million (0.6%) in 2013.

Estimates of underpayments across all benefits for 2014 and 2013

2014 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	5,669,605,007	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%**

2013 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	5,511,668,373	24,830,332	19,360,942	32,473,363	0.5%	0.4%	0.6%
Customer Error	5,511,668,373	6,995,936	11,338	17,858,689	0.1%	0.0%	0.3%
Total Underpayments	**5,511,668,373**	**31,826,268**	**22,955,031**	**45,108,411**	**0.6%**	**0.4%**	**0.8%**

[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 2014. Estimates for 2013 are also shown for comparative purposes.

Estimates of official error underpayments across all benefits in 2014

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	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 (BLCCGCL)	81,724,717	462,917	53,342	1,107,939	0.6%	0.1%	1.4%	Jan 14 - Dec 14
Social Fund (FPSSMG)	3,856,979	7,982	0	28,717	0.2%	0.0%	0.7%	Jan 13 - Dec 13 updated
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%**	

Estimates of benefit underpayments due to Official Error in 2013

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	886,543,993	1,869,914	275,223	3,968,087	0.2%	0.0%	0.4%	Jan 13 - Dec 13
Employment and Support Allowance	468,689,101	6,336,555	4,410,842	8,693,089	1.4%	0.9%	1.9%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	504,294	0	1,125,711	0.5%	0.0%	1.1%	Jan 11 - Dec 11 updated
Income Support	244,925,310	1,038,093	363,732	1,853,334	0.4%	0.1%	0.8%	Jan 13 - Dec 13
Jobseeker's Allowance	231,778,710	911,547	203,175	1,873,225	0.4%	0.1%	0.8%	Jan 13 - Dec 13
State Pension	1,963,548,513	4,057,076	677,293	9,681,869	0.2%	0.0%	0.5%	Jan 13 - Dec 13
State Pension Credit	327,464,655	3,511,419	1,979,209	5,362,968	1.1%	0.6%	1.6%	Jan 13 - Dec 13
Attendance Allowance	201,532,650	204,093	0	626,340	0.1%	0.0%	0.3%	Jan 13 - Dec 13
Bereavement Benefit	19,243,538	11,395	0	25,878	0.1%	0.0%	0.1%	Jan 13 - Dec 13
Carer's Allowance	129,894,806	0	0	0	0.0%	0.0%	0.0%	Jan 13 - Dec 13
Industrial Injuries Disablement Benefit	29,669,378	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	11,683,268	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,503,515	802,497	168,050	1,621,464	0.9%	0.2%	1.9%	Jan 13 - Dec 13
Widow's Benefit	1,859,977	33,634	0	113,386	1.8%	0.0%	6.1%	Jan 12 - Dec 12 updated
Housing Benefit Tenants	659,147,835	4,810,942	1,960,169	8,036,535	0.7%	0.3%	1.2%	Jan 13 - Dec 13
Housing Benefit Owner Occupier	40,721,424	738,872	427,954	1,136,616	1.8%	1.1%	2.8%	Jan 13 - Dec 13
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,511,668,373**	**24,830,332**	**19,360,942**	**32,473,363**	**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 2014. 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.
The total expenditure for Social Fund in 2014 was £85,581,696 with Monetary Value of Official Error £470,899 (0.6% of expenditure)
The period of Financial Accuracy Review for 2013 was Jan 13 - Dec 13
The period of Financial Accuracy Review for 2014 was Dec 13 - Nov 14

Customer Error - Underpayments

The table below sets out the estimate of benefit underpayments due to Customer Error in 2014. Estimates of underpayments for Customer Error in 2013 are also shown for comparative purposes.

Overall, levels of underpayments due to customer error were at historic low levels of just 0.1% of expenditure, on a par with the previous year.

Estimates of customer error underpayments across all benefits 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 Allowance	12,179,365	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund (BLCCGCL)	81,724,717	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund (FPSSMG)	3,856,979	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%**	

Estimates of benefit underpayments due to Customer Error in 2013

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	886,543,993	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	468,689,101	767,838	129,092	1,700,141	0.2%	0.0%	0.4%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
Income Support	244,925,310	175,411	0	904,209	0.1%	0.0%	0.4%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	231,778,710	31,339	0	94,949	0.0%	0.0%	0.0%	Jan 13 - Dec 13
State Pension	1,963,548,513	3,642,620	0	14,290,156	0.2%	0.0%	0.7%	Jan 09 - Dec 09 updated
State Pension Credit	327,464,655	849,332	109,547	1,877,585	0.3%	0.0%	0.6%	Jan 13 - Dec 13
Attendance Allowance	201,532,650	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	19,243,538	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	129,894,806	0	0	0	0.0%	0.0%	0.0%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	29,669,378	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	11,683,268	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,503,515	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,859,977	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Housing Benefit Tenants	659,147,835	1,244,721	215,676	2,705,997	0.2%	0.0%	0.4%	Jan 13 - Dec 13
Housing Benefit Owner Occupier	40,721,424	284,675	125,663	464,563	0.7%	0.3%	1.1%	Jan 13 - Dec 13
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**5,511,668,373**	**6,995,936**	**11,338**	**17,858,689**	**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 2014, the 2014 estimate for DLA 'change in customer circumstances' overpayments is estimated by applying the 2008 percentage. In comparison the 2014 estimate is £53.4 million, 5.7% of expenditure. The 2013 estimate was £50.3 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 2014, the 2014 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. In comparison the 2014 estimate is £27.3 million, 2.9% of expenditure. The 2013 estimate is £25.7 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

24 Entities within the departmental boundary

The entities within the boundary during 2014-15 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*

Non-Executive Non-Departmental Public Bodies

Charities Advisory Committee
Disability Living Allowance Advisory Board for Northern Ireland- abolished from 1 May 2015
Vaughan's Charity (Trustees)

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.

