SOCIAL SECURITY AGENCY

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Social Security Agency

Annual Report & Accounts

2014-2015

An Agency wit in the Department for
Social Development

INVESTORS IN PEOPLE

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Social Security Agency
Annual Report and Accounts
For the year ended 31 March 2015

Laid before the Northern Ireland Assembly under section 11(3) (c) of the Government Resources and Accounts Act (Northern Ireland) 2001 by the Department for Social Development
on

2 July 2015

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Chief Executive's Report

I am pleased to present the Social Security Agency's Annual Report and Accounts for 2014-15.

This has been a particularly challenging year for the Agency with the continuing delay in the passage of the Welfare Reform Bill and an increasingly difficult financial environment. Despite these challenges, Agency staff delivered against our targets and made a significant contribution to helping many people change their lives for the better.

In terms of financial accuracy of the major benefits, the Agency achieved or achieved within intervals, the targets set for five of our major benefits with the only exception being in Employment and Support Allowance, which achieved 97% against a target of 98%. The Employment and Support Allowance team are working closely with the Agency's Error Reduction Division to improve future performance to achieve their targets.

The Agency achieved its clearance time targets in five out of the six major benefits with only the clearance target for Disability Living Allowance claims not being achieved, with an outturn of 38 days against a target of 35 days. There were a number of factors which led to this target not being achieved, including a 16% increase in fresh claims from the 2013-14 intake, as well as delays with the Assessment Provider in arranging medical examinations. The formal recovery plan continues to be implemented, as well as the revised Atos recovery plan, which continues to target new Disability Living Allowance cases.

It is important to recognise the efforts of staff across the Agency in delivering these high levels of performance. I am also very proud to say that the Agency became the first public sector organisation in Northern Ireland to obtain the Association for Project Manager's Corporate Accreditation. The Association for Project Management (APM) is committed to developing and promoting project and programme management.

Improving the Uptake of Benefits is a key building block in the 2011-2015 Programme for Government. 'Maximising Incomes and Outcomes,' which is our three year plan for improving the uptake of benefits, last year generated approximately £14.2m in additional income for over 4,000 people in Northern Ireland. These people are now on average £62 better off per week.

During the past year we have continued our focus on tackling fraud and error. The implementation of the Agency's Benefit Security Strategy has been instrumental in reducing fraud and error to significantly low levels. Social security benefit loss through fraud and error (over payments) had fallen to a record low of 0.9% in 2011 and has remained at that level for 3 consecutive years. During 2014, staff working in customer error and official error maintained or further improved their respective performance figures in 2013. Customer fraud increased by 0.17% in 2014, with the estimate rising from 0.3% of expenditure in 2013 to 0.5%. This is mainly due to claimants failing to properly declare earnings and income.

There have also been a number of significant service improvements during the past year including the completion of phase one of the Castle Court refurbishment programme, commencement of the building of a refurbished Jobs & Benefits office for Strabane; the ongoing work to complete the two Universal Credit centres in Foyle and Newry Jobs & Benefits offices; completion of the reassessment of the final tranche of the 83,000 Incapacity Benefit customers and the ongoing Agency's Telephony Strategy which will have a key role in shaping future services. I would like to thank not only those staff involved with implementing these changes, but to all staff for continuing to deliver a high quality service in the midst of additional changes to how we do our work.

The Agency is committed to ensuring our staff have the appropriate skills and knowledge not only to undertake their work but also to work directly with our customers. During the past year we fulfilled our commitment to ensure all of our staff had an average of three days training and development. This year we also continued the roll out of a Leadership Programme for middle managers in the Agency to provide them with skills required to lead staff through the major reform programme which will impact the Agency over the next few years.

As part of our continued commitment to corporate responsibility, Agency staff during 2014-15 arranged over 160 local fundraising events including raffles and coffee mornings. A total in excess of £63,000 was raised for 59 good causes and charities such as NI Hospice, Macmillan Cancer Support, Chest Heart and Stroke Association, Marie Curie, Tiny Life and CLIC Sargent.

During 2014-15 a total of 193 Agency staff participated in 10 Employer Supported Volunteering challenges hosted by Business in the Community. In addition 19 Agency staff were also seconded to voluntary bodies including the Prince's Trust. These secondments were focused on making a positive contribution to the community.

Looking forward, 2015-16 will be a significant year of change for the Agency, as we continue to deliver and implement quality services whilst also implementing a major programme of welfare changes and modernisation.

Our vision is to '**Help people change their lives for the better**' which we are trying to achieve through the delivery of quality public services. We are here to support those people in Northern Ireland who are vulnerable and need financial assistance, and to help people in their journey back into work. As an Agency we will work in partnership with others and will strive to ensure our customers feel supported when they come into contact with our staff.

Thomas O'Reilly

TOMMY O'REILLY
CHIEF EXECUTIVE
24 JUNE 2015

Social Security Agency

Part 1

Management Commentary

Strategic Report

History and Statutory Background

The Agency was established as an Executive Agency of the Department of Health and Social Services on 1 July 1991. On the 2 December 1999, the Agency ceased to be part of the Department of Health and Social Services and became part of the newly formed Department for Social Development (DSD). The Assembly is the prime source of authority for all devolved responsibilities and has full legislative and executive authority. Mervyn Storey MLA replaced Nelson McCausland MLA as the Minister for the Department for Social Development on 23 September 2014.

The Social Security Agency Annual Report and Accounts are presented to comply with a direction issued by the Department of Finance and Personnel (DFP) in accordance with section 11(3) of the Government Resources and Accounts Act (Northern Ireland) 2001.

The Agency is currently managed by a four member Board which, at year end, comprises a gender split of three males and one female.

The Business

The Agency's main business is to:

- assess and pay social security benefits accurately and securely
- give advice and information about these benefits
- support people by helping them move closer to work
- deliver Welfare Changes
- process benefits reviews and appeals
- prevent and detect benefit fraud, prosecute offenders and recover any benefit which has been paid incorrectly
- recover benefit which has been paid in compensation cases
- assess people's financial circumstances if they are applying for legal aid
- provide services to customers in Great Britain on behalf of the Department for Work and Pensions (DWP)

The Agency delivers its services to:

- the people of Northern Ireland, with a population of some 1.8 million
- the people living in three Districts within London.

Annex 1 provides more detail on the Agency's Role and Responsibilities.
Annex 2 provides details on How to Contact Us.

Social Security Agency Balanced Scorecard 2014-15

The Agency's Balanced Scorecard has its origins in the Department for Social Development's Corporate Plan. This Plan sets the context in which we will be operating and how we contribute to improving the quality of life and well-being of society in Northern Ireland, linking to the Programme for Government aims and priorities 2011-2015 and our contribution to the Executive's aim to **'build a shared and better future for all'.**

Information on all other departmental commitments is included in the DSD Business Plan for 2014-15 under the three key themes of Housing, Welfare Reform and Strengthened Communities and Vibrant Urban Areas.

The DSD Corporate Plan 2011-15 and Business Plan 2014-15 can be accessed via: **www.dsdni.gov.uk**

Our Balanced Scorecard sets out the Agency's Strategic Objectives that challenge us in terms of working directly with our customers and key stakeholders to inform and shape welfare policy and operational delivery; working towards the launch and implementation of our reform programme; taking forward a range of projects to modernise services and improve accessibility; and commitments to improving how we manage and develop our staff.

"Helping people improve their lives for the better"

The Strategic Objectives relate to our key themes of:

- **Reform and Modernisation**
- **Quality Customer Services**
- **Performance and Accountability**

Our Vision and Values:

VISION

" **Helping people improve their lives for the better** "

VALUES

- **We act fairly and honestly**
- **We are connected**
- **We are proud of what we do**
- **We deliver quality services**

The Agency's Balanced Scorecard is underpinned by our Strategy Map which is a visual representation of how our Vision and Values link to our Key Themes. These are in turn supported by detailed Directorate Scorecards. During 2014-15 the Agency Management Board and the Minister received quarterly progress reports against the Corporate Balanced Scorecard targets. Progress is also communicated to our staff through internal communications and to other stakeholders as appropriate.

A copy of our Strategy Map can be found in **Annex 3**.

Key Performance Achievements - Overview

Financial Accuracy

Five of our six main benefits achieved their financial accuracy target. Disability Living Allowance at 99.7% and State Pension at 99.8% both exceeded their 99% accuracy target. Jobseeker's Allowance and Income Support met their 99% targets within statistical tolerance intervals with outcomes of 98.9% each. State Pension Credit showed a significant

improvement from its 2013 result of 97.1% and exceeded its 98% target in 2014 with a result of 98.1%. The Employment and Support Allowance target of 98% was not achieved; the year end performance of 97% was a marginal improvement on the 2013 result of 96.9%.

Clearance Times

Five out of the six main benefits exceeded their claims clearance target including a noteworthy outcome in State Pension with an achievement of 5.2 days against a target of 7 days. Disability Living Allowance continued to experience an increase in applications, a 16% increase on the 2013-14 intake, and as a result marginally missed its target with 38 days achieved against a target of 35 days.

Fraud and Error

The implementation of the Agency's Benefit Security Strategy has been instrumental in reducing fraud and error to significantly low levels.

Social security benefit loss through fraud and error (overpayments) had fallen to a record low of 0.9 % in 2011 and remained at that level for three consecutive years. The overpayments target, to sustain or reduce the total for overpayments reported in 2013, was not achieved. Overall loss has increased marginally from 0.9% to 1.0% in 2014, but continues to represent strong performance which is class leading when benchmarked against comparable organisations.

In terms of underpayment performance, the target to sustain or reduce the total, as a % of overall expenditure, against the 0.4% figure reported in 2012 was not achieved. The 2014 result of 0.6% missed the target by 0.2%.

During 2014, customer error and official error maintained or further improved their respective performance figures in 2013. Loss from official error reduced to 0.3% (£17.4m) of benefit expenditure in comparison to 0.4% (£21.1m) of expenditure in 2013. Over the same period, loss from customer error was maintained at just 0.2% (£9.3m) of benefit expenditure.

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.

Performance against Balanced Scorecard Targets

BALANCED SCORECARD TARGET	YEAR END RESULT
BUSINESS PERFORMANCE	
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
By 31 December 2014, to have implemented the new Financial Support Service provision.	Partially Achieved
By 30 September 2014, to have completed the reassessment of all Incapacity Benefit claims.	Achieved
By 31 March 2015, to have implemented Year 2 of the Benefit Uptake Plan for maximising Incomes and Outcomes.	Achieved
By 31 March 2015, to have achieved average actual clearance times in the following benefits: Income Support - 8 days Jobseeker's Allowance – 11 days State Pension – 7 days State Pension Credit - 9 days Disability Living Allowance – 35 days Employment and Support Allowance – 14 days	IS 7.4 days Achieved JSA 10.4 days Achieved SP 5.2 days Achieved SPC 8.2 days Achieved DLA 38.0 days Not Achieved ESA 13.8 days Achieved

By 31 March 2015, to have achieved the following financial accuracy targets of total expenditure for: Income Support - 99% Jobseeker's Allowance – 99% State Pension – 99% State Pension Credit - 98% Disability Living Allowance – 99% Employment and Support Allowance – 98%	IS 98.9% Achieved within tolerance interval JSA 98.9% Achieved within tolerance interval SP 99.8% Achieved SPC 98.1% Achieved DLA 99.7% Achieved ESA 97.0% Not Achieved
To have contract management arrangements in place for Soft Facilities Management and Facilities Management Service one month prior to go-live.	Achieved
By 31 March 2015, to have completed an assurance mapping exercise to enhance the way the Agency reports key Corporate Risks.	Achieved
By 31 March 2015, to have taken forward a programme of improvement activities arising from the EFQM feedback report.	Achieved
By 31 March 2015, to have implemented the recommendations following the Strategic Outlook Forum's review of Reward and Recognition, Targets, Guidance and Appeals.	Partially Achieved
By 31 March 2015, to have developed a programme of work in relation to Operational Delivery Profession.	Achieved
By 30 June 2014, to have implemented a programme of activities under 'Rising to the Challenge'.	Achieved

CUSTOMERS	
By 31 March 2015, to have completed a programme of customer insight research.	Achieved
By 30 September 2014, to have developed a Welfare Reform Employer Engagement Strategy.	Achieved
By 31 March 2015, to have completed four Omnibus surveys.	Achieved
By 31 March 2015, to have completed a programme of research to measure and understand customer perceptions and satisfaction in relation to the services being delivered by the Agency.	Achieved
By 31 December 2014, to have completed the evaluation of the Innovation Fund for improving the uptake of benefits.	Achieved
By 31 December 2014, to have put in place pilot arrangements with the Credit Unions to test how best they can modernise their services and improve their mode of operations.	Achieved
By 31 March 2015, to have worked collaboratively with the Northern Ireland Advice Service Consortium (NIASC) to develop a programme of work to support Welfare Reforms.	Partially Achieved
By 31 March 2015, to have undertaken a programme of work under the Customer Contact Strategy to better prepare customers for Digital and Telephony based service.	Achieved

By 31 March 2015, to have a second Universal Credit Service Centre ready for service.	**Achieved**
By 31 March 2015, to ensure that the Agency has delivered its services within acceptable budget tolerances of 0% overspend and no more than a 2% underspend.	**Achieved**
By 31 March 2015, to ensure that the Agency achieves its Savings Delivery Plan target of £17.07m.	**Achieved**
By 31 March 2015, we will recover £81m of debts in respect of benefit overpayments and outstanding Social Fund loans.	**Achieved**
By 31 March 2015, to have implemented phase 2 of the Single Investigation Service.	**Partially Achieved**
By 31 March 2015, to have sustained or reduced the total for overpayments, expressed as a % of overall expenditure, against the 0.9% figure reported in 2013.	**Not Achieved**
By 31 March 2015, to have sustained or reduced the total for underpayments, expressed as a % of overall expenditure, against the 0.4% figure reported in 2012.	**Not Achieved**

INTERNAL PROCESSES	
By 31 December 2014, to have implemented Year 1 Action Plan for Telephony Strategy.	Partially Achieved
By 31 March 2015 to have launched a Debt Management Contact Centre, delivering improvements to customer contact through enhanced telephony.	Achieved
By 31 March 2015 to have considered and taken forward the recommendations from Dr Litchfield's 4th report on the Work Capability Assessment (WCA).	Achieved
By 31 March 2015, to have rolled out Mail Opening, Scanning and Image Circulation (MOSAIC) against the agreed timetable.	Achieved
By 31 March 2015, to have completed a programme of enabling activities to support the Agency's application for Association of Project Management (APM) accreditation during 2015-16.	Achieved
By 31 December 2014, to have ensured that, where appropriate, all projects are using the Change Management Framework.	Achieved
By 30 September 2014, to have implemented the Welfare Reform Resourcing Model for future resource planning in the Agency.	Achieved
By 30 September 2014, to have developed improved benefit liveload forecasting models for Employment and Support Allowance.	Partially Achieved

By 31 March 2015, to review and update the strategic AME profile covering the period to 2019-20 to reflect developments in Welfare Reform.	Achieved
By 31 March 2015, to review and update the strategic DEL profile covering the period to 2019-20.	Achieved
By 31 March 2015, to have implemented the recommendations following the review of Security Arrangements in the following areas: Audit Trail Analysis System (ATAS) delivery Minor security breaches Information asset controls Uniformity of sanctions Third party provision (testing arrangements)	Achieved
By 31 March 2015, to have agreed Business Continuity arrangements for the new Debt Centre and Personal Independence Payment and Employment and Support Allowance benefits.	Achieved
By 31 March 2015, to have tested the revised Business Continuity arrangements for the Agency's three major processing centres.	Achieved
By 31 March 2015, to have achieved at least a satisfactory Head of Internal Audit opinion in respect of the Agency's overall risk management, control and governance framework.	Achieved

ORGANISATION AND PEOPLE	
By 31 March 2015, to have developed and implemented cultural action plans to embed the Agency's Vision and Values across all business areas.	Achieved
By 31 March 2015, to have put in place revised organisational structures to implement the new telephony strategy to support enhanced service delivery.	Partially Achieved
By 31 March 2015, we will have provided staff with an average of three days learning and development (L&D) opportunities.	Achieved
By 31 March 2015, to have commenced the implementation of a programme of learning and development to support and facilitate the delivery of Welfare Reform whilst assisting business areas maintain continuity of service.	Achieved
By 31 December 2014, to have carried out a review of the SO/DP Leadership Development Programme.	Achieved
By 30 September 2014, we will have commenced the roll out of ILM 7 for all G7s appointed in the past three years.	Achieved
By 31 March 2015, we will have implemented a programme of Organisational Development for members of the Strategic Outlook Forum.	Partially Achieved
By 31 March 2015, to have implemented the Health and Wellbeing action plan.	Achieved
By 31 March 2015, to have achieved the sick absence target of 10.7 days.	Not Achieved
By 31 March 2015, to have improved the level of employee engagement, as measured by the Staff Engagement index score, by 5% on the March 2013 results.	Achieved
By 31 March 2015, to have introduced mechanisms to ensure that the Agency communicates effectively with AA, AO and EOII grades on relevant issues.	Achieved

Key Financial Results

Close monitoring and sound forecasting throughout the year enabled the Agency to live within the allocated budget.

The table below shows how much we spent against budget for 2014-15. These exclude non-cash costs.

		BUDGET (in £ millions)	RESULT (in £ millions)
Resources Budget	For Northern Ireland Services	£176.2	£174.2
	For Great Britain Services	£18.1	£18.1
Capital Budget	For Northern Ireland Services	£0.4	£0.2
	For Great Britain Services	Nil	Nil
Total Budget/Result		**£194.7**	**£192.5**

The Agency is committed to a prompt payment to businesses within 30 days. The percentage of payments made on time by the Agency in 2014-15 is 98.03%.

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.**"

During 2014-15, 93.5% of payments were paid within 10 days.

Sustainability Report

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

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.

Within DSD these requirements, including those for the Social Security Agency, are maintained and monitored through a centralised corporate support function.

A Sustainability Report is produced by the Department and this is contained within its 2014-15 Resource Accounts. The DSD Action Plan can be accessed on the DSD Internet Site in the following location:

http://www.dsdni.gov.uk/dsd-sustainable-development-action-plan.doc

Key Risks

A robust risk management process is in place to ensure that the risks faced by the Agency are identified, managed and that appropriate controls are in existence and utilised accordingly.

At the beginning of 2014-15 Agency Management Board (AMB) conducted an end of year review of its Corporate Risk Register for 2013-14, alongside the Agency's Balanced Scorecard for 2014-15, and agreed the key corporate risks for 2014-15. One new risk area was identified in relation to planning for future spending. As part of the on-going review of the Agency's risks, in-year, two risks were added to the Risk Register, relating to the progress of the Agency's reform and modernisation projects and potential for significant staff surpluses; and contingency plans to manage the impact of the Welfare Reform Bill delay.

In line with the Risk Management Framework we continued to escalate the existing risk in relation to Human Resources policies and strategies for welfare changes and also the newly identified contingency plans risk to the Departmental Board. Agency Management Board was content that the remaining risks could be adequately managed via the Agency's risk management arrangements.

Details of our corporate governance and risk management arrangements are included in the Governance Statement on pages 77-88.

Stakeholder and Customer Insight and Engagement

In order to inform and shape policy development, communication and operational delivery, the Agency is committed to advancing its customer insight research.

A portfolio of research for the Agency has been developed, alongside a network of relationships with customer representative groups and various stakeholders such as the community and voluntary sector. This provides the Agency with greater information on which to base its future services and meet the needs of its customers.

Throughout the year, there has been regular engagement at a senior level with representatives of the independent advice sector to consider strategic and operational issues and the impact of Welfare Changes for the sector.

The Agency remains committed to improving the uptake of benefits across client groupings including older people, those with a disability, carers and their families to ensure that they receive the financial assistance, services and support to which they are entitled.

Our People

At year end there were 4,969 staff employed in the Agency which comprises a gender split of 3,028 female staff and 1,941 male staff.

As detailed in the 'Organisation and People' perspective of our Balanced Scorecard, page 15 we set a number of specific targets for

2014-15 around transforming our structure and culture, supporting our people, building a strong team of leaders and having staff who are motivated and informed. These were underpinned through a commitment to provide staff an average of three days training and development opportunities. At year end we achieved our training target and rolled out the Institute of Leadership Management (ILM) course for all Grade 7s appointed in the last three years.

During the year we developed a programme of work in relation to Operational Delivery Profession (ODP). This included the establishment of an ODP Champions network and the mapping of operational delivery roles in the Agency against skills families.

We also recognise the need to support our staff through the reform and modernisation changes and during the year we continued our programme to embed a range of interventions to build capability and capacity including, an Internal Communications Strategy, a Change Management Framework and a culture change programme.

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. We use a range of tools in conversation with staff. These include Team Time, Staff Attitude Surveys, Board Walk, Board Talk, The Zone and HTML emails.

The Agency continues to support the health and wellbeing of its staff. We embrace the DSD WELL Programme, encouraging our people to take responsibility for their health and wellbeing.

The Programme is designed on the wider NICS WELL Programme and it contributes to the delivery of the NICS People Strategy. It aims to provide support, education and information on a wide range of health and wellbeing issues, and engages and empowers our people to improve their wellbeing and that of others. This provides a clear focus for staff and managers to maintain and promote healthy lifestyles, and manage sick absence. Throughout this period, Agency staff have been able to access information and attend a range of events at NICS-wide, Departmental, and local level, all of which have been positively received.

Future Developments

The Agency will continue its focus on delivering quality public services by ensuring financial support is available to people who find themselves out of work, are too ill to work or who have a disability which impacts on their ability to work. We will also ensure that pensioners receive the level of pension to which they are entitled and, we will continue to provide financial assistance to people in real need or who face financial emergencies.

In addition, we will continue to prepare for the delivery of the proposed changes to the social security system as set out in the Northern Ireland Welfare Reform Bill (NI) 2012. Whilst there remains significant uncertainty as to the legislative mechanisms by how these changes will be implemented, we need to continue to plan to support our staff through the changes ahead and will continue to embed the required interventions to build capability and capacity including, an Internal Communications Strategy, a Change Management Framework and a Culture Change Programme.

The Agency is continuing to develop its processes to meet the requirements of the new cap on welfare spending which was confirmed by the UK Chancellor's Budget Statement of 19 March 2014. The cap which is set at a UK level is intended to ensure that welfare spending remains sustainable. Although 2014-15 was effectively a dry run, at Autumn Statement 2014 the Office for Budget Responsibility (OBR) judged the Government to be on course to keep spending within the permitted margins of the cap set in the March 2014 Budget. The cap will apply formally from 2015-16 and performance will next be assessed at Autumn Statement 2015.

We will continue to work with the Department for Work and Pensions and Department of Finance and Personnel to gain a better understanding of the Welfare Cap and its application in Northern Ireland.

I note the ongoing issues in respect of the budgetary position within Northern Ireland for the 2015-16 financial year, and I continue to monitor the situation within the context of financial support to the Agency and the provision of benefits and services to our customers.

Further information in relation to **Customer Services, Our People and Future Developments** is provided on pages 38-53.

TOMMY O'REILLY
CHIEF EXECUTIVE
24 JUNE 2015

Directors' Report

Our Organisation

The Agency is managed by a four-member Board and at year end 4,969 staff were employed in the Agency. The majority of benefits are delivered through a number of service centres; these are Disability and Carers Benefits, Incapacity Benefits, Employment and Support Allowance, State Pension and State Pension Credit. Income Support, Jobseeker's Allowance and Social Fund are delivered through our network of 35 local offices. Services are also provided through the Benefit Shop in Belfast City Centre and a number of support branches. The Belfast Benefit Centre provides services for the Department for Work and Pensions (DWP) in Great Britain.

We work under the terms of a framework document, which sets out our relationship with the Minister and the Department.

Members of the Agency Management Board during the year were:

Conflicts of Interest

There have not been any company directorships or any other significant interests held by board members which would conflict with their management responsibilities.

Pension Schemes and Associated Liabilities

Present and past employees of the Agency are covered by the Principal Civil Service Pension Scheme (Northern Ireland) (PCSPS (NI)) which is an unfunded and essentially non-contributory defined benefit scheme. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS (NI). The Agency makes employer contributions towards the cost of pension cover for its staff and these are charged to the Statement of Comprehensive Net Expenditure. There is a separate scheme statement for the PCSPS (NI)

Chief Executive	**Tommy O'Reilly**
Director of Finance and Commercial Services	**Joyce Bill**
Director of Pensions, Disability and Corporate Services	**John McKervill**
Director of Working Age Services and Universal Credit (from November 2014)	**Brian Doherty**
Director for Universal Credit (until October 2014)	**Brian Doherty**
Director of Working Age Services (until October 2014)	**Pat Magee**
Director of Organisational Change (until October 2014)	**Geraldine Brereton**

as a whole. Further details are provided in the Remuneration Report (Part 2) and in notes 1.15 and 2.1 to the accounts.

Political and Charitable Donations

The Agency made no political or charitable donations during the year.

Audit

These accounts have been audited by the Comptroller and Auditor General for Northern Ireland whose Certificate and Report appear on pages 89 and 185 respectively. The notional audit cost is shown in Note 3 to the accounts. There was no remuneration paid for non-audit work during the year. As Accounting Officer, so far as I am aware, there is no relevant audit information of which the auditors are unaware.

I have taken all the steps that I ought to have taken to ensure that I am aware of any relevant audit information and to establish that the auditors are aware of that information.

Financial Risk Management

In relation to financial instruments the Agency's financial risk management approach is as follows:

Liquidity Price Risk

The Agency's Resource and Programme expenditure requirements are financed by funds voted by the Northern Ireland (NI) Assembly and Parliament as is its non-current asset expenditure. It is not, therefore, exposed to significant liquidity risks.

Credit Risk

The Agency 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 Agency has an active recovery process in place in relation to these receivables and details of this process are in Note 1.3.

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 is the amount of the receivable or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Agency is exposed to is the balance of the net Benefit Overpayment Receivables and the net Social Fund Loans, disclosed in Note 13 of the accounts.

For Benefit Overpayment Receivables this risk is limited to the extent that the receivable can be recovered from benefit payments for example 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 Agency has an active recovery process in place, in order to maximise the amounts recovered.

The economic downturn and the resultant progress of recovery may impact on the amount of credit risk the Agency is exposed to for future reporting periods. This may potentially impact on the progress of recovery of Benefit Overpayment Receivables and Social Fund Loans from customers.

Statement of Financial Position	Gross Receivables £'000	Impairment & Discounting Debt £'000	Net Receivable £'000
Receivables (amounts falling due less than one year): Note 13.1			
Contributory Benefits	903	(197)	706
Non-contributory Benefits	7,385	(1,990)	5,395
Funeral Loans	185	(2,920)	(2,735)
Other Loans	52,591	(502)	52,089
CRU Debt	695	(250)	445
Salary Overpayments	141	(134)	7
Receivables (amounts falling due more than one year): Note 13.2			
Contributory Benefits	12,019	(8,722)	3,297
Non-contributory Benefits	93,056	(53,307)	39,749
Funeral Loans	4,854	(1,851)	3,003
Other Loans	41,001	(2,959)	38,042
	212,830	(72,832)	139,998

Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Agency 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.

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 on the Agency/Department since the balance sheet date. This is a non-adjusting event and consequently there is no adjustment to the 2014-15 accounts. The latest estimate of the cost to the Department is £11.425m

Staff Engagement

As a key business priority, the Agency is committed to improving staff engagement and embedding its vision and values. The Internal Communications Strategy was updated this year to better reflect the improvements made to our internal engagement throughout the year. The Strategy sets out how and why we communicate the way we do.

We use a range of tools in conversation with staff. These include Team Time, Staff Attitude Surveys, Board Walk, Board Talk, The Zone and HTML emails. We measure our communication through a variety of measures and are continually looking for ways to build on our progress.

Managing Attendance

Attendance management remains a key priority for all Agency managers. The overall Agency target for 2014-15 was 10.7 working days lost per member of staff. It is estimated that the Agency will achieve 11.3 working days lost per staff member in 2014-15. Active management of long term absences by line managers is central to managing attendance. The Agency works closely with the departmental Attendance Management Unit (AMU), monitoring absences and engaging with local managers to end absences at the earliest opportunity. Throughout 2014-15 we targeted areas across the Agency, responding to the need for guidance and advice on more complex cases, sharing best practice with local managers and delivering awareness briefings as and when required. The Northern Ireland Civil Service Inefficiency Sickness Policies are applied firmly and fairly.

Disabled Employees

The Department aims 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. Our Disability Liaison Officers help ensure the Agency and line management meet their responsibilities under the Disability Discrimination Act (1995) and the Disability Discrimination Northern Ireland Order (2006). They provide advice and guidance to line management in dealing with staff with disabilities, on making and reviewing reasonable adjustments in the workplace and discussing complex cases. Occupational Health Service also provides medical advice, enabling the Agency's line managers to meet their responsibilities under the reasonable adjustment duty. In some circumstances advice is also available from the departmental Accommodation Services, Health and Safety Branch, RNIB (Royal National Institute for the Blind), and where appropriate Department for Employment and Learning's Access to Work Scheme.

Dignity at Work

The Agency is an equal opportunities employer, committed to promoting and maintaining a harmonious working environment for all. Managers regularly communicate Equal Opportunities awareness to all of the Agency's staff.

The new Northern Ireland Civil Service mandatory training e-learning package 'Diversity Now', which builds upon the Agency's commitment to equality, has been made available to all Agency staff.

