



Social Security Agency

Annual Report & Accounts

2015-2016



An Agency within the Department for

**Social
Development**

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**Social Security Agency
Annual Report and Accounts
For the year ended 31 March 2016**

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

1 July 2016

OGL

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Social Security Agency

Part 1

Performance Report

Section 1 - Overview

Chief Executive's Report



I am pleased to present the Social Security Agency's Annual Report and Accounts for 2015 - 16.

After 25 years of service, this is the last Social Security Agency Annual Report as the Social Security Agency will no longer exist as a consequence of the creation of the Department for Communities.

The past year was particularly challenging for Agency staff caused by the continuing delay in the reform of the welfare system 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. I am pleased to be able to publicly recognise the efforts of the staff right across the Agency in delivering these high levels of performance.

Overall the Financial Accuracy levels of paid benefits in 2015 was 99.4%, the highest level since 2012. The Agency achieved or achieved within specified tolerance levels, all of the financial accuracy targets set for six of our major benefits, including for the first time, Employment and Support Allowance which saw the biggest improvement increasing its accuracy levels from 97% to 98.4% in 2015. This is very encouraging and is as a result of the focus which has been put on improving performance in this benefit. In addition the Agency has also achieved all six of our major benefits claims clearance targets; including

noteworthy outcomes in State Pension with an achievement of 4.9 days against a target of 7 days and State Pension Credit, 6 days against a target of 9.

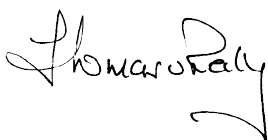
Improving the Uptake of Benefits was a key building block in the previous Programme for Government. The 2015 – 16 was the final year of our three year plan for improving the uptake of benefits and last year we generated approximately £15.9m in additional income for over 4,702 people in Northern Ireland and a total of £60m in our three year period. This work was directly targeted at those in need including people who had a life changing event, carers and pensioners. People who benefitted are now on average £65 better off per week.

In the past year we also 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 historically low levels including a reduction in customer fraud and error overpayments from 0.69% of benefit spend in 2014 to 0.66% in 2015. Social Security benefit loss through fraud and error (overpayments) had fallen to historically low levels of 1.0% or below for the past four years, and this performance was maintained in 2015. The Agency now has access to Real Time Information,

produced by HM Revenue & Customs which enables our staff to identify those claimants who are failing to properly disclose earnings. During 2015, staff inaccuracy (overpayments and underpayments) saw particular improvements from 0.8% in 2014 to 0.6% in 2015. Overall the Agency has continued to maintain its low levels of fraud and error and has, once again, delivered strong performance in this important area of its business.

There have also been a number of significant service improvements during the past year including the completion of phase two of the Castle Court refurbishment programme, the completion of the refurbished Jobs & Benefits office for Strabane; the ongoing work to refurbish 2 Universal Credit centres in Foyle and Newry Jobs & Benefits offices; the extension of the MOSAIC digital document handling system to more benefit areas and the roll out of the Agency's Telephony Strategy which will help shape future service delivery models. I would like to thank not only those staff involved with implementing these changes, but all staff who have continued to deliver a high quality service whilst the changes to how we do our work were taking place.

The Agency is committed to ensuring staff have the appropriate skills and knowledge not only to undertake their work but also to work directly with our customers.



TOMMY O'REILLY
CHIEF EXECUTIVE
28 JUNE 2016

The Agency remains committed to the principle of corporate responsibility. In the course of 2015-16 we have put in place new Employer Supported Volunteering arrangements with Volunteer Now and look forward to seeing that relationship develop. We have also supported five staff to undertake secondments, including to the voluntary and community sector, which allow them to gain new insights and perspectives beyond the public sector and which enable them to apply their skills and experience in a different context.

Across 2015-16 the generosity of Agency staff and their commitment to supporting good causes was evident. Over 2,251 staff in the Agency made charitable donations through the payroll system, amounting to a total of over £166k in the year. Agency staff have also arranged over 168 local fund raising events including bring and buy sales, raffles and coffee mornings. A total in excess of £62,000 was collected and donated across 57 causes and charities such as Age NI, Cancer Research, Trocaire and Organ Donation Awareness.

I would like to thank all Agency staff, past and present, over the past 25 years for their contribution in helping people change their lives for the better by supporting them with financial assistance when they need it and to help them back to work.

Section 2

Performance Analysis

History and Statutory Background

The Social Security Agency, hereafter 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 Department for Social Development (DSD).

The Assembly is the prime source of authority for all devolved responsibilities and has full legislative and executive authority. Minister Morrow MLA replaced Mervyn Storey MLA as the Minister for the Department for Social Development on 13 January 2016.

The Social Security Agency Annual Report and Accounts are presented to comply with a direction issued by the Department of Finance (DoF) formerly 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 was managed by a four member Board with a gender split of three males and one female.

On the 9 May 2016, the DSD and Agency ceased to exist and have been subsumed within the new Department for Communities. Further details are provided at page 42.

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 1.9 million
- the people living in three districts within London

Social Security Agency Balanced Scorecard 2014-15

The Agency's Balanced Scorecard originates from the Department for Social Development's Corporate Plan and is closely aligned to the DSD Business Plan 2015-16. These Plans set out 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 into the Programme for Government (PfG) aims and priorities 2011-2015. Given the Executive's decision to extend the PfG for one year, the DSD Corporate Plan and Business Plan were similarly rolled forward for one year for the period 2015-16.

Our Strategic Objectives

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; continuing to work 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.