25 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.

26 Events after the Reporting Period

Since 31 March 2015, applications for the Voluntary Exit Scheme have been processed and conditional offers issued to selected staff. The funding position is not confirmed and therefore there is no obligation arising since the balance sheet date. This is a non-adjusting event and consequently there is no impact on the 2014-15 accounts. The latest estimate of the cost to the Department is £11.4 million.

The Accounting Officer authorised the issue of these financial statements on 2 July 2015.

NIAO

Northern Ireland Audit Office

Report by the Comptroller and Auditor General for Northern Ireland

Department for Social Development

Resource Accounts

2014-15

Introduction

1 The Department for Social Development (the Department) has responsibility for housing, urban regeneration, community development, social security and child support and in 2014-15 was responsible for the payment of £5,670 million in benefits, of which £4,978 million was paid by the Social Security Agency (SSA), £650 million was paid by the Northern Ireland Housing Executive (NIHE) and £42 million was paid by Land and Property Services (L&PS).

2 My report below reviews the results of my audit of the Department's 2014-15 financial statements and sets out why I have again decided to qualify my audit opinion on the regularity of certain benefit expenditure. I have also provided an update on the issues I reported on last year.

Background to the Audit Qualification

3 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.

4 In SSA, which administers 88 per cent of total benefit expenditure, the estimated level of overpayments due to fraud and error increased slightly from 0.9 per cent of benefit expenditure in 2013 to 1 per cent of benefit expenditure in 2014 against a rise in annual benefit expenditure of 3.4 per cent with estimated underpayments also increasing from 0.4 per cent of benefit expenditure in 2013 to 0.5 per cent of benefit expenditure in 2014. Despite these increases, this compares favourably with the Department for Work and Pensions (DWP) in Great Britain where overpayments have been estimated at 1.4 per cent. [1] 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 significant at 1.5 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.

5 In NIHE, which administers 11 per cent of total benefit expenditure, the estimated level of fraud and error within these payments has increased slightly this year from 3.9 per cent of Housing Benefit expenditure in 2013 to 4.1 per cent of Housing Benefit expenditure in 2014. I considered this to be material and my regularity audit opinion was qualified in the accounts of NIHE and the Department in this regard.

[1] The DWP level of error relates to 2014-15 preliminary biannual National Statistics for benefits administered by it which are comparable to those administered by the Social Security Agency.

6 L&PS administer 1 per cent of total benefit expenditure made up of Housing Benefit payments for people who own their own 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 fraud and error within these payments amounting to 20 per cent (compared to 16 per cent last year). My regularity audit opinion is also qualified in the accounts of L&PS and the Department in this regard.

7 Further details of these qualifications will be included in my reports attached to the 2014-15 financial statements for SSA, NIHE and L&PS.

Department arrangements for monitoring and reporting fraud and error

8 The Department's Standards Assurance Unit (SAU) regularly monitors and provides estimates of levels of fraud and error within the benefit system as outlined in Note 23 (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.

Qualified opinion due to fraud and error in benefit payments

9 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.

10 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 and are therefore irregular.

11 Table 1 below shows the total benefit payments made during the calendar year of 2014 and the estimated level of fraud and error in relation to these benefits, based on the work completed by SAU. The table shows that total benefits (other than State Pension) amounted to £3.6 billion with estimated over and under payments totalling £106.2 million (on which I have qualified my audit opinion) comprising:

- overpayments of £81.1 million (1.4 per cent of total benefits); and
- underpayments due to official error of £25.1 million (0.4 per cent of total benefits).

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.

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).

Table 1: Estimated Overpayments and Underpayments due to fraud and error in benefit expenditure (2014)[2] (Note 23 to the financial statements)

	Benefits (other than State Pension)	State Pension	Total
	£million	£million	£million
Expenditure	3,616.6	2,053.0	5,669.6
Overpayments due to:			
Customer fraud	43.5	0	43.5
Customer error	14.4	0	14.4
Official error	23.2	1.3	24.5
Sub-total	81.1	1.3	82.4
% of total benefits	1.4%	0.1%	1.5%
Underpayments[3] due to:			
Official error	25.1	3.2	28.3
% of total benefits	0.4%	0.1%	0.5%

Source: Department for Social Development financial statements 2014-15

State Pension Benefit

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 Table 1) within State Pension is not significant. Despite overpayments as a result of official error more than doubling from £0.6 million (0.0 per cent of State Pension benefit) in 2013 to £1.3 million (0.1 per cent of State Pension benefit) in 2014, this is not significant in the context of the £2.1 billion spend on State Pension. I am however surprised that official errors were found in 1 in 8 cases tested by SAU (2013 - 1 in 38 cases) and I asked the Department to comment on this significant increase.

14 The Department told me it had further strengthened and refined the statistical validity of its financial accuracy measurement approach in 2014 and for the first time included very small value errors, previously classed as de-minimus. This naturally resulted in an increased volume of errors being reported; in fact 35 of the 59 errors reported in 2014 were as a result of this change in methodology. For comparative purposes, if the 2014 methodology change had been in place in 2013, the ratio of errors found to cases tested in 2013 would have been 1 in 13. This revision in methodology, also used in GB by the Department for Work and Pensions, further refines the statistical validity of the measurement process and will continue to be applied in future years.

[2] Estimates in tables 1 and 2 are to the nearest £0.1 million and within 95 per cent confidence intervals.
[3] Underpayments exclude those due to customer error (estimated to be £7.2 million) which are not part of the audit qualification.