Industrial Relations

The Agency's commitment to good industrial relations throughout its business areas continues to be of paramount importance and regular meetings took place during the year between Agency Trade Union Side (ATUS) and senior management to discuss the various programmes of work within the Agency.

The development of a new Industrial Relations Framework for the Department was delayed pending the outcome of an Northern Ireland Civil Service review of Industrial Relations.

Further information in relation to **Our People** is provided on pages 46-47.

Data Protection

The number of Personal Data-related Incidents in the Agency during 2014-15 is summarised in the table below.

The Agency places considerable emphasis on the secure handling and transfer of all data and continues to implement measures to strengthen the security of information in its possession. All personal data related incidents are fully investigated to see if the existing controls can be improved and if any disciplinary action against staff is appropriate.

Throughout the year new guidance has been issued and other policies have been revised and issued to our staff. These included; issuing 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.

The Agency continues to maintain a robust approach to information security.

During 2014-15 the Agency established an Information Asset Owner (IAO) Support Team which now assists the IAO in delivering the Agency's information security responsibilities,

PERSONAL DATA RELATED INCIDENTS 2014-15	
Number of incidents where personal data has been lost	4
Number of incidents where access to personal data has not complied with Data Protection requirements	6

acting 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 was monitored through the Agency's governance and accountability processes. The work of the team was also subject to an 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 IAO 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.

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 IAO checklists and monthly returns on minor and major incidents.

Future Developments

Information on the future developments within the Agency has been included in the Strategic Report and at page 51.

TOMMY O'REILLY
CHIEF EXECUTIVE
27 JUNE 2015

Business Performance

The Agency is responsible for the provision of a wide range of benefits and services to our customers. It maintains a benefits caseload of approximately 586,070 for individuals living in Northern Ireland with 890,430 individual benefit accounts. During 2014-15 the expenditure on social security benefits was approximately £4.93bn.

The Agency also provides a benefits processing service for the Department for Work and Pensions (DWP), covering approximately 277,243 customers in London, from the Belfast Benefit Centre. The Benefit Centre also delivers the Benefit Cap Welfare Reform initiative nationally for DWP.

The Agency's four main **operational business areas** during 2014-15 were:

- **Working Age (Central)** which administers Incapacity Benefit and Employment and Support Allowance
- **Working Age (Network)** which administers Income Support, Jobseeker's Allowance, allocation of National Insurance numbers, Social Fund and the Belfast Benefit Centre and Benefit Uptake activity
- **Pensions, Disability and Corporate Services** which administers State Pension, State Pension Credit, Disability Living Allowance, Attendance Allowance and Carer's Allowance, monitoring and reporting of financial accuracy, levels of Fraud and Error and Decision Making standards, error reduction activity and counter fraud activity
- **Debt Management** which manages the recovery of Social Security Benefits which have been overpaid.

Performance Targets

Pensions, Disability and Corporate Services

State Retirement Pension accounts for 42% of the total benefit expenditure and the financial accuracy and claims clearance targets were met during the reporting period. The financial accuracy target of 99% was achieved at 99.8%. The claims clearance target of 7 days was achieved at 5.2 days.

Over 97% of State Pension claims are now made and processed via telephony, with an average call time of 11 minutes.

The State Pension Credit financial accuracy target has been exceeded with 98.1% achieved against a target of 98%. This is an improvement of 1.0 percentage point on the 2013 outturn and is due to the outworking of a specific accuracy improvement plan which was in place and contained a series of initiatives designed both to detect and correct error, and also to prevent new error occurring. The claims clearance time target of 9 days was achieved at 8.2 days.

The Disability Living Allowance (DLA) claims clearance target was not achieved with an outturn figure of 38 days against a target of 35 days. There have been a number of contributory factors for non achievement of this target. The main one was an increase in the number of DLA new claims received with a 16% increase on the 2013-14 intake, and delays with Assessment Provider in terms of arranging medical examinations. The financial accuracy target of 99% was achieved at 99.7%.

Working Age Benefits (Central)

The Employment and Support Allowance (ESA) financial accuracy target was increased from 97% to 98% for 2014. At year end the outturn was 97%; the target was not achieved. The ESA Centre is working closely with the Agency's Error Reduction Division to drive improved future performance. Just over 34,000 new claims were received and the claims clearance target of 14 days was achieved at 13.8 days.

The ESA telephony service remains highly active with over 400,000 calls received. Dr Paul Lichfield published the fifth and final independent review of the Work Capability Assessment process in November 2014. In this, Dr Litchfield concluded that good progress had been made in implementing recommendations from previous years and made further recommendations for improvements. The Department published its response in February 2015. A programme of work is continuing to progress the Northern Ireland specific recommendations and the Agency is working closely with the Department for Work and Pensions to develop plans to progress the wider recommendations.

Working Age Benefits (Network)

By the end of March 2015 the Jobseeker's Allowance (JSA) register had reached 45,887, a 20% decrease from March 2013 when the register was 57,695. The JSA financial accuracy target of 99% was achieved within statistical tolerance at 98.9%. The claims clearance target of 11 days was achieved at 10.4 days. The Agency continues to deliver services effectively to its customers through close working with Department for Employment and Learning (DEL) colleagues across the Agency's network of Jobs & Benefits offices.

Income Support also met its claims clearance target of 8 days at 7.4 days and its financial accuracy target of 99% was achieved within statistical tolerance at 98.9%.

The total number of applications made to the Northern Ireland Discretionary Social Fund scheme for 2014-15 was 317,654 compared to 334,665 in 2013-14, a reduction of 5.1%. Within that, Crisis Loan applications reduced by 7.9%, Budgeting Loan applications reduced by 3.2% and Community Care Grants by 3.2% compared to 2013-14.

Fraud and Error Reduction

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 strategic priorities. The approach to the challenge is multi-dimensional.

The new integrated Single Investigation Service was established in April 2013 to form a single, more cohesive organisation to tackle customer fraud and error.

Managing and assimilating information from diverse sources is key to the Agency's strategy to identify and focus on those threats posing greatest risk. A range of approaches is adopted to best target and eliminate risk including data matching, participation in the National Fraud Initiative, co-operation with other agencies such as the Department for Social Protection in the Republic of Ireland, and analysis of information provided through phone hotline and e-mail referrals. Referrals are managed commensurate with the risk through three approaches - customer intervention, customer compliance or criminal fraud investigation. The intention is to deliver improved financial accuracy, prevent, detect and correct fraud and error and apply penalties where appropriate to deter further abuse.

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

This year over 80,000 checks were carried out by the error reduction funded staff. This activity, aimed at identifying and correcting error, resulted in the adjustment of just over 13,000 cases. Around 6,800 of these cases benefited from an increase in awards which totalled over £17.5m whilst overpayments of a monetary value in excess of £14.9m were also identified in just over 6,250 cases. Across the Agency combined activity resulted in benefit adjustment of a total monetary value of over £32m.

Case Interventions are conducted by telephone interview or postal. Staff undertook 5,282 case interventions and achieved a 13% success rate with 683 positive outcomes, identifying monetary value of adjustments of £2.7m.

The Customer Compliance approach involves robust face to face interviews and continues to generate very positive outcomes. In the past year compliance staff discovered changes in circumstances in over 33% of cases examined. This change rate is an improvement on previous years and equates to over £4.0m in benefit adjustments from 3,464 completed cases. This activity, in turn, allows fraud investigators to focus on high risk fraud cases and helps to achieve maximum results from across the spectrum of fraud investigation and compliance activity.

As a result of investigations into alleged criminality, 294 people were convicted in the courts for fraud equating to £3.16m. The Agency also applied 449 Administrative Penalties. Criminal investigations carried out by the Agency's Single Investigation Service identified £7.2m monetary value of adjustment.

Running costs for the Agency's Financial Investigation Unit in the year ending 31 March 2015 were approximately £333,245. The Unit's intervention brought about the recovery of £495,160 of assets criminally obtained. This figure can be broken down as follows:

- 20 Confiscation Orders through the Courts amounting to £355,581
- 8 Voluntary payments negotiated prior to confiscation totalling £139,579

For this year, £291,744 was paid to the Northern Ireland Court Service in respect of Confiscation Orders. This earned the Agency incentivisation of £65,642 as part of the Asset Recovery Incentivisation Scheme.

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, administrative penalties and overpayments;

The Welfare Reform Act 2012 is now in place in Great Britain and the process of benefit reform in Great Britain is underway. A dedicated Fraud and Error Project team is taking forward a modernisation programme to enhance the Agency's response to fraud and error in readiness for welfare changes and pension reforms. It is working closely with the Department for Work and Pensions (DWP), Her Majesty's Revenue & Customs (HMRC) and relevant Northern Ireland stakeholders, and has already successfully

	NFI 2008	NFI 2010	NFI 2012	NFI 2012B
Referred For Criminal Investigation	1238	486	1274	275
Convictions	174	43	2	0
Administrative Penalty	36	22	0	1
Overpayments identified	£5.9m	£1.1m	£122k	£13k

introduced enhanced methods for identifying and targeting suspected fraud through the use of Real Time Earning Information.

In addition to specific enhancements underway, the fraud and error modernisation programme is working closely with partner agencies to position the Agency in readiness for incoming benefit 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.

PRINCIPALLY THESE INITIATIVES ARE:

- **Joined up working**
  closer liaison and joint working with Her Majesty's Revenue & Customs (HMRC) and the Northern Ireland Housing Executive (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 Real Time Information (RTI), to enhance future fraud prevention and detection capability – with particular focus at the gateway- the point of entry to a benefit claim.

- **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.

Debt Recovery

The Agency has responsibility for the recovery of public funds where benefits have been incorrectly paid out through fraud or error.

The Agency recovered a total of £82.038m in respect of benefit overpayments and outstanding Social Fund Loans, exceeding its target of £81m.

During the year, the Agency published a Debt Strategy, setting out a three year programme of work to ensure that the Social Security Agency builds capacity and modernises its systems, processes and structures to maximise the recovery of Government Debt while providing support to those who need it.

Debt Recovery

The Agency is responsible for the recovery of any specified Social Security benefits and Health Service costs which are paid as a result of an accident, injury or disease for which compensation has been awarded.

The two Compensation Recovery targets reflect the factors which drive the level of recovery, the requirements of recovery legislation and maintain parity with our counterparts in Great Britain. These are to have issued 99% of Certificates of Recoverable Benefits within four calendar weeks, with an accuracy of 98%. Both of these targets have been exceeded at 99.89% and 99.41% respectively.

The Agency recovered a total of £4.84m in relation to Social Security benefits and £10.17m of Health Services charges.

Welfare Changes and Modernisation

Welfare Reform Bill (NI) 2012

The programme of change to the Northern Ireland welfare system represents some of the most substantial changes in social security in the last sixty years. The policy intent behind the changes include simplifying the benefit system, making work pay, and controlling the rate of increase in the costs of the social welfare system. The delivery of the programme of change for the new reforms presents significant challenges for the existing Social Security Agency structure, its operations and its current funding arrangements.

Universal Credit

The Agency continues to take forward a programme of activity to deliver Universal Credit in Northern Ireland. During 2014-15 the programme team progressed the design of the future delivery model, developed draft proposed transition and migration plans and engaged with the Department for Work and Pensions (DWP) on the Northern Ireland specific requirements for the Universal Credit Digital Information Technology solution.

The Social Development Committee was briefed on the proposed Payment Flexibilities Scheme for Universal Credit in Northern Ireland and once the Welfare Reform Bill has received Royal Assent the Department will publish the criteria within the Scheme for public consultation.

The Programme has also been working with other Northern Ireland government departments via the Northern Ireland Universal Credit Consultative Forum. The Forum comprises senior representatives from those departments that will be impacted by Universal Credit and it provides an advisory role for the Universal Credit Programme on those policy decisions which cut across departments. The Forum has been considering the impact of Universal Credit on passported benefits. When this work has been completed, proposals will be presented to the Executive to decide on a cross-cutting solution in advance of the introduction of Universal Credit in Northern Ireland.

Incapacity Benefit / Income Support Reassessment

The programme which commenced in February 2011 to reassess existing Incapacity Benefit, Severe Disablement Allowance and Income Support (paid on the grounds of incapacity) customers for entitlement to Employment and Support Allowance was completed by September 2014.

The reassessment process required claimants to complete a Work Capability Assessment with potential outcomes being that the claimant would migrate to Employment and Support Allowance, be given the option to claim another benefit, or move off benefit altogether.

At 30 September 2014, 79,497 claimants (95% of the reassessment caseload) had been assessed by a Healthcare Professional as part of the Work Capability Assessment. A small number of remaining claimants who are not scheduled to complete the reassessment process at this time as they are receiving National Insurance Credits only.

Discretionary Support Provision Scheme

Discretionary Support primary legislation, along with supporting regulations, has been drafted. The development of a computer system, the operating model and associated business processes is ongoing. An Independent Discretionary Support Commissioner will also be appointed to examine and report on discretionary support review decisions.

Personal Independence Payment

From April 2013 Personal Independence Payment (PIP) started to replace Disability Living Allowance in Great Britain for working age customers (age 16 – 64) for new claims. From October 2013 this was extended, on a phased basis, to existing Disability Living Allowance working age customers (age 16 – 64) who either reached the end of their current award or who reported a change in their care or mobility needs.

Throughout 2014-15, the PIP Project team within the Agency has continued to work closely with the Department for Work and Pensions (DWP) and the Assessment Provider, Capita Health and Wellbeing, to put in place the necessary infrastructure and systems to deliver and implement Personal Independence Payment in Northern Ireland, subject to approval by the Northern Ireland Assembly.

The PIP Project is also closely monitoring the delivery of Personal Independence Payment in Great Britain, in particular the emerging improvements and initiatives that have been introduced to improve productivity and clearance times, to ensure that any lessons learned are fully impacted and incorporated into the proposed Northern Ireland customer journey where appropriate.

Employment and Support Allowance

Employment and Support Allowance (ESA) legislative changes have been described as essential elements in creating ‘a fair and affordable platform’ on which to introduce Universal Credit. The proposed changes are:

- time limit contributory Employment and Support Allowance to 12 months for customers who are in the Work Related Activity Group; and
- to prevent new Employment and Support Allowance Youth cases being awarded.

The Agency has established an Employment and Support Allowance Legislative Changes Project team which has developed a detailed implementation plan to support the introduction of the ESA Legislative Changes.

Supplementary Payment Scheme

The Welfare Reform Bill (NI) will result in some benefit and tax credit claimants losing some financial support which they would have received under the current benefit system.

The Stormont Castle Agreement on Welfare Reform provided for schemes which would support claimant groups who have been disadvantaged by the changes in the welfare system. These groups comprise both social security and tax credit claimants. The Stormont Castle Agreement led to the creation of a Supplementary Payment Scheme to provide support for those who may have suffered financial loss.

The Scheme is intended to support claimants adversely impacted financially by the changes to the welfare system. It will supplement the income of adults with disabilities, children with disabilities, families with children and those who are long term sick. All of these groups would previously have qualified for additional support through the benefit system.

Benefit Cap

The policy intent is to promote fairness between those in work and those receiving benefits by ensuring households in receipt of out of work benefits no longer receive more in state support than the average take home pay for working households.

It is currently proposed that the Benefit Cap will be set at £26,000 per annum which is equivalent to the average household income of £35,000 after tax and National Insurance contributions have been deducted. There are two upper limits set which will determine whether the cap should apply:

- £350 per week if the claimant is single and either has no dependants or their dependants do not live with them; and
- £500 per week for couples with or without dependants and lone parents with dependants living with them.

Migrants' Access to Benefits

The Migrants' Access to Benefits (MABs) project was established within the Agency in January 2014 to maintain parity with Great Britain. This ensured Government commitments on tightening migrants' access to benefits were implemented in Northern Ireland. During the 2014-15 year, nine measures have been introduced. These check whether each European Economic Area (EEA) national or returning UK / Irish national, claiming income based Jobseeker's Allowance is resident in the UK and actively seeking work. The new measures also check if an EEA national has a genuine prospect of work and can retain their residency status. These reforms are designed to help ensure that only those who come to the United Kingdom to work, and have a realistic chance of finding work, are able to access the benefits system.

Pensions Reform

Legislative measures required to deliver the new State Pension are set out in the Great Britain Pensions Act 2014. The implementation of the new State Pension will completely transform the State Pension system and has been designed to provide a clear foundation to support people saving for retirement. The new State Pension will replace the current two tier system of basic and additional State Pension with a flat rate payment. The full level of the new State Pension will be set above the basic level of means-tested support and will depend on an individual's National Insurance record. The Northern Ireland Pensions Bill is progressing through the Northern Ireland Assembly with Royal Assent expected in June 2015.

The Agency has commenced a programme of activity to deliver new State Pension and is engaged with Department for Work and Pensions (DWP) and Her Majesty's Revenue & Customs (HMRC) to ensure that provision is made to address all Northern Ireland requirements. New State Pension and Pension Credit policy changes will initially be delivered on the Legacy platform for customers in

Northern Ireland from 6 April 2016 with the intention of a digital delivery from April 2017.

The digital services are designed and built using Agile, Iterative and User Centred methods in line with Government Digital Standards. Meeting this standard will ensure the services are of a consistently high quality, are easily improved, safe, secure and fulfil user needs.

The Agency is represented on the DWP State Pension and Personal Tax (National Insurance Contributions) Digital Service Programme to ensure the needs of Northern Ireland citizens are included.

Mail Opening, Scanning and Image Circulation

The Mail Opening, Scanning and Image Circulation (MOSAIC) Project was established to provide a consistent and re-usable scanning capability, replacing paper based document management processes with access to scanned imaging, digital storage, automated workflow and information management.

The Project opened a Mail Opening Unit within Limavady Jobs & Benefits office on 28 April 2014. The Mail Opening Unit provides an opportunity to modernise services by using the latest technology and most efficient methods of transferring and sharing information throughout the Agency whilst maintaining parity with DWP. MOSAIC went live in the NINO Allocation business area on 28 April 2014 followed by The Pension Service in June 2014, Industrial Injuries Branch in September 2014 and Bereavement Benefit and Maternity Allowance in November 2014. MOSAIC is now being extended to include the Employment and Support Allowance, Compensation Recovery Unit, Single Investigation Service, Income Support and Jobseeker's Allowance business areas during the 2015-16 year.

The Agency's MOSAIC Project is also a key enabler for both the introduction of Personal Independence Payment and Universal Credit. The operating models for the new benefits are based on the assumption that all incoming post will be indexed and stored digitally within the DWP Document Repository Service.

Telephony Strategy

The Telephony Strategy Project is responsible for developing and implementing a three year programme of transformational change across all of the Agency's contact centres to ensure these deliver effective telephony based services to customers into the future. During 2014-15 the Agency has successfully implemented the majority of the Year 1 recommendations from within the Telephony Strategy.

The remaining recommendations are being progressed as part of the Year 2 Action Plan and full implementation of these is expected to be achieved during the 2015-16 year.

Estate Modernisation

The Estate Modernisation Project is responsible for the strategic enabling work associated with the refurbishment of Castle Court and the construction of a new Jobs & Benefits office in Strabane. The project is also exploring the feasibility of constructing a new Jobs & Benefits office in Downpatrick.

On completion of the refurbishment, Castle Court will accommodate over 1,000 staff over four floors and will become a major benefit processing hub for the Agency. The refurbishment of the entire building will be completed in early autumn 2016.

The new Jobs & Benefits office in Strabane will replace the existing Social Security Office and Jobcentre in a new building which will put in place the necessary infrastructure to cater for the customers' employment and benefit needs. A contractor to build the new office was appointed in October 2014 and the building will be finished in early 2016. The new building will provide accommodation for staff from the Social Security Agency, the Department for Employment and Learning and Department of Agriculture and Rural Development.

Appeals Reform

The proposed changes to the welfare system would include regulating the need to consider a revision of a decision before the right of

appeal exists for anyone disputing a decision for Social Security benefit, Child Support or the recovery of benefit. This is known as 'Mandatory Reconsideration' and is intended to encourage more disputes against benefit entitlement decisions to be resolved at the earliest stage in the process and without being referred to an independent Appeal Tribunal.

A further change which has been agreed, will be introduced in tandem with Mandatory Reconsideration, will require appeals to be lodged directly with The Appeals Service rather than with the Social Security Agency. This is known as 'Direct Lodgement' and it aims to create a clear distinction between the Agency's internal disputes resolution process and escalation to an independent tribunal.

The Agency has developed a detailed implementation plan to support the introduction of the Mandatory Reconsideration and Direct Lodgement.

Debt Transformation

The Debt Transformation Project has progressed delivery of the aims of the Agency's published Debt Strategy. This has included the establishment of a new Debt Control function with responsibility for the strategic direction of managing and reporting on debt.

The Debt Management business area launched a new Debt Management Service Centre in March 2015 which will equip agents with the tools and training to allow more effective debt collection.

Improved debt recovery processes within the Agency will recognise the focus across UK Government on debt, the implications of welfare changes and the recommendations from the Northern Ireland Audit Office (NIAO) in relation to debt recovery.

Customer Services

Delivering services to our three main customer groups has been the focus of our work programme for 2014-15. Throughout the year we have sought to improve the quality, accessibility and delivery of services to all our customers and continue to build closer liaisons with a wide range of stakeholders and delivery partners in the community and voluntary sector.

Benefit Uptake

Ensuring that our customers are paid the right benefit at the right time is a key strategic objective for the Agency. Improving the uptake of benefits underpins this objective and is a key building block in the 2011-2015 Programme for Government. Since 2005 investment of £7m has generated £81.2m in additional annual benefit for 25,000 people across Northern Ireland.

The Agency is committed to improving the uptake of benefits across client groupings including older people, those with a disability, carers and their families to ensure that they receive the financial assistance, services and support to which they are entitled.

Maximising Incomes and Outcomes, the Department's three year plan for Improving the Uptake of Benefits, was launched in July 2013. In December 2014 the Social Development Minister announced the outcomes of the 2013-14 Benefit Uptake Programme which were as a result of the activities undertaken in year one of the three year plan.

In 2013-14, £14.2m in additional income was generated for over 4,000 people who are now better off by an average of £62 per week.

The activities undertaken, in the year one programme included four separate but complimentary approaches. The year two work is well underway and aims to build on previous success using these approaches:

- Direct Targeting - Targeting 25,000 older people identified from merging existing benefit and socio-economic data sets held by the Agency offering a benefit entitlement check carried out by a contracted independent advice sector partner (currently Advice NI).
- Indirect Targeting - The 'Make the Call' advertising and promotion campaign aims to increase the income and further raise awareness of potential new or additional benefit entitlement amongst older people (broadly defined as aged 60 or over) on low incomes, older people living with care needs and/or a disability and older people as carers themselves. These people can contact the 'Make the Call' Benefits Advice Line where experienced advisors will assess their entitlement to benefits, services and other government supports. The advisor can also provide help and assistance with making a claim and a visit from a Community Outreach Officer can be arranged if required.
- Innovation and Partnership working – The second Innovation Fund for Improving the Uptake of Benefits ran from January – December 2014 funding four third sector partnership projects, to deliver fresh and innovative approaches to reach harder to engage client groups with potential unclaimed entitlement. Funding for the Innovation Fund is provided by The Atlantic Philanthropies as well as the Department.

In terms of partnership working there are area-based targeting exercises taken forward in collaboration with Housing Division (Affordable Warmth) and DARD/PHA (MARA Project). The Department is also working with a number of community level partners in reaching people with benefit entitlement.

- The Community Outreach Service – Delivers benefit uptake activity as an integral part of its service to the Agency's business branches by carrying out home visits to vulnerable claimants, delivering entitlement checks, assisting with claims making and form filling. The Community Outreach Service also delivers community promotional events and clinics, redundancy support to businesses and individuals and taking referrals from a wide range of partners.

Financial Support Services

To support the Department's Financial Independence Plan and the wider package of measures designed to help claimants achieve and maintain financial independence, the Social Security Agency agreed to develop and pilot a Financial Support Service (FSS). A face to face and telephony pilot commenced on 19 May 2014 and was evaluated over a 13 week period to 15 August 2014. The face to face pilots were delivered in Falls Road Jobs & Benefits office, Strabane Social Security Office and Omagh Jobs & Benefits office and the telephony pilot was delivered by a central telephony team in Omagh.

The FSS pilot was a strong example of government and the advice sector working well together and the work undertaken by all involved displayed real commitment to the concept of enhanced support for claimants. The pilot outcomes showed that there were elements of the service that were more successful than others.

In October 2014, it was agreed by Agency Management Board that the FSS pilot had been valuable in providing useful learning and insight into customer behaviour however, the Board decided not to proceed with the roll out of the FSS on the basis that, at present, the outcomes of the pilot did not make the service viable or cost effective for going forward at this time. The FSS pilot ended on 24 October 2014. The Board concluded the learning from the FSS pilot together with the design principles and processes will help the Agency consider how financial support can be integrated into future processes to support Welfare Changes in particular Universal Credit claimants.

Credit Unions

Credit Unions play a critical role in the financial lives of local communities across Northern Ireland and are well placed to make a significant contribution to improving the financial capability of the most vulnerable people in our society, many of whom will be benefit claimants. The Department has been interested in working with the Credit Union movement from a social policy perspective, to explore the options for improving services to people living on low incomes and to consider how Credit Unions can contribute to enhancing the financial capability of benefit claimants. The Agency is taking this work forward on behalf of the Department.

The Department is currently liaising with the Credit Union trade bodies, the Irish League of Credit Unions and the Ulster Federation of Credit Unions, on a pilot to support Credit Unions modernise their operations. This involves providing practical and financial support to enable the participating Credit Unions to improve accessibility, for example, by increasing opening hours. There has also been preparatory work started on the feasibility of a second pilot to support Credit Unions in modernising their services including new or enhanced banking services and products.

Liaison with Independent Advice and Voluntary Sector Organisations

Organisational Change Directorate have engaged throughout the year with a wide range of customer representative groups from all sectors including the voluntary and advice sector on behalf of all of the Welfare Changes Projects. The purpose of this engagement is to ensure all stakeholders are prepared and informed for any future changes to the welfare system. This engagement will continue into 2015-16 in line with the legislative timetable and forms part of a wider Welfare Changes Communications and Engagement Strategy.

Senior Pension Centre managers meet annually with representatives from the five Northern Ireland Health Trusts. These meetings provide a forum for the Pension Centre to engage directly with the Trusts in relation to administrative processes and to deal directly with issues that the Trusts may want to raise. This forum not only ensures a uniform approach across all the Trusts but also provides contact points to deal directly with queries as they arise throughout the year.

Disability and Carers Service (DCS) has formal engagement arrangements in place with the Voluntary Sector through a disability forum which meets on a quarterly basis. Membership comprises of representatives from Citizens Advice, Advice NI, The Law Centre and Disability Action. The overall objectives of this forum are twofold:

- to enable DCS to seek the views of intermediary organisations representing a broad spectrum of our customer base on operational delivery and proposed change initiatives; and
- to enable intermediaries to voice their concerns and also advise on what they think is going well in terms of service delivery.

In addition, during 2014-15 a number of separate meetings were held with individual groups such as;

- Advice NI
- Belfast City Wide Tribunal Service
- McMillan Cancer Support

The Employment and Support Allowance (ESA) Centre staff engaged with a wide range of customer representative groups from the voluntary and advice sector during the year including the Law Centre, Advice Northern Ireland, Citizens Advice Bureau, Housing Advice NI and Macmillan Cancer Support. Awareness sessions were also held with parents and teachers from various special schools in Newtownabbey, giving them information regarding ESA Youth.
During the year, the Agency's Health Assessment Adviser, together with operational

colleagues, also met with a range of customer representative groups from the voluntary and advice sector, including the Law Centre, Advice NI and Citizens Advice Bureau to discuss issues around the quality of their customers Work Capability Assessment (WCA).

The Work Capability Review Project, as part of the evidence gathering process for the fifth independent review of the Work Capability Assessment, arranged and accompanied Dr Paul Litchfield to meet with members of the voluntary and advice sector. This provided a further opportunity for customer representatives to raise and expand upon issues and concerns surrounding the process.

As part of Improving Benefit Uptake's (IBU) commitment to strengthening partnerships, staff have been working closely with partners in the voluntary and advice sector in order to provide greater opportunity to reach people with benefit entitlement. This helps to ensure that those who may become vulnerable at different stages in their lives are accessing their full entitlement to all government benefits, services and supports. In 2014-15 IBU has partnered with numerous voluntary and community sector organisations including; Trussell Trust Foodbanks, Carers Trust NI and Age Sector Platform. In addition, Community Outreach Officers from Improving Benefit Uptake have delivered information events to over 100 advice and voluntary sector organisations in locations across Northern Ireland including Carers NI, MS Society, Alzheimer's Society and Irish Churches Peace Project.

The Improving Benefit Uptake 2014-15 Innovation Fund projects involved partnership working with MacMillan Cancer Support Service, South Tyrone Empowerment Project (STEP) and Larne and Ballymena Citizens Advice Bureau to deliver fresh and innovative approaches to reach harder to engage customer groups with unclaimed benefit entitlement.

Stakeholder and Customer Insight

In order to inform and shape policy development, external communication, internal communication and operational delivery, the Agency is committed to advancing its Customer Insight research.

A portfolio of research for the Agency has been developed to provide the Agency with greater information upon which to base its future services and meet the needs of its customers.

The Organisational Change Directorate, working with business partners, has commissioned a range of research over the year including; four omnibus surveys, research into food bank use, research into the financial support service, publication of claimant satisfaction, telephony satisfaction survey and ongoing monitoring of media and customer comments through an insight database. There is a further programme planned for 2015-16.