The Strategic Objectives relate to our key themes of:

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

Values link to our Key Themes. These are in turn supported by detailed Directorate scorecards. During 2015-16 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.

Key Issues and risks

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

“Helping people improve their lives for the better”

Our Vision and Values

Vision

“Helping people change 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

In total nine risks were carried forward to 2015-16. Three new risks were identified in relation to funding arrangements for schemes within the Stormont House Agreement, the integration of functions transferring from the Department for Employment and Learning to the new Department for Communities and managing the interdependencies of implementing welfare changes, 2015-16 budget reductions and the Voluntary Exit Scheme.

In line with the Risk Management Framework the Agency escalated risks in relation to lack of political agreement on Welfare Reform and



Welfare Reform Financial and IT contingency plans to the Departmental Board to be monitored and managed as Issues.

In-year AMB identified two further risks relating to Capitia commercial arrangements and increased level of sick absence. An AMB review of the Risk Register in January 2016

assessed the impact of the recent political agreements in relation to the Fresh Start Agreement and agreed to close two risks relating to Welfare Reform. Details of our corporate governance and risk management arrangements are included in the Governance Statement on pages 48-59.

Performance Overview

Financial Accuracy

Overall Financial Accuracy in 2015 was 0.6%, the lowest level since 2012. Of the six benefits measured in 2015, four achieved their financial accuracy target including, for the first time, Employment and Support Allowance with a result of 98.4% - up from 97.0% in 2014. Disability Living Allowance at 99.8%, Jobseeker's Allowance at 99.1%, and State Pension at 99.7% all exceeded their 99% accuracy targets. Income Support and State Pension Credit met their accuracy targets within statistical tolerance intervals with outcomes of 98.3% and 97.6% respectively.

Clearance Times

All of the six main benefits exceeded their claims clearance target including noteworthy outcomes in State Pension with an achievement of 4.9 days against a target of 7 days and State Pension Credit, 6 days against a target of 9.

Fraud and Error

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 and has been



instrumental in reducing fraud and error to significantly low levels.

Social Security benefit loss through fraud and error (overpayments) was 1.0% in 2015. This result now means the Agency has maintained loss at 1.0% of expenditure or below for the last 5 years. The Agency target to reduce the total overpayments reported in 2014 was met with a marginal percentage reduction, but still significant in financial terms, equating to a reduction in loss of £1.4 million.

In terms of underpayment performance, the target was to reduce the percentage against overall expenditure from the 0.6% figure reported in 2014. This was achieved with a result of 0.5% in 2015.

During 2015, losses through customer error and customer fraud reduced from 0.69% in 2014 to 0.66%. Within this figure, customer

fraud increased slightly by 0.05%, with the estimate rising from 0.5% (£25.2m) of expenditure in 2014 to 0.6% (£28.3m) in 2015. The implementation of the Agency's Benefit Security Strategy has been instrumental in reducing fraud and error to significantly low levels.

Section 2 - Performance Analysis

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 584,500 for individuals living in Northern Ireland with 930,561 individual benefit accounts. During 2015-16 the expenditure on Social Security benefits was approximately £ 5.057bn.

Annex 1 provides detailed information on the breakdown of public spending for those Social Security benefits we are responsible for.



The Agency also provides a benefits processing service for the Department for Work and Pensions (DWP), covering approximately 245,630 customers in London, from the Belfast Benefit Centre. The Benefit Centre also delivers the Benefit Cap Welfare Reform initiative nationally for DWP.

The achievement of a number of targets for 2015-16 was directly impacted by the lack of political agreement on Welfare Reform in the first half of the year.

During the year, Agency staff continued to work on these targets, completing a number of activities to progress their readiness for delivery of the Welfare Changes. We have noted these targets as 'partially achieved' or 'likely to be achieved with some delay' to acknowledge the work completed in-year and reflect

that their achievement was delayed beyond the expected dates due to circumstances beyond our control.

The Welfare Changes targets will now be delivered in 2016-17.

The Balanced Scorecard for 2015-16 included two targets aligned to the Stormont House Agreement namely to introduce the Disability Protection Scheme and the Supplementary Payment Scheme. These targets were superseded by the Fresh Start Agreement and the subsequent recommendations of the Welfare Reform Mitigations Working Group; as a result the targets were withdrawn.

Performance against Balanced Scorecard Targets is set out in table below.

Performance against Balanced Scorecard Targets

BALANCED SCORECARD TARGET	YEAR END RESULT
BUSINESS PERFORMANCE	
By 31 October 2015 to have introduced Mandatory Reconsideration.	Likely to be achieved with some delay
By 31 December 2015 to have introduced Discretionary Support Scheme.	Likely to be achieved with some delay
By 31 December 2015 to have introduced the Benefit Cap.	Likely to be achieved with some delay
By 31 December 2015 to have introduced the Social Sector Size Criteria.	Likely to be achieved with some delay
By 31 December 2015 to have introduced Short Term Benefit advances	Likely to be achieved with some delay
By 31 December 2015 to have introduced the Supplementary Payment Scheme	Withdrawn
By 31 December 2015 to have obtained enhanced Debt powers.	Achieved
By 31 January 2016 to have obtained Ministerial agreement of a Launch Strategy in advance of the introduction of Universal Credit.	Achieved
By 31 March 2016 to have introduced Personal Independence Payment for new claims and natural reassessment.	Likely to be achieved with some delay
By 31 March 2016 to have introduced new fraud penalties	Achieved
By 31 March 2016 to have introduced Employment and Support Allowance legislative changes.	Likely to be achieved with some delay
31 March 2016 to have introduced the Disability Protection Scheme.	Withdrawn
By 31 March 2016, to have implemented Year 3 of the Benefit Uptake Plan for maximising Incomes and Outcomes.	Achieved
By 31 March 2016 to have developed and obtained Ministerial endorsement for the next 3 year Benefit Uptake Plan.	Likely to be achieved with some delay