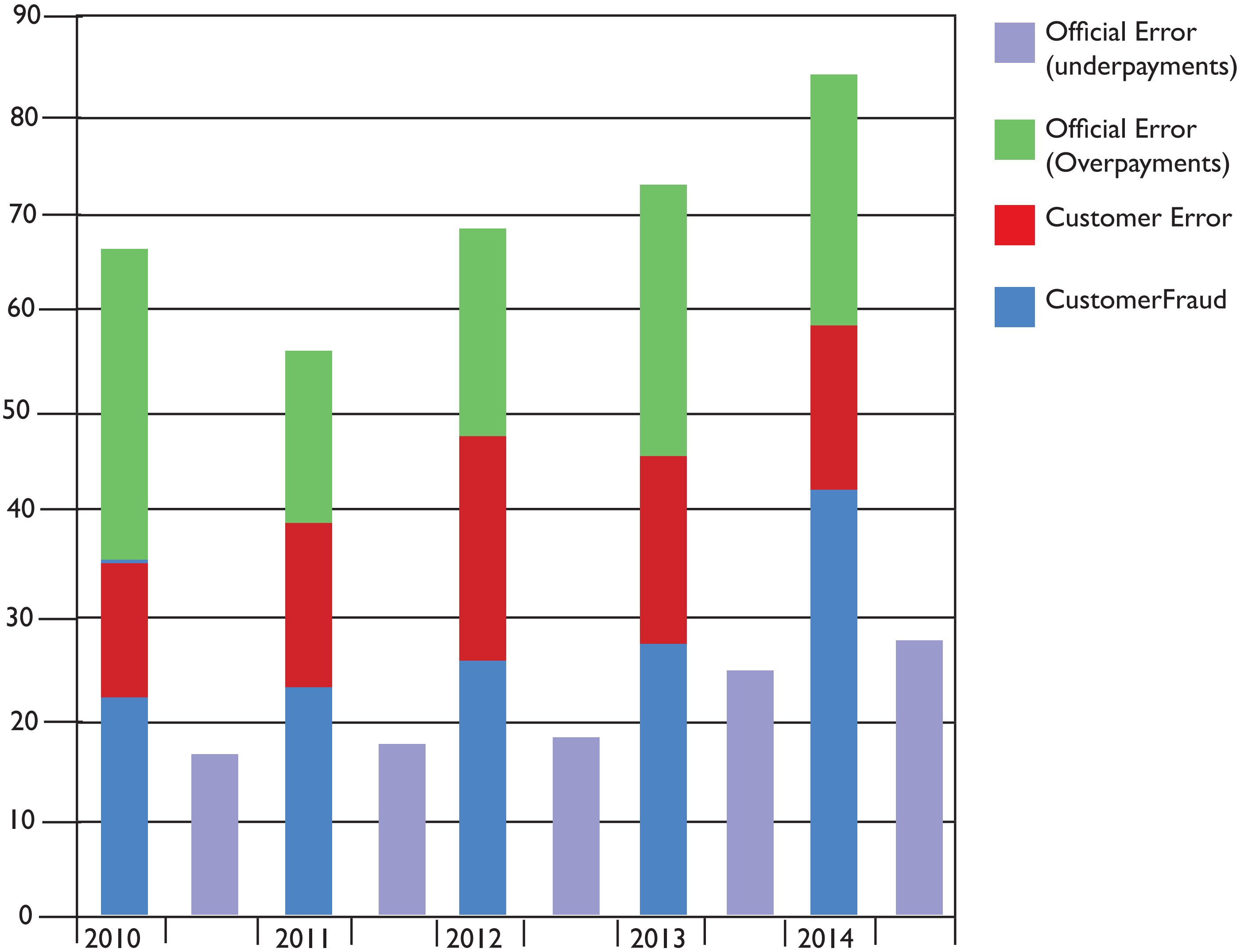
Estimated levels of fraud and error

15 The Payment Accuracy Note (Note 23) 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:
  - o Customer error occurs when customers make inadvertent mistakes with no fraudulent intent; and
  - o Official error arises when a benefit is paid incorrectly due to inaction, delay or a mistaken assessment by the Department.

The graph below and Table 2 shows the trends since 2010 in estimated levels of fraud and error for all benefits. From an overall Departmental point of view, I am disappointed that the estimated levels of overpayments and underpayments due to fraud and error have increased from 1.8 per cent last year to 2.0 per cent this year and are now at their highest level since 2007.

Breakdown of over/underpayments 2010-14



Source: Department for Social Development financial statements 2010-11 to 2014-15. 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.

Table 2 - Trends in total estimated fraud and error in benefit expenditure

	2010 £ million	2011 £ million	2012 £ million	2013 £ million	2014 £ million
Total benefit expenditure	4,959.0	5,054.9	5,334.5	5,511.7	5,669.6
(1) Overpayments					
Customer fraud	22.2	22.7	26.9	28.2	43.5
Customer error	12.4	14.8	19.5	14.9	14.4
Official error	32.3	17.0	22.3	29.4	24.5
TOTAL	66.9	54.5	68.7	72.5	82.4
% of benefit expenditure	1.3%	1.1%	1.3%	1.3%	1.5%
(2) Underpayments					
Official error	17.8	17.8	18.0	24.8	28.3
% of benefit expenditure	0.4%	0.3%	0.3%	0.5%	0.5%

Source: Department for Social Development financial statements 2010-11 to 2014-15

Customer fraud and error

16 Means tested benefits such as State Pension Credit, Income Support, Jobseeker's Allowance and Employment and Support Allowance tend to have the highest rates of customer fraud and error as they require the customer to provide complete and accurate information in order to establish entitlement to benefit. 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 level of fraud has risen significantly from £28.2 million (0.5 per cent of total benefits) last year to £43.5 million (0.8 per cent of total benefits) this year and is now at its highest level since 2005.