Customer Contact Strategy

The SSA Customer Contact Strategy (2013-2017) sets out the Agency's vision for Customer Contact '**to enable our customers to access future services primarily via the internet**'. The accompanying action plan continues to focus on a twin track approach of customer and staff preparation, liaising both internally and externally with partners and other stakeholders. A Customer Contact Stakeholder Network made up of key personnel has now been established to provide the action plan with regular updates on digital and other customer contact related activity. This includes our developing Telephony Strategy, and preparations for Universal Credit, Personal Independence Payment and Pension Reform. Collaborative work is also continuing with be Department of Finance and Personnel's Digital Inclusion Unit and Citizen Contact Team to prepare customers for new online and telephony based services.

Customer Charter Standards

The Agency has three published Customer Charters detailing generic service standards available for our main customer groups. These are the Jobs & Benefits Customer Charter, developed in partnership with Department for Employment and Learning (DEL); The Pensions Service and the Disability and Carers Service charters.

The customer charter standards were established to help our customers by providing them with full information about our services and how we perform against the set customer service standards. The standards mirror the Northern Ireland Civil Service (NICS) standards and are available at our website **www.dsdni.gov.uk.**

List of the standards and performance in 2014-15 is shown below:

SERVICE STANDARD	PERFORMANCE 2014-15
To acknowledge all correspondence items within two days of receipt.	94.71%
To reply to all correspondence within 10 days of receipt.	99.31%
To see customers within 10 minutes of a pre-booked appointment.	98.96%-with an appointment
To see customers who do not have an appointment within 15 minutes of their arrival.	98.76%– without an appointment
To answer calls to direct-dial numbers within 20 seconds[1].	64.65%

[1] This 64.65% achievement refers to the number of all calls received which were answered within 20 seconds, including abandoned calls. Based on the number of calls answered, 69.3% were answered within 20 seconds.

The Agency has undertaken a review of its Customer Service Charters during 2014-15 to ensure they continue to reflect our customer service expectations and the operating environment in which we are delivering those services. A new Customer Charter, covering our customer groups, will be launched early in the 2015-16 business year.

Correspondence

During the year, the Agency received 169 Stage 3 written enquiries from Members of Parliament (MPs) and Members of the Legislative Assembly (MLAs). This was a decrease in the number from 217 in 2013-14. At 31 March 2015 we had cleared 164 cases all of which were actioned within the target deadline.

Complaints Handling

A customer complaint is any expression of dissatisfaction with the quality of service, action or lack of action by our organisation or staff.

The number of complaints received in 2014-15 was 1,107 which was a decrease of 317 on the number of complaints received in 2013-14 (1,424). The Agency replied to 99% within the 10 day target.

The overall number of complaints continues to show a downward trend.

The Agency continues to place great emphasis on learning from complaints. All business areas have this as a standing agenda item at their Team Time meetings and this has contributed to an improvement in meeting customer needs. Service Improvement Managers in all offices register and monitor complaints in their areas. Customer complaints reports are obtained from all branches across the Agency to provide an overall Agency picture.

During the year the Agency undertook a review of its Customer Complaints Handling process. The recommendations, including the more efficient resolution of complaints via telephony, were accepted by management. The new processes and communications for customers and their representatives are being piloted in the Employment and Support Allowance Centre and will be rolled out to all areas during 2015-16.

For customers, details of our complaints procedures are set out in our leaflet 'Making a Comment or Complaint' available in our local offices and on: www.dsdni.gov.uk

Independent Case Examiner

Part of the Agency's complaints procedure includes a review by the Independent Case Examiner, who provides an impartial complaints resolution service for clients who, having exhausted the Agency's internal complaints procedure, remain dissatisfied.

During the year there were 13 new referrals to the Examiner; eight cases were accepted for investigation/resolution. Eleven cases (this figure includes cases carried forward from 2013-14) progressed to full investigation, three of these cases were fully upheld, one case was partially upheld and seven cases were not upheld.

COMPLAINTS REFERRED TO INDEPENDENT CASE EXAMINER 2014-15	
CATEGORY	
Complaints received 2014-15	13
Carried forward from 2013-14 to 2014-15	10
Complaints not accepted (Failed Gateway)	5
Complaints withdrawn	0
OUTCOME OF COMPLAINTS INVESTIGATED	
Resolved (no further evidence required)	2
Settled (Resolved following receipt of further evidence)	0
Investigated – Full investigation carried out and complaint now finalised.	11
Number outstanding carried forward to 2015-16	5

Customers can write to the Independent Case Examiner at:

The Office of the Independent Case Examiner
PO Box 209, Bootle, L20 7WA.
Or alternatively, visit the website at
www.ind-case-exam.org.uk.

Interpretation and Translation Services

The Agency and the Department for Employment and Learning continue to provide telephone and face-to-face interpreting as well as a document translation service. Telephone interpreting is provided by 'thebigword' interpreting service, whilst face to face interpreting is provided throughout Northern Ireland by Flex Language Services.

Corporate Governance and Risk Management

Details of our corporate governance and risk management arrangements are included in the Governance Statement on pages 77–88.

Internal Audit Arrangements

As explained in the governance statement, the Accounting Officer and the Board are independently advised by the 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.

The Department's Internal Audit function was subject to an external quality review of its services against the Treasury Internal Audit assessment criteria. This external review was undertaken by the Head of Internal Audit for the Scotland Executive. The review found that the Internal Audit function fully conforms with the Public Sector Internal Audit Standards.

During 2014-15 Internal Audit carried out planned programmes of work as agreed by 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.

For the Agency separate opinions on the adequacy and effectiveness of risk management arrangements are provided by the Head of Internal Audit (HIA) in the areas of Corporate Governance and Risk Management, Administration and Programme Expenditure.

The overall opinion of the HIA was that there was evidence that the risk management, control and governance framework within the Social Security Agency was **Satisfactory** and should ensure overall achievement of objectives.

Contingency Plans

The Agency has continued to carry out regular and comprehensive reviews of its business continuity arrangements. Rehearsals have taken place at both a corporate and local level and included a test of business continuity arrangements in three of the Agency's larger Benefit Processing Centres (BPC's). These activities were completed following the updating and revision of the business continuity plans last year in order to test the effectiveness of these plans. In addition, the Agency's Flu Pandemic Contingency Plan has been routinely reviewed and updated to take account of the latest planning assumptions which could impact on service delivery. An Emergency Planning Rehearsal also took place. This assisted in effectively planning necessary arrangements which may be needed during severe weather conditions.

Freedom of Information Act 2000 and Environmental Information Regulations

The Agency is fully committed to meeting its obligations under the Freedom of Information Act 2000 and the Environmental Information Regulations 2004, which came into force in January 2005.

Our People

Benefit Training Services (BTS)

The Agency recognises that its success depends on having a highly skilled and effective workforce and links all learning and development activities to its Balanced Scorecard. It is important to ensure that staff are properly trained and are sensitive to the needs of our customers. We believe that if they are given the right support and training, our people will deliver the high quality service our customers deserve.

During the training year from September 2013 to August 2014, BTS provided a wide range of learning and development activities within two specific areas:

- Business As Usual
- Modernisation and Reform

Detailed information on the training delivered and costs is contained within the Agency's Benefit Training Service Annual Report 2013-14.

BTS aim to support the business through another challenging year by delivering training roll out plans in line with Welfare Changes. They will continue to liaise with the business areas and ensure that sufficient resources are available to meet the business training requirements.

Leadership Programme

By the end of June 2013 the Agency successfully delivered an in-house Leadership Programme to 278 SOs and DPs. The aim of this programme was to build a 'community' of inspired and inspiring leaders who can lead and manage the Agency successfully through future changes. As a result of the positive feedback from this Programme AMB endorsed the rollout to EO1s within the Agency. The EO1 Programme commenced in October 2013 and was completed at the end of May 2014.
An evaluation of the EOI programme was completed during 2015-16.

Further Education

The Department continued to support staff through the Further Education Scheme, which provides financial support for course fees, books and equipment. During the 2014-15 academic year, 23 Agency staff have been supported by the Department through the Further Education Scheme at a total cost £13,192.

Investors in People (IiP)

The principles of the Investors in People Standard are well embedded throughout the Agency and it was successful in retaining its IiP status after the re-assessment in October 2014. Work is continuing with managers to implement recommendations from the Assessors' report.

Corporate Responsibility

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. During 2014-15, to the start of March 2015, a total of 193 Agency staff participated in 10 Employer Supported Volunteering challenges hosted by Business in the Community and co-ordinated by the Department. A number of further challenges were completed by the end of March to help reach the overall target of 20 challenges completed. This year's challenges were carried out at, Shiels House, Belfast Sailability, Aaron House, Friendship House, Mitchell House, Speedwell Trust, Knockevin Special School, Forthspring, Baroncourt

Children's Home and Camphill Community. Typical tasks included weeding, planting, garden furniture refurbishment, painting, tidying and cleaning. Some 372 hours were volunteered by staff which was matched by the same number of hours donated by the Agency.

In addition, 19 Agency staff were seconded to voluntary bodies including the Prince's Trust, making a positive contribution to the community. Over 1,363 staff in the Agency made charitable donations through the payroll system, amounting to a total of over £112,200 in the year.

During the year Agency staff arranged over 160 local fund raising events including bring and buy sales, raffles and coffee mornings. A total in excess of £63,000 was collected and donated across 59 causes and charities such as Macmillan Cancer Support, NI Hospice, Action Cancer, Marie Curie, NI Chest, Heart and Stroke Association, Tiny Life and CLIC Sargent.

Human Resources

All transactional activities associated with Human Resource services are now delivered through an outsourced Shared Service Centre. The Departmental Human Resources Division, which is located in the Core Department, delivers strategic services across the Department. The Agency has nominated Business Partners to support/advise the Agency Management Board and managers on human resource policy. They have also been asked to take forward specific human resource objectives and action to support their business. A senior member of the Departmental Human Resources team sits on the Agency Management Board.

Dignity at Work

The Agency is an equal opportunities employer, committed to promoting and maintaining a harmonious working environment for all. Managers regularly communicate Equal Opportunities awareness to all of the Agency's staff. Staff are also made aware of their responsibilities through regular circulation of the Dignity at Work Policy. Any breach of the Dignity at Work Policy is taken very seriously, with formal investigations carried out by HRConnect when appropriate.

In order to promote and encourage local resolution to work related issues, Agency staff may avail of the use of mediation services through the Labour Relations Agency. Additionally, emphasis is also being placed on promoting the role and services of Harassment Contact Officers in assisting to achieve local resolution.

The new Northern Ireland Civil Service mandatory training package 'Diversity Now', which builds upon the Agency's commitment to equality, has been made available to all Agency staff.

Workforce Planning

Work has continued to capture resource requirements for all changes relating to Welfare Changes using a bespoke workforce planning tool. In addition work has been carried out to assess the impact of 2015-16 pay bill reductions on the Agency's workforce and to identify required exits from the NICS Voluntary Exit Scheme.

Financial Performance

Resource and Programme Expenditure

The 2014-15 Agency accounts include both Resource Departmental Expenditure Limit (DEL) expenditure, and Annually Managed Expenditure (AME) derived from the Department for Social Development Request for Resources Accounts.

AME expenditure includes Social Security benefits and loans administered by the Agency. DEL expenditure includes the costs of administering the benefits. Non Contributory benefits, Social Fund funding payments and DEL expenditure are voted by the Assembly. Contributory benefits are funded by the National Insurance Fund. Further information on this is included in the notes to the financial statements.

These Agency accounts will also form part of the DSD Resource Accounts.

Performance Targets

The Agency succeeded in meeting its key corporate financial targets set by the Minister. Details of the Agency's performance against these targets are set out in Note 22 to the accounts.

Business Review and Results for the Year

The Agency is a supply-financed Executive Agency of the Department for Social Development and as such is subject to Gross Expenditure Control under the Parliamentary Vote system.

A full review of the Agency's activities during the year is given within this Annual Report.

The Statement of Comprehensive Net Expenditure on page 92 shows the net operating cost of the Agency.

The Net Cost of Operations for the year was £5.108bn (2013-14: £4.943bn). Expenditure on Non–current assets for the financial year amounted to £0.169m (2013-14: £0.160m).

The net cost of operations has been calculated after inclusion of a number of notional costs which are currently outside the scope of the Agency's Departmental Expenditure Limits and Annually Managed Expenditure. Notional costs are detailed per Note 3.

There have been no post Statement of Financial Position events from the financial year-end date, except as disclosed in note 24 to the accounts, to the date the financial statements were approved.

Property, plant and equipment and Intangible assets (non-current assets) owned by the Agency are valued at net book value (Note 9 and Note 10).

During the year there has been no substantial investment in non-current assets. Details of the revaluations to non-current assets for the financial year are included in the Statement of Comprehensive Net Expenditure, Note 9 and Note 10 in the accounts.

The Agency's current estate management strategy is to maintain buildings for current use. In accordance with IAS 16 Property, Plant and Equipment, land and buildings are stated at current value, using a professional valuation completed every five years, and with appropriate desk top reviews used in the intervening years (see Note 9 in the Accounts).

Remote Contingent Liabilities

There are no contingent liabilities that are not required to be disclosed under IAS 37 but are required to be disclosed for parliamentary reporting and accounting purposes.

Political and Charitable Donations

The Agency made no political or charitable donations during the year.

Payments to Suppliers

The Northern Ireland Civil Service is committed to the Better Payments Practice Code, as set out in Annex 4.6 of Managing Public Money, 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.

The Agency is committed to a prompt payment within 30 days.

Regular reviews conducted to measure how promptly the Agency pays its bills found that approximately:

Number of invoices paid during the year	**7,763**
Number paid on time	**7,610**
Percentage paid on time	**98.03%**

In response to the challenging economic position the Department for Business Enterprise and Regulatory Reform (BERR) 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.**'

We are committed to prompt payment within 10 days. During 2014-15, 93.5% of invoices were paid within 10 days.

The Late Payment of Commercial Debts (Interest) Act 1998 provides small businesses with a statutory right to claim interest on the late payment of commercial debt. In 2014-15 the Agency made no payments (2013-14: £ NIL) arising from the Late Payment of Commercial Debt (Interest) Act.

Payment Accuracy

The Agency's Annual Report and Accounts includes a Payment Accuracy note which contains information on the way the Agency regularly monitors and reports on the estimated levels of fraud and error within the administration of social security benefits. This disclosure is included under Note 25 to the Agency's Notes to the Accounts

Off-Payroll Engagements

The Agency is required to disclose the number of 'off-payroll' engagements (at a cost of over £58,200) that were in place as at 1 April 2014,

Number of engagements in place at 1 April 2014	Number of new engagements during the year	Number that came onto the Agency's payroll	Number that came to an end	Number of engagements in place at 31 March 2015
7	0	-	3	4

and the movement in this position to the end of the financial year, 31 March 2015. The table overleaf provides this information.
The table overleaf discloses the number of procurement exercises commenced after 1 October 2014, which should include clause giving the department the right to request assurance in relation to income tax and national insurance obligations:

Number of new engagements procured after 1 October 2014	Number of engagements which include clause reassurance	Number of engagements whom assurance has been requested	Number of engagements whom assurance has been requested & received	Number of engagements whom assurance has not been received	Engagements terminated as a result of assurance not being received
0	0	0	0	0	0

Future Developments

The Agency will continue its focus on delivering quality public services by ensuring financial support is available to people who find themselves out of work, are too ill to work or who have a disability which impacts on their ability to work. We will also ensure that pensioners receive the level of pension to which they are entitled and, we will continue to provide financial assistance to people in real need or who face financial emergencies.

The Agency continues to prepare for the delivery of the proposed changes to the social security system as set out in the Northern Ireland Welfare Reform Bill (NI) 2012. Whilst there remains significant uncertainty as to the legislative mechanisms by how these changes will be implemented, we need to continue to plan to support our staff through the changes ahead and will continue to embed the required interventions to build capability and capacity including, an internal communications strategy, a change management framework and a culture change programme.

The new Universal Credit benefit will require significant organisational and logistical change in how benefits are administered in Northern Ireland. The Universal Credit Programme is working in partnership with the Department of Employment and Learning, the Department for Work and Pensions, other Northern Ireland government departments and Her Majesty's Revenue and Customs to prepare for this change. An important part of this change is that Universal Credit will be primarily claimed and administered online. The Agency will work with other stakeholders to ensure that our customers are prepared for this change.

Universal Credit is intended to replace Income Support (income based), Jobseeker's Allowance, Employment and Support Allowance (income based), Child and Working Tax Credits and Housing Benefit. It will also impact the qualifying criteria for a number of passported benefits administered by other Northern Ireland Government Departments.

Disability Living Allowance for working age people (16- 64) will also be reformed through the introduction of Personal Independence Payment. This new disability benefit is designed to ensure the funding for disabled people is targeted at those who most need it. The Agency has worked closely with the Department for Work and Pensions in its design to ensure that Northern Ireland factors were fully taken into account.

There will also be changes in how appeals against benefit entitlement decisions are resolved. New customer journeys have been designed and will be put in place to support people though the new arrangements.

The Agency will continue with the development of the new discretionary support provision for Northern Ireland to replace Community Care Grants and Crisis Loans, for living expenses and household items. The new provision will ensure that financial assistance is available to those on low incomes who find themselves in urgent financial need as a result of a crisis or emergency.

Employment and Support Allowance legislation made provision for independent reviews of the Work Capability Assessment on an annual basis over a five year period. The aim of this independent review is to improve the fairness and effectiveness of the Work Capability Assessment and Dr Paul Litchfield, physician and an occupational health specialist, published his Year 5 Review of the Work Capability Assessment in November 2014. The report details 33 recommendations for improvements in the Work Capability process across the United Kingdom, five of which are specific to Northern Ireland. The Agency has accepted all five of the Northern Ireland specific recommendations and 24 of the 28 UK-wide recommendations. The four recommendations which were not accepted are not applicable in Northern Ireland.

In response to political concerns about the potential negative impacts of the welfare changes, the Stormont Castle Agreement on Welfare Reform provided for schemes which would support claimant groups who have been financially disadvantaged by the changes in the welfare system. Work is on-going within the Agency to develop these schemes and to put in place the necessary operational arrangements for their implementation.

The Pensions Act 2014 (Great Britain) provides for reforms to the State Pension age, bereavement benefits and will introduce a new State Pension from 2016. The equivalent legislation has completed its path through the Northern Ireland Assembly and a team is in place to implement the appropriate changes from April 2016.

Building upon the success of the 2014 Benefit Uptake Programme that generated over £14m in additional benefits for nearly 4,600 vulnerable people, the Agency will continue to implement its three year benefit uptake plan “Maximising Incomes and Outcomes”.

The Agency will also take forward a range of projects over the next year aimed at modernising service delivery and improving accessibility for benefit customers. These will include further increasing the use of the recently established mail opening and scanning unit aimed at substantially reducing the Agency’s operational reliance on paper. This will be achieved through the introduction of a digital solution which supports online services and enabling information to be stored electronically.

We are committed to the ongoing modernisation of our accommodation. The new Jobs & Benefits office in Strabane remains on target to open in spring 2016. This new modern office will also provide a Department of Agriculture and Rural Development (DARD) Direct Office, providing farming services to the surrounding area. The new government facility will offer public-facing accommodation to three Departments and will provide the people of Strabane with a modern multifunctional office on their door step. Work is also continuing on the modernisation of Castle Court with a further two floors completed by the Summer of 2015 with all work completed by Summer 2016.

The implementation of the Customer Contact strategy will deliver a series of technology improvements to the Agency’s contact centres and overall telephony operations resulting in more effective utilisation of the agent population and service delivery to customers. Building on this work, the Agency intends to rationalise more of its published telephone numbers and virtualise telephony operations across its working age network during the 2015-16 year.

Maintaining strong performance in respect of staff accuracy and reducing fraud and error remains one of the Agency’s key strategic objectives. Loss through fraud and error has now been maintained at 1.0% of benefit expenditure, or less, for four consecutive years. Work will continue to ensure, through effective targeting, that fraud and error continues to be prevented, detected and corrected, including prosecution where appropriate of those intent on criminality. Further progress is planned in continuing to modernise the Agency's fraud and error capabilities, in particular through new IT systems, more cohesive structures and enhanced data sharing powers. These efforts will help to ensure the integrity of the benefit system in the longer term.

The Agency is continuing its work on the development and implementation of a Debt Strategy that builds capacity and modernises systems, processes and structures to maximise the recovery of Government Debt whilst providing support to those who need it. The Welfare Reform Bill will give the Agency the powers to secure deductions directly from a debtor's salary and will be critical to the recovery of debt from employed debtors, many of whom have, to date, proven difficult to secure sustained recoveries from.

While protecting against the loss of public money remains a priority for the Agency, so too does protecting customer information. The Agency has placed additional focus on information security, including the establishment of a dedicated information security team to support the work of the Information Assets Owner. This focus will continue, with a number of specific initiatives planned during 2015-16 focusing on known areas of information risk including telephony security and handling of customer information.

The Agency continues to make an important contribution to the Executive's Financial Inclusion Strategy through its work with the Credit Union movement in Northern Ireland. The Agency's focus is to improve access for benefit claimants to the full range of financial products thereby reducing the costs they incur in paying bills and buying products. One way is to assist Credit Union branches to improve access to their facilities and provide for staff training, upgraded IT equipment and help with marketing costs. Pilots are now taking place with two Credit Unions on broadening their services and further work is taking place to modernise services by piloting a Credit Union transactional accounts.

The Agency is continuing to develop its processes to meet the requirements of the new cap on welfare spending which was confirmed by the UK Chancellor's Budget Statement of 19 March 2014. The cap which is set at a UK level is intended to ensure that welfare spending remains sustainable. Although 2014-15 was effectively a dry run, at Autumn Statement 2014 the Office for Budget Responsibility (OBR) judged the Government to be on course to keep spending within the permitted margins of the cap set in the March 2014 Budget. The cap will apply formally from 2015-16 and performance will next be assessed at Autumn Statement 2015. The Agency will continue to work with the Department for Work and Pensions and Department of Finance and Personnel to gain a better understanding of the Welfare Cap and its application in Northern Ireland.

A copy of the Agency's Balanced Scorecard for 2015-16 can be accessed at:

www.dsdni.gov.uk

Social Security Agency

Part 2

Remuneration Report

Remuneration Report

Remuneration Policy

The remuneration of senior civil servants is set by the Minister for Finance and Personnel. The Minister approved a restructured 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

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

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

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

Salary and Pension Entitlements

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

Remuneration (including salary) and pension entitlements

Officials	2014 15				
	Salary £ 000	Bonus Payments £ 000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £ 000)	Total £ 000
Tommy O'Reilly * Chief Executive	100-105	N/A	N/A	25,000	125-130
Dr Colin Sullivan*** Director for Universal Credit (Until 22.09.13)	N/A	N/A	N/A	N/A	N/A
John McKervill Director of Pensions, Disability and Corporate Services	65-70	N/A	N/A	23,000	90-95
Pat Magee Director of Working Age Services (From 31.10.14)	40-45 (65-70 full year equivalent)	N/A	N/A	38,000	75-80
Brian Doherty Director of Working Age Services and Universal Credit	65-70	N/A	N/A	22,000	85-90
Joyce Bill Director of Financial and Commercial Services	65-70	N/A	N/A	18,000	80-85
Geraldine Brereton Director for Organisational Change (Until 31.10.14)	35-40 (full year equivalent 60-65)	N/A	N/A	23,000	60-65
Sharon Gallagher*** Director for Organisational Change (Until 04.08.13)	N/A	N/A	N/A	N/A	N/A
Band of Highest Paid Director's Total Remuneration	100-105	N/A	N/A	N/A	N/A
Median Total Remuneration	23,679	N/A	N/A	N/A	N/A
Ratio	4.4	N/A	N/A	N/A	N/A

2013 14				
Salary £ 000	Bonus Payments £ 000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £ 000)	Total £ 000
100-105	N/A	N/A	9,000	110-115
35-40 (80-85 full year equivalent)	N/A	N/A	18,000	55-60
65-70	N/A	N/A	12,000	75-80
25-30 (65-70 full year equivalent)	N/A	N/A	4,000	30-35
60-65	N/A	N/A	12,000	75-80
60-65	N/A	N/A	13,000	75-80
40-45 (60-65 full year equivalent)	N/A	N/A	34,000	75-80
20-25 (60-65 full year equivalent)	N/A	N/A	50,000	70-75
100-105	N/A	N/A	N/A	N/A
23,663	N/A	N/A	N/A	N/A
4.4	N/A	N/A	N/A	N/A

* In line with the SCS pay award arrangements for 2014, 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%. 1 official received a non-consolidated pensionable payment in the pay band £100,000 - £105,000.

**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 individual). The real increases include increases due to inflation and any increase or decrease due to a transfer of pension rights.

***Official's included for comparative purposes only.

SOCIAL SECURITY AGENCY

Salary

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

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue & Customs as a taxable emolument. There were no benefits in kind paid to any board members throughout the year (Nil for 2013-14).

Bonuses

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

Pension Entitlements (Audited Information)

Officials	Accrued pension at pension age as at 31.03.15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31.03.15	CETV at 31.03.14	Real increase in CETV	Employer contribution to partnership pension account
	£ 000	£ 000	£ 000	£ 000	£ 000	Nearest £100
Tommy O'Reilly Chief Executive	40-45 Plus lump sum 125-130	0-2.5 Plus lump sum 2.5-5	885	820	22	N/A
Dr Colin Sullivan*** Director for Universal Credit (Until 22.09.13)	N/A	N/A	N/A	134	N/A	N/A
John McKervill Director of Pensions, Disability and Corporate Services	25-30 Plus lump sum 80-85	0-2.5 Plus lump sum 2.5-5	547	502	19	N/A
Pat Magee Director of Working Age Services (Until 31.10.14)	30-35 Plus lump sum 100-105	0-2.5 Plus lump sum 5-7.5	703	639	38	N/A
Brian Doherty Director of Working Age Services and Universal Credit	25-30 Plus lump sum 80-85	0-2.5 Plus lump sum 2-5.5	470	432	16	N/A

Officials (Continued)	Accrued pension at pension age as at 31.03.15 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31.03.15	CETV at 31.03.14	Real increase in CETV	Employer contribution to partnership pension account
	£ 000	£ 000	£ 000	£ 000	£ 000	Nearest £100
Joyce Bill Director of Financial and Commercial Services	10-15 Plus lump sum 30-35	0-2.5 Plus lump sum 2-5.5	159	140	9	N/A
Geraldine Brereton Director for Organisational Change (Until 31.10.14)	20-25 Plus lump sum 70-75	0-2.5 Plus lump sum 2.5-5	486	446	22	N/A
Sharon Gallagher*** Director for Organisational Change (Until 04.08.13)	N/A	N/A	N/A	271	N/A	N/A

***Official's included for comparative purposes only.

Northern Ireland Civil Service (NICS) Pension Arrangements

Pension benefits are provided through the Northern Ireland Civil Service pension arrangements which are administered by Civil Service Pensions (CSP). Staff in post prior to 30 July 2007 may be in one of three statutory based 'final salary' defined benefit arrangements (classic, premium, and classic plus). These arrangements are unfunded with the cost of benefits met by monies voted by the Assembly each year. From April 2011 pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Consumer Prices Index (CPI). Prior to 2011, pensions were increased in line with changes in the Retail Prices Index (RPI). New entrants joining on or after 1 October 2002 and before 30 July 2007 could choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). New entrants joining on or after 30 July 2007 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.

A new pension scheme, alpha, will be introduced for new entrants from 1 April 2015. The majority of existing members of the NICS pension arrangements will move to alpha from that date. Members who on 1 April 2012 were within 10 years of their normal pension age will not move to alpha and those who were within 13.5 years and 10 years of their normal pension age were given a choice between moving to alpha on 1 April 2015 or at a later date determined by their age. Alpha is also a 'Career Average Revalued Earnings' (CARE) arrangement in which members accrue pension benefits at a percentage rate of annual pensionable earnings throughout the period of scheme membership. The rate will be 2.32%. CARE pension benefits are increased annually in line with increases in the CPI.

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

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

Scheme Year 1st April 2015 to 31st 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.
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).

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

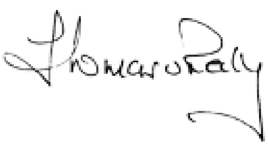
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment 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 benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

There was no compensation paid to serving or former serving managers (for loss of office) during 2014-15.