By 31 March 2016, to have achieved average actual clearance times in the following benefits:			
Income Support - 8 days	IS	6.9 days	Achieved
Jobseeker's Allowance – 11 days	JSA	10.1 days	Achieved
State Pension – 7 days	SP	4.9 days	Achieved
State Pension Credit - 9 days	SPC	6.0 days	Achieved
Disability Living Allowance – 35 days	DLA	34.1 days	Achieved
Employment and Support Allowance – 14 days	ESA	13.4 days	Achieved
By 31 March 2016, to have achieved the following financial accuracy targets of total expenditure for:			
Income Support - 99%	IS	98.3%	Achieved within tolerance interval
Jobseeker's Allowance – 99%	JSA	99.1%	Achieved
State Pension – 99%	SP	99.7%	Achieved
State Pension Credit - 98%	SPC	97.6%	Achieved within tolerance interval
Disability Living Allowance – 99%	DLA	99.8%	Achieved
Employment and Support Allowance – 98%	ESA	98.4%	Achieved
By 30 June 2015 to have agreed management information requirements and developed a performance / target regime for Discretionary Support Provision.			Likely to be achieved with some delay
By 30 September 2015 to have completed a review and put in place appropriate arrangements for future organisation and health assessment services within the Agency.			Achieved
¹ By 31 October 2015 to have agreed financial arrangements for Discretionary Support and the Disability Protection and Supplementary Payment Schemes.			Partially Achieved
By 30 June 2015 to have agreed a programme of work for Strategic Outlook Forum to complete by March 2016.			Achieved
By 31 December 2015 to have produced a Continuous Improvement Strategy.			Not Achieved
By 31 March 2016 to have secured the Belfast Benefit Centre as Universal Credit service centre.			Not Achieved

¹ Delivery of the Disability Protection and Supplementary Payments elements of these targets were superseded by the Fresh Start Agreement and the subsequent recommendations of the Welfare Reform Mitigations Working Group.

CUSTOMERS

By 31 March 2016 to have commenced the Welfare Reform communications, marketing and engagement strategy, alongside business as usual communications, engagement and marketing.	Achieved
By 31 March 2016 to have commenced State Pension Reform Communication and Engagement Strategy.	Achieved
By 31 March 2016 to have implemented a programme of customer insight which includes Omnibus Surveys and claimant satisfaction.	Achieved
By 30 June 2015 to have completed the final evaluation of the Innovation Fund for improving uptake of benefits.	Achieved
By 31 October 2015 to have commenced a pilot to test how Credit Unions can modernise their operations and assessed viability of a second pilot to modernise services.	Achieved
By 31 March 2016 to have completed a review of Credit Unions.	Likely to be achieved with some delay
By 31 March 2016, to have worked collaboratively with the Northern Ireland Advice Service Consortium (NIASC) to develop a programme of work to support Welfare Reforms.	Likely to be achieved with some delay
By 30 June 2015 to have commenced Universal Credit model office in Knockbreda Jobs & Benefit office.	Achieved
By 31 December 2015 to have introduced State Pension Statements Digital Services.	Achieved
By 31 March 2016 to have introduced Carers Allowance Digital Services.	Achieved
By 31 March 2016 to have opened a new Jobs & Benefit office in Strabane.	Achieved

By 31 March 2016 to have commenced the first tranche of office accommodation enhancements to support the introduction of Universal Credit in Jobs & Benefit offices.	Achieved
By 31 March 2016 to have implemented the 2015-16 Customer Contact and Telephony Strategy Action Plans.	Achieved
By 31 March 2016 to have completed the launch phase of the New State Pension.	Achieved
By 31 December 2015 to have completed planning for the next spending review.	Achieved
By 31 March 2016, we will recover £84.1m of debts in respect of benefit overpayments and Social Fund loans.	Not Achieved (year end out turn £82.2m)
By 31 March 2016 to deliver contractual obligations and achieve savings from DWP IT contracts.	Achieved
By 31 March 2016, to ensure that the Agency has delivered its services within acceptable budget tolerances of 0% overspend and no more than a 2% underspend.	Not Achieved
By 31 March 2016, to ensure that the Agency achieves its Savings Delivery Plan target for recurrent savings of £28 million.	Achieved
By 31 March 2016 to have Security Decision Service in place to support the implementation of Universal Credit.	Partially Achieved
By 31 March 2016, to have reduced the total for overpayments, expressed as a % of overall expenditure, against the figure reported in 2014.	Achieved
By 31 March 2016, to have reduced the total for underpayments, expressed as a % of overall expenditure, against the figure reported in 2014.	Achieved

INTERNAL PROCESSES

By 31 October 2015 to have introduced direct lodgement of appeals with The Appeals Service (TAS).	Likely to be achieved with some delay
By 31 March 2016 to have implemented the next phase of MOSAIC to include the introduction of a new Medical Certificate pro-forma.	Achieved
By 31 March 2016 to have implemented agreed recommendations from Dr Litchfield's 5th report on the Work Capability Assessment (WCA).	Achieved
By 31 October 2015 to have a programme of work agreed and commenced roll-out to help embed the Change Management Framework across the Agency's business areas as appropriate.	Achieved
By 30 September 2015 to have developed a manpower plan for the next 3 years taking account of Welfare Reform and Modernisation programmes.	Partially Achieved
By 30 September 2015 to have completed a programme of research to better understand the current Employment and Support Allowance caseload and on flows /off flows.	Achieved
By 31 March 2016, to review and update the strategic DEL profile covering the period to 2019-20.	Achieved
By 31 March 2016, to review and update the strategic AME profile covering the period to 2020-21.	Achieved