17 I am surprised and concerned at the increase in overpayments which have increased from 1.3 per cent of benefit expenditure last year to 1.5 per cent of benefit expenditure this year. 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 8 cases (2013 - 1 in 14 cases);
- Employment and Support Allowance - 1 in 17 cases (2013 - 1 in 29 cases);
- Jobseeker's Allowance - 1 in 21 cases (2013 - 1 in 46 cases);
- Housing Benefit (NIHE) - 1 in 14 cases (2013 - 1 in 17 cases) and
- Housing Benefit (LPS) - 1 in 6 cases (2013 - 1 in 9 cases).

18 Whilst I acknowledge the reduction in customer error this year and that the Department has maintained its focus on targeting, detecting and preventing customer fraud and error, I am disappointed with these significant increases 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 errors, namely, customers incorrectly declaring their level of income. The Department told me that in relation to the Social Security Agency, it ensures its approach to measuring the levels of fraud and error is robust and full use is made of available information such as National Insurance Contribution records to accurately inform the level of fraud and error across the caseload. Continual enhancement of techniques, such as records matching have contributed to the detection of greater instances of customer fraud or error in individual cases. The introduction in 2014 of real time payroll data, payroll information provided by employers to HMRC, is a particular step change which enables more timely production

of information which may lead to customer fraud identification. Analysis by the Department of the increase in customer fraud and error highlighted undeclared earnings as the primary contributor to the rise from 0.5 per cent to 0.7 per cent in 2014. The overall context of the level of customer fraud and error must also be considered as the Department's significant focus on customer fraud and error has resulted in a substantial reduction over the past ten years and the Department indicates that the 2014 findings are lower than any other comparable organisation. The Department remains committed to maintaining a strong performance and focus on this area. During 2014, the Department tested and established new techniques to target undeclared earnings and occupational pensions through the use of HMRC's and DWP's real time information (RTI) data systems. The Department has told me that this work produced very positive results in identifying historic and more recent cases and it believes the continuing use of RTI and the associated activities commenced in 2014 will help to restore the Department's previous trend in reducing and maintaining losses from customer fraud and error. In addition, work is also ongoing in GB to further enhance RTI to identify unreported earnings, occupational pensions and associated changes as and when they occur, with the Department now in scope to benefit from this developing technology as soon as it becomes widely available in 2015-16.

Official error

19 Official errors are those that are attributed as being the fault of the Department. 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).

20 Estimated overpayments due to official error have fallen slightly from £29.4 million (0.5 per cent of total benefits) in 2013 to £24.5 million (0.4 per cent of total benefits) in 2014. In contrast estimated underpayments due to official error have risen to their highest level since 2007, from £24.8 million (0.5 per cent of total benefits) in 2013 to £28.3 million (0.5 per cent of total benefits). Official errors leading to underpayments can lead to hardship for customers. This rise in estimated underpayments is disappointing as the control of official error is the area where the Department has the most influence. In particular, I note a substantial increase in estimated underpayments due to official error in Employment and Support Allowance (ESA) which increased from £6.3 million (1.4 per cent of benefit expenditure) last year to £11.6 million (1.7 per cent of benefit expenditure) in 2014. I asked the Department to explain the increase in the ESA official error rate.

21 The Department told me that, while ESA financial accuracy performance had in fact improved slightly in 2014 (2013 - 96.9 per cent accuracy; 2014 - 97.0 per cent accuracy), the increase in expenditure of over £200 million or 48 per cent for the benefit in 2014 combined with the accuracy figure of 97 per cent, resulted in the overall rise in official error underpayments; from 1.4 per cent to 1.7 per cent. Analysis highlights the primary cause of ESA underpayments as being attributable to premiums either not being paid or being paid incorrectly. The Department is actively targeting this particular risk, which is showing signs of positive results. Early measurement indicators for 2015 how that the number of incorrect premium cases has fallen by around 50 per cent from the 2014 position.

Other Matters

Disability Living Allowance • Changes in Circumstances

22 Note 23 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.

Table 3: DLA benefit expenditure

	2010 £ million	2011 £ million	2012 £ million	2013 £ million	2014 £ million
DLA benefit expenditure	750	787	842	887	942
% of total benefit expenditure	15%	16%	16%	16%	17%

Source: Department for Social Development financial statements 2010-11 to 2014-15

23 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. Table 3 shows the increase in DLA expenditure from £750 million in 2010 to £942 million in 2014 and using these same percentages, SAU estimate that in 2014, some customers may have received £53.4 million more than they would have been potentially entitled to if their circumstances were reassessed, and other customers are estimated to have received £27.3 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.

24 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. 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.

25 The Department told me that, in line with recommendations from the NI Audit Office and the Public Accounts Committee, it continues to identify DLA cases that are likely to result in a change of circumstances. In addition, the Social Security Agency's Fraud and Error Reduction Board continues to ring-fence specific funding year on year to target and correct these specific DLA cases. From April 2014 to March 2015 the Department advised me that it had examined 1,647 cases under Periodic Enquiry which resulted in a monetary value of adjustment of just over £5 million. The Department has focused the work of the Standards Assurance Unit on high risk areas and in 2014 Benefit Reviews were completed for Jobseekers Allowance and State Pension Credit. Given the increases in Customer Fraud detected across Jobseekers Allowance and State Pension Credit the continued monitoring of these benefits is highly desirable. The third benefit selected for Benefit Review in 2014 was Employment and Support Allowance as this benefit is one of the highest spending benefits and has seen significant increases in expenditure over the past few years. (Annual expenditure has increased by 175 per cent from 2012). Subject to the implementation of Welfare Reform changes, it is expected that much of the Disability Living Allowance expenditure will begin to transfer to the new Personal Independence Payment (PIP). Consideration will therefore be given at that time to conducting a Benefit Review, subject to competing priorities and available resources.