TOMMY O'REILLY
CHIEF EXECUTIVE
24 JUNE 2015

Social Security Agency

List of Annexes

Annex 1

The role of the Social Security Agency

Services provided to the people of Northern Ireland:

We are responsible for managing the following **Social Security Benefits and Payments:**

- Attendance Allowance
- Disability Living Allowance
- Incapacity Benefit
- Income Support
- Benefits under the Industrial Injuries Scheme
- Carer's Allowance
- Jobseeker's Allowance (income and contribution based)
- Lump-sum payments (Christmas Bonus, Winter Fuel Payments)
- Maternity Allowance
- State Pension Credit
- State Pension
- Over 80s Pension
- Severe Disablement Allowance
- Social Fund payments, grants and loans
- Bereavement Benefits
- Cold Weather Payments
- Employment and Support Allowance (income related and contribution based)
- Carers Credit
- Job Grant

We are also responsible for:

- providing information, advice and help to MPs/MLAs, the advice sector, the general public and employers
- providing input to Northern Ireland Assembly debates
- answering Assembly questions
- recovering Social Fund loans and Funeral Payments
- preparing and presenting appeals to appeals tribunals
- deciding on operational policy relating to social security fraud and for developing and putting in place a strategy to prevent and detect social security fraud and abuse and prosecuting offenders
- preventing, raising and recovering overpayments of benefits
- recovering social security payments from compensation awards
- working with social security authorities in other countries to decide who is entitled to benefits for those who are living, or have lived, abroad
- reassessment of existing claimants for Incapacity Benefit, Severe Disablement Allowance and Income Support (paid on the grounds of incapacity)
- providing a Bereavement Service whereby relatives may report a death to the SSA and also have an eligibility check for a range of benefits. If they are entitled to make a claim, the Bereavement Service will signpost the caller to the appropriate office

Services Provided for the Department for Work and Pensions in Great Britain

Belfast Benefit Centre (including Lisahally Processing Unit) currently deliver full end to end processing for IS, JSA, ESA and IBR for DWP customers living in parts of West, South and North London. The Centre also delivers Income Support to DWP claimants living in Basildon, Essex.

In addition Belfast Benefit Centre undertakes the role of the Centralised Referral Team (Debt) for all of the London and Home Counties Group.

The Centre is also responsible for the delivery of Benefit Cap across England, Scotland and Wales. Benefit Cap is one of the first major welfare reforms to be delivered by DWP.

Other Services

We are responsible for handling the following services:

- **Health service charges** - we assess and issue certificates of entitlement to help with dental treatment, travel to hospital for treatment, sight tests and vouchers for glasses or contact lenses on behalf of the Department of Health and Social Services and Public Safety.

- **Housing and fuel costs** - for customers who have been supplied with housing or fuel credit, we deduct the repayments from their benefits and pay directly to the organisations concerned.

- **Legal Aid Assessment** - we assess customers' financial circumstances if they are applying for Civil Legal Aid and confirm if a customer is receiving a Social Security benefit if they are applying for Criminal Legal Aid or assistance under the Green Form Scheme.

- **We provide Information and Guidance** on how to claim Tax Credits for HMRC.

- **We are able to provide** members of the public with an estimated potential entitlement to a range of benefits and tax credits through the Better Off Calculator (BOC) and the Benefit Adviser Service (BAS).

- **We provide relevant information** to employers and other organisations to help them decide on entitlement to, and payment of, Housing Benefit, Statutory Sick Pay, Statutory Maternity Pay, Criminal Injuries Compensation, free school meals and educational clothing.

- **We provide** a National Insurance Number application and allocation service on behalf of the HM Revenue & Customs.

- **We provide information** on and pay Disability Living Allowance (higher-rate mobility component) to Motability.

- **Vehicle Excise Duty Exemption** - we issue certificates of entitlement to people who receive Disability Living Allowance (higher-rate mobility component).

- **Training Allowance** - we pay benefit based training allowances on behalf of the Department for Employment and Learning to those taking part in recognised Department for Employment and Learning schemes.

- **Data Sharing with other Government Departments** - we may give information to certain other organisations as the law permits, to check the accuracy of the information, prevent or detect crime, protect public funds and use in research statistics.

- **Data gather for other Departments** - the Employment and Support Allowance Centre completes a data gather on behalf of the Northern Ireland Housing Executive and for Land & Property Services.

- **Signpost customers to Child Maintenance Service** - Gathering information from single parents who could benefit from the services provided by CMS. This includes arranging for the Child Maintenance Choices (the new name for the CMS Information and Support Service) to contact customers, seeking to use their services, directly.

- **Issue application forms for other benefits** - the Employment and Support Allowance Centre can, for customers making an Employment and Support Allowance new claim by telephone, issue application forms for Carer's Allowance, Bereavement Benefit, Maternity Allowance and Industrial Injuries Benefit.

The services listed above may vary in line with amendments to legislation and as directed by Minister.

SOCIAL SECURITY AGENCY

Annex 2

How to contact us

PHONE SERVICES	NUMBER	OPENING HOURS	DESCRIPTION
Benefit Enquiry Line (BEL)	Free phone: **0800 220 674** Minicom: **028 9031 1092**	This service is available 24 hours a day where a message can be left and customers are called back as soon as possible during office hours (Monday to Friday 9.00am to 5.00pm)	The BEL is an answer phone service which provides general information and advice on Attendance Allowance, Disability Living Allowance, Carer's Allowance along with the phone completion of Attendance Allowance, Disability Living Allowance and Carer's Allowance claim forms. Appointments have to be made to have these forms completed.
Benefits Freephone Number	Free phone: **0800 022 4250**	Monday to Friday 9.00am to 5.00pm	For general enquires relating to Income Support, Jobseekers Allowance and Social Fund for example enquiring about an application, or reporting a change of circumstances.
Single Investigation Service (Northern Ireland) Fraud Phone Line	Free phone: **0800 975 6050** Textphone: **028 9055 6991**	Monday to Friday 9.00am to 5.00pm	Phone number to receive allegations of social security benefit fraud from the public. No details of caller required and confidentiality is guaranteed.
Employment and Support Allowance New Claims Line	Free phone: **0800 085 6318** Textphone: **0800 328 3419**	Monday to Friday 9.00am to 5.00pm	A quick and easy way for making new applications to Employment and Support Allowance.
Employment and Support Allowance Enquiry Line **Maternity Allowance** **Incapacity Benefits and Industrial Injuries Benefits**	Telephone: **0300 123 3012** **0845 602 7301** Textphone: **0800 328 3419**	Monday to Friday 9.00am to 5.00pm	For general Employment and Support Allowance enquiries for example enquiring about an application, or reporting a change of circumstances. Customers can use these numbers to make enquiries about or to make a claim to Industrial Injuries or Incapacity Benefits or to make enquiries about Incapacity Benefit.
National Benefit Fraud Line	Free phone: **0800 854 440** Textphone: **0800 328 0512**	7am to 11pm 7 days a week	National free phone service for reporting allegations of benefit fraud.
Welsh Benefit Fraud Hotline	Freephone: **0800 678 3722** Textphone: **0800 328 0512**	Monday to Friday 8.00am to 6.00pm	Welsh Language free phone service for reporting allegations of benefit fraud.

PHONE SERVICES	NUMBER	OPENING HOURS	DESCRIPTION
Benefit Leaflet Issuing Service	Phone Number: **0845 605 2020**	24 hours 7 days a week	The Benefit Leaflet issuing Service is a 24 hour fully automated telephone service for requesting leaflets.
Crisis Loans Claim Line	Free phone: **0800 028 8822**	Monday to Friday 9.00am to 4.30pm	A Crisis Loan is there to help you in an emergency or as a consequence of a disaster. A Social Fund Decision Maker will process your claim over the telephone.
State Pensions Service Tele-Claims	Free phone: **0808 100 2658** Textphone: **0808 100 2198** Fax Number: **028 7185 3005** **028 7185 3003**	Monday to Friday 9.00am to 5.00pm	A quick and easy way for making new applications to State Pension.
Pension Credit Application Line	Free phone: **0808 100 6165** Textphone: **0808 100 1165** Fax Number: **028 7127 4643**	Monday to Friday 9.00am to 5.00pm	A quick and easy way for making new applications to Pension Credit. Application forms completed for the Customer.
Pensions Service Enquiry Line	Phone Number: **0300 123 3014** **0845 601 8821** Textphone: **0808 100 2198** Fax Number: **028 7185 3006**	Monday to Friday 9.00am to 5.00pm	For general State Pension or Pension Credit enquires for example enquiring about an application, or reporting a change of circumstances.
Bereavement Service	Phone Number: **0800 085 2463**	Monday to Friday 9.00am to 5.00pm	To report a death to the Social Security Agency Bereavement Service will ensure all relevant benefit and pensions offices are updated. Check eligibility to Social Security benefits following bereavement. Apply for Bereavement Benefits or a Social Fund funeral payment.

0800 and 0808 numbers are free from BT landlines and some mobiles.
0845 numbers cost up to 5p per minute from a landline but this can vary with mobile operators.
0300 numbers have been introduced alongside existing 0845 numbers for calls to the ESA and Pension Service Enquiry Lines. These are charged at the same rate as calls to geographic numbers, and most mobile numbers include 0300 numbers in their free call packages.
SA Internet Address: **www.nidirect.gov.uk**

Annex 3 Strategy Map

OUR VISION - "Helping people change their lives for the better"

Reform and Modernisation | Quality Customer Services | Performance and Accountability

BUSINESS PERFORMANCE

Deliver a reformed Welfare System	Ensure our customers are paid the right benefit at the right time	Ensure good governance and financial management	Improved organisational performance
Transform the Welfare System in Northern Ireland and ensure we protect the vulnerable in our society.	Assessing and paying benefits accurately, securely and on time while actively promoting benefit uptake across customer groups.	Delivering our functions in a controlled and managed environment, adhering to best practice guidance to manage risk and demonstrate accountability	Through continuous improvement to be a high performing organisation

CUSTOMERS

Engage with our customers and stakeholders to better understand their needs	Build and maintain a network of strong working partnerships	Provide flexible and accessible customer services	Provide value for money for customers and taxpayers	Prevent, detect and deter fraud and error
Working with customers, representative groups and key stakeholders to inform the delivery of services to existing and potential customers.	Positive commitment to work with others to inform, shape and deliver our services.	Ensure customers can access services through a range of flexible and varied delivery channels.	Living within budget and delivering value for money.	Building secure systems to reduce the opportunity for fraud and error; maintain the integrity of exisiting benefit systems and actively investigate and promote the prosecution of benefit fraud.

INTERNAL PROCESSES

Continuously improve and modernise our business processes	Effective project and programme management	Develop business forecasting models	Secure management of data and information	Effective internal control and communications systems
Use business improvement tools to review and examine our internal processes to improve and modernise our services.	We will successfully deliver our projects by the application of proper control mechanisms.	Use appropriate tools to help us understand and plan business needs in the future.	Ensuring that we protect and handle all personal data and information securely.	Put in place a range of robust internal controls and communications system.

ORGANISATION AND PEOPLE

Transform our structure and culture	Supporting our people	Build a strong team of leaders across the Agency	Staff who are motivated and committed
Living the Agency's vision and values	Ensure our people have the right skills, information and support.	Providing the necessary tools to lead and empower individuals and teams to meet the forthcoming challenges.	Influencing staff engagement through improved communications and development.

"We act fairly and honestly" | "We are connected" | "We are proud of what we do" | "We deliver quality services"

WE DELIVER OUR VISION THROUGH OUR VALUES

Annex 4

Facts and Figures

The following table shows the breakdown of public spending for those social security benefits we are responsible for:

Spending on Benefits 2014 -15

BENEFITS TAKEN FROM NORTHERN IRELAND CONSOLIDATED FUND	£'000
Non-contributory Retirement Pension	3,911
Christmas Bonus (pensioners)	1,511
Attendance Allowance	205,325
Carer's Allowance	141,764
Severe Disablement Allowance	15,354
Disability Living Allowance	956,138
Disability Working Allowance	-5
Industrial Injuries Benefits	30,067
Pension Credit	307,899
Family Credit, Child Support Maintenance Bonus	34
Community Care Grants	13,708
Maternity payments	1,615
Other Fair Value Adjustments & write offs - Crisis Loans	232
Other Fair Value Adjustments & write offs – Funeral Payments	2,241
Income Support	169,147
Jobseeker's Allowance (income based)	166,001
Employment and Support Allowance	405,044
Job grant	1,956
Total: Northern Ireland Consolidated Fund	**2,421,942**

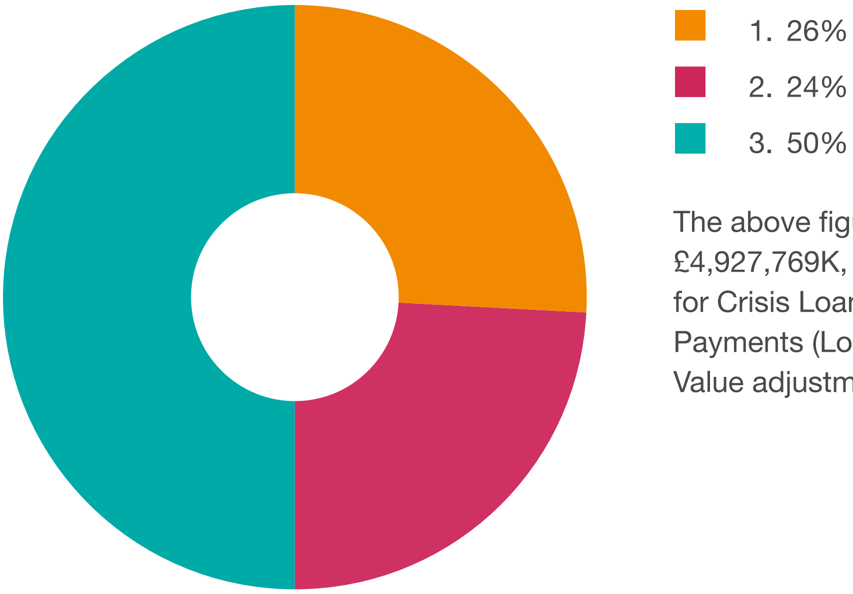
BENEFITS TAKEN FROM THE NORTHERN IRELAND NATIONAL INSURANCE FUND	£'000
Retirement Pension	2,072,728
Christmas Bonus	3,648
Widow's Benefits	20,347
Incapacity Benefit	1,986
Maternity Allowance	12,164
Employment and Support Allowance	329,273
Jobseeker's Allowance (contribution based)	13,879
Total: Northern Ireland National Insurance Fund	**2,454,025**

SOCIAL FUND	£'000
Budgeting Loans	53,970
Crisis Loans	13,427
Funeral Payments	2,506
Repayment of Budgeting Loans	- 54,743
Repayment of Crisis Loans	-14,582
Repayment of Funeral Loans	-140
Other Fair Value Adjustments and Impairment of debt written off (Budget Loans)	2
Cold-weather payments	375
Winter Fuel Payments	53,900
Total: Social Fund	**54,715**
Total public spending on benefits for which we are responsible	**4,930,682**

(i)) Please note the above amounts refer to Crisis loan issues and repayments for the 2014-15 financial year.
Details of changes to funding for Crisis loans are included in the Accounting Policy note 1.23

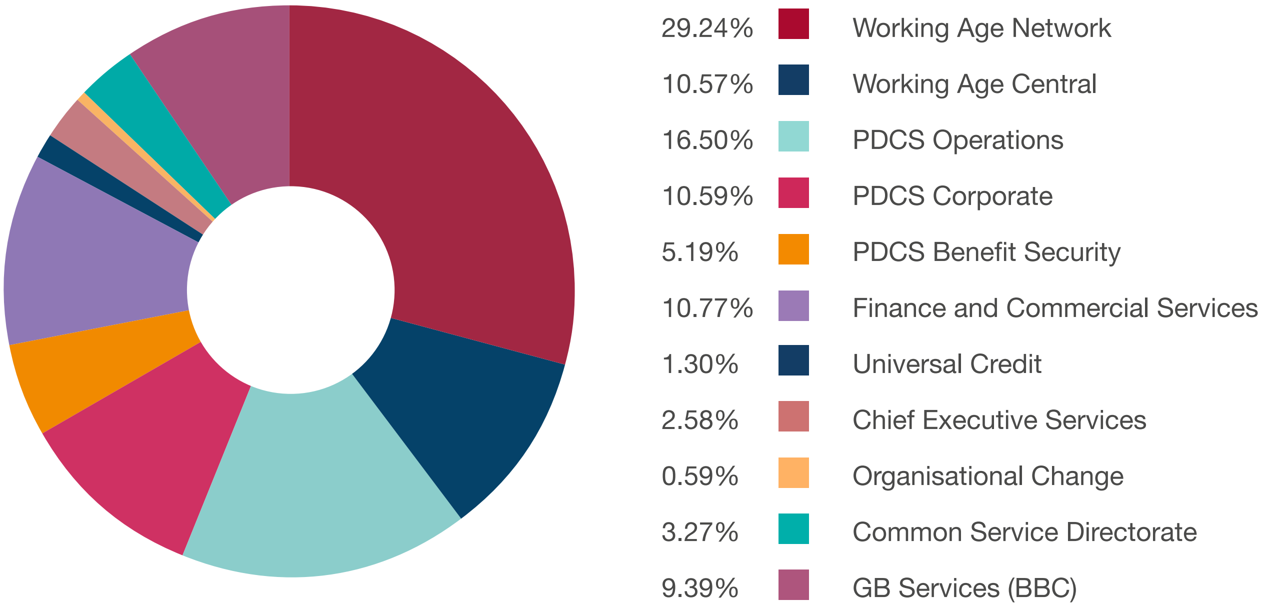
Spending on benefits by broad groups of beneficiaries 2014-15

	PERCENTAGES	VALUES £'000
1. Disability and Carers	26.45%	1,303,222
2. Jobs and Benefits	23.87%	1,176,414
3. Pension Age	49.68%	2,448,133
		4,927,769



The above figure for spending on benefits £4,927,769K, does not include the amounts for Crisis Loans, Budget Loans and Funeral Payments (Loans issued, recoveries, Fair Value adjustments and write offs)

Patterns of Spending by Business Area 2014-15

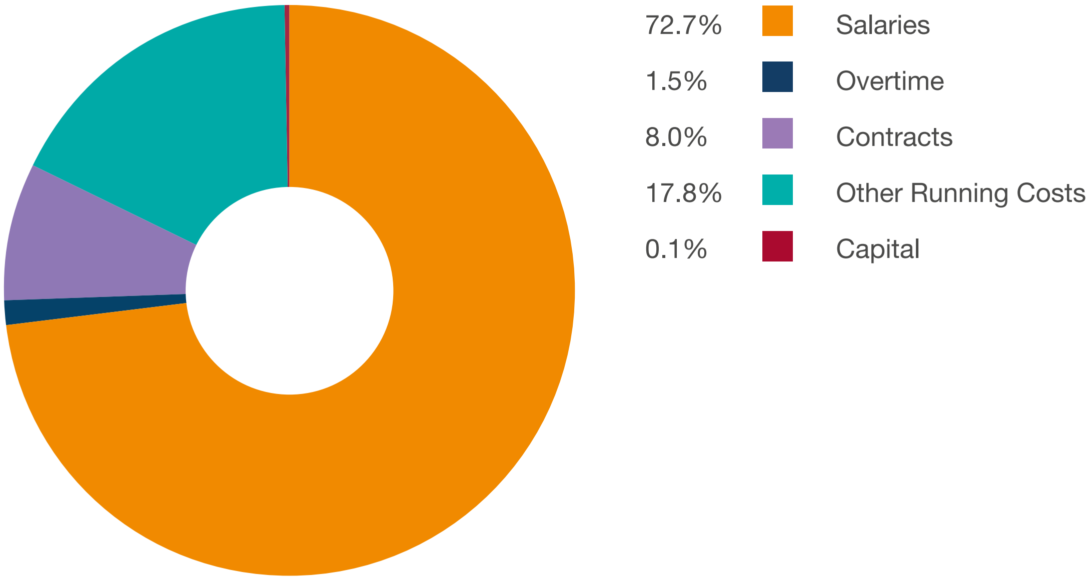


	PERCENTAGES
Working Age Network	29.24%
Working Age Central	10.57%
PDCS Operations	16.50%
PDCS Corporate	10.59%
PDCS Benefit Security	5.19%
Finance and Commercial Services	10.77%
Universal Credit	1.30%
Chief Executive Services	2.58%
Organisational Change	0.59%
Common Services Directorate	3.27%
GB Services (BBC)	9.39%
TOTAL	100%

NOTES:

1. The spending figure for Great Britain Services includes the costs associated with handling the Belfast Benefit Centre.
2. Welfare Reform spending is included in the figures shown for each of the directorates.

Patterns of Spending by type 2014-15



	PERCENTAGES
Salaries	73.1%
Overtime	1.4%
Contracts	7.9%
Other Running Costs	17.5%
Capital	0.1%

Total spending = £192.493m (£192.323mResource costs and £0.169million Capital costs)

NB.
Discretionary Social Fund and Non-Cash figures are excluded from above spends

Social Security Agency

Annual Accounts 2014-15

Part 3

Contents

Statement of 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 Northern Ireland Social Security Agency to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Northern Ireland Social Security Agency and of its total comprehensive net expenditure, 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, 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 financial statements; and
- prepare the accounts on a going concern basis.

The Department for Social Development has designated the Chief Executive of the Northern Ireland Social Security Agency as Accounting Officer for the Agency. 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 Northern Ireland Social Security Agency's assets are set out in the Accounting Officers' Memorandum.

This is issued by the Department of Finance and Personnel and published in "Managing Public Money Northern Ireland".

Governance Statement

Scope of Responsibility

As designated Accounting Officer, I have responsibility for maintaining an effective governance system that supports the achievement of the Agency's and the Department's policies, aims and objectives, whilst safeguarding the public funds and Departmental assets for which I am personally responsible. Agency business is conducted in accordance with guidance contained within Managing Public Money (NI) to ensure that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

I ensure that the Minister and Permanent Secretary receive regular reports on all aspects of our performance, including a quarterly progress report which highlights any significant deviation from achievement of targets, financial implications and any underlying risk realisation.

The Agency's Governance Framework

As Chief Executive of the Social Security Agency I am responsible for the day-to day operations and administration of the Social Security Agency and leadership of its staff. In my role as designated Accounting Officer I am responsible to the Minister and accountable to the Northern Ireland Assembly, for the Agency's use of resources in carrying out its functions. I provide assurance to the Permanent Secretary in his role as Principal Accounting Officer in relation to effective governance and control of expenditure on delivery of the Agency's services.

I have put in place a governance framework which provides the direction and control for the Agency; 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 Agency's affairs.

I am satisfied that I have the necessary systems and processes in place to maintain an effective system of internal control which supports the delivery of the Agency's strategic objectives while safeguarding the public funds and assets which I am personally accountable for.

The monthly Agency Management Board (AMB), which I chair, supports the delivery of effective Corporate Governance and operates within the HM Treasury guidelines on "Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013" and operates within an agreed Terms of Reference. The Board is responsible for the strategic direction of the Agency and supporting the delivery of that strategy by providing corporate leadership, taking ownership for the Agency's performance at corporate level and ensuing that adequate governance controls are in place. The Agency Management Board is comprised of three Directors and the Chief Executive.

The Chief Executive, in consultation with AMB, agrees the Corporate Balanced Scorecard, prioritises the allocation of resources to match development and delivery requirements, monitors and is accountable for Agency performance. The Agency's Corporate Balanced Scorecard is approved by the Minister.

The table below shows AMB members' attendance at Board meetings held during 2014-15.

MEMBERS	BOARD MEETING ATTENDED
Tommy O'Reilly	9
Joyce Bill	11
Brian Doherty	11
John McKervill	11
Geraldine Brereton (until October 2014)	6
Pat Magee (until October 2014)	7

During 2014-15 the Board considered and reviewed a wide range of business matters, including:

- Performance against Corporate Balanced Scorecard targets;
- Operational performance reports;
- Updates on Fraud and Error activities;
- Corporate Risks;
- Financial and Budgetary reports; and
- Human Resource issues.

A number of key strategic issues are discussed regularly at the Board, including Welfare Reform, Maximising Incomes and Outcomes, Modernising Credit Unions, and Annual Managed Expenditure levels in Northern Ireland. Moving forward it has been agreed that the Board will also receive regular updates on Debt Management information and performance as well as from the Fraud and Error Reduction Board.

Quality of Data to the Board

I am satisfied that comprehensive arrangements are in place to ensure that quality information is received by the Board to enable it to make informed decisions. Strategic issues reserved for the Board's attention are scheduled in an annual planner and a categorised agenda is drawn up for each meeting. There are internal controls to validate accuracy and completeness of information presented to the Board; detailed minutes record the business carried out and action agreed.

In addition, the Audit Committee provide a challenge function which helps to ensure that emerging issues are highlighted and brought to the attention of the Board.

A review of AMB's effectiveness has been scheduled for September 2015.

Conflicts of Interest

The Agency maintains a register of interests to ensure potential conflicts of interest can be identified and addressed in advance of Board discussions. Where potential conflicts exist they are recorded in the Board minutes along with any action taken to address them. No conflicts of interest were declared in 2014-15.

Audit Committee

The Audit Committee supports the Accounting Officer in his responsibility for risk management, internal control and governance within the Agency. The Committee, which is chaired by a non-executive independent member of the Departmental Board, met four times during 2014-15 and was attended as follows:

MEMBERS	COMMITTEE MEETINGS ATTENDED (OUT OF 4)
Deep Sagar (Chair)	4
Michael Donnelly	4
Catherine Daly (until May 2013)	1
Patrick Anderson (from February 2015)	1

At least two members attended all Committee meetings; in line with the Committee's Terms of Reference, all meetings were quorate.

The Committee's business includes a review of Agency's systems of corporate governance, risk management, internal control and progress in implementing recommendations from Public Accounts Committee (PAC) and other audit reports. During the year there were no specific reports from the PAC which were directly related to the Agency's business.

After each meeting the Chair of the Audit Committee provides the Board with an update on the business conducted and, if appropriate, draws to their attention issues of material concern.

Through their quarterly update reports to AMB the Audit Committee advised that it is not aware of any substantive issues that need to be brought to the Accounting Officer's attention that would raise questions over the assurance provided on the systems of corporate governance, risk management and internal control that are in place in the Agency. During 2014-15 changes were made to the membership of the Committee. It was not thought appropriate to carry out a review of the Audit Committee's effectiveness in the early stages of the transition; a review has been scheduled for January 2016.

Review of Effectiveness

As Accounting Officer, my review of the effectiveness of the system of internal control is supported by:

- a Standards Committee, which provides me with independent advice on the quality of the Agency's decision making;
- a Fraud and Error Reduction Board which provides strategic focus and direction to the planning and delivery of counter fraud and error activity across all benefits;
- a Modernisation Board, which meets monthly, and which has overall responsibility for the Agency's Modernisation Programme; and
- a Universal Credit (UC) Programme Board, which meets regularly, which provides direction and control and monitors and scrutinises the delivery of the Northern Ireland Universal Credit Programme.

My review is also informed by the work of the Head of Internal Audit and the comments made by the external auditors in their report to those charged with governance and other reports.

Key risks in the Corporate Risk Register, to be covered by Internal Audit, are agreed with the Accounting Officer and Audit Committee in the annual audit plan and audit strategy. Internal Audit submit regular reports on the management of key business risks and the effectiveness of the Agency's system of internal control and make recommendations for improvement. Recommendations have been accepted by management and are being or have been implemented in accordance with agreed timetables. The status of Internal Audit recommendations is reported quarterly to the Audit Committee.

During the year Internal Audit issued two 'Limited' opinion reports. These reports were: (i) Income Support Northern Region and (ii) Mail Opening, Scanning and Image Circulation (MOSAIC).

The main findings in the first report related to non-compliance issues in respect of a number of mandatory checks and resulted in eight recommendations being made. The issues identified were specific to Northern Region and were not systemic across the Regional Network. All of the recommendations were accepted by management and implemented immediately.

The main weaknesses identified in the second report related to the receipt and post opening procedures operating in the recently established Mail Opening Unit based in Limavady. This resulted in six recommendations being made and these have all been accepted by management with four implemented immediately and the remaining two by April 2015.

These two areas will be subject to a follow up Internal Audit review during 2015-16.

The Head of Internal Audit has awarded an overall satisfactory opinion for 2014-15 in respect of Agency's resource and benefit expenditure categories.

During the year Internal Audit reviewed the Risk Management and Corporate Governance arrangements within the Social Security Agency. Their opinion based on the work performed was that a substantial system of governance and risk management has been established by management.

I have also received an overall satisfactory opinion in respect of the systems administered by staff within the Department for Employment and Learning in the delivery and payment of Jobseekers Allowance.

During the year the Northern Ireland Audit Office (NIAO) undertook a study of the modernisation of benefit delivery services in the Social Security Agency's local area network, including the administration and payment of working age related benefits; namely Jobseeker's Allowance, Income Support and the Social Fund.

In November 2014, NIAO published its report 'Modernising benefit delivery in the Social Security Agency's local office network'. The outcome was generally positive with the report acknowledging the Agency's efforts to modernise benefit delivery services whilst operating in a complex environment.

Enterprise Shared Services

I draw assurance from the audit opinion received from the Head of Internal Audit (HIA) in the Department of Finance and Personnel on the various components of Enterprise Shared Services (ESS). These include Account NI which is responsible for the Department's transaction processing, HR Connect which is responsible for the Department's Human Resource arrangements and IT Assist which provided our IT support services. I note that the HIA in DFP has provided a satisfactory audit opinion on ESS overall.

The Risk and Control Framework

A robust risk management process is in place to ensure that the risks faced by the Agency are identified, managed and that appropriate controls are in existence and utilised accordingly. Directors and senior management provide leadership in the risk management process in their particular area of responsibility and corporately through their involvement in the Agency's Management Board and Modernisation Board.

The Agency has integrated risk management within all aspects of its business and through its planning, monitoring and reporting cycles. Progress on the management of risks is reported to, and reviewed quarterly by the AMB. In addition, the risk management process is supported by reports from Internal Audit and independent scrutiny provided by the Agency's Audit Committee.

Within the year the Agency reviewed its Certificate of Assurance process, refining the Certificate itself and publishing new guidance on the intranet for access by all staff.