By 31 October 2015 to have tested the Identity Assurance Systems for Northern Ireland.	Achieved
By 31 March 2016 to have developed and tested Audit Trail Analysis System (ATAS) controls for: <ul style="list-style-type: none"> Welfare Changes mitigation schemes and Real Time Information and Universal Credit Systems 	Achieved
By 31 March 2016 to have: <ul style="list-style-type: none"> Developed and implemented deterrence measures to reduce volumes of data incidents Reviewed continuing Bogus Calls risks and applied lessons learnt to the telephony strategy Target Operating Model.	Achieved
² By 31 March 2016 to have developed and tested the Business Continuity arrangements for Personal Independence Payment, Discretionary Support, Disability Protection Payment System and Supplementary Payment System.	Partially Achieved
By 31 March 2016, to have carried out further reviews of Audit Trail Analysis System (ATAS) delivery.	Achieved
By 31 March 2016, 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

² Delivery of the Disability Protection and Supplementary Payments elements of these targets were superseded by the Fresh Start Agreement and the subsequent recommendations of the Welfare Reform Mitigations Working Group.

ORGANISATION AND PEOPLE

By 31 October 2015 to have agreed the organisational structures for delivering new Pension Service.	Achieved
By 31 December 2015 to have completed programme of work in preparation for Departmental restructuring.	Achieved
By 31 March 2016 to have agreed organisational structures for delivering Universal Credit.	Likely to be achieved with some delay
By 30 September 2015 to have introduced HR Business Partnering.	Achieved
By 31 March 2016, to implement 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 March 2016 to have learning in place to support Operational Delivery Profession in DSD.	Not Achieved
By 30 June 2015 to have carried out a review of the EO1 Leadership Development Programme.	Achieved
By 31 March 2016 to have continued a programme of Organisational Development for members of the Strategic Outlook Forum	Achieved
By 31 December 2015 to have implemented HR Strategy to manage redeployment of staff as a result of budget reductions and Voluntary Exit Scheme.	Achieved
By 31 March 2016, to have delivered the Health and Wellbeing action plan.	Achieved
By 31 March 2016, to have achieved the sick absence target of 10.7 days.	Not Achieved
By 31 March 2016, to have improved the level of employee engagement, as measured by the Staff Engagement index score, by 2% on the March 2014 results and maintain a survey response rate of 40%.	Not Achieved
As part of the Rising to the Challenge plan, by 31 March 2016 to have continued focused programme of communications with all grades.	Achieved

Business Performance

The Agency's four main **operational business areas** during 2015-16 were:

- **Working Age (Central)** which administered Incapacity Benefit and Employment and Support Allowance
- **Working Age (Network)** which administered 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 Service** which administered 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 managed the recovery of Social Security Benefits which have been overpaid.

Pensions, Disability and Corporate Services

State Retirement Pension accounts for 42.5% 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 99.7%. The claims clearance target of 7 days was achieved at 4.9 days.

84% 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 performance dipped slightly in 2015 with a result of 97.6% but still meeting the target of 98% within accepted confidence intervals. The claims clearance target of 9 days was achieved at 6.0 days.

The Disability Living Allowance (DLA) financial accuracy target of 99% was achieved at 99.8%. The claims clearance target of 35 days was achieved at 34.1 days.

Working Age Benefits (Central)

The Employment and Support Allowance (ESA) financial accuracy improved significantly from 97.0% in 2014 to 98.4% in 2015. This result is the best ever for the benefit and is a reflection of the diligence of staff in the Agency's Error Reduction Division and ESA Centre who worked closely throughout the year to deliver a quality service. Almost 30,000 new claims were received and the claims clearance target of 14 days was achieved at 13.4 days.

Dr Paul Litchfield 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 five Northern Ireland specific recommendations have been implemented and the Agency continues to keep pace with progress on the accepted Department for Work and Pensions recommendations.

Working Age Benefits (Network)

By the end of March 2016 the Jobseeker's Allowance (JSA) register had reached 39,010, a 15% decrease from March 2015 when the register was 45,887. The JSA financial accuracy performance improved in 2015 from 98.9% in 2014 to 99.1% and is now meeting its target of 99%. The claims clearance target of 11 days was achieved at 10.1 days. The Agency continued 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 6.9 days and its financial accuracy target of 99% was achieved within statistical tolerance at 98.3%.

The total number of applications made to the Northern Ireland Discretionary Social Fund scheme for 2015-16 was 294,650 compared to 317,654 in 2014-15, a reduction of 7.2%. Within that, Crisis Loan applications reduced by 8.6%, Budgeting Loan applications reduced by 5.3% and Community Care Grants by 10.7 % compared to 2014-15.

Fraud and Error Reduction

The Agency's Fraud and Error Reduction Board sets the strategic direction, evaluates operational responses and is responsible to the Agency Management Board for providing performance assurance. Mitigating the loss from fraud and error is one of the Agency's strategic objectives. The approach to the challenge is multi-dimensional involving case intervention, checking of cases to prevent or detect error, staff accuracy meetings, customer compliance interviews and criminal investigations.