Governance arrangements within the Housing Association Sector

26 The Department provides funding via the Housing Executive to the Housing Association sector each year and this amounted to £97.5 million during 2014-15. 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.

27 Out of the current number of 24 Housing Associations, there are only four Associations where governance issues still arise, resulting in these Associations being awarded limited or no assurance following their latest inspection. These Housing Associations are relatively small comprising a total of 596 housing units and have little or no ongoing development. Two are moving into a Group Structure/merger with larger Housing Associations and another has engaged a managing agent to assist its future development activities. The fourth Housing Association is due a further inspection this year to determine the extent of any improvement.

28 While I acknowledge the improvement in governance arrangements within the Housing Association sector generally, I note the Department has plans in place to ensure that this improvement continues and this is an area which I may return to in the future.

Other Housing Association issues

29 I have previously reported on issues specific to two Housing Associations relating to the recovery of Advance Land Purchase (ALP) grants and the handling of a potential conflict of interest.

Advance Land Purchases by Housing Associations

(i) Helm - Great Georges Street, Belfast

30 This 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 over a three-year period. A debtor was recorded in the Department's accounts at 31 March 2014, of which £1.76 million has been settled in 2014-15, a shortfall of £1.87 million compared to the figure proposed in the settlement agreement. I asked the Department what actions were being taken to ensure the remaining amount of £6.34 million at 31 March 2015 will be settled in full by 31 March 2017 in accordance with the settlement agreement.

31 The Department told me that Helm has put significant effort into progressing all of the elements of the agreement that are entirely within its gift and that it is content that the settlement agreement remains broadly on track. The Department and the Housing Executive regularly monitor progress and the Housing Executive has recently undertaken a risk assessment on the completion of the settlement agreement. All parties to the agreement remain conscious that there are still challenges to be met but there remains a strong focus on making the agreement work.

(ii) OakleeTrinity (Trinity merged with Oaklee in 2014) - Crossgar site

32 A second scheme in which £835,215 ALP was paid in 2008 for the purchase .of a site in Crossgar by OakleeTrinity Housing Association. Since then the Association has been unsuccessful on a number of occasions in obtaining planning approval for its proposed 12 unit scheme and in 2014 it obtained planning permission for a single dwelling on the site which did not meet the criteria for social housing. During 2014-15 the Housing Executive reached an agreement with OakleeTrinity to recover the £835,215 ALP less allowable expenses of £194,096 associated with costs incurred to develop the scheme. This was fully recovered by NIHE by 31 March 2015 and a debtor relating to this amount was included in the Department's accounts at 31 March 2015.

Public Accounts Committee

33 Both the Advance Land Purchases and the handling of a potential conflict of interest were the subject of a Public Accounts Committee evidence session held on 18 February 2015. The Public Accounts Committee will issue a report in due course.

Conclusion

34 The estimated level of customer fraud for the Department is now £43.5 million, rising from £28.2 million in the prior year. The estimated levels of customer fraud have increased significantly in the benefit payments made by the Social Security Agency, NIHE and L&PS in the current year. Total fraud and error in benefit expenditure is now at its highest level since 2007.

35 I consider that the estimated levels of fraud and error reported are material and I have therefore qualified my opinion on the 2014-15 Department's Resource Accounts on the regularity of benefit expenditure (other than State Pension benefits).

K J Donnelly

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2 July 2015

Annex A

CHILD MAINTENANCE SERVICE (CMS) CLIENT FUNDS ACCOUNT

2014 - 15

Statement of the Accounting Officer's Responsibilities

Under Section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001 the Department of Finance and Personnel has directed the Department for Social Development to prepare a statement of Client Funds Accounts for the financial year ended 31 March 2014 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:

- observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis; and

- make judgments and estimates on a reasonable basis.

The Accounting Officer for the Department for Social Development is the Accounting Officer for the Department's Client Funds. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of all funds for which the Accounting Officer is answerable and for keeping proper records are set out in Chapter 3 of Managing Public Money Northern Ireland issued by the Department of Finance and Personnel.

Andrew Hamilton

Andrew Hamilton
Accounting Officer

30 June 2015

CLIENT FUNDS ACCOUNT GOVERNANCE STATEMENT 2014-15

Introduction

The Department for Social Development (the Department) 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 and Personnel 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 2015 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 Department, through the Child Maintenance Service, has made significant progress in delivering major reforms to child maintenance. It has taken a two-pronged approach: more support for separated families to work together and reach family-based arrangements; and for those that need it the new statutory 2012 Scheme delivered by the Child Maintenance Service, which can collect money on behalf of parents.

The new 2012 Statutory Scheme opened on a pathfinder basis in December 2012 and then to all new applicants on 25 November 2013. At the same time, the Child Maintenance 'Choices' service became the official 'gateway' to the new statutory scheme. At this gateway, parents are provided with information and support to help them understand what will work best for them and to be able to take greater financial responsibility for their children. The statutory scheme no longer remains the default option for parents arranging child maintenance.

On 30 June 2014 the second phase of the reform programme introduced collection and enforcement charges for clients using the new statutory scheme. The purpose of these charges is to encourage parents, where possible, to agree their own arrangements and for those that cannot, to offer a more focussed collection service with greater enforcement powers. However, parents can avoid collection charges entirely by using the Direct Pay service, which can be a step towards a more collaborative relationship but still offers a degree of oversight from the Child Maintenance Service. The uptake on this service has been very positive with over 60 per cent of parents using Direct Pay by March 2015 (compared to 22 per cent as at 31 March 2014) exceeding the target of 40%.