The Agency's Corporate Risk Management Framework details the risk policy, approach and operating procedures for managing risks within the Agency's business as usual environment. This includes:

- a risk identification process which helps develop a clear and common understanding

amongst senior managers of the risks facing the Agency's business;
- ownership of key risks assigned at Director level with the responsibility and authority for implementing controls and assigning resources to manage them;
- evaluation of those risks which are determined to have Extreme or High residual rating to determine if they can be adequately managed via the Agency's risk register or if they should be escalated to the Department's risk register; and
- risk assurance through the Agency's monitoring and reporting mechanisms, e.g. Agency Annual Review, Internal Audit annual reviews and the work of the Agency Audit Committee.

At the beginning of 2014-15 AMB conducted an end of year review of its Corporate Risk Register for 2013-14, alongside the Agency's Balanced Scorecard for 2014-15, and agreed the key corporate risks for 2014-15.

One new risk area was identified in relation to planning for future spending. As part of the on-going review of the Agency's risks, in-year, two new risks were added to the Risk Register, relating to the progress of the Agency's reform projects with the potential for significant staff surpluses; and contingency plans to manage the impact of the Welfare Reform Bill delay.

In line with the Risk Management Framework the Agency again escalated the existing risk in relation to HR policies and strategies for welfare reform and also the newly identified contingency plan risk, to the Departmental Board. AMB was content that the remaining risks could be adequately managed via the Agency's risk management arrangements.

As Accounting Officer I also have responsibility for overseeing a portfolio of reform and modernisation projects. These projects are managed and monitored in line with best practice in project and programme management and adhere to DFP governance and assurance requirements.

Risk Management forms an integral part of project planning and product delivery. As part of the Agency's approach to Risk Management, a specific risk management strategy has been adopted for the management of risks identified in programme and projects.

The Corporate Risk Management Strategy - A Project Approach, which dovetails with the Risk Management Framework, details the risk policy, approach and operating procedures for managing risks within the Agency's programme and project environment. The individual project/ programme risk registers are reviewed at Project Board meetings and those risks with a High or Extreme residual rating are presented monthly at Modernisation Board or Universal Credit Programme Board meetings. If considered appropriate, these Boards may escalate the High or Extreme risks to Agency and / or Departmental Board.

The governance arrangements surrounding the Welfare Reform/Modernisation Programme are regularly reviewed to ensure that they continue to incorporate best practice in programme and project management. The governance structure in place provides the necessary assurance to

Agency senior management and also ensures that arrangements are in accordance with Department of Finance and Personnel (DFP) guidance.

Data Security

The Agency is responsible for processing and storing a significant amount of personal and sensitive customer information and is committed to ensuring that all information assets are managed lawfully and securely. The Agency reflects the significance of its information management responsibilities by including a risk on its Corporate Risk Register. As Accounting Officer I receive regular assurance that the information held by the Agency is being handled appropriately and that there are additional processes to manage the security of information risk, including:

- confirmation that the Departmental Information Security Policy, Information Risk Policy, Information Transfer Guidance and Personal Information Policy are being used throughout the Agency;
- security accreditation of computer systems, this includes the accreditation of specific Northern Ireland systems used by the Agency in line with HM government standards; and,
- deployment of Security Specialists to monitor operational procedures, provide assurance that management controls are in place and; operating effectively, that systems are secure and being used appropriately and that all relevant guidance is being adhered to.

Given its scale and the extent of personal information held, the Social Security Agency has an Information Asset Owner (IAO) Support Team which assists the IAO in the delivery of the Agency's information security responsibilities. This team acts as the central contact point for reporting and investigating all 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 reviewed and enhanced were recorded in the Agency's Balanced Scorecard and progress was monitored through the Agency's governance and accountability processes. 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 IAO 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.

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

The Agency dovetails its information risk management with the policies and processes adopted by the Department, which has a Senior Information Risk Owner at Board level. Oversight of the Agency's adherence to information security and compliance with best practice in the day to day running of the business is provided by the heads of each branch, with support and direction provided by the Agency's Information Security Unit (ISU) and the Information Asset Owner (IAO).

Personal Data Related Incidents

During 2014-15 there were ten personal data related incidents reported; four incidents where personal data was lost and six incidents where access to personal data did not comply with Data Protection requirements. However, internal action was sufficient to address the incidents and formal referral to the Information Commissioner's Office was not required.

Welfare Reform

The programme of Welfare Reform changes and specifically the introduction of Universal Credit represent the most substantial and widespread changes to the welfare system in the last 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 five 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.

Significant Internal Control Issues

The Agency has identified the following significant internal control challenges. These will continue to be regularly monitored and updates provided to the Agency Management Board and the Agency Audit Committee.

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 £4.5b to nearly £5.0b (an increase of 12%). The amounts for estimated benefit overpayments are as follows:

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

The position with benefit underpayments was:

- 2014 - estimated underpayments were £30.2m; 0.6% of total benefit expenditure.
- 2013 - estimated underpayments were £24.7m; 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 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 that 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 the Agency to enable 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 (HMRC). This work will prepare the Agency in readiness 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 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.

- **Joined up working**
  Closer liaison and joint working with HMRC and the NI Housing Executive (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 Real Time Information (RTI), to enhance future fraud prevention and detection capability – with particular focus at the gateway- the point of entry to a benefit claim.

- **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 NIHE on future criminal investigations arising from the NIHE 2014 NFI 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 RTI 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 RTI initiative into 2015-16 and beyond until such time as the strategic wider use of Real Time Information solution is fully rolled out.

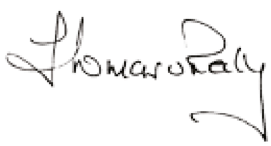
It is important to recognise that administering a complex benefit system to a high degree of accuracy in a cost effective manner is a significant challenge. Tackling fraud and error will continue to be a business priority for the Agency, and this will include a specific focus on dealing with the potential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

Conclusion

I am satisfied that the Agency 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 Social Security Agency's Audit 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.



TOMMY O'REILLY
CHIEF EXECUTIVE
24 JUNE 2014

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

I certify that I have audited the financial statements of the Northern Ireland Social Security Agency 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. 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 Chief Executive and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Chief Executive as 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 Northern Ireland Social Security Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Northern Ireland Social Security Agency; and the overall presentation of the financial statements.
In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

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

The total amount paid in benefits is £5 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 £2.9 billion, the estimated levels of fraud and error, as reported in Note 25 to the financial statements resulted in total overpayments of £50.6 million and underpayments due to official error of £20.4 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 Agency 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, except for the £71 million of incorrect benefit expenditure attributable to fraud and error referred to above, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Northern Ireland Social Security Agency's affairs as at 31 March 2015 and of the 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 Chief Executive's Report and Management Commentary 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

30 JUNE 2015

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2015

		2014 15 £ 000			2013 14 £ 000		
	Note	Staff Costs	Other Costs	Income	Staff Costs	Other Costs	Income
Resource Costs:							
Staff Costs	2	142,726			148,310		
Other Resource Costs	3		70,990			70,431	
Operating Income	8			(34,465)			(38,710)
Programme Costs:							
Staff Costs	2	-			-		
Programme Costs	4		4,930,244			4,763,320	
Income	8			-			-
Totals		142,726	5,001,234	(34,465)	148,310	4,833,751	(38,710)
Net Operating Cost				5,109,495			4,943,351

Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2015 (Continued)

Other Comprehensive Net Expenditure	Note	2014 15 £ 000 Staff Costs	2014 15 £ 000 Other Costs	2014 15 £ 000 Income	2013 14 £ 000 Staff Costs	2013 14 £ 000 Other Costs	2013 14 £ 000 Income
Items that will not be reclassified to net operating costs:							
Net Gain/(Loss) on Revaluation of Property Plant and Equipment	9			299			1,464
Net Gain/(Loss) on Revaluation of Intangibles	10			21			125
Items that may be reclassified to Net Operating Costs:							
Net Gain/(Loss) on Revaluation of Available for Sales Financial Assets				-			-
				320			1,589
Total Comprehensive Net Expenditure for the Year Ended 31 March 2015				5,109,175			4,941,762

The notes on pages 98 to 183 form part of these accounts.

Statement of Financial Position as at 31 March 2015

	Note	31 March 2015 £ 000		31 March 2014 £ 000	
Non-Current Assets:					
Property, Plant and Equipment	9	14,339		14,654	
Intangible Assets	10	579		657	
Trade and Other Receivables	13	87,428		92,560	
Total Non-Current Assets			102,346		107,871
Current Assets:					
Trade and Other Receivables	13	138,869		104,627	
Cash and Cash Equivalents	-	-		-	
Total Current Assets			138,869		104,627
Total Assets			241,215		212,498
Current Liabilities					
Trade and Other Payables	14	(155,139)		(121,627)	
Provisions	15	(175)		(554)	
Total Current Liabilities			(155,314)		(122,181)
Non-Current Assets Plus/Less Net Current Assets/Liabilities			85,901		90,317
Non Current Liabilities					
Provisions			(171)		(227)
Total Non Current Liabilities	15		(171)		(227)
Total Assets less liabilities			85,730		90,090
Taxpayers Equity:					
General Fund			82,625		87,164
Revaluation Reserve			3,105		2,926
Total Taxpayer's Equity			85,730		90,090

The notes on pages 98 to 183 form part of these accounts.

TOMMY O'REILLY
CHIEF EXECUTIVE
24 JUNE 2015

Statement of Cash flows for the Year Ended 31 March 2015

	Note	Year Ended 31 March 2015 £ 000	Year Ended 31 March 2014 £ 000
Cash flows from operating activities			
Net Operating Cost		(5,109,495)	(4,943,351)
Adjustment for Non-Cash Transactions	3,16	21,309	18,085
(Increase)/Decrease in Net Trade and Other Receivables	13	(29,110)	30,100
(Increase)/Decrease in Paying Agents		-	2,871
Increase/(Decrease) in Net Trade and Other Payables	14	33,512	27,280
Use of Provisions	15	(249)	(272)
Net Cash Outflow from Operating Activities		(5,084,033)	(4,865,287)
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	9	(75)	(79)
Purchase of Intangible Assets	10	(98)	(81)
Net Cash Outflows from Investing Activities		(173)	(160)
Cash Flows from Financing Activities			
Request for Resources A	1.23	2,569,030	2,453,109
National Insurance Fund		2,449,485	2,344,854
Social Fund	1.23	57,680	58,176
Amounts Due from/(to) Consolidated Fund - Financing	13, 14	3,716	3,366
Amounts Due from the Consolidated Fund - Financing NIF	13	4,295	5,942
Net Financing		5,084,206	4,865,447
Cash and Cash Equivalents at the Beginning of the Year		-	-
Cash and Cash Equivalents at the End of the Year		-	-

The notes on pages 98 to 183 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2015

	Note	General Fund £ 000	Revaluation Reserve £ 000	Total Reserves £ 000
Balance at 31 March 2013		144,605	1,370	145,975
Opening Balance at 1st April 2013		**144,605**	**1,370**	**145,975**
Changes in Taxpayers' Equity for 2013-14				
Net Gain/(Loss) on Revaluation of Land, Buildings, Information Technology & Furniture and Fittings	9	-	1,464	1,464
Net Gain/(Loss) on Revaluation of Intangible Assets	10	-	125	125
Net Cash Inflow from Financing		4,865,447	-	4,865,447
CFERs Payable to the Consolidated Fund		-	-	-
Comprehensive Expenditure for the Year		(4,943,351)	-	(4,943,351)
Non-Cash Charges - Auditor's Remuneration	3	106	-	106
Non-Cash Charges - Other Notional Charges	3	20,325	-	20,325
Movements in Reserves		-	-	-
Additions		-	-	-
Recognised in Statement of Comprehensive Expenditure		-	-	-
Rounding		(1)	-	(1)
Inter-Company Fixed Asset Transfers	9	-	-	-
Transfer between Reserves		33	(33)	-
Balance at 31 March 2014		**87,164**	**2,926**	**90,090**

The notes on pages 98 to 183 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2015 (Continued)

	Note	General Fund £ 000	Revaluation Reserve £ 000	Total Reserves £ 000
Changes in Taxpayers' Equity for 2014-15				
Opening balance at 1 April 2014		87,164	2,926	90,090
Net Gain/(Loss) on Revaluation of Land, Buildings, Information Technology & Furniture and Fittings	9	-	299	299
Net Gain/(Loss) on Revaluation of Intangible Assets	10	-	21	21
Net Cash Inflow from Financing		5,084,206	-	5,084,206
CFERs Payable to the Consolidated Fund		-	-	-
Comprehensive Expenditure for the Year		(5,109,495)	-	(5,109,495)
Non-Cash Changes - Auditor's Remuneration	3	110	-	110
Non-Cash Changes - Other Notional Charges	3	20,499	-	20,499
Movements in Reserves		-	-	-
Additions		-	-	-
Recognised in Statement of Comprehensive Expenditure		-	-	-
Intercompany Fixed Asset Transfers	9	-	-	-
Rounding		-	-	-
Transfer between Reserves		141	(141)	-
Balance at 31 March 2015		82,625	3,105	85,730

The notes on pages 98 to 183 form part of these accounts.

Notes to the Accounts for the Year Ended 31 March 2015

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2014-15 Government Financial Reporting Manual (FReM) issued by the Department of Finance and Personnel (DFP). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which has been judged to be most appropriate to the particular circumstances of the Agency for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Agency for the year ended 31 March 2015 are described below. They have been applied consistently in dealing with items considered material in relation to the financial statements.

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.

Management have reviewed the other new accounting standards that have been issued but are not yet effective, nor adopted early for these accounts.

The IASB have issued new and amended standards (IFRS10, IFRS 11 and IFRS 12) that affect the consolidation and reporting of subsidiaries, associates and joint ventures. These standards are effective with EU adoption from 1 January 2014.

Accounting boundary IFRS are currently adapted in the FReM so that the Westminster departmental accounting boundary is based on Office of National Statistics (ONS) control criteria, as designated by Treasury.

A review of the NI financial process, which will bring NI departments under the same adaptation, has been presented to the Executive, but a decision has yet to be made. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on the departments around the disclosure requirements under IFRS 12. Arms Lengths Bodies (ALBs) apply IFRS in full and their consolidation boundary may change as a result of the new standards.

Future Changes to the Departmental Boundary

The Stormont House Agreement contains a commitment to reduce the number of NICS Departments from 12 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 (DSD) will likely 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.

1.1 Accounting Convention

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

1.2 Financial Instruments

The following are the key accounting policies used from 1 April 2014 to reflect the adoption of Financial Instruments under the IFRS (IAS 32, IAS 39 and IFRS 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 between the 1 April 2014 - 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.

The Agency categorises the following account balances to be Financial Instruments:

(i) Cash and Cash Equivalents

- Programme and Resource Financing
- NIF Debtor
- Cash In Transit

Cash and cash equivalents comprise of 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 of funding voted by the Northern Ireland (NI) Assembly to meet the Agency's resource requirements (Programme and Resource Financing). The NIF debtor represents the balance at the year end of the funding provided to the Agency 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 period end in the funding and payment of benefit expenditure. (See Note 1.12)

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

(ii) Loans and Receivables

- Benefit Overpayment Receivables
- Social Fund Loans
- Salary Overpayments (See note 1.24)

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 Agency 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%)

The remaining Programme and Resource receivable balances and prepayment amounts are non-derivative Financial Instruments. These amounts are due within one year and have no impairment indicators.

(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 Agency assesses at the end of the accounting period 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 accounting period end date and whether such events have had an impact on the estimated future cash flows of the financial asset 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 Assets 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 Agency is exposed follow below.

Liquidity Price Risk

The Agency's Resource and Programme expenditure requirements are financed by funds voted by the Northern Ireland (NI) Assembly and Parliament as is its non-current asset expenditure. It is not, therefore, exposed to significant liquidity risks.

Credit Risk

The Agency 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 Agency has an active recovery process in place in relation to these receivables and details of this process are in Note 1.3.

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 the receivable or loan not recovered from benefit customers. As of the reporting date the maximum amount that the Agency is exposed to is the balance of the net Benefit Overpayment Receivables and the net Social Fund Loans, disclosed in Note 13 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 Agency has an active recovery process in place, in order to maximise the amounts recovered.

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

The economic downturn and the resultant progress of recovery may impact on the amount of credit risk the Agency is exposed to for future reporting periods. This may potentially impact on the progress of recovery of Benefit Overpayment Receivables and Social Fund Loans from customers.

In the 2014-15 year the Agency developed more detailed debt management information and initial findings from this indicate that the recovery of off-benefit debt i.e. where the debtor is no longer in receipt of social security benefits, is less productive than recovery from on-benefit debtors. In 2014-15 the Agency also commenced a review of the Financial Instrument Fair Value methodology and it is intended to use the enhanced debt management information to assist in identifying what revisions are required to the fair value calculations. It is anticpated that the conclusions from the Financial Instruments Fair Value review will be taken forward in the 2015-16 financial year.

Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Agency 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.

1.3 Benefit Overpayment Receivables

Benefit overpayment receivables arise when a benefit overpayment occurs. The gross benefit receivable amount recognised is the difference between the amount paid to the customer by the Agency and the actual benefit entitlement due. The value is communicated in writing to the customer and the Agency 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 benefit overpayment receivable 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 Agency'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 Agency may write off benefit overpayment receivables because:

(a) the case satisfies the criteria for waiver;

(b) the debtor is deceased and there is insufficient estate to recover the debt

The Agency 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 Agency 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%).

1.4 Estimation Techniques

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenditure. These are based on historic and other factors that are believed to be reasonable, the results of which form the basis for making judgements. The estimates and underlying assumptions are reviewed on an ongoing basis. Specific areas of judgement include non-current asset revaluations, depreciation and amortisation periods, provisions, early departure costs, receivables and impairment.

Financial Instruments - 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 arms-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 Agency in respect of Compensation Recovery Unit is based on likely future write-offs and is calculated on a case by case basis.

In 2014-15 the Agency commenced a review of the Financial Instrument Fair Value methodology. It is anticipated that the conclusions from this review will be taken forward in the 2015-16 financial year.

Benefit Overpayment Receivables
The estimation technique employed in the calculation of Benefit Overpayment Receivables is disclosed in Note 1.3.

Salary Overpayment Receivables
The estimation technique employed in the calculation of Salary Overpayment Receivables is disclosed in Note 1.24.

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

Provisions
The estimation technique employed in the calculation of Provisions is disclosed in Note 1.19.

NHS Trusts' balance
An exercise is completed each year by the Agency'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 13 (e) (i).

1.5 Property, Plant and Equipment (PPE) and Intangible Assets

Expenditure on Property, Plant and Equipment (PPE) and Intangible Assets costing more than the prescribed capitalisation level for each asset category, and which has an expected useful life of more than one year, is treated as a non-current asset.

The capitalisation levels adopted across the Agency are £1,000 for furniture and fittings, and for office machinery (which is included within the Information Technology PPE category). For property improvements (the land and buildings excluding dwellings PPE category), cabling, (information technology PPE category) the capitalisation threshold is £5,000. For computer equipment the capitalisation threshold is £1,000. Computer equipment is disclosed within the information technology category of PPE.

Externally and internally developed computer software costing greater than the £5,000 capitalisation 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 bring them into working condition.

PPE and Intangible Assets are then included in the Statement of Financial Position at their net current replacement cost.

Land and Buildings are stated at current cost using professional valuations applied by the Land and Property Services (LPS) every five years and appropriate desk top reviews in intervening years. The professional valuations are carried out by members of the Royal Institute of Chartered Surveyors (RICS) in accordance with procedures laid out in the RICS Appraisal and Valuation Manual. The last valuation was completed at 31 March 2014. Property, plant and equipment and intangible assets are revalued annually by reference to appropriate HM Treasury approved indices.

1.6 Depreciation and Amortisation

Property, plant and equipment and intangible assets are depreciated and amortised respectively at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Depreciation/amortisation is charged when an asset is available for use, and not in the month of disposal.

The estimated useful economic lives used to calculate depreciation are:

Buildings and property improvements	5 to 60 years
Information technology	3 to 10 years
Furniture and fittings	3 to 10 years
Computer software	3 to 5 years
Intangible Assets	5 to 10 years

The overall useful life of the Agency'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.

No depreciation is provided on freehold land.

1.7 Land and Buildings and Property Improvements

Land and buildings within the Statement of Financial Position include the Belfast Benefit Centre located at 31 Chichester Street, Belfast, and the Lisahally Processing Unit located at 28 Temple Road, Lisahally.

All of the work carried out by the Belfast Benefit Centre relates to processing services provided to the Department for Work and Pensions (DWP) in Great Britain (GB). Most of the remaining buildings occupied by the Agency form part of the Government Estate. An assessment of the rent which would be payable on an open market basis is charged to the Agency's Statement of Comprehensive Net Expenditure within notional costs (Note3.3).

1.8 Income

Resource income is income relating directly to the Agency's operating activities. It principally comprises of fees and charges for services provided to government departments in GB and includes Her Majesty's Revenue & Customs (HMRC) and DWP.

The Agency 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 the restatement are as follows:

	Previous 2013 14 £ 000	Restated 2013 14 £ 000
(i) The Statement of Comprehensive Net Expenditure - 'Income'	6,360	Nil
(ii) Note 4 - Programme Costs - 'Benefits Paid from the consolidated fund'	2,350,599	2,345,886
(iii) Note 4 - Programme Costs - 'Benefits Paid from the National Insurance Fund'	2,345,117	2,343,470
(iv) Note 4 - Programme Costs - 'Total Programme Expenditure'	4,769,680	4,763,320
(v) Note 5 - Benefit expenditure from the Consolidated Fund -'Programme Income'	4,713	Nil
(vi) Note 6 - Benefit expenditure from the National Insurance Fund - 'Programme Income'	1,647	Nil
(vii) Note 8 - Income - 'Programme Income'	6,360	Nil

Operating income is stated net of VAT.

1.9 Resource and Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between resource and programme income and expenditure. The classification of expenditure and income as resource or programme follows the definitions set out in FReM.

Resource costs reflect the costs of running the Agency and are controlled under the resource cost control regime through the Departmental Expenditure Limit (DEL), together with associated operating income.

Programme expenditure comprises of statutory payments including non-contributory benefit expenditure which is within the supply process, contributory expenditure which is funded from the National Insurance Fund (NIF) and expenditure which is borne by the Social Fund. This is primarily Annually Managed Expenditure (AME). In 2013-14 funding for certain discretionary elements of Social Fund in NI, Community Care Grants (CCG) and Crisis Loans (CL) were reclassified as Departmental Expenditure Limit (DEL). In 2014-15 certain regulated elements of Social Fund in NI, Funeral Loans and Maternity Payments were also reclassified as DEL. (See Note 1.23). Whilst DEL funded these social security benefits continue to be paid under Social Fund legislation and are therefore included within Programme expenditure.

Separate White Paper accounts are produced for both NIF and Social Fund benefit expenditure. The NI Social Fund White Paper Accounts are prepared by the Agency. These are cash based accounts and comprise of a receipts and payments account, a statement of balances and the related notes including a breakdown of Social Fund loan balances outstanding. The NI NIF White Paper Accounts are cash based accounts and are prepared by HMRC. The Agency provides financial information to HMRC to facilitate the NI NIF accounts production process.

1.10 National Insurance Fund (NIF)

Contributory benefits funded from the NIF and the costs to the Agency of administering the NIF are included in the Statement of Comprehensive Net Expenditure under programme and resource costs respectively. The NIF provides financing to the Agency to cover the contributory benefit expenditure and the balance at the year end is included within Trade Receivables, Note 13. Per Note 1.8, NIF financing for resource costs incurred by the Agency is included within Income in the Statement of Comprehensive Net Expenditure. The financing from the NIF shown in the Statement of Cash Flows is the net financing due to the Agency for the contributory benefits funded by the NIF.

1.11 Inventories

Inventories consist solely of consumable items and are therefore expensed in the year of purchase to the Statement of Comprehensive Net Expenditure.

1.12 Cash and Cash Equivalents

Due to funding requirements it is Departmental policy to hold and manage centrally all operational bank accounts including those used by the Agency. For openness and transparency the Agency shows its attributable proportion of the Departmental bank account balance for both resource and programme expenditure. Accordingly the attributable proportion of the centrally held bank balances for the Agency are disclosed under receivables/payables in the accounts as ‘Resource or Programme Financing - Amounts due to/from the Department’ (Notes 13 & 14).

The total of the centrally held bank balances are disclosed in the Departmental Resource 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 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 difference in the recording of the expenditure, and the movement of the funds to make the payments creates a payables (or creditor) 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. (See Note 14).

1.13 VAT

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.

1.14 Leasing

The leases the Agency currently holds are all regarded as operating leases and the rentals are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the lease term. Details of these charges are included in Note 3.2.

1.15 Pension Costs

Agency staff are covered by the Principal Civil Service Pension Scheme Northern Ireland PCSPS (NI) which is essentially non-contributory and unfunded. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS(NI). The Agency makes employer contributions towards the cost of pension cover for its staff and these are charged to the Statement of Comprehensive Net Expenditure as they accrue. There is a separate scheme statement for the PCSPS(NI) as a whole.

1.16 Early Departure Costs

The Agency must meet the additional costs of benefits beyond the normal PCSPS(NI) benefits for employees who retire early from the date of their retirement until they reach normal pensionable age. The Agency provides in full for the cost of meeting pensions up to normal retirement age in respect of early retirement programmes. The total costs are recognised in the year in which the announcement is made and the obligation is binding on the Agency. The estimated payments are discounted at the Treasury discount rate of 1.3% (2013-14: 1.8%)

1.17 Employee Benefits

Under the requirements of IAS 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 annual leave amount outstanding per employee as at 31 March 2015, multiplied by the actual staff salary rate in days, calculated by applying a divisor of 260 days.

Employers NIC 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. (See Note 14).

1.18 Contingent Liabilities

In addition to contingent liabilities disclosed in accordance with IAS 37, the Agency discloses for parliamentary 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.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 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 IAS 37 are stated at the amounts reported to the Northern Ireland Assembly.

1.19 Provisions

The Agency provides for legal or constructive obligations, which are of uncertain timing or amount at the accounting period end date on the basis of the best estimate of the expenditure required to settle the obligation where this can be determined. Provisions can relate to early retirement costs, superannuation contributions, potential legal actions and provision for future liabilities in respect of contracts, as the Agency considers appropriate. 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 SoFP date, and it is applicable to the 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 Agency 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 19).

1.20 Funding from the Assembly vote

In accordance with FReM guidance 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 Agency's General Fund.

1.21 Operating Segments

IFRS 8 Operating Segments requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Agency's Chief Operating Decision Maker (CODM) in order to allocate resources to the segment and assess its performance.

The Agency has completed a review against the criteria set out in IFRS 8 and considers that the disclosure format within the accounts meets IFRS 8 criteria. The Agency's 'Resource' expenditure represents 3.5% of total spend and therefore does not meet the 10% threshold set out in IFRS 8. The Agency's 'Programme' expenditure represents the remaining 96.5%.

Programme expenditure is reported quarterly to the Agency Management Board with details of the spend for each social security benefit. The Agency's annual accounts also provide detailed information on Programme expenditure. Resource expenditure is reported monthly to the Agency Management Board.

1.22 Payment Accuracy

In Note 25 to the accounts, 'Payment Accuracy' the Agency has detailed the estimated amounts for the calendar year 1 January 2014 to 31 December 2014 of overpayments and underpayments arising from social security benefit fraud and error. The note details the methodology used to determine the estimated over and underpayments, highlights any recent changes to the methodology used, and provides a breakdown for the current and prior year of the total over and under payments attributable to official error, customer error and customer fraud.

1.23 Changes to the Social Fund 01 April 2013

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

The change in funding arrangements for Funeral Loans and Maternity Payments has been reflected in Note 4 Programme Costs, Note 5 Benefit Expenditure paid from the Consolidated Fund and Note7 Benefit Expenditure paid from the Social Fund.

The balance for Funeral Loans at the year end remains within Note 13 - Trade receivables and other current assets. Funeral Loan fair value adjustments are reflected in Note 4 Programme Costs, Note 5 Benefit Expenditure paid from the Consolidated Fund and Note 7 Benefit Expenditure paid from the Social Fund.

1.24 Salary Overpayment Receivables

Salary overpayment receivables arise when a salary overpayment occurs. The gross salary overpayment receivable amount recognised is the difference between the amount paid to an Agency employee and the actual salary entitlement due. The value is communicated in writing to the employee and the Agency regards this letter as evidence to support the valuation and existence of the debt. The fair value adjustment for Salary Overpayment receivables is calculated for the first time in the 2014-15 due the materiality of the amounts involved.

The Salary 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 recoveries. A discount factor of (2.2%) is also applied to the Salary Overpayment receivables balance at the end of the accounting period to estimate the present value of cash flows.

The Salary Overpayment Receivable balance is included within 'Other resource receivables', see Note 13.

2. Staff numbers and related costs

2.1 Staff costs comprise:

	2014 15			2013 14
	Permanently Employed Staff £ 000	Others £ 000	Total £ 000	Total £ 000
Wages and Salaries	113,113	1,900	115,013	119,534
Social Security Costs	7,222	-	7,222	7,670
Other Pension Costs	20,533	-	20,533	21,148
Subtotal	140,868	1,900	142,768	148,352
Less Recoveries in Respect of Outward Secondments	(42)	-	(42)	(42)
Total net costs	140,826	1,900	142,726	148,310

Staff costs exclude £0.098m charged to capital projects during the year (2013-14: £0.081m) Included in Others - Wages & Salaries costs is an amount of £0.687m for specialist professional services (2013-14: £0.836m).