The intention is to prevent, detect and correct fraud and error and apply penalties where appropriate to deter future fraud. Further details on performance on fraud and error are provided in the Governance Statement. (Pages 48-59)

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 HM Revenue & Customs and the Northern Ireland Housing Executive to enable joint prosecutions of customers who abuse both the tax credit and benefit systems.
- **Targeting**
continued development , alongside DWP, of the use of new data sources including Real Time Information (RTI), to enhance future fraud prevention and detection capability, with particular focus at the gateway-the point of entry to a benefit claim in preparation for the introduction of Universal Credit.
- **Deterrence**
legislative measures contained within the Welfare Reform Bill to prevent and deter those intent on committing fraud including increased penalties (effective from 4 April 2016) and tougher loss of benefit provisions will be introduced in autumn 2016.
- **Communication**
continuing to remind staff and the wider public of the need to remain vigilant and to report suspected fraud.

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 £82.2m in respect of benefit overpayments and outstanding Social Fund loans. The target for the year was £84.1m.

Good progress has been achieved during 2015-16 to develop and implement a SSA Debt Strategy that builds capacity and modernises systems, processes and structures in order to maximise the recovery of Government Debt while providing support to those who need it.

Compensation 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 99%. Both of these targets have been exceeded at 99.85% and 99.25% respectively.

The Agency recovered a total of £5.6 m in relation to Social Security benefits and £10.2m of Health Services charges.

Welfare Changes and Modernisation

Fresh Start Agreement

After 10 weeks of discussions the Northern Ireland Executive and the UK and Irish governments agreed a set of actions to address the two key themes the talks were convened to address: to secure the full implementation of the Stormont House Agreement; and to deal with the impact of continued paramilitary activity.

A Stormont Agreement and Implementation Plan titled "Fresh Start" was published in November 2015. The implementation of Welfare Reform in Northern Ireland is included in this Agreement and allowed for a legislative consent motion to be passed by the Assembly.

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

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

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

Mitigation Measures

While the Welfare Reform (Northern Ireland) Order 2015 provided the legislative powers to introduce the reforms, the Executive were concerned as to the potential negative impact of the changes. A working group, led by Professor Evason, provided the Executive with recommendations on how best to provide protection for the most vulnerable in Northern Ireland within the available funding. The Executive subsequently agreed to allocate a total of £501m over four years to ‘top-up’ the United Kingdom welfare arrangements in Northern Ireland with a review in 2018-19.

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

All of the mitigation schemes will be payable for a maximum of one year with the exception of the Benefit Cap and Social Sector Size Criteria mitigations, which will be payable from the point claimants become eligible until the schemes end in March 2020. In accordance with the approach agreed by the Executive in the ‘Fresh Start Agreement’, a review of the mitigating measures will be conducted in 2018-19. These measures will ensure that existing claimants are not financially impacted by the introduction of the changes.

Universal Credit

Throughout 2015-16 the Universal Credit Programme has been engaged in a range of preparatory activities designed to facilitate the introduction of Universal Credit. This work has progressed significantly following the passage of the Welfare Reform (Northern Ireland) Order 2015. The Programme is working closely with the Department for Work and Pensions (DWP) to ensure the Regulations for Universal Credit are in place in advance of the implementation timetable.

Work is also ongoing with the DWP to ensure that the Universal Credit Full Service IT system which will be used in Northern Ireland is appropriately customised to reflect the Northern Ireland Universal Credit delivery model.

Successful trials have been initiated in Knockbreda, Strabane and Shaftsbury Square Jobs & Benefit offices to test job roles and office zoning concepts which will be used by Universal Credit.

Discretionary Support Provision Scheme

Discretionary Support primary legislation has been included in the Welfare Reform (Northern Ireland) Order 2015. The development of supporting regulations, 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 (PIP)

The PIP Project is 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. This will help to ensure that any lessons learned are fully impacted and incorporated into the proposed Northern Ireland customer journey where appropriate.

Throughout 2015-16, 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.

It is planned that Personal Independence Payment will be introduced in Northern Ireland on 20 June 2016 and it will replace Disability Living Allowance for working age customers, those aged between 16 and 64, on that date. There will be a phased approach to implementation with new claims and the natural reassessment of existing Disability Living Allowance working age customers commencing from 20 June 2016. Natural reassessment includes those customers:

- who are children turning 16 years of age after 20 June 2016
- who report a change in their care or mobility needs on or after 20 June 2016
- who have a fixed period award of DLA that expires on or after 8 November 2016.

All remaining Disability Living Allowance working age customers, including those with indefinite (life) awards, will be randomly selected and invited to claim Personal Independence Payment between December 2016 and December 2018.

Employment and Support Allowance (ESA)

Employment and Support Allowance legislative changes are designed to create 'a fair and affordable platform' on which to introduce Universal Credit. The proposed changes are:

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

The first of these changes, to prevent new Employment and Support Youth cases, was introduced in February 2016. The Agency is taking forward plans to introduce the second of the changes, the time limiting of contributory Employment and Support Allowance, in November 2016.

Benefit Cap

The Benefit Cap will be introduced in Northern Ireland on 31 May 2016. 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.

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
- £500 per week for couples with or without dependants and lone parents with dependants living with them.

Social Sector Size Criteria

Housing Benefit payments for people living in social housing are currently based on the rent charged by a Housing Association or the Northern Ireland Housing Executive.