The other key element to the second phase of the reform programme is the ending of liabilities on cases in the 1993 and 2003 schemes, which also commenced, as a pathfinder, in summer 2014. This will, by the end of March 2018, lead to there being just one statutory scheme in operation.

1993 and 2003 Scheme

Many of the control weaknesses 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 Opinions

In 2014/15 Internal Audit issued three "Limited" audit opinion reports which were attributed to Child Maintenance Services: "CMS 2012 – New Applications", "Gateway/Choices" and "CMS Case Closure and Transition Actions CMS Case Closure and Transition Actions". A follow up review on "CMS 2012 – New Applications" was completed during the year with a "Satisfactory" audit opinion achieved. The "Limited" audit opinion assigned to the "Gateway/Choices" assignment was mainly due to non-reporting of performance against KPI's, failure to invoke escalation procedures when KPI's were missed and the absence of independent assurance over the quality of the service provided by a third party. Internal Audit's review of "CMS Case Closure and Transition Actions" noted that whilst management had developed adequate manual intervention checks and controls these were operating ineffectively, and a "Limited" audit opinion was therefore assigned.

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 98% against a divisional target of 97% on all decisions taken during the year. This continues to represent a significant improvement on historic accuracy; however, the level of inaccuracy is still regarded as material.

The 2012 scheme utilises gross income obtained via electronic interfaces from Her Majesty's Revenue and Customs (HMRC) to assess maintenance liabilities for paying parents. Where HMRC do not hold historic income details or where a change to income is reported which exceeds the 25 per cent tolerance, caseworker intervention and decision making is required. This is used to automatically calculate the assessment which is expected to improve the accuracy of these calculations in comparison to the 1993 and 2003 schemes.

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). 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 2015, there were 3,340 cases managed wholly off the 2003 system compared with 3,300 at 31 March 2014. These represent £2.1m of the overall arrears balance reported in Note 6.1 of this Account (2014: £2.0m).
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 Special Payment Costs in notes 5 and 21 of the DSD Resource Account. This totalled £0.22m in 2014-15 (£0.22m in 2013-14).

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.

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.

Security incidents within the Department are collated and reported to the Top of the Office Group and to the Audit and Risk Assurance Committee every 6 months. During 2014-15 there were no personal data related incidents reported in respect of CMS Client Funds.

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.

Andrew Hamilton
Accounting Officer

30 June 2015

DEPARTMENT FOR SOCIAL DEVELOPMENT

Child Maintenance Service Client Funds Account

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

I certify that I have audited the Department for Social Development's Child Maintenance Service Client Funds Account for the year ended 31 March 2015 under the Government Resources and Accounts Act (Northern Ireland) 2001. These comprise the Receipts and Payments Account, the Statement of Balances and the related notes. This account has been prepared under the accounting policies set out within it.

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 account and for being satisfied that it properly presents the receipts and payments during the year. My responsibility is to audit, certify and report on the account 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 account

An audit involves obtaining evidence about the amounts and disclosures in the account sufficient to give reasonable assurance that the account is 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 Child Maintenance Service circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Department for Social Development's Child Maintenance Service; and the overall presentation of the account.

I am required to obtain evidence sufficient to give reasonable assurance that the receipts and payments recorded in the account are properly presented and have been applied to the purposes intended by the Assembly and the financial transactions recorded in the account conform to the authorities which govern them and that the information included as maintenance arrears at note 6.1 gives a true and fair view of the transactions during the year and the position at year-end.

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 recorded in the account have been applied to the purposes intended by the Assembly 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 2015; 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.

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 £69 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 and Personnel's guidance.

My detailed observations are included in my report attached to the account.

K J Donnelly

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

2 July 2015

CHILD MAINTENANCE SERVICE (CMS) CLIENT FUNDS ACCOUNT

Receipts and Payments Account
For the Year Ended 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
Receipts	2	17,057	19,390
Bank Interest	3	-	-
Total Receipts		**17,057**	**19,390**
Less Payments to :			
Persons With Care		16,369	18,298
the Department (including fees)		638	674
Department for Work and Pensions (DWP)		133	147
Non Resident Parents		211	199
Total Payments		**17,351**	**19,318**
Net (Payments)/Receipts		**(294)**	**72**
Balance as at 1 April		827	755
Balance as at 31 March	**4**	**533**	**827**

Statement of Balances as at 31 March 2015

	Notes	2014-15 £'000	2013-14 £'000
Funds awaiting clearance	**4**	**131**	**239**
Cleared funds awaiting distribution	**4**	**402**	**588**
Balance on bank account		**533**	**827**

The notes on pages 187 to 192 form part of these accounts.

Andrew Hamilton
Accounting Officer

30 June 2015

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 and Personnel.

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 £96k (2013/14: £84k) and is included within the Special Payment Costs in note 5 to the Resource Accounts and Losses and Special Payments in note 21 of the Resource Account.

2.4 The payments to the Department of £638k, include payments of £538k (2013/14 £660k) 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 £80k of enforcement and collection charges 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 2014-15 (2013-14 £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 2015

5.1 Under the Accounts Direction, issued by the Department of Finance and Personnel, 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 2015. 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 18 months.

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 has 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 £5.1m has been written off under these powers across the 1993, 2003 and 2012 schemes in the financial year.