Superannuation scheme

The Northern Ireland Civil Service pension arrangements are unfunded multi-employer defined benefit schemes but the Agency is unable to identify its share of the underlying assets and liabilities. The most up to date actuarial valuation was carried out 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 contributions of £20.533m were payable to the NICS pension arrangements (2013-14: £21.148m) at one of four rates in the range 18% to 25% of pensionable pay (2013-14: 18% to 25%), 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 the 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, a stakeholder pension with an employer contribution. Employer contributions of £0.031m (2013-14: £0.034m) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% (2013-14: 3%) to 12.5% of pensionable pay (2013-14: 12.5%). Employers also match employee contributions up to 3% (2013-14: 3%) of pensionable pay. In addition, employer contributions of £0.002m (2013-14: £0.002m), 0.9% of pensionable pay (2013-14: 0.8%) 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 31 March 2015 were £nil (2013-14: £nil).

in 2014-15, 10 individuals (2013-14: 14) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.017m (2013-14: £0.024m).

2.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year was as follows.

	2014 15			2013 14
	Permanent Staff	Others	Total	Total
Directly Employed	4,616	-	4,616	4,792
Other	-	114	114	160
Staff Engaged on Capital Projects	-	-	-	-
Total	4,616	114	4,730	4,952

2.3 Reporting of Civil Service and other compensation schemes - exit packages 2014-15 (continued overleaf)

2014 15			
Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band (Total Cost) (£)
< £10,000	-	4	16,727
£10,000 - £25,000	-	11	162,489
£25,000 - £50,000	-	8	351,578
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
£200,000 - £250,000	-	-	-
Total Number of Exit Packages by Type (Total Cost)	-	23	530,794
Total Resource Cost	-	-	530,794

2.3 Reporting of Civil Service and other compensation schemes - exit packages 2014-15 (continued)

2013 14			
Exit Package Cost Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Number of Exit Packages by Cost Band (Total Cost) (£)
< £10,000	-	4	15,974
£10,000 - £25,000	-	7	98,449
£25,000 - £50,000	-	5	201,178
£50,000 - £100,000	-	-	-
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
£200,000 - £250,000	-	-	-
Total Number of Exit Packages by Type (Total Cost)	-	16	-
Total Resource Cost	-	-	315,601

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 on behalf of the Agency, the additional costs are met by the Agency and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

A number of SSA staff (10 staff) were successful in their application for departure from service under the Driver Vehicle Agency, Voluntary Exit Scheme (DVA VES). The costs of the exit packages for the 10 staff are included in the table above. The compensation costs for the 10 staff were provided by the Department of the Environment (DOE). The compensation costs are included within the Agency's Salary & Early Departure Costs. The funding from DOE is accounted for as Agency income within 'Other resource income'. (See Note 8).

3. Other Resource costs

	Note	2014 15 £ 000	2013 14 £ 000
SSBA Charges		13,846	15,693
Service Charges	3.1	12,387	12,814
Contracted Services		11,104	10,179
Accommodation and Related Services		2,782	2,625
Postage		2,167	2,164
Medical Adjudication		1,583	1,484
Travel and Subsistence		1,259	1,345
Miscellaneous Expenditure		1,815	2,440
Printing and Stationery		879	989
Information Technology Costs	3.2	559	1,234
Rent and Service Charges		408	69
Management Consulting		322	382
Telecommunication		247	386
Staff Training		186	197
Non-cash items:			
Notional Costs	3.3	20,499	20,325
Depreciation	9	677	516
Provision Provided in Year	16	238	749
Amortisation	10	197	151
Auditor’s Remuneration	3.4	110	106
Fair Value Adjustment	3.5	134	-
Loss on Disposal of Property, Plant and Equipment	9,10	12	10
Impairment of Resource Debt Written Off	3.6	3	-
Unwinding of Discount	16	(13)	(4)
Provisions Not Required Written Back	16	(410)	(230)
Impairment Reversal		(1)	(3,193)
		70,990	**70,431**

3.1 Service Charges

The Service Charges are detailed below:

		2014 15 £ 000	2013 14 £ 000
MSS - ATOS		8,054	8,615
Private Collection Agenices		136	100
Other		4,197	4,099
Total		12,387	12,814

3.2 Operating leases

The amount of rentals paid under operating leases which are included within Information and Technology costs of £559k are shown below.

		2014 15 £ 000	2013 14 £ 000
Other Operating Leases		62	76
Total		62	76

3.3 Notional costs

Certain services are received by the Agency without the transfer of cash. The notional audit fee is disclosed at Note 3.1. Other notional amounts included in the net cost of operations are as follows:

	Note	2014 15 £ 000	2013 14 £ 000
Rent		16,031	15,843
Other Indirect Charges & Services	(a)	4,468	4,482
Total		20,499	20,325

(a) Other indirect charges and services are as detailed below:

	2014 15 £ 000	2013 14 £ 000
Services Provided and Costs Incurred by:		
DSD Headquarters on behalf of the Social Security Agency	**1,453**	1,450
Other Departments	**3,015**	3,032
Total Indirect Charges and Services	**4,468**	4,482

Services from other departments include telecommunications, personnel and salary payment processing, training, finance and statistical services, financial processing and reporting services, and IT services provided to the Agency by DFP.

3.4

The audit fee represents the cost for the audit of the Agency's financial statements carried out by the Northern Ireland Audit Office. There was no remuneration paid for non-audit work during the year.

3.5

The fair value adjustment (£134k) is in relation to the salary overpayment receivables balance and is required as per the application of IAS 32, IAS 39 and IFRS 7. The discount factor for 2014-15 was 2.2%.

3.6 Resource debt written off

The impairment of resource debt written off consists of the write-off of salary overpayment receivables. (See table below and Note 1.24).

	2014 15 £ 000	2013 14 £ 000
Salary Overpayment Receivable	3	-
Total	3	-

See also Note 20, (Losses and Special Payments).

4. Programme Costs

4.1 Analysis of Programme expenditure

Benefits funded by Consolidated Fund	Note	2014 15 £ 000	Restated 2013 14 £ 000
Benefits paid	4.1c	2,402,170	2,345,886
Fair value adjustments	4.1b	3,968	468
Programme Debts Written Off	4.2/20	15,804	11,746
Movement on CRU provision		-	(222)
Programme expenditure	5	2,421,942	2,357,878

Benefits funded by National Insurance Fund	Note	2014 15 £ 000	2013 14 £ 000
Benefits paid	4.1c	2,452,373	2,343,470
Fair value adjustments	4.1b	(780)	317
Programme Debts Written Off	4.2/20	2,432	3,112
Movement on CRU provision		-	(122)
Programme expenditure	6	2,454,025	2,346,777

Benefits funded by Social Fund	Note	2014 15 £ 000	2013 14 £ 000
Benefits paid	4.1c	54,278	55,718
Fair value adjustments	4.1b	(338)	(1,875)
Programme Debts Written Off	4.2/20	337	4,822
Programme expenditure	7	54,277	58,665

Total Programme Expenditure		4,930,244	4,763,320

4.1a

The funding sources for social security programme costs are as follows.

The costs of non-contributory benefits (Benefits funded by the Consolidated Fund), their administration costs, and the administration costs of the contributory element of Jobseekers Allowance and Employment Support Allowance are financed from money voted by the NI Assembly. These costs are met from general taxation through the Supply Estimates procedure. Estimates provision for non-contributory benefits and their administration costs are borne on the Department for Social Development Vote, Request for Resources A.

The costs of contributory benefits (Benefits funded by the National Insurance Fund) and their administration costs (apart from the contributory element of Jobseekers Allowance and Employment and Support Allowance) are provided from the NI National Insurance Fund. This is primarily financed by employers' and employees' National Insurance contributions and the Fund's investment income.

The Social Fund is in part, financed by grants from the Consolidated Fund which in 2014-15 were payable from DSD Vote Request for Resource A, line A19 for regulated expenditure, line A20 for Winter Fuel Payments. In addition, section 74(1) of the Social Security Administration (NI) Act 1992 provides for the repayment of loans, recoveries of which help finance the Fund; and section 74(4) of the Act provides that payments to meet funeral expenses may be recovered from the deceased person's estate.

4.1b

The fair value adjustments are in relation to benefit overpayment receivables and Social Fund Loan balances and are required as per the application of IAS 32, IAS 39 and IFRS 7. The discount factor for 2014-15 was 2.2% (2013-14: 2.2%).

The 2014-15 amount for Benefits funded by the Consolidated Fund - Fair Value adjustments £3.968m includes an amount of -£0.707m for impairment and discounting charges for Funeral Loans. The comparative amount for Funeral Loans fair value adjustments for 2013-14: -£1.767m is included within Benefits funded by the Social Fund - Fair Value adjustments.

4.1c

The 2014-15 amount for Benefits funded by Consolidated Fund - Benefits Paid is £2,402.17m. This includes an amount of £1.615m for Maternity Grant expenditure. The comparative figure for Maternity Grant expenditure for 2013-14:£1.673m, is included within the total of £55.718m for Benefits funded by Social Fund - Benefits Paid.

When the Agency identifies a benefit overpayment an adjustment to benefit expenditure is made in the financial year in which the overpayment has been identified, to recognise the benefit overpayment as a benefit receivable. The amount of the adjustment made in 2014-15 was £29.355m (2013-14: £28.765m); of which £25.603m (2013-14: £22.774m) is attributable to the Consolidated Fund, £3.751m (2013-14: £5.989m) is attributable to the National Insurance Fund and £nil (2013-14: £0.002m) is attributable to the Social Fund.

The recoveries in relation to benefit overpayments for 2014-15 and 2013-14 are as follows:

Benefits funded by Consolidated Fund	2014 15 £ 000	2013 14 £ 000
Consolidated Fund	10,633	11,492
National Insurance Fund	2,119	2,348
Social Fund	26	44
	12,778	13,884

4.2 Programme debts written off

Benefit overpayment debts written-off in the financial year consist of the following benefits:

	Note	2014 15 £ 000	2013 14 £ 000
Non-contributory Benefits			
Disability Benefits		2,266	2,547
Income Support		2,925	2,692
Pension Benefits		5,216	4,062
ESA Income Based		1,252	1,224
Funeral Grants	4.2a	2,950	-
Job Seekers Allowance		994	1,037
Crisis Loans		200	162
Industrial Injuries Benefit		1	22
		15,804	11,746
Contributory Benefits			
Pension Benefits		1,233	1,411
Incapacity Benefits		462	1,042
ESA Contributory		577	515
JSA Contributory		159	128
Maternity Allowance		1	11
Sickness Benefits		-	5
		2,432	3,112
Total		18,236	14,858

Social Fund Loans written off in the financial year consist of:

Social Fund Loans	Note	2014 15 £ 000	2013 14 £ 000
Funeral Grants	4.2a	-	4,479
Budgeting Loans		337	343
Total		337	4,822

4.2a

The 2014-15 amount for Non-Contributory benefits - Funeral Loans is £2.950m. The comparative amount for 2013-14: £4.479m is included within Social Fund Loans written off in the financial year - Funeral Grants. (See Accounting Policy Note 1.23).

See also Note 20 (Losses and Special Payments).

SOCIAL SECURITY AGENCY

5. Benefit expenditure paid from the Consolidated Fund

	2014 15			Restated 2013 14		
	Programme expenditure £ 000	Programme income £ 000	Net expenditure £ 000	Programme expenditure £ 000	Programme Income £ 000	Net expenditure £ 000
Non-Contributory and Means-Tested Benefits						
Pension Benefits	5,422	-	5,422	5,092	-	5,092
Disability Benefits	1,318,576	-	1,318,576	1,272,082	-	1,272,082
Industrial Injuries Benefits	30,067	-	30,067	29,748	-	29,748
Income Support for the Elderly	1,297	-	1,297	1,926	-	1,926
Pension Credit	307,899	-	307,899	325,463	-	325,463
Family Benefits	34	-	34	(2)	-	(2)
Income Support - Non-Pensioners and Jobseeker's Allowance						
Income Support - Non-Pensioners	167,850	-	167,850	222,072	-	222,072
Jobseeker's Allowance (Income Based)	166,001	-	166,001	192,659	-	192,659
Employment and Support Allowance (Non Contributory)	405,044	-	405,044	293,503	-	293,503
Job Grant	1,956	-	1,956	1,896	-	1,896
Community Care Grants	13,708	-	13,708	13,747	-	13,747
Maternity Payments 5c	1,615	-	1,615	-	-	-
Other Fair Value Adjustments and Impairment of Debt Written Off 5b	2,473	-	2,473	(308)	-	(308)
5a/5b	2,421,942	-	2,421,942	2,357,878	-	2,357,878

5a

The figure for programme expenditure includes Fair Value adjustments, Impairment of programme debt written off, amounts received from DSD CMS and from insurance companies (CRU Income) and the movement on Compensation Recovery Unit (CRU) provision. (See Notes 1.8 & 4.1) The CMS 'Income' figure now included within Programme expenditure is £0.535m (2013-14: £0.646M) The CRU 'Income' figure now included within programme expenditure is £3.650m (2013-14: £4.067m)

5b

This total relates to Crisis Loans, Fair Value Adjustments and Impairment of debt written off £0.232m (2013-14 £-0.308) and Funeral Loans, Fair Value Adjustments and Impairment of debt written off £2.241m. The comparative figure for Funeral Loans £2.711m is disclosed within Note 7 - Benefit Expenditure paid from the Social Fund. (See Accounting Policy Note 1.23).

5c

The 2014-15 expenditure for Maternity Payments £1.615m is included in the table above. In the 2014-15 year the funding arrangements for Funeral Loans and Maternity Payments changed (see Accounting Policy Note 1.23). The comparative year's expenditure for Maternity Payments is contained within Note 7 - Benefit expenditure paid from the Social Fund 2013-14 £1.673m. (See Note 7c).

6. Benefit expenditure paid from the National Insurance Fund

	2014 15			Restated 2013 14		
	Programme Expenditure £ 000	Programme Income £ 000	Net Expenditure £ 000	Programme Expenditure £ 000	Programme Income £ 000	Net Expenditure £ 000
Pension Benefits						
Retirement Pension						
Basic Element	1,647,819	-	1,647,819	1,584,337	-	1,584,337
Additional Component	424,909	-	424,909	398,459	-	398,459
Christmas Bonus	3,648	-	3,648	3,343	-	3,343
Widow's Benefit						
Basic Element	13,260	-	13,260	13,613	-	13,613
Additional Component	1,716	-	1,716	1,918	-	1,918
Widow's Payment	5,371	-	5,371	5,467	-	5,467
Unemployment, Invalidity and Sickness Benefits	93	-	93	10	-	10
Unemployment, Incapacity and Other Benefits						
Jobseeker's Allowance - Contributions Based	13,879	-	13,879	18,846	-	18,846
Employment and Support Allowance - Contributions Based	329,273	-	329,273	235,190	-	235,190
Incapacity Benefit						
Basic Element	1,868	-	1,868	72,297	-	72,297
Additional Component	25	-	25	1,424	-	1,424
Family Benefits						
Maternity Allowance	12,164	-	12,164	11,873	-	11,873
6a/6b	2,454,025	-	2,454,025	2,346,777	-	2,346,777

6a

The figure for programme expenditure includes Fair Value adjustments, Impairment of programme debt written off, amounts received from insurance companies (CRU Income £1.186m, (2013-14:£1.647) and the movement on Compensation Recovery Unit (CRU) provision. (See Note 1.8 & 4.1)

6b

The Northern Ireland (NI) National Insurance Fund (NIF) White Paper accounts shows the cash receipts and payments for the NI NIF benefits for the relevant financial year.

7. Benefit expenditure paid from the Social Fund

		2014 15			2013 14		
		Programme Expenditure £ 000	Programme Income £ 000	Net Expenditure £ 000	Programme Expenditure £ 000	Programme Income £ 000	Net Expenditure £ 000
Funeral Payments - Fair Value Adjustments and Impairment of Debt Written Off	7b	-	-	-	2,711	-	2,711
Cold Weather Payments		375	-	375	-	-	-
Maternity Payments	7c	-	-	-	1,673	-	1,673
Winter Fuel Payments		53,900	-	53,900	54,045	-	54,045
Other - Fair Value Adjustments and Impairment of Debt Written Off	7d	2	-	2	236	-	236
	7a	54,277	-	54,277	58,665	-	58,665

7a

The figure for programme expenditure includes Fair Value adjustments and Impairment of programme debt written off. (See Note 4.1.) The loan balances outstanding as at 31 March 2015 for Budget Loans, Crisis Loans and Funeral Loans are disclosed in Note 13. The NI Social Fund White Paper accounts shows the cash receipts and payments for Social Fund expenditure in the relevant financial year.

7b

This total relates to Funeral Loans Fair Value Adjustments and Impairment of debt written off. In the 2014-15 year the funding arrangements for Maternity Payments and Funeral Loans changed (see Accounting Policy Note 1.23). The 2014-15 Funeral Loan figure of £2.241m is contained within Note 5 - Benefit Expenditure paid from the Consolidated Fund. (See Note 5b).

7c

In the 2014-15 year the funding arrangements for Maternity Payments and Funeral Loans changed (see Accounting Policy Note 1.23). The 2014-15 expenditure for Maternity Payments £1.615m is contained within Note 5 - Benefit Expenditure paid from the Consolidated Fund. (See Note 5c).

7d

This figure relates to Budgeting Loans Fair Value adjustments and Impairment of debt written off.

8. Income

8.1 Resource income

An analysis of income from services provided by the Agency during the year is as follows:

	Note	2014 15 £ 000	2013 14 £ 000
Administration of the National Insurance Fund		15,161	19,895
Services to the Department for Work and Pensions		18,069	18,126
Mortgage Interest Direct Scheme		55	41
Other Resource Income	8.1a	1,180	648
		34,465	38,710

8.1a

Included within Other Resource Income is an amount of £0.217 million in relation to funding from the Department of the Environment for the Driver Vehicle Agency Voluntary Exit Scheme.

8.2 Programme Income

The Agency 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. (See Note 4.1c). The comparative year's figures have been restated to reflect this change. (See Note 1.8)

	2014 15 £ 000	Restated 2013 14 £ 000
CMS Income	-	-
CRU Income	-	-
	-	-

9. Property, plant and equipment

	Note	Year Ending 31 March 2015				
		Land £ 000	Buildings £ 000	Information Technology £ 000	Furniture & Fittings £ 000	Total £ 000
Cost or valuation						
At 1 April 2014		4,115	10,920	678	37	15,750
Adjustment	9a	-	-	4	-	4
Additions		-	-	15	56	71
Disposals		-	(25)	-	(13)	(38)
Impairment		-	-	-	-	-
Reclassifications		-	-	-	-	-
Revaluations		-	-	1	1	2
Transfers	9b	-	(1,508)	-	1,508	-
At 31 March 2015		**4,115**	**9,387**	**698**	**1,589**	**15,789**
Depreciation						
At 1 April 2014		-	697	375	24	1,096
Adjustment		-	-	-	-	-
Charged in year		-	428	129	120	677
Disposals		-	(25)	-	(1)	(26)
Impairment		-	-	(1)	-	(1)
Reclassifications		-	-		-	-
Revaluations		18	(312)	(2)	(1)	(297)
Transfers	9b	-	(755)	-	755	-
At 31 March 2015		**18**	**33**	**501**	**897**	**1,449**
Carrying value at 31 March 2014		**4,115**	**10,223**	**303**	**13**	**14,654**
Carrying value at 31 March 2015		**4,097**	**9,353**	**197**	**692**	**14,339**
Asset Financing:						
Owned		4,097	9,353	197	692	14,339
Finance Leased		-	-	-	-	-
On Balance Sheet (SoFP) PFI contracts		-	-	-	-	-
Carrying value at 31 March 2015		4,097	9,353	197	692	14,339

9a
The adjustment in the opening balance relates to prior year audit adjustment.

9b
The transfers represent assets reclassified following a review of asset classifications.

	Note	Land £ 000	Buildings £ 000	Information Technology £ 000	Furniture & Fittings £ 000	Total £ 000
		Year Ending 31 March 2014				
Cost or valuation						
At 1 April 2013		3,457	7,969	739	37	12,202
Adjustment	9c	-	(1)	-	-	(1)
Additions		-	53	24	2	79
Disposals		-	(2)	(83)	(2)	(87)
Impairment	9d	10	2,362	-	-	2,372
Reclassifications		-	-	-	-	-
Revaluations		648	539	(2)	-	1,185
Transfers		-	-	-	-	-
At 31 March 2014		**4,115**	**10,920**	**678**	**37**	**15,750**
Depreciation						
At 1 April 2013		-	1,389	338	30	1,757
Adjustment		-	-	-	-	-
Charged in year		-	374	140	2	516
Disposals		-	-	(76)	(2)	(78)
Impairment		-	(820)	-	-	(820)
Reclassifications		-	-	-	-	-
Revaluations		-	(246)	(27)	(6)	(279)
Transfers	9c	-	-	-	-	-
At 31 March 2014		**0**	**697**	**375**	**24**	**1,096**
Carrying value at 31 March 2013		**3,457**	**6,580**	**401**	**7**	**10,445**
Carrying value at 31 March 2014		**4,115**	**10,223**	**303**	**13**	**14,654**
Asset Financing:						
Owned		4,115	10,223	303	13	14,654
Finance Leased		-	-	-	-	-
On Balance Sheet (SoFP) PFI contracts		-	-	-	-	-
Carrying value at 31 March 2014		**4,115**	**10,223**	**303**	**13**	**14,654**

9c

The adjustment to the opening balance relates to the correction of rounding errors from previous years.

9d

These amounts represent the reversal of impairment losses recognised in the Statement of Comprehensive Net Expenditure in prior years. These reversals arose as a result of the professional valuation of Agency Land and Buildings which was completed in 2013-14 year.

10. Intangible Assets

Intangible assets comprise of software licences and developed software:

Year Ending 31 March 2015					
	Note	Software Licences £ 000	Development Expenditure £ 000	Payments on Account & Assets under Construction £ 000	Total £ 000
Cost or valuation					
At 1 April 2014		405	876	89	1,370
Adjustment		-	-	-	-
Additions		-	98	-	98
Disposals		-	(34)	-	(34)
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations		7	15	-	22
At 31 March 2015		**412**	**955**	**89**	**1,456**
Amortisation					
At 1 April 2014		252	461	-	713
Adjustment		-	-	-	-
Charged in year		53	144		197
Disposals		-	(34)	-	(34)
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations		5	(4)	-	1
At 31 March 2015		**310**	**567**	**-**	**877**
Carrying amount at 31 March 2014		**153**	**415**	**89**	**657**
Carrying amount at 31 March 2015		102	388	89	579
Asset Financing:					
Owned		102	388	89	579
Finance Leased		-	-	-	-
On Balance Sheet (SoFP) PFI and other service concession arrangements		-	-	-	-
Carrying amount at 31 March 2015		**102**	**388**	**89**	**579**

Intangible assets comprise of software licences and developed software:

Year Ending 31 March 2014					
	Note	Software Licences £ 000	Development Expenditure £ 000	Payments on Account & Assets under Construction £ 000	Total £ 000
Cost or valuation					
At 1 April 2013		461	846	54	1,361
Adjustment		-	-	-	-
Additions		-	46	35	81
Disposals		(66)	(38)	-	(104)
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations		10	22	-	32
At 31 March 2014		**405**	**876**	**89**	**1,370**
Amortisation					
At 1 April 2013		359	400	-	759
Adjustment	10a	-	(1)	-	(1)
Charged in year		25	126	-	151
Disposals		(66)	(38)	-	(104)
Impairments		-	-	-	-
Reclassifications		-	-	-	-
Revaluations		(66)	(26)	-	(92)
At 31 March 2014		**252**	**461**	**-**	**713**
Carrying amount at 31 March 2013		**102**	**446**	**54**	**602**
Carrying amount at 31 March 2014		153	415	89	657
Asset Financing:					
Owned		153	415	89	657
Finance Leased		-	-	-	-
On Balance Sheet (SoFP) PFI and other service concession arrangements		-	-	-	-
Carrying amount at 31 March 2014		**153**	**415**	**89**	**657**

10a The adjustment to the opening balance relates to the correction of rounding errors from previous years.

11. Financial Instruments

As the cash requirements of the Agency 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 in connection with social security benefit eligibility and entitlement which are governed by the appropriate social security legislation and regulatory requirements. The Agency is therefore exposed to little credit, liquidity or market risk. Further details on the Agency's assessment and application of the Financial Instrument IFRS and financial risk is detailed in Note 1.2.

Credit Risk

The Agency 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 the 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 receivable or loan not recovered from benefit customers.

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 Agency has an active recovery process in place, in order to maximise the amounts recovered.

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

The economic downturn and the resultant progress of recovery may impact on the amount of credit risk the Agency is exposed to for future reporting periods. This may potentially impact on the progress of recovery of Benefit Overpayment Receivables and Social Fund Loans from customers.

In the 2014-15 year the Agency developed more detailed debt management information and initial findings from this indicate that the recovery of off-benefit debt i.e. where the debtor is no longer in receipt of social security benefits, is less productive than recovery from on-benefit debtors. In 2014-15 the Agency also commenced a review of the Financial Instrument Fair Value methodology and it is intended to use the enhanced debt management information to assist in identifying what revisions are required to the fair value calculations. It is anticipated that the conclusions from the Financial Instruments Fair Value review will be taken forward in the 2015-16 financial year.

Liquidity Risk

The Agency's Resource and Programme expenditure requirements are financed by funds voted by the Northern Ireland (NI) Assembly and Parliament as is its non-current asset expenditure. 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 Agency has discounted the forecast future cash flows for estimated recoveries and write offs for Benefit Overpayment Receivables, Social Fund Loans and Salary Overpayment Receivables. The discount factor for 2014-15 was 2.2% (2013-14: 2.2%).

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

The Agency 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 term maturity of this instrument.

(ii) Loans and Receivables

- Benefit Overpayment Receivables
- Social Fund Loans
- Salary Overpayments

The Benefit Overpayment Receivables, Social Fund Loans and Salary Overpayments 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 subsequently carried at amortised cost using the effective interest method, with changes in value between the 1 April 2014 - 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.

The amounts included in the year from 1 April 2014 to 31 March 2015 are found on the following page.

(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 Agency has reviewed all contracts including Service Level Agreements and Letters of Offer with Third Parties for any embedded derivatives. The review concluded that no embedded derivatives existed.

Statement of Financial Position	Gross Receivables £ 000	Impairment & Discounting Debt £ 000	Net Receivable £ 000
Receivables (amounts falling due less than one year): Note 13.1			
Contributory Benefits	903	(197)	706
Non-contributory Benefits	7,385	(1,990)	5,395
Funeral Loans	185	(2,920)	(2,735)
Other Loans	52,591	(502)	52,089
CRU Debt	695	(250)	445
Salary Overpayments	141	(134)	7
Receivables (amounts falling due more than one year): Note 13.2			
Contributory Benefits	12,019	(8,722)	3,297
Non-contributory Benefits	93,056	(53,307)	39,749
Funeral Loans	4,854	(1,851)	3,003
Other Loans	41,001	(2,959)	38,042
	212,830	(72,832)	139,998

The remaining Programme and Resource receivable balances and prepayment amounts are non-derivative Financial Instruments. These amounts are due within one year and have no impairment indicators.

12. Impairments

	2014 15 £ 000	2013 14 £ 000
Amount charged to Statement of Comprehensive Net Expenditure	(1)	(3,193)
Amount taken to the Revaluation Reserve	320	1,589
Total Impairment charge for the year	319	(1,604)

13. Trade Receivables and Other Current Assets

13.1 Amounts Falling Due Within One Year

		31 March 2015			31 March 2014		
Resource	Note	Gross Receivables £ 000	Impairment & Discounting £000	Net Receivables £000	Gross Receivables £ 000	Impairment & Discounting £000	Net Receivables £000
Amounts due from the Department - Resource Financing	13a	2,791	-	2,791	2,999	-	2,999
Prepayments		1,376	-	1,376	1,936	-	1,936
VAT				1,297	975	-	975
Other Resource Receivables	13b	6,368	(134)	6,234	5,446	-	5,446
Total Amounts Falling Due Within One Year	13.3	11,832	(134)	11,698	11,356	-	11,356

		31 March 2015			31 March 2014		
Programme	Note	Gross receivables £ 000	Impairment & Discounting £000	Net receivables £000	Gross receivables £ 000	Impairment & Discounting £000	Net receivables £000
Benefit Overpayments							
- Contributory Benefits	13f	903	(197)	706	917	(270)	647
- Non-Contributory Benefits	13f	7,385	(1,990)	5,395	8,629	(1,982)	6,647
- Social Fund		74	-	74	98	-	98
Benefit Prepayments							
- Contributory Benefits		41,131	-	41,131	18,053	-	18,053
- Non-Contributory Benefits		23,722	-	23,722	12,291	-	12,291
Social Fund Loans							
- Funeral Loans	13g	185	(2,920)	(2,735)	134	(4,434)	(4,300)
- Other Loans	13c	52,591	(502)	52,089	52,344	(500)	51,844
Amounts Due from the Department - NIF Receivable	13d	4,295	-	4,295	5,942	-	5,942
Other Programme Receivables	13e	1,819	(250)	1,569	1,876	(194)	1,682
Amounts Due from the Department -Programme Financing	13a	925	-	925	367	-	367
	13.3	133,030	(5,859)	127,171	100,651	(7,380)	93,271
Total Amounts Falling Due Within One Year		144,862	(5,993)	138,869	112,007	(7,380)	104,627

13a

The Agency's attributable proportion of the Departmental bank balance for both resource and programme expenditure is shown as 'Amounts due from the Department'. For the Year ended 31 March 2015 the Agency's resource bank balance of £2.791m is composed of an amount held within the DSD Group account of £2.781m (2013-14 £2.989m) and £0.010m (2013-14:£0.010m) of petty cash, held throughout Agency offices.