New criteria are being introduced to calculate Housing Benefit payments, called the Social Sector Size Criteria. Housing Benefit will now be based on the size of the rental property and the number of people living there.

These criteria are already in place for those people living in privately rented properties. The new Size Criteria allow for one bedroom for each person over 16, or a couple living as part of the household. Bedrooms will also be allowed for children living in the household:

- children aged nine or under will be expected to share with one other child under nine regardless of gender;
- children aged 15 or under will be expected to share with one other child of the same gender.

The criteria for Housing Benefit will not be changed for people over State Pension age. It is planned that the legal powers for the new Social Sector Size Criteria will be put in place by the end of 2016.

Pensions Reform

Legislative measures required to deliver the new State Pension are set out in the Pensions Act (Northern Ireland) 2015. 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 replaces the current two tier system of basic and additional State Pension with a flat rate payment and the amount a customer will receive depends on their individual National Insurance record. The Agency has completed a programme of activity to deliver new State Pension and has engaged with Department for Work and Pensions (DWP) and HM Revenue & Customs (HMRC) to ensure that provision is made to address all Northern Ireland requirements. The new State Pension and Pension Credit policy changes were delivered for customers in Northern Ireland from 6 April 2016.

Mail Opening, Scanning and Image Circulation (MOSAIC)

The 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.

In 2015-16, building on the successful introduction of MOSAIC to NINO Allocation,

The Pension Service, Industrial Injuries Branch, Bereavement Benefit and Maternity Allowance, MOSAIC was successfully introduced into the Employment and Support Allowance centre on a phased basis. Implementation began with work capability assessment forms followed by medical certificates and was completed with the inclusion of fresh claims and claim maintenance.

MOSAIC is also a key enabler for the introduction of Personal Independence Payment and the project has worked to produce a detailed implementation plan for its introduction in June 2016.

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 the second year (2015–16) a number of technology enhancements arising from the Telephony Strategy were deployed to improve the customer experience and contribute towards the telephony vision of 'Providing a first rate phone service'.

Some of these enhancements were the implementation of Short Message Service (SMS) texting capability within Employment and Support Allowance. The provision of information by text message allows customers to receive prompt updates on their payments; which has resulted in a reduction in the level of avoidable contact in these types of calls.

Voice recording was installed within the telephony units for the following benefits Income Support, Jobseeker's Allowance and Social Fund, which brought this area of the Agency into line with all other benefits areas.

The remaining recommendations are being progressed as part of the Year 3 Action Plan and full implementation of these is expected to be achieved during the 2016-17 year.

Estate Modernisation

The Estate Modernisation Project is responsible for the delivery of new front office accommodation in Strabane and Downpatrick as well as the ongoing refurbishment of Castle Court.

During 2015-16 a new government office, built on the site of the existing Social Security Office on Urney Road, Strabane was delivered providing modern purpose built offices for a Jobs & Benefits office and a new Department of Agriculture and Rural Development Direct Office.

The Project has also continued to facilitate the refurbishment of Castle Court and work to identify a suitable site within Downpatrick to facilitate a new Jobs & Benefits office. On completion of the refurbishment in Castle Court over 1,000 staff will be accommodated over four floors and will become a major benefit processing hub for the new Department for Communities. The refurbishment of the entire building will be completed by the end of August 2016. A new Jobs & Benefits office in Downpatrick will also replace the existing Social Security Office on Mount Crescent and existing Jobcentre within Rathkeltair House.

Appeals Reform

Proposed changes to the welfare system will 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 being 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.

Throughout 2015-16 the Agency has continued to enact a detailed implementation plan to support the introduction of the Mandatory Reconsideration and Direct Lodgement, both of which are scheduled to be introduced on 23 May 2016, and will apply to all social security decisions and recovery of benefit notified on or after that date.

Carer's Allowance Digital Service

The Carer's Allowance Digital Service was launched in Northern Ireland on 29 February 2016 and enables carers to claim Carer's Allowance or report a change in their circumstances using an online service.

The service is accessed via nidirect and is available to customers 24 hours a day, seven days per week from a desktop, laptop, tablet or Smartphone.

Debt Transformation

The Debt Transformation Project has progressed delivery of the Agency's published Debt Strategy.

The Debt Management business area has undergone a programme of business transformation throughout 2015-16. The resulting improvements to organisational structures and debt recovery processes 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.

The Debt Transformation Project has progressed the development of appropriate systems and processes to enable debt recovery from the new benefits and schemes arising from Welfare Reform legislation within Northern Ireland.

Benefit Uptake

Ensuring that our claimants 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 was a key building block in the 2011-2015 Programme for Government. Since 2005 almost £100m has been generated in additional annual benefits for almost 30,000 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, covered the period 2013 - 2016. In November 2015 the Social Development Minister announced the outcomes of the 2014-15 Benefit Uptake Programme which showed that £15.9m in additional income was generated for over 4,702 people who are now better off by an average of £65 per week.

In year two of the programme four separate but complementary approaches were taken. These approaches were:

- **Direct Targeting** 25,000 older people identified from merging existing benefit and socio-economic data sets held by the Agency and offering a benefit entitlement check. In 2015-16, the independent advice sector partner – Advice NI are providing a benefit entitlement check for 15,000 people while the Social Security Agency provide benefit entitlement check for the remaining 10,000.
- **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. In 2014-15, just under £6m (almost 40%) of the £15.9m was generated by this strand.