Note 6.1 Outstanding Maintenance Arrears as at 31 March 2015

	1993 Scheme (CSCS) £'000	2003 Scheme (CS2) £'000	Legacy Arrears hosted on 2012 Scheme £'000	2012 Scheme £'000	Total £'000
Opening balances as at 1 April 2014	28,052	50,465	76	225	78,818
Transfer between schemes (Note a)	(20)	(486)	506	-	-
Write Off (Note 6.3iii)	(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 schemes relates to movement of arrears balances from 1993 and 2003 schemes to the 2012 scheme.

Note b

Maintenance adjustments include outstanding maintenance arrears transferred to and from the Child Maintenance Group in Great Britain, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due.

Note 6.2 Outstanding Maintenance Arrears as at 31 March 2014

	1993 Scheme (CSCS) £'000	2003 Scheme (CS2) £'000	Legacy Arrears hosted on 2012 Scheme £'000	2012 Scheme £'000	Total £'000
Opening balances as at 1 April 2013	**29,668**	**51,841**	**-**	**-**	**81,509**
Transfer between schemes *(Note a)*	(19)	(45)	76	-	12
Write offs *(Note 6.3iii)*	(225)	(504)	-	-	(729)
Maintenance Charged in Year	2,412	25,000	-	448	27,860
Maintenance Adjustments *(Note b)*	(1,373)	(9,620)	-	(20)	(11,013)
Maintenance Received in Year	(2,411)	(16,207)	-	(203)	(18,821)
Closing balances as at 31 March 2014	**28,052**	**50,465**	**76**	**225**	**78,818**
Collectability analysis					
Likely to be collected	5,816	13,696	76	225	19,813
Possibly uncollectable	3,221	6,929	-	-	10,150
Probably uncollectable	19,015	29,840	-	-	48,855
	28,052	**50,465**	**76**	**225**	**78,818**

Note a

Transfer between schemes relates to movement of arrears balances from 1993 and 2003 schemes to the 2012 scheme.

Note b

Maintenance adjustments include outstanding maintenance arrears transferred to and from the Child Maintenance Group in Great Britain, and adjustments arising from cancelled or terminated assessments; or where the liability has been reduced, for example, as a result of a direct payment between parties offset against the maintenance due.

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 2014/15 was £24.59m (2013/14: £27.86m); 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 2014/15 totalled £12.76m (2013/14: £11.01m); this increase is attributable to an increase in 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 £5.11m being written off on 1993, 2003 and 2012 schemes in 2014/15 (2013/14: £0.73m); this increase is primarily as a result of an increased 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 2014/15 was £16.54m (2013/14: £18.82m). 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 Developement

Child Maintenance Service

Client Funds Account

2014-15

Introduction

1. The Child Maintenance Service (CMS) is a Division within the Department for Social Development (the Department). 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 and Personnel (DFP) to prepare a CMS Client Funds Account. This is a receipts and payments account showing mainly receipts of child maintenance from non-resident parents (NRP) and payments made to persons with care (PWC) 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 13); and

   - on the accuracy and completeness of the outstanding maintenance arrears at 31 March 2015 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 £69 million (see paragraphs 14 to 19).

   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. 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 2014-15 the level of error was 2 per cent as set out in Table 1 below.

Table 1: Cash Value Accuracy[1] of Maintenance Assessments

	2010-11	2011-12	2012-13	2013-14	2014-15
Cash Value Accuracy	96.0%	96.4%	96.5%	98.1%	98.0%
Cash Value Accuracy Target	97%	97%	97%	97%	97%
Level of error	4.0%	3.6%	3.5%	1.9%	2.0%

Source: Case Monitoring Team (CMT)

9. 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.

10. 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.

11. I note that the level of error has increased slightly from 1.9 per cent last year to 2 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 increase and whether the target should now be amended to reflect the fact that it has been met for the past two years.

12. The Department told me although the level of error has increased slightly from the prior year, given the significant reform changes during the year the achievement of a 98 per cent 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, it reflects the significant investment the Department has continued to make in its people with extensive training and coaching provided throughout the year. The cash value accuracy target for 2015-16 has been reviewed and based on the potential budgetary constraints faced, the impact of the case closure programme and the increased volume of 2012 cases, the Department has maintained the cash value accuracy target at

1 Cash Value Accuracy is a measure of the number of correct assessments against the number of incorrect assessments for CSCS and CS2 cases only. It does not include CMS 2012 cases which will be reported in 2015-16.

97 per cent which continues to represent a challenging target for the Child Maintenance Service.

13. I note that the cash value accuracy figure of 98 per cent does not include any CMS 2012 cases. Whilst the Department carried out an initial exercise on some CMS 2012 cases, this was not to determine the cash value accuracy. I understand that cash value accuracy rates for the new CMS 2012 scheme will be fully tested and reported in 2015-16.

Disclaimed Audit Opinion - Note 6.1 Outstanding maintenance arrears

14. 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:

Table 2: Outstanding Maintenance arrears

System	At 31 March 2013 £'000	At 31 March 2014 £'000	At 31 March 2015 £'000
Child Support Computer System (CSCS) introduced 1993	29,668	28,052	22,653
Child Support 2 (CS2) introduced 2003	51,841	50,465	45,201
Child Maintenance Scheme 2012 (CMS 2012) introduced December 2012	-	301	1,145
Total	**81,509**	**78,818**	**68,999**

Source: CMS Accounts 2014-15

The total of £69 million represents the cumulative amount of arrears since child support arrangements were established in 1993, being the amounts owed by the NRP to the PWC. Current legislation only allows the Department to write off arrears in very limited circumstances, for example where the PWC 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 £5.1 million of outstanding arrears being written off in 2014-15 (2013-14: £0.7 million) and I asked the Department to comment on its plans to reduce maintenance arrears further in the future.