The Agency programme bank balance is disclosed under 'Amounts due from the Department' - Programme financing, and is £0.925m, (2013-14: £0.367m). The Agency programme bank balance includes an amount of £1.281m (2013-14: £0.107m) that is due to be paid to the Health Service (see note 14c).

Programme and Resource Financing are classified as Financial Instruments (FI) under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for the Resource and Programme amounts are the current value stated in the Statement of Financial Position owing to the short term maturity of these FI.

13b

Other resource receivables include Belfast Benefit Centre £4.664m (2013-14: £2.998m), Inter DSD account £1.193m (2013-14 £2.190m), Salary Overpayments £0.141m (2013-14 £0.019m), the balance of £0.370m (2013-14: £0.340m) is made up of other sundry receivables and Impairment -£0.134m (2013-14 £nil).

Salary Overpayment Receivables are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Salary Overpayment receivables 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 discount factor for 2014-15 was 2.2%.

13c

Other Social Fund loans consist of: Budgeting Loans £39.642m gross (2013-14: £39.056m gross), and Crisis Loans £12.949m gross (2013-14: £13.288m gross). Social Fund Loans are classified as Financial Instruments 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 discount factor for 2014-15 was 2.2%, (2013-14 2.2%).

13d

Part of the Agency's attributable proportion of the centrally held bank balances at 31 March 2015 represent amounts due to the Department/Agency in respect of NIF benefits. This balance represents amounts due from Her Majesty's Revenue and Customs (HMRC) for the payment of contributory benefits. The balance at the year ended 31 March 2015 is £4.295m, (2013-14: £5.942m).

13e

Other programme receivables consist of: Overseas Governments £0.106m (2013-14: £0.218m), Compensation Recovery Unit (see Note (i) below) £0.695m (2013-14: £0.718m), others £0.187m, (2013-14: £0.115m), unadjudicated benefit receivables (see Note (ii) below) £0.264m (2013-14: £0.352m), DWP (see note (iii) below) £0.567m (2013-14: £0.473m), Impairment (-£0.250m), (2013-14: -£0.194m).

Note (i)

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.

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 Agency 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 Agency's Statement of Financial Position, apart from those cases that have been settled but where the recoverable benefit element has not yet been received.

As an indication of the cash generated from this income stream for the Agency for the Year ended 31 March 2015, £4.836m (2013-14: £5.714m), has been included in the Statement of Comprehensive Net Expenditure (SOCNE) as a reduction to gross expenditure. There is no information to suggest that this level of cash generated will differ significantly in the next financial year.

NHS Trusts - Potential Debt

An exercise is completed each year by the Agency's Compensation Recovery Unit (CRU) to estimate the potential value of those claims awaiting settlement from the insurance compensators and due to the Health Service Trusts (HST). The CRU collects the monies due from the insurance compensators 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. The value for the potential balance due at 31 March 2015 is estimated to be £28.767m (2013-14: £29.017m). These figures are disclosed gross and are not subject to any fair value calculations, which would reduce the value of this estimate.

CRU - Benefit Recoveries - Potential Debt

The CRU exercise also identifies potential recoveries from the insurance compensators on behalf of the Agency for the payment of social security benefits. The value for the potential balance due at 31 March 2015 is estimated to be £30.850m (2013-14: £30.261m). These figures are disclosed gross and are not subject to any fair value calculations, which would reduce the value of this estimate. Cases may be appealed and there exists a timeframe cap of five years from the date of the accident, after which the Agency cannot recover further benefit.

The total payments made from the Agency to the HST in respect of claims recovered by the Compensation Recovery Unit (CRU) from insurance companies for the Year ended 31 March 2015 were £10.171m (2013-14: £11.096m).

As at 31st March 2015, the Agency has collected £1.281m and is due to pay over this money to HST. It represents compensators settlements not yet paid over (2013:14 £0.107m).

Note (ii)

The Agency undertakes an exercise to value the potential benefit overpayment receivable not yet notified to DCNI and held at local and central benefit offices. This exercise was completed for the financial year ended 31 March 2015. The valuation of the unadjudicated receivable is based on a stock count of benefit cases at 31 March 2015, an analysis based on historical trends of the percentage of overpayment receivable determined to be recoverable, and an estimation of the average value of an overpayment receivable case again based on historical analysis.

The value for the potential receivable balance at 31 March 2015 is estimated to be £3.601m (2013-14: £3.913m) and is disclosed as £0.264m (2013-14: £0.352m) within other programme receivables less than one year, and £3.337m (2013-14: £3.561m) within other programme receivables falling due after more than one year (see Note 13i).

Note (iii)
For this financial year the equivalent amount of the receivables transferred between NI and DWP (GB) have been recorded as DWP receivables and payables balances. Accordingly, within the total balance for other programme receivables of £1.819m there is an amount of £0.474m which represents the balance owing from DWP to the Agency for benefit overpayment receivables that have transferred from NI to GB.

13f
Benefit Overpayment Receivables are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. These standards require Benefit Overpayment receivables 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 discount factor for 2014-15 was 2.2%.(2013-14 2.2%).

Included within Benefit Overpayment Receivables is an amount of £13.443m which private sector collection agencies are seeking to recover on behalf of the Agency, (2013-14: £11.928m).

13g
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.

Funeral Loans are recoverable only from the estate of the deceased, but in the majority of cases the estate is insufficient for the funeral Loan to be recovered.

The impairment amount for the Funeral Loans less than one year is greater than the receivable amount. This reflects the high level of uncertainty surrounding the recovery of Funeral Loans.

Funeral Loans due after more than one year are shown in the table below at Note 13.2. The total net receivable for all Funeral Loans after impairment and discounting is £0.268m (2013-14:£0.144m).

13.2 Amounts falling due after more than one year

Resource	31 March 2015 £ 000	31 March 2014 £ 000
Prepayments	-	-
Other receivables	-	-
	-	-

Programme	Note	31 March 2015			31 March 2014		
		Gross Receivables £ 000	Impairment & Discounting £000	Net Receivables £000	Gross Receivables £ 000	Impairment & Discounting £000	Net Receivables £000
Benefit Overpayments							
- Contributory Benefits	13f	12,019	(8,722)	3,297	12,566	(9,441)	3,125
- Non-Contributory Benefits	13f	93,056	(53,307)	39,749	89,697	(48,715)	40,982
- Social Fund		-	-	-	-	-	-
Benefit Prepayments							
- Contributory Benefits		-	-	-	-	-	-
- Non-Contributory Benefits		-	-	-	-	-	-
Social Fund Loans							
- Funeral Loans	13 g	4,854	(1,851)	3,003	5,489	(1,045)	4,444
- Other Loans	13h	41,001	(2,959)	38,042	43,714	(3,266)	40,448
Other Programme Receivables	13i	3,337	-	3,337	3,561	-	3,561
Total Amounts Falling Due After More Than One Year		154,267	(66,839)	87,428	155,027	(62,467)	92,560
Total Trade Receivables and Other Current Assets				226,297			197,187

13h

Other Social Fund Loans consist of Budgeting Loans £25.613m gross (2013-14: £27.307m gross), and Crisis Loans £15.388m gross (2013-14: £16.407m gross).

Social Fund Loans are classified as a Financial Instrument under IAS 32, IAS 39 and IFRS 7 criteria. The 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 discount factor for 2014-15 was 2.2%. (2013-14 2.2%).

13i

Other programme receivables consists of £3.337m (2013-14: £3.561m), relating to the valuation of the potential benefit receivable balance at 31 March 2015. (See Note 13 e (ii)).

13.3 Intra-Government Balances Resource

	Note	Amounts falling due within one year (Net)		Amounts falling due in more than one year (Net)	
		31 March 2015 £ 000	31 March 2014 £ 000	31 March 2015 £ 000	31 March 2014 £ 000
Balances with Other Central Government Bodies	(i)	**10,263**	9,280	-	-
Balances with Local Authorities		**1**	3	-	-
Balances with NHS Bodies		-	-	-	-
Balances with Public Corporations and Trading Funds		-	1	-	-
Subtotal: Intra-Government Balances		**10,264**	9,284	-	-
Balances with bodies external to Government		**1,434**	2,072	-	-
Total Receivables at 31 March		**11,698**	11,356	-	-

Intra-Government Balances Programme

	Note	Amounts falling due within one year (Net)		Amounts falling due after one year (Net)	
		31 March 2015 £ 000	31 March 2014 £ 000	31 March 2015 £ 000	31 March 2014 £ 000
Balances with Other Central Government Bodies	(i)	5,914	6,791	-	-
Balances with Local Authorities		-	-	-	-
Balances with NHS Bodies		-	-	-	-
Balances with Public Corporations and Trading Funds		-	-	-	-
Subtotal: Intra-Government Balances		5,914	6,791	-	-
Balances with bodies external to Government		121,257	86,480	87,428	92,560
Total Receivables at 31 March		127,171	93,271	87,428	92,560

(i)

Resource Receivable Balances with Other Central Government Bodies includes the 'Department - Resource Financing' Bank Balance £2.791m (2013-14: £2.999m), Belfast Benefit Centre £4.664m (2013-14: £2.897m), HMRC £1.297m (2013-14: £0.975m), Inter DSD £1.193m (2013-14: £2.190m), accrued receipts from DWP £0.031m (2013-14: £0.022m), DFP £0.065m (2013-14: £0.017m), DOJ £0.051m (2013-14: £0.002m), NIO £0.169m (2013-14 £0.151m), DEL £0.002m (2013-14: £0.012m), DETI £nil (2013-14 £0.002m) and DRD £nil (2013-14 £0.013m).

Programme Receivable Balances with Other Central Government Bodies include NIF Receivable £4.295m (2013-14: £5.942m), the 'Department - Programme Financing' Bank Balance £0.925m (2013-14: £0.367m), DWP receivable £0.567m (2013-14: £0.473m), Others £0.127m (2013-14:£0.009m).

14. Trade Payables and Other Current Liabilities

14.1 Amounts Falling Due Within One Year:

Resource	Note	31 March 2015 £ 000	31 March 2014 £ 000
Accruals	14a	10,495	10,820
Other Payables	14b	2,592	4,757
Amounts Due to the Department - Resource Financing		-	-
		13,087	15,577

Programme	Note	31 March 2015 £ 000	31 March 2014 £ 000
Benefit Accruals			
- Contributory Benefits		20,257	32,264
- Non-Contributory Benefits		24,743	37,101
- Social Fund		54	34
Other Programme Payables	14c	4,570	4,882
Cash in Transit	14d	92,428	31,769
Amounts Due to the Department - Financing Prog	14d	-	-
		142,052	106,050
Total Amounts Falling Due Within One Year		155,139	121,627

14a
Included within Resource Accruals is £3.384m (2013-14: £2.625m), for Employee Benefits.

14b
Other Resource Payables include Consolidated Fund Extra Receipts £0.112m (2013-14: £0.014m), amounts due to DWP £0.572m (2013-14 £1.676m), DFP £0.030m (2013-14 £0.178m), NHS Health Trusts £nil(2013-14: £1.008m), DOE £0.202m (2013-14 £nil) and other sundry payables £1.676m (2013-14 £1.881m).

14c
Other Programme Payables consist of HMRC £0.292m (2013-14: £0.520m), DWP £0.392m (2013-14: £0.313m), DEL £0.037m (2013-14 £0.265m), Health Service Trusts £1.281m (2013-14: £0.107m), Overseas Governments £nil (2013-14: £0.007m), Third Party £0.952m (2013-14: £1.069m), Sundry £0.358m (2013-14: £0.327m), Consolidated Fund Extra Receipts £0.010m (2013-14: £0.004m), CMS £0.055m (2013-14 £0.043m), Inter DSD £1.193m (2013-14: £2.227m).

There are certain balances within other programme payables that are contractual and are therefore classified as Financial Instruments under IAS 32, IAS 39 and IFRS 7 criteria. The fair value for contractual other programme payables amounts to the current value stated in the Statement of Financial Position owing to the short term maturity of these instruments.

14d

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 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 difference in the recording of the expenditure, and the movement of the funds to make the payments creates a payables (or creditor) 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 at the year ended 31 March 2015 was £92.428m and is included above, (2013-14 £31.769m).

14.2 Intra-Government Balances Resource

	Note	Amounts falling due within one year (Net)	
		31 March 2015 £ 000	31 March 2014 £ 000
Balances with Other Central Government Bodies	(i)	4,310	6,717
Balances with Local Authorities		3	4
Balances with NHS Bodies		-	1,009
Balances with Public Corporations and Trading Funds	(ii)	33	80
Subtotal: Intra-Government Balances		4,346	7,810
Balances with bodies external to Government		8,741	7,767
Total Payables at 31 March		13,087	15,577

Intra Government Balances Programme	Note	Amounts falling due within one year (Net) 31 March 2015 £ 000	31 March 2014 £ 000	Amounts falling due in more than one year (Net) 31 March 2015 £ 000	31 March 2014 £ 000
Balances with Other Central Government Bodies	(i)	1,992	3,381	-	-
Balances with Local Authorities		-	-	-	-
Balances with NHS Bodies		1,281	107	-	-
Balances with Public Corporations and Trading Funds		-	-	-	-
Subtotal: Intra-Government Balances		3,273	3,488	-	-
Balances with bodies external to Government		138,779	102,562	-	-
Total Payables at 31 March		142,052	106,050	-	-

(i)
Resource Payable Balances with Other Central Government Bodies includes DWP payables £3.658m, (2013-14: £6.000m), Consolidated Fund Extra Receipts £0.112m (2013-14: £0.014m), DOJ £0.015m (2013-14: £0.075m); DFP £0.292m (2013-14: £0.136m), NISRA £0.232m (2013-14: £0.051m), Valuation Office Agency £0.001m (2013-14: £nil), DRD £nil (2013-14: £0.013m) and HMRC £nil (2013-14: £0.428m).

Programme Payable Balances with Other Central Government Bodies includes HMRC £0.292m (2013-14: £0.520m), Inter DSD £1.193m (2013-14: £2.227m), DEL £0.037m (2013-14: £0.265m), DWP Creditor £0.392m (2013-14: £0.313m), Sundry £0.023m (2013-14: £0.013m), CMS £0.055m (2013-14: £0.043m).

(ii)
Resource Payable Balances with Public Corporations includes NI Water £0.011m (2013-14: £0.014m), Housing Executive £0.022m (2013-14:£0.018m), PSNI £nil, (2013:14 £0.012m), Directorate of Legal Services £nil, (2013-14: £0.036m).

15. Provisions for Liabilities and Charges

	2014 15				2013 14			
	Early Departure Costs £ 000	Other Resource £ 000	Pro gramme £ 000	Total £ 000	Early Departure Costs £ 000	Other Resource £ 000	Pro gramme £ 000	Total £ 000
Balance as at 1 April	82	699	-	781	131	408	344	883
Provided in Year	-	126	-	126	11	518	-	529
Provision not Required Written Back	-	(410)	-	(410)	(16)	(214)	(344)	(574)
Under Provision	2	109	-	111	29	191	-	220
Provision Utilised in the Year	(48)	(201)	-	(249)	(71)	(201)	-	(272)
Borrowing Costs (Unwinding of Discount)	(1)	(12)	-	(13)	(2)	(3)	-	(5)
Balance as at 31 March	35	311	-	346	82	699	-	781

Analysis of Expected Timing of Discounted Flows

	2014 15				2013 14			
	Early Departure Costs £ 000	Other Resource £ 000	Pro gramme £ 000	Total £ 000	Early Departure Costs £ 000	Other Resource £ 000	Pro gramme £ 000	Total £ 000
Not later than one year	21	154	-	175	45	509	-	554
Later than one year and not later than five years	13	37	-	50	37	190	-	227
Later than five years		121	-	121	-	-	-	-
Balance as at 31 March	34	312	-	346	82	699	-	781

15.1 Resource Provisions Include:

(i) Early departure costs £0.035m (2013-14: £0.082m).

(ii) Personal injury cases £0.289m (2013-14: £0.468m).

(iii) Equal opportunity cases £0.022m (2013-14: £0.231m).

Other resource provisions are based on estimates provided by the Departmental Solicitors Office (DSO). The DSO provide probabilities for the best case, worst case and the average scenarios, these figures together with the weighted average calculations are then used to inform the adjustments to the provision amounts.

The Agency meets the additional costs of benefits beyond the normal PCSPS NI benefits in respect of employees who retire early by paying the required amounts annually to the pension scheme over the year between early departure and normal retirement date. The Agency provides 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 in real terms. Following a review of the methodology by HM Treasury, it was decided to have three rates instead of one depending on the timing of the cashflows from the Statement of Financial Position date. The Public Expenditure System (PES) (2014) 09 guidance stipulates the following discount rates are to be used:

	2014 15			2013 14		
	0-5yrs	6 10yrs	+11yrs	0-5yrs	6 10yrs	+11yrs
Personal Injury	-1.50%	-1.05%	2.20%	-1.90%	-0.65%	2.20%
Equal Opportunities	-1.50%	-1.05%	2.20%	-1.90%	-0.65%	2.20%
Early Departure Costs	1.30%	1.30%	1.30%	1.80%	1.80%	1.80%

16. Capital Commitments

Belfast Benefit Centre

All of the work carried out by the Belfast Benefit Centre (BBC) relates to benefit processing services provided to the Department for Work and Pensions (DWP) in Great Britain and all expenditure incurred on behalf of the BBC in the financial year is charged to the Agency's Statement of Comprehensive Net Expenditure. The Agency has no capital commitments contracted for but not provided at 31 March 2015 on behalf of the BBC.

Medical Support Services (MSS)/ ATOS Contract

The Agency signed a contract in January 2011 with Atos Origin IT Services UK Ltd. for the provision of medical support services, for a period of seven years until June 2018. 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. The costs are variable and are dependant on the volumetric usage of the contract e.g. the number of medical assessments undertaken.

The ICT infrastructure costs within the ATOS contract include costs for cabling, servers and other IT equipment to facilitate the operation of the new IT computer system. This ICT infrastructure is located within the Medical Examination Centres (MEC's) utilised by the contractor. The capital cost for this work over the remainder of the contract term is estimated to be as follows:

	£m
2015-16	0.18
2016-17	0.29
2017-18	-
2018-19	-
2018-19	-

17. Commitments Under Leases

17.1 Operating Leases

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

	Note	2014 15 £ 000	2013 14 £ 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		-	-
Later than one year and not later than five years		-	-
Later than five years		-	-
Total		-	-
Other:			
Not later than one year		18	80
Later than one year and not later than five years		11	41
Later than five years		-	-
Total		29	121
Total obligations under Operating Leases		29	121

There were no finance leases during 2014-15 (2013-14: Nil).

18. Other Financial Commitments

Standard Service Business Allocation (SSBA)

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

The SSBA contract has several strands with different end dates as outlined below:

Desktop Replacement:	Jan-17
Applications Development:	Feb-16
Applications Maintenance & Support:	Feb-16
ICONS:	Feb-16
Hosting:	Feb-18
Service & Integration Management:	Feb-16

The charges for the Standard Services Business Allocation contract for 2014-15 are £13.846m (2013-14: £15.693m). As above the Agency costs for the SSBA contract are charged on a monthly basis depending on the Agency's usage of the relevant IT services.

The anticipated charges for the 2015-16 financial year for the Standard Services Business Allocation (SSBA) arrangements are estimated to be in the region of £16.374m. Included within this total is £3.458m of estimated costs in relation to Welfare Reform and Modernisation. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Agency throughout the year.

Post Office Card Account

The Department for Social Development (DSD) acting for and on behalf of the Social Security Agency (SSA) 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 Account 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 who 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 under the Post Office Card Account contracts for 2014-15 are £5.07m (2013-14: £4.918m).

As above, the Agency costs for the Post Office card account contract are charged on a monthly basis depending on the volume of Agency payments made to the Post Office card accounts.

A new contract was signed with Post Office Limited on 03 March 2015. The pricing regime in the contract took effect, retrospectively, from 01 December 2014. The contract duration is for seven years until 30th November 2021 and anticipated savings to the departments will not be realised until after year three of the contract.

Estimated charges for the remainder of the contract term are as follows:

	£m
2015-16	9.4
2016-17	9.4
2017-18	9.4
2018-19	2.4

The anticipated charges for the 2015-16 financial year for the Post Office Card Account (POCA) arrangements are estimated to be in the region of £4.5m. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Agency throughout the year.

Medical Support Services (MSS) / ATOS Contract

The Agency signed a contract in January 2011 with Atos Origin IT Services UK Ltd for the provision of medical support services, for a period of seven years until June 2018. Atos Healthcare are responsible for carrying out customer medical examinations required for assessing entitlement to a range of benefits including Employment and 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 paid are subject to fluctuation and are dependant upon the usage of the contract by the Agency and the achievement of service levels by Atos Healthcare.

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. This contract was awarded for a period of five years. 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 Social Security Agency. These are required in order to assess entitlement to PIP. Costs (£1,314k) relating to the contract have been accrued in the in the Agency accounts for the 2014-15 financial year. The financial implications for the 2015-16 year will continue to be kept under review.

19. Contingent liabilities disclosed under IAS 37

Compensation Recovery

The Agency 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 Agency'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 £0.489m (2013-14: £0.511m) for successful appeals from insurance companies.

Lump Sum Compensation Payments in respect of Pneumoconiosis and Certain Other Dust Related Diseases

The Agency is accountable for lump sum compensation payments in relation to pneumoconiosis and certain other dust related diseases.

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

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

The diseases covered by both schemes have a long latency period which makes the number of years over which claims will continue to be made unclear. No reliable estimate of the financial effect can therefore be given. Any benefits or lump sum payments received from the government previously in respect of the disease will be deducted from the final payment.

Value Added Tax (VAT) Compliance Assessment

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 Agency'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.

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 balance sheet 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 Agency 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 liabiity that may arise.

20. Losses and Special Payments

The information presented here is on a cash basis.

	2014 15			2013 14		
	Resource £ 000	Programme £ 000	Total £ 000	Resource £ 000	Programme £ 000	Total £ 000
Losses						
Total 40 Cases, (2013-14: 1 case)	3	-	3	73	-	73
Special payments						
Total 18,451 cases, (2013-14: 14,891 cases)	-	3,007	3,007	-	2,239	2,239
Comprising: Ex-Gratia Payments 707 cases, (2013-14: 548 cases)	-	297	297	-	255	255
Extra-Statutory Payments: Job Grant 14,373 cases (2013-14: 13,724 cases)	-	1,953	1,953	-	1,857	1,857
Extra-Statutory Payments: Employment and Support Allowance -Reciprocal arrangements 3,363 cases (2013-14: 619 cases)		757	757		127	127
Social Security - Administered by the Social Security Agency						
(i) Losses - Benefit Overpayment Debts Written Off (approx 50,358 cases) (per Note 4.2) (2013-14: 47,382 cases)	-	18,236	18,236	-	14,858	14,858
(ii) Losses - Social Fund Loans Written Off Total approx 1,242 cases, (per note 4.2) (2013-14: 5,493 cases)	-	337	337	-	4,822	4,822
Losses in relation to Post Office Card Accounts Total approx 23 cases (2013-14: 22 cases)	-	6	6	-	5	5

The 2014-15 amount for Impairments of Receivables written off £18.236m, includes an amount of £2.950m (2981 cases) for Funeral Loans written off. The comparative amount for 2013-14: £4.479m (4,606 cases).

21. Related Party Transactions

During the year, the Agency has taken part in various material transactions with the parent Department and also with other bodies where DSD is regarded as the parent Department. Examples include Child Maintenance Support, Resource Social Policy Group and the Urban Regeneration and Community Development Group as well as independent statutory bodies.

In addition, the Agency has taken part in various material 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. Other entities include the Department for Employment and Learning and the Department of Finance and Personnel in Northern Ireland, and the Department for Work and Pensions, and Her Majesty's Revenue & Customs in Great Britain.

During the year, no board member, key manager or other related parties has undertaken any material transactions with the Agency during the year.

22. Key Corporate Financial Targets

The Northern Ireland Social Security Agency was set the key corporate financial target of managing the Agency's resources to deliver its business plan within the funds voted by the Northern Ireland Assembly. The table below shows that the Agency contained its spending within budget.

Budget Target Table

Budget Type	Year 2014 15		
	Business Plan Target £ 000	Revised Target £ 000	Outturn £ 000
Resource and Other Current	246,278	194,311	192,335
Capital	2,000	411	169
Non Cash	3,451	1,276	877
Benefits paid from the Northern Ireland Consolidated Fund	2,457,406	2,486,302	2,419,171
Benefits paid from the Northern Ireland National Insurance Fund	2,377,830	2,480,835	2,454,025
Benefits paid from the Social Fund	63,881	66,964	57,484

Resource:

'Business Plan Target' amounts represent initial allocation figures and do not take account of amounts to transfer during the in-year Monitoring Round process. The 'Revised Target' reflects the year end Agency budget.

Programme:

'Business Plan Target' amounts represent initial allocation figures in the Northern Ireland estimates or opening budget position.

'The Revised Target' amounts represent the revised allocation in the Spring Supplementary Estimates or January Monitoring Round position.

These target figures include the funding allocation for Community Care Grants, Crisis Loans, Maternity Grants and Funeral Loans (See Accounting Policy Note 1.23).

The 'Outturn' figure for Benefits paid from the Northern Ireland (NI) Consolidated Fund now include the amount for Crisis Loans issued in the year less the amount of total in year recoveries. (For financial accounting purposes these transactions are represented within the Agency's Statement of Financial Position).

The 'Outturn' figure for Benefits paid from the Northern Ireland (NI) National Insurance fund represent the actual expenditure in year.

The 'Outturn' figure for Benefits paid from Social Fund represents the actual expenditure for the financial year adjusted for the amount of Budget Loans and Funeral Payments issued in the year, less the amount of total in year loan recoveries. (For financial accounting purposes these transactions are represented within the Agency's Statement of Financial Position). These adjustments are completed to align the Social Fund out-turn amount to the Business Plan Target, thereby ensuring the presentation of these figures within Note 22 on a consistent basis.

23. Fees and Charges Information

Financial Objective: Full or Partial Cost Recovery
Name of Service: Managed Payments to Mortgage Lenders (Resource Charges)

	2014 15 £000	2013 14 £000
Full Cost	(129)	(157)
Income	55	41
Surplus/(Deficit)	(74)	(116)

Income stated above is from pre-set transaction charges for the administration of Managed Payments to Mortgage Lenders (MPML) formerly known as the Mortgage Interest Direct Scheme (MIDS) in the period to 31 March 2015.

The primary legislation in relation to this scheme allows for the expenses incurred in administering the MIDS payments to be defrayed, in whole or in part, against the income recovered from the mortgage lenders.

The methodology for calculating the full cost for MIDS (resource cost charges) was updated during 2004-05. A benchmarking exercise was undertaken to establish a cost for the volume of transaction processing undertaken in providing this service. This cost methodology has been used to calculate the full cost reported for the year.

24. 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 on the Agency/Department since the balance sheet date. This is a non-adjusting event and consequently there is no adjustment to the 2014-15 accounts. The latest estimate of the cost to the Department is £11.425m

The Accounting Officer authorised the issue of these financial statements on 24 June 2015.

25. Payment Accuracy

The Agency aims to pay the right money to the right person at the right time. 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 robust security strategies 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 541,000 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.

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 2013.

Note: 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.

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

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 interval. These give the range in which the Agency can be 95% sure that the true value lies for each of the estimates presented. They allow for the additional uncertainty that comes from the use of older measurements.

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 and Sure Start Maternity Grants elements) are based on updated 2013 results. No comparison for Industrial Injuries Disablement Benefit (IIDB) and Maternity Allowance 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 £3.9 million, Job Grant £1.9 million, Severe Disablement Allowance £23.0 million and 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 Jobseekers 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 debtor or creditor balance held with the Department for Employment and Learning (DEL) at the financial year-end.

Social Fund: Social Fund financial accuracy for Budgeting Loans (BL), Community Care Grants (CCG) and Crisis Loans (CL) was measured in 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.

A: Overpayments

Benefit Overpayments

The table below shows the estimates of benefit overpayments for the last two years, 2014 and 2013.

Estimates of benefit overpayments for 2014 and 2013

2014	Expenditure £	Monetary Value of Error £	[1]Lower Confidence Interval £	[1]Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval
Official Error	4,977,620,532	17,368,875	13,556,094	21,919,679	0.3%	0.3%	0.4%
Customer Error	4,977,620,532	9,292,178	6,515,399	12,656,870	0.2%	0.1%	0.3%
Customer Fraud	4,977,620,532	25,223,563	19,058,914	32,577,335	0.5%	0.4%	0.7%
Total Overpayments	**4,977,620,532**	**51,884,616**	**44,122,484**	**61,164,106**	**1.0%**	**0.9%**	**1.2%**

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	4,811,799,114	21,123,806	16,831,446	26,377,665	0.4%	0.3%	0.5%
Customer Error	4,811,799,114	8,376,844	5,257,311	12,432,454	0.2%	0.1%	0.3%
Customer Fraud	4,811,799,114	16,071,918	10,503,133	22,911,944	0.3%	0.2%	0.5%
Total Overpayments	**4,811,799,114**	**45,572,568**	**37,880,546**	**55,103,411**	**0.9%**	**0.8%**	**1.1%**

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 estimates that approximately £51.9 million was overpaid through fraud or error in social security benefits for 2014. This represents 1.0% of the total 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.