- **Partnership working** is a key strand to Improving Benefit Uptake and in the 2014- 2015 business year Improving Benefit Uptake (IBU) attended 190 events with partner organisations promoting our services and giving benefit advice. These events ranged from Benefit clinics, redundancy clinics, health fairs and advice stands at public and community events. The Agency continues to link with colleagues in DARD and DSD supporting the MARA project and Affordable Warmth Scheme.
- **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.

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 Agency has been 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 currently funding a pilot with two Credit Unions to 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.

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 and business as usual. 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 2016-17 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 either party 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.

Both the Disability and Carers Service and the Employment and Support Allowance Centre have 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 ESA Centre staff engaged with a wide range of customer representative groups from the Voluntary and Advice Sector during the year including the delivery of a presentation to the Social Security Practitioners Forum hosted by the Law Centre in Belfast and Londonderry.

Regional Offices regularly meet with a range of customer representative groups from the Voluntary and Advice Sector, including Citizens Advice Bureau, Northern Ireland Housing Executive, Homecare, First Steps, Women's Centre, Black Migrant Ethnic group, St Vincent De-Paul and the Credit Union.

In 2015-16 the Improving Benefit Uptake team (IBU) partnered with numerous voluntary and community sector organisations including; Carers Trust, Carers NI, Chest Heart and Stroke, and Autism NI. In addition, Community Outreach Officers from IBU have delivered information events to over 150 voluntary and community sector organisations in locations across Northern Ireland including, MS Society, Alzheimer's Society CRUSE and Pensioners Parliament (Age Sector Platform).

During 2015-16 a number of separate meetings were held with individual groups such as:

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

Stakeholder and Customer Insight

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.

Financial Performance

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 2015-16. These figures exclude non-cash costs.

		Budget (£m)	Result (£m)
Resources Budget	For Northern Ireland Services	£175.4	£170.3
	For Great Britain Services	£18.3	£18.4
Capital Budget	For Northern Ireland Services	£0.4	£0.3
	For Great Britain Services	Nil	Nil
Total Budget/Result		£194.10	£189.0

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 prompt payment to businesses within 30 days. The percentage of payments made on time by the Agency in 2015-16 is 97.22%.

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 2015-16, 91.86% of payments 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 2015-16 the Agency made no payments (2014-15: £ 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 23 to the Agency’s Notes to the Accounts.

Resource and Programme Expenditure

The 2015-16 Agency accounts include both Resource Departmental Expenditure Limit (DEL) expenditure, and Annually Managed Expenditure (AME) derived from the DSD Request for Resources A.

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 21 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.

The Statement of Comprehensive Net Expenditure on page 84 shows the net operating cost of the Agency.

The net cost of Operations for the year was £5.230bn (2014-15: £5.109bn). Expenditure on Non-current assets for the financial year amounted to £0.316m (2014-15: £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 22 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.

Performance on Sustainability Development

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.

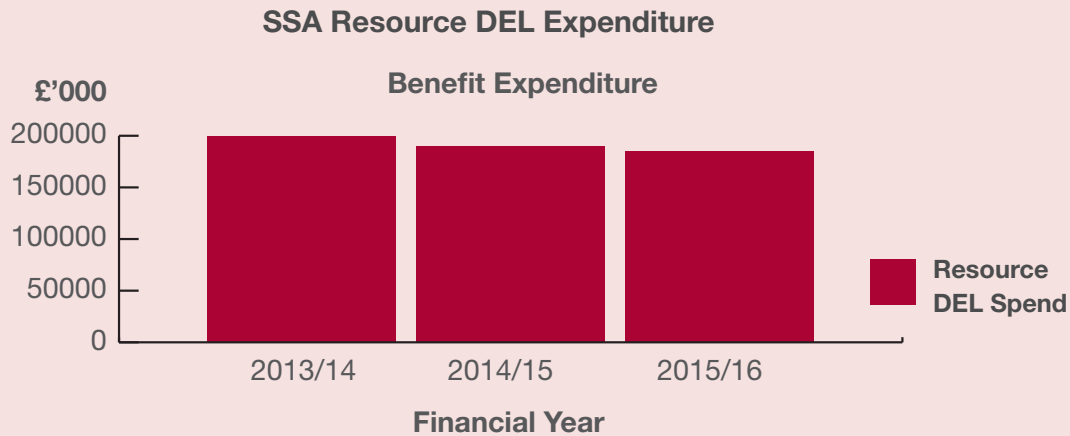
Details of the DSD's performance across a range of sustainability activities are provided in the DSD Resource Accounts 2015-16 which can be accessed at:

www.communities-ni.gov.uk

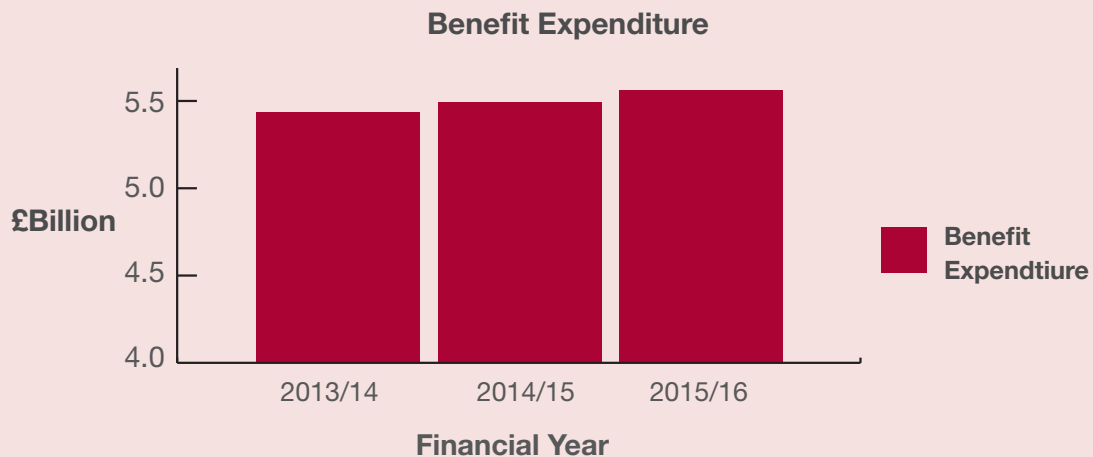
Long-term Expenditure Trends

The charts below show the trends in SSA expenditure for the last three years for spending managed within a departmental limit, known as DEL (such as administration costs) and also for Social Security benefits expenditure.