15. The Department told me the significant reduction in the outstanding maintenance arrears in 2014-15 has been achieved primarily through case preparation activities undertaken during the year in advance of case closure[2]. As part of these activities a review of approximately 20,000 cases was completed with Parents with Care contacted to discuss the upcoming child maintenance reform changes. Options relating to any outstanding arrears balances were included in these discussions with a significant number of Parents with Care requesting for their arrears not to be pursued and therefore to be written off. As these case preparation activities have now been completed, the Department does not expect a significant reduction in maintenance arrears in the coming year as the proactive case closure journey for many cases is now well underway. 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).

2 Case closure refers to the ending of liabilities on cases in the 1993 and 2003 schemes, requiring parents to choose between making their own, family-based arrangement and applying to the 2012 Scheme.

16. The CSCS and CS2 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 2015 comprises numerous individual cases and is only able to be derived from these two legacy systems, by 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 £69 million outstanding maintenance arrears balance, my examination of this amount was severely limited as there is no reliable evidence available to support the arrears balances relating to the CSCS and CS2 systems.

17. 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, I note that some manual adjustments are still required to produce the CMS 2012 maintenance arrears balance. There were approximately 8,000 cases on this system at the end of March 2015 with an outstanding maintenance arrears balance of £1.15 million. This balance of arrears is not significant in comparison to the £69 million total of outstanding maintenance arrears at note 6.1 and for that reason the note is still disclaimed.

18. 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.

19. 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. I consider it important that the issues which have given rise to my qualification are addressed and 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 it to focus recovery action in non-compliant cases and with the implementation of CMS 2012, the significant improvements delivered to date have enabled it to provide an accurate arrears listing for CMS 2012 cases. The availability of this arrears listing enables the Department to meet the requirement of Recommendation 10 of the 2008 Public Accounts Committee report[3] for CMS 2012 cases.

Other issues

Outstanding maintenance arrears and its collectability

20. The Department has assessed that £56 million is considered to be probably and possibly uncollectable following a collectability review during 2014-15. 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.

21. The Department told me the arrears balance on the Client Funds Account has been accumulating since 1993 and as this balance ages, it becomes increasingly difficult to collect. In addition, there is a significant percentage of paying parents who remain on benefits (33 per cent as at 31 March 2015) from whom the Department's ability to collect arrears is limited. The protection applied to benefits received by paying parents result in the Department being unable to collect arrears from Income Based benefits and only being able to collect a maximum of £1 per week on Contribution

3 Report on Northern Ireland Resource Accounts – Northern Ireland Child Support Agency Client Funds 2003-04 – 2006-07

Based benefits. These limitations have a negative impact on the collectability of arrears on benefit cases. 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.

22. The Department has also told me that these limitations have a direct impact on its ability to collect outstanding maintenance arrears, which in many cases date back to the 1993 scheme. In addition, £10.3 million 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

23. 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 11 per cent of its arrears cases and that the total number of cases where enforcement powers have been used have again decreased in 2014-15. I would encourage the Department to increase its utilisation of these powers and I asked the Department to comment on this.

24. The Department told me that the number of cases contributing to current liability is at an all-time high of 92 per cent as at 31 March 2015. By ensuring more parents pay the child maintenance they owe not only in full, but also on time, the Department has indicated that 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. The Department has also told me that this improvement in collections has also reduced the requirement to refer cases to its 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 generally.

25. The Department has also told me that it continues to work closely with the Enforcement of Judgements Office (EJO) to take enforcement action were appropriate in cases where parents are unwilling to meet child maintenance responsibilities and deliberately avoid making payments. The Department has told me that whilst it 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, it will also focus on securing more positive outcomes for children through family-based arrangements.

Table 3: Cases where enforcement powers have been used by CMS

Enforcement Powers	2011-12 Number	2012-13 Number	2013-14 Number	2014-15 Number
Deductions from earnings orders[1]	4,124	3,839	3,718	2,682
Liability orders[2]	157	76	86	118
Lump Sum Deduction orders[3]	62	117	95	115
Regular Deduction orders[4]	10	35	31	29
Application to courts to force property / land to be sold	1	0	0	0
Total	**4,354**	**4,067**	**3,930**	**2,944**
Number of cases in arrears	**30,900**	**30,455**	**31,481**	**25,715**
Percentage of cases where enforcement powers are in place	**14.1%**	**13.4%**	**12.5%**	**11.4%**

Source: CMS

IT Systems

26. I acknowledge that the Department's problems are due in part to inadequate and poorly performing IT systems developed by the GB child maintenance body. The Department has previously told me that the underlying and fundamental weaknesses in both CSCS and CS2 cannot be addressed, resulting in these systems being not fit for purpose and that the underlying problems would be too costly to put right.

27. The Department introduced its new CMS2012 scheme during 2012 and since 25 November 2013 all new cases are being processed through this scheme and application to the CS2 scheme effectively ceased. During 2014-15, as part of the second phase of the reform programme, CMS commenced with the ending of liabilities on cases in the 1993 and 2003 schemes, requiring parents to choose between making their own, family-based arrangement or 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 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.

28. 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 CMS2012 scheme. The Department told me there are controls in place to ensure that arrears balances transition accurately from the legacy systems to the 2012 Scheme. 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. 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 and is on schedule for completion by the end of March 2018.

1 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.
2 Liability orders are the first step to other civil enforcement measures using the Court system.
3 Lump sum deduction orders can be attached to savings accounts to recover child maintenance arrears.
4 Regular deduction orders are used to collect arrears at regular intervals.

29. 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.

Conclusion

30. 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 £69 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

2 July 2015

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