The comparative estimate for 2013 is that approximately £45.6 million was overpaid through fraud or error in social security benefits. This represents 0.9% of the total benefit expenditure for 2013, of which £16.1 million (0.3%) is Customer Fraud, £8.4 million (0.2%) is Customer Error and £21.1 million (0.4%) 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 £51.9 million is disclosed in the following overpayment 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 the 2013 years.

Official Error

Official Error occurs when 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 benefit overpayment due to Official Error in 2014

Benefit	Expenditure £	Monetary Value of Official Error £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Error as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Financial Accuracy Review
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%	Dec 13 - Nov 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
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,977,620,532	17,368,875	13,556,094	21,919,679	0.3%	0.3%	0.4%	

Estimates of benefit overpayments due to Official Error in 2013

Benefit	Expenditure £	Monetary Value of Official Error £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Error as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Financial Accuracy Review
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
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
Carer's Allowance	129,894,806	0	0	0	0.0%	0.0%	0.0%	Jan 13 - Dec 13
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
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,811,799,114	21,123,806	16,831,446	26,377,665	0.4%	0.3%	0.5%	

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

2 Social Fund: Social Fund financial accuracy for Budgeting Loans (BL), Community Care Grants (CCG) and Crisis Loans (CL) was measured in 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

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 overleaf sets out the estimate of Customer Error in 2014. Estimates of Customer Error in 2013 are also shown for comparative purposes

Estimates of benefit overpayments due to Customer Error in 2014

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Customer Error as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review
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
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,977,620,532	9,292,178	6,515,399	12,656,870	0.2%	0.1%	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 Confi dence Interval £	Monetary Value of Customer Error as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review
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 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
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,811,799,114	8,376,844	5,257,311	12,432,454	0.2%	0.1%	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.

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Customer Fraud

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 benefit overpayments due to Customer Fraud in 2014

Benefit	Expenditure £	Monetary Value of Customer Fraud £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Customer Fraud as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	941,783,887	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	695,364,654	9,530,103	5,636,738	14,150,318	1.4%	0.8%	2.0%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	184,245	0	458,238	2.2%	0.0%	5.4%	Jan 09 - Dec 09 updated
Income Support	182,401,406	1,328,663	0	3,296,181	0.7%	0.0%	1.8%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	203,689,564	7,653,772	4,674,629	11,050,457	3.8%	2.3%	5.4%	Jan 14 - Dec 14
State Pension	2,052,991,404	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	312,566,969	4,842,613	2,894,392	7,107,079	1.5%	0.9%	2.3%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,878,651	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Estimates of benefit overpayments due to Customer Fraud in 2014 (continued)

Benefit	Expenditure £	Monetary Value of Customer Fraud £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Customer Fraud as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Carer's Allowance	139,870,422	1,684,168	0	5,165,563	1.2%	0.0%	3.7%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	29,940,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,179,365	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund (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
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,977,620,532	25,223,563	19,058,914	32,577,335	0.5%	0.4%	0.7%	

Estimates of benefit overpayments due to Customer Fraud in 2013

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Customer Fraud as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	886,543,993	0	0	0	0.00%	0.00%	0.00%	Jan 08 - Dec 08 updated
Employment and Support Allowance	468,689,101	4,969,709	2,492,874	7,895,853	1.10%	0.50%	1.70%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	2,296,534	0	5,711,747	2.20%	0.00%	5.40%	Jan 09 - Dec 09 updated
Income Support	244,925,310	1,784,104	0	4,426,053	0.70%	0.00%	1.80%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	231,778,710	2,818,584	667,915	5,321,985	1.20%	0.30%	2.30%	Jan 13 - Dec 13
State Pension	1,963,548,513	0	0	0	0.00%	0.00%	0.00%	Jan 09 - Dec 09 updated
State Pension Credit	327,464,655	2,638,935	1,374,015	4,330,121	0.80%	0.40%	1.30%	Jan 13 - Dec 13
Attendance Allowance	201,532,650	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Estimates of benefit overpayments due to Customer Fraud in 2013 (continued)

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Customer Fraud as a % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
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	1.20%	0.00%	3.70%	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
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	**4,811,799,114**	**16,071,918**	10,503,133	**22,911,944**	**0.30%**	**0.20%**	**0.50%**	

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 Fraud and Error

The Social Security 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, 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 case 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 and work continues to conclude the relatively small number of outstanding cases. 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

Whilst the initial National Fraud Initiative exercises have proved to be very successful, through careful monitoring of the outcomes the Agency had noted reductions in outcomes from the 2012 exercises. In view of this the Agency has therefore opted not to participate in the upcoming 2014 National Fraud Initiative exercise, replacing this referrals from 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 Single Investigation Service (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 Her Majesty's Revenue and Customs and the NI Housing Executive to enable joint prosecutions of customers who abuse both the tax credit and benefit systems.
- **Targeting** – continued development, alongside DWP, of the use of new data sources including Real Time Information (RTI), to enhance future fraud prevention and detection capability – with particular focus at the gateway- the point of entry to a benefit claim.
- **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 estimates of benefit underpayments for the last two years, 2014 and 2013.

Overall the figure for estimated amounts of underpayments for 2014 is 0.6% of expenditure, a total of £30.2 million (2013: 0.5% £24.7million).

Estimates of benefit underpayments for 2014 and 2013

2014	Expenditure £	Monetary Value of Error £	[1]Lower Confidence Interval £	[1]Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval
Official Error	4,977,620,532	23,552,082	18,434,075	29,799,702	0.5%	0.4%	0.6%
Customer Error	4,977,620,532	6,645,258	0	17,916,616	0.1%	0.0%	0.4%
Total Underpayments	**4,977,620,532**	**30,197,340**	**21,307,852**	**43,084,398**	**0.6%**	**0.4%**	**0.9%**

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	4,811,799,114	19,280,517	14,623,195	26,198,124	0.4%	0.3%	0.5%
Customer Error	4,811,799,114	5,466,540	0	16,229,054	0.1%	0.0%	0.3%
Total Underpayments	**4,811,799,114**	**24,747,057**	**16,416,929**	**37,541,001**	**0.5%**	**0.3%**	**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.

The table below sets out the estimate of benefit underpayments due to Official Error in 2014. Overall, the table shows that, while underpayments due to official error increased marginally by 0.1%, the increase was primarily attributable to one particular benefit (ESA) which in fact performed similarly to the previous year, but whose expenditure increased significantly over the period, resulting in an overall higher amount of official error underpayments when performance levels were set against expenditure. All benefits in fact performed well in reducing or maintaining low levels of underpayments due to official error, with notable reductions in State Pension Credit particularly.

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Estimates of benefit underpayments due to Official Error in 2014

Benefit	Expenditure £	Monetary Value of Official Error £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Official Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	941,783,887	3,134,065	691,616	6,359,789	0.3%	0.1%	0.7%	Jan 14 - Dec 14
Employment and Support Allowance	695,364,654	11,562,130	7,838,661	15,711,816	1.7%	1.1%	2.3%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	40,458	0	90,313	0.5%	0.0%	1.1%	Jan 11 - Dec 11 updated
Income Support	182,401,406	612,647	193,821	1,195,505	0.3%	0.1%	0.7%	Jan 14 - Dec 14
Jobseeker's Allowance	203,689,564	1,220,866	321,274	2,394,862	0.6%	0.2%	1.2%	Jan 14 - Dec 14
State Pension	2,052,991,404	3,201,405	1,489,656	5,487,233	0.2%	0.1%	0.3%	Jan 14 - Dec 14
State Pension Credit	312,566,969	2,725,272	1,274,252	4,543,195	0.9%	0.4%	1.5%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	404,034	0	1,243,008	0.2%	0.0%	0.6%	Jan 14 - Dec 14
Bereavement Benefit	18,878,651	64,207	164	168,343	0.3%	0.0%	0.9%	Jan 14 - Dec 14
Carer's Allowance	139,870,422	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
Industrial Injuries Disablement Benefit	29,940,720	62,485	0	202,394	0.2%	0.0%	0.7%	Jan 14 - Dec 14
Maternity Allowance	12,179,365	23,443	0	59,946	0.2%	0.0%	0.5%	Jan 14 - Dec 14
Social Fund (BLCCGCL)	81,724,717	462,917	53,342	1,107,939	0.6%	0.1%	1.4%	Dec 13 - Nov 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
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,977,620,532	23,552,082	18,434,075	29,799,702	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 Confi dence 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
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,811,799,114	19,280,517	14,623,195	26,198,124	0.40%	0.30%	0.50%	

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 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 benefit underpayments due to Customer Error in 2014

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Customer Error as % of Expenditure	[1]Lower Confidence Interval	[1]Upper Confidence Interval	Period of Benefit Review Exercise
Disability Living Allowance	941,783,887	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	695,364,654	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
Other expenditure	87,854,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,977,620,532	6,645,258	0	17,916,616	0.1%	0.0%	0.4%	

Estimates of benefit underpayments due to Customer Error in 2013

Benefit	Expenditure £	Monetary Value of Customer Error £	[1]Lower Confidence Interval £	[1]Upper Confi dence Interval £	Monetary Value of Customer 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	0.00%	0.00%	0.00%	Jan 08 - Dec 08 updated
Employment and Support Allowance	468,689,101	767,838	129,092	1,700,141	0.20%	0.00%	0.40%	Jan 13 - Dec 13
Incapacity Benefit	106,058,428	0	0	0	0.00%	0.00%	0.00%	Jan 09 - Dec 09 updated
Income Support	244,925,310	175,411	0	904,209	0.10%	0.00%	0.40%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	231,778,710	31,339	0	94,949	0.00%	0.00%	0.00%	Jan 13 - Dec 13
State Pension	1,963,548,513	3,642,620	0	14,290,156	0.20%	0.00%	0.70%	Jan 09 - Dec 09 updated
State Pension Credit	327,464,655	849,332	109,547	1,877,585	0.30%	0.00%	0.60%	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	0.00%	0.00%	0.00%	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
Other expenditure	104,403,273	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	4,811,799,114	5,466,540	0	16,229,054	0.10%	0.00%	0.30%	

The Agency’s policy is to make good cases of underpayments where and when these are identified.

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 £19.4million, 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.

Social Security Agency

Report by the Comptroller and Auditor General

Report by the Comptroller and Auditor General

Introduction

1. The Social Security Agency (the Agency) is an Executive Agency within the Department for Social Development (DSD), which in 2014-15 was responsible for the payment of £5 billion in benefits.

2. My report below reviews the results of my audit of the Agency'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. It is important to note that my audit opinion has been qualified for a considerable number of years in this regard. My report also provides detail on the estimated levels of fraud and error and also provides an update on a number of issues I reported on last year.

3. I accept that the inherent nature of fraud and error in the current complex benefit system means that it may be difficult for the Agency to reduce the estimated level until a number of these complex benefits are replaced by benefits which are simpler to administer and fresh claims for these new benefits are subject to stringent validation checks, prior to payment of the benefit being made. 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 which is the reason why my regularity opinion continues to be qualified.

4. I am disappointed, that despite the initiatives used by the Agency in counteracting fraud and error, the level of overpayments 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. However, this compares very favourably with the estimate in the Department for Work and Pensions (DWP) in Great Britain of 1.4 per cent.[1] I acknowledge that the Agency faces a significant challenge in administering a complex benefits system to a high degree of accuracy in a cost effective way.

Agency arrangements for monitoring and reporting fraud and error

5. The Agency's Standards Assurance Unit (SAU) regularly monitors and provides estimates of levels of fraud and error within the benefit system as outlined in Note 25 (entitled Payment Accuracy) to the financial statements. In order to facilitate the timetable for the production of the financial statements, the Agency'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.

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

Qualified opinion due to fraud and error in benefit payments

6. 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.

7. 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.

8. Table 1 overleaf 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 £2.9 billion with estimated over and under payments totalling £71 million (on which I have qualified my audit opinion) comprising:

- overpayments of £50.6 million (1 per cent of total benefits); and
- underpayments due to official error of £20.4 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.

9. 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 25 to the financial statements)

	Benefits (other than State Pension) £million	State Pension £million	Total £million
Expenditure	2,924.6	2,053.0	4,977.6
Overpayments due to:			
Customer fraud	25.2	-	25.2
Customer error	9.3	-	9.3
Official error	16.1	1.3	17.4
Sub-total	**50.6**	**1.3**	**51.9**
% of total benefits	**1%**	**-**	**1%**
Underpayments[3] due to:			
Official error	**20.4**	**3.2**	**23.6**
% of total benefits	**0.4%**	**0.1%**	**0.5%**

Source: Social Security Agency financial statements 2014-15

State Pension Benefit

10. 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 Agency to comment on this significant increase.

[2] Estimates in tables 1 and 2 are to the nearest £0.1million and presented with 95 per cent confidence intervals.
[3] Underpayments exclude those due to customer error which do not form part of the audit qualification. In 2014, these underpayments are estimated to be £6.6 million (2013 - £5.5 million).

11. The Agency 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.

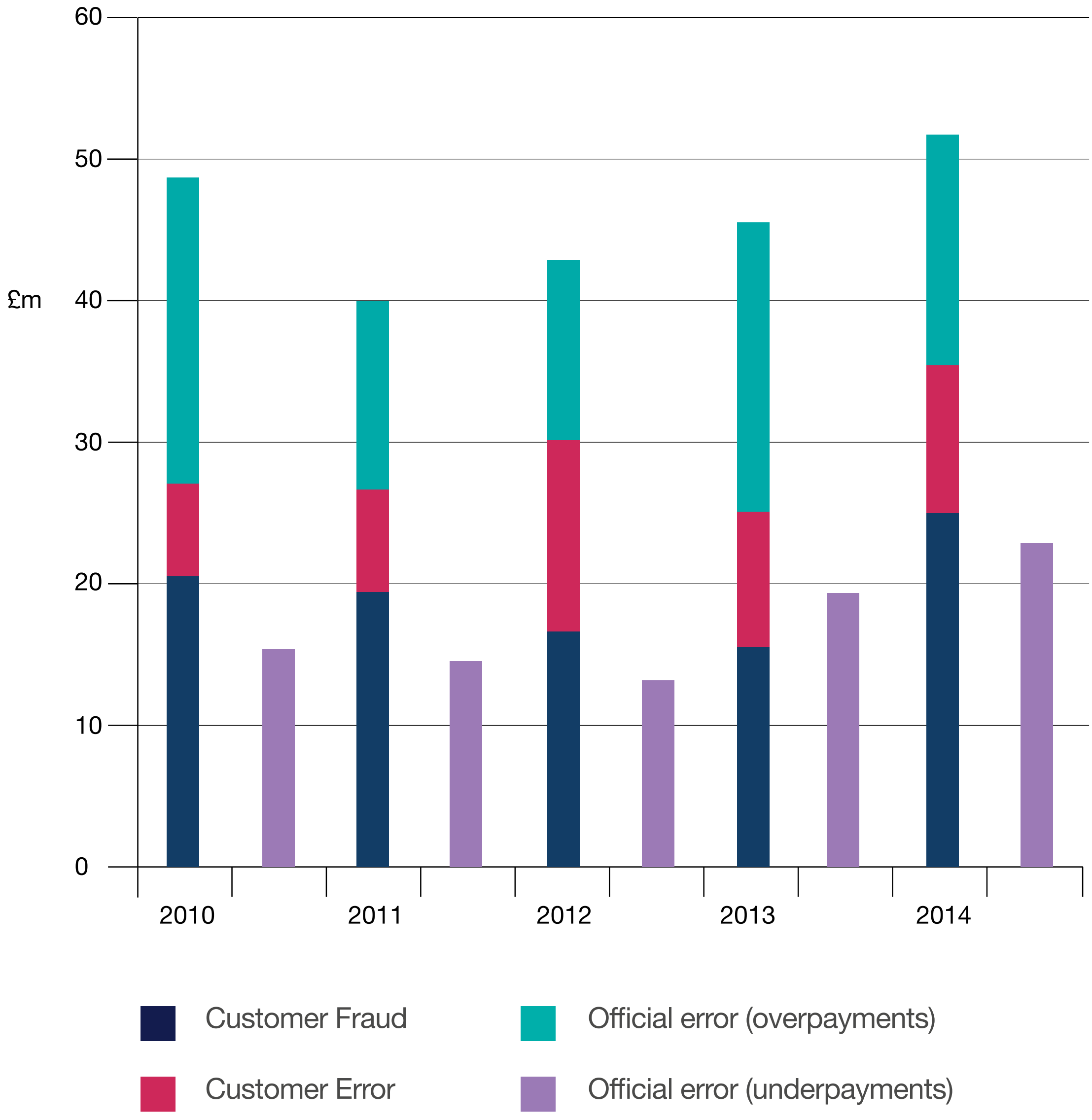
Estimated levels of fraud and error

12. The Payment Accuracy Note (Note 25) divides over and under payments into the following categories:

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

The graph overleaf and Table 2 shows the trends since 2010 in estimated levels of fraud and error and each of these is discussed further below.

Breakdown of over/underpayments 2010 - 2014



Source: Social Security Agency financial statements 2010-11 to 2014-15. The Agency highlighted that the amounts of over and under payments need to be considered in the context of 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	4,352.1	4,456.4	4,681.2	4,811.8	4,977.6
(1) Overpayments					
Customer fraud	20.5	19.4	16.9	16.1	25.2
Customer error	6.5	7.3	13.1	8.4	9.3
Official error	21.2	13.2	12.7	21.1	17.4
TOTAL	48.2	39.9	42.7	45.6	51.9
% of benefit expenditure	1.1%	0.9%	0.9%	0.9%	1.0%
(2) Underpayments					
Official error	15.1	14.0	12.8	19.3	23.6
% of benefit expenditure	0.3%	0.3%	0.3%	0.4%	0.5%

Source: Social Security Agency financial statements 2010-11 to 2014-15

Customer Fraud and Error

13. 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 Agency 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 £16.1 million (0.3 per cent of total benefits) last year to £25.2 million (0.5 per cent of total benefits) this year and is now at its highest level since 2005. The estimated amount of customer error has also increased slightly in monetary terms from £8.4 million last year to £9.3 million in 2014, but has remained constant at 0.2 per cent of total benefit expenditure for both years.

14. I am surprised and concerned at the increase in both customer fraud and error

this year and 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); and
- Jobseeker's Allowance – 1 in 21 cases (2013 – 1 in 46 cases).

15. Whilst I acknowledge that the Agency has maintained its focus on targeting, detecting and preventing customer fraud and error, I am disappointed with these significant increases and I asked the Agency to comment further on them and in particular what action it was taking to address the common cause of the above errors, namely, claimants incorrectly declaring their level of income. The Agency told me 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 Agency 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 Agency's significant focus on customer fraud and error has resulted in a substantial reduction over the past ten years and the Agency indicates that the 2014 findings are lower than any other comparable organisation. The Agency remains committed to maintaining a strong performance and focus on this area. During 2014, the Agency 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 Agency 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 Agency'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 Agency now in scope to benefit from this developing technology as soon as it becomes widely available in 2015–16.

Official error

16. Official errors are those that are attributed as being the fault of the Agency. 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 Social Security 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).

17. Estimated overpayments due to official error have fallen slightly from £21.1 million (0.4 per cent of total benefits) in 2013 to £17.4 million (0.3 per cent of total benefits) in 2014. In contrast estimated underpayments due to official error have risen to their highest level since 2007, from £19.3 million (0.4 per cent) in 2013 to £23.6 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 Agency 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 total benefit expenditure) last year to £11.6 million (1.7 per cent of total benefit expenditure) in 2014. I asked the Agency to explain the increase in the ESA official error rate.

18. The Agency 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 Agency is actively targeting this particular risk, which is showing signs of positive results. Early measurement indicators for 2015 show that the number of incorrect premium cases has fallen by around 50 per cent from the 2014 position.

Counteracting customer fraud and error

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

20. I note that one of the key projects for the Agency is the implementation of the Security Decision Service (SDS), formally known as the Integrated Risk Intelligence Service (IRIS). This new system, which is being developed by the Department for Work and Pensions (DWP) in GB, will help the Agency target its resources through the use of risk profiling, data matching (with real time information from a wide range of internal and external sources) and using analytical expertise including specialists in customer behaviours. This new system will

have a crucial impact in helping prevent fraud and error entering the benefit system in the first instance when new claims are made and during the transition of existing customers to new systems proposed under welfare reform.

21. Importantly, since August 2014, the Agency has been receiving HMRC Real Time Information (RTI) data on earnings and non state pension income and matching this against current social security benefit claims. The Agency has found that the quality of the data matches has been high with initially 80 per cent of cases subject to investigation. This data is identifying unreported working, unreported secondary occupations and unreported or misreported occupational pensions. The Agency welcomes the enhanced capability arising from RTI for targeting fraud and error and is redirecting resources to this important work in order to maximise its effectiveness in preventing, detecting and reducing further the level of fraud and error within the benefit system. This is an important development in counteracting fraud and error and in future years I will consider the outcomes of this new type of highly focussed data matching and interrogation.

Other matters

Disability Living Allowance - Changes in Circumstances

22. Note 25 of the Agency'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 Agency 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 Agency 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	17%	18%	18%	18%	19%

Source: Social Security Agency 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 19 per cent of the Agency'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 Agency 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 Agency and the customer. I asked the Agency 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 Agency 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 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 Agency 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 Agency 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.

Benefit debt recovery

26. Benefit debt arises whenever benefits are paid due to customer error or as a result of fraud by customers and these overpayments are due to be repaid to the Agency. A ruling in the Supreme Court prevents benefit debt arising from official error to be recovered and as a result has to be written off. I remain concerned that despite the recent introduction of the Debt Transformation Project, which was set up to manage implementation of a wide range of initiatives to improve the recovery of benefit related debt and the consideration of the NAO Report 'Managing debt owed to central government'[4] by the SSA/DEL Modernisation Board, total gross benefit debt continues to increase year on year from £95.2 million at 31 March 2011 to £113.4 million at 31 March 2015.

27. The graph overleaf shows that for each of the past five years, the benefit debt created each year due to overpayments arising exceeds the total debt written off and recovered. I asked the Agency what steps it is taking to ensure its recovery methods keep up with this rate of growth and therefore reduce the gross debt position going forward.

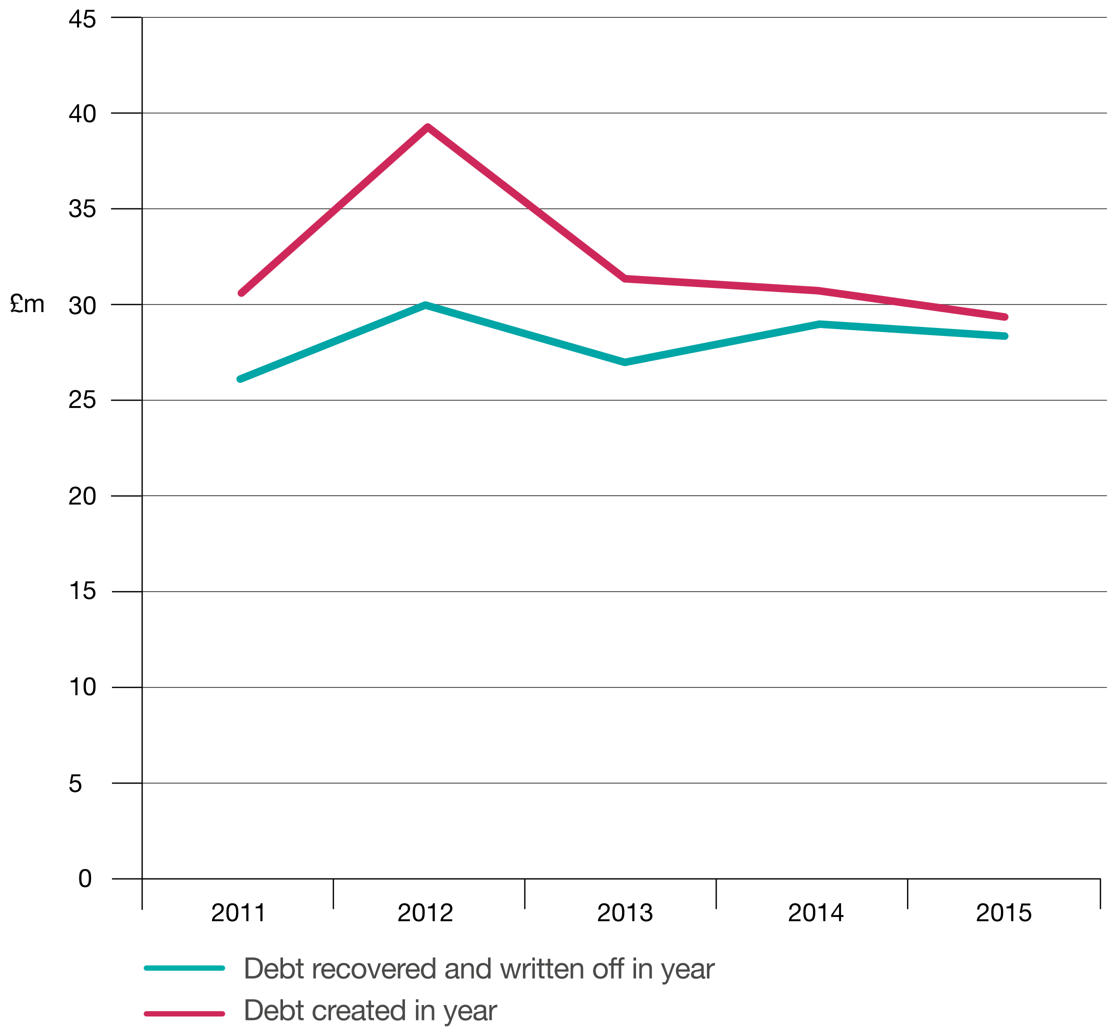
28. The Agency told me that it remains committed to progressing its work on debt and the annual rate of growth in the overall level of benefit overpayment debt is reducing; this continues to fall steadily from 4.8 per cent in 2012-13, 2.4 per cent in 2013-14 to 1.4 per cent for 2014-15.

    The Agency also indicated that at the same time the level of debt recoveries secured has remained consistent. The Debt Transformation Project is leading on a number of actions to improve the identification, recording and recovery of debts, which include:

- the launch of a Debt Management Service Centre in April 2015 with enhanced telephone facilities providing improved customer contact channels;
- improved management information to plan debt campaigns and actions;
- a Renegotiation framework simplifying the process of amending repayment arrangements and supporting vulnerable debtors;
- enhancing the repayment channels available to customers which will include the facility to repay by direct debit; and
- the implementation of better work processes and management information to maximise debt recovery opportunities and enhanced recovery powers.

    However, the Agency highlighted that the rate of recoveries will not keep pace with the rate of debt created. While debt is recognised in its totality when created, recovery will take a period of time as the Agency must balance the need to recover public monies while protecting the vulnerable and not creating hardship. Recovery levels for on benefit customers are prescribed and restricted to a maximum recovery rate of £10.95 for customer error cases and £18.25 for proven fraud cases per week.

Debt created in year compared to debt recovered / written off in year



Source: Social Security Agency Debt Management Branch - Debt created in year is recognised in its totality. In the majority of debt cases however recovery takes place over a period of time.

29. Table 4 overleaf provides a breakdown of repayment rates of debtors currently receiving benefits and debtors no longer receiving benefits. I note there is a considerable difference between debts with active recoveries taking place from debtors receiving benefit (89.5 per cent) and from those debtors no longer receiving benefit (38.36 per cent). I asked the Agency to explain why the percentage of debt in active recovery is so low for those debtors no longer in receipt of benefit and what plans it has in place to improve recovery for all debts.

[4] HC 967 Session 2013-14, 'Managing debt owed to central government', 14 February 2014

Table 4: Benefit debt with ongoing repayments

	March 2013	March 2014	March 2015
Overall outstanding debt position	£109.2m	£111.9m	£113.4m
Debtors no longer in receipt of benefit			
(i) Gross debt owed to the Agency	£41.6m	£40.9m	£43.1m
(ii) % outstanding debt with ongoing repayments	34.7%	39.4%	38.36%
Debtors in receipt of benefit			
(i) Gross debt owed to the Agency	£67.6m	£71.0m	£70.3m
(ii) % outstanding debt with ongoing repayments	87.0%	87.0%	89.5%

Source: Social Security Agency Debt Management Branch

30. The Agency told me that it has limited powers in securing repayment from those debtors no longer in receipt of Social Security Benefit and is progressing a number of actions through its Debt Transformation Project including:
- the set up of repayment arrangements using the Direct Debit facility;
- the use of a Debt Market Integrator, expected to come into operation in September 2015, which will improve the services the Agency receives from private sector debt recovery organisations;
- improved management information to target recovery campaigns undertaken by the Debt Management Service Centre; and
- securing the powers to apply deductions to a debtor's salary via the progress of Welfare Reform legislation.

Conclusion

31. Whilst I acknowledge that the Agency continues to address the matters which give rise to the longstanding qualification of my audit opinion, I consider that the estimated levels of fraud and error reported are material and I have therefore qualified my audit opinion on the 2014-15 Social Security Agency financial statements on the regularity of benefit expenditure (other than State Pension benefits).

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