The chart below shows SSA Resource DEL expenditure.

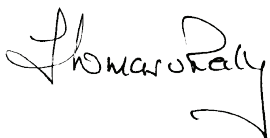


The chart below shows the SSA Benefit Expenditure.



Spending on Benefits

Annex 1 provides detailed information on the breakdown of public spending on Social Security benefits.



TOMMY O'REILLY
CHIEF EXECUTIVE
28 JUNE 2016

Annex 1

Facts and Figures

The following table shows the breakdown of public spending for those Social Security benefits we are responsible for.

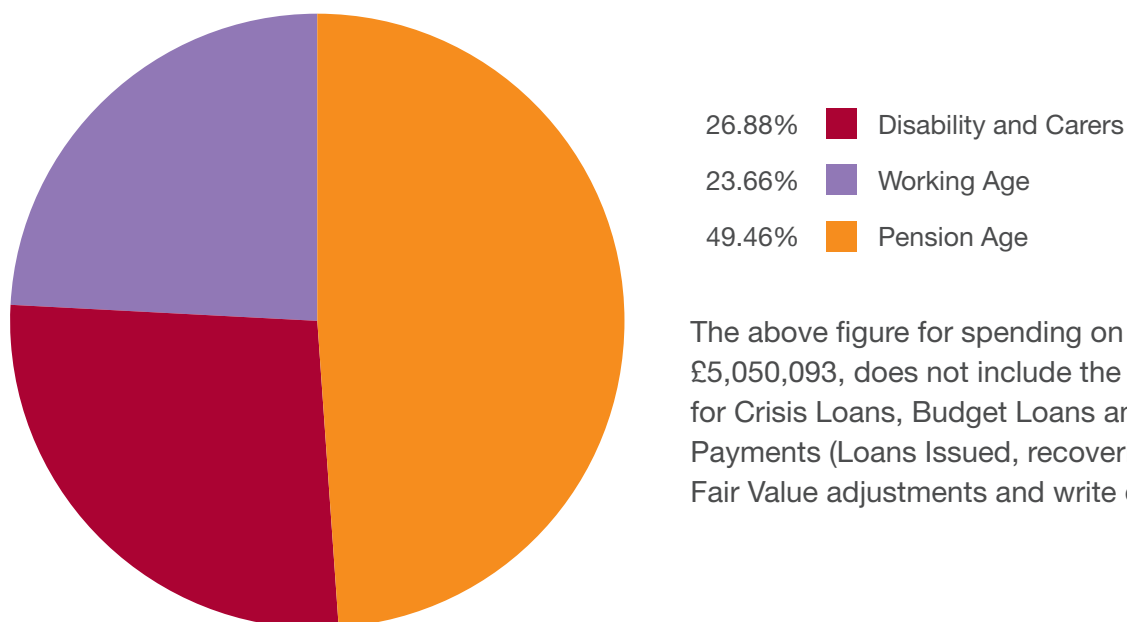
Spending on Benefits 2015-16 (Audited Information)

Benefits taken from Northern Ireland Consolidated Fund	£'000
Non-contributory retirement pension	4,165
Christmas bonus (pensioners)	1,832
Attendance Allowance	203,326
Carer's Allowance	150,470
Severe Disablement Allowance	6,911
Disability Living Allowance	1,003,788
Disability Working Allowance	(2)
Industrial Injuries Benefits	29,982
Pension Credit	283,716
Family Credit, Child Support Maintenance Bonus	(3)
Community Care Grants	13,708
Maternity payments	1,445
Other Fair Value Adjustments & write offs - Crisis Loans	768
Other Fair Value Adjustments & write offs – Funeral Payments	2,277
Income Support	160,501
Jobseeker's Allowance (income based)	128,338
Employment and Support Allowance	466,125
Job grant	1,641
Total: Northern Ireland Consolidated Fund	2,458,988

Benefits taken from the Northern Ireland National Insurance Fund	£'000
Retirement Pension	2,147,019
Christmas Bonus	3,272
Widow's Benefits	20,339
Incapacity Benefit	(819)
Maternity Allowance	12,312
Employment and Support Allowance	345,294
Jobseeker's Allowance (contribution based)	13,405
Total: Northern Ireland National Insurance Fund	2,540,822
Social Fund	£'000
Budgeting loans	54,116
Crisis loans	11,566
Funeral payments	2,307
Repayment of Budget loans	(54,367)
Repayment of Crisis loans	(13,425)
Repayment of Funeral Payments	(132)
Other Fair Value Adjustments and Impairment of debt written off (Budget Loans)	4,628
Cold-Weather Payments	0
Winter Fuel Payments	53,330
Total: Social Fund	58,023
Total public spending on benefits for which we are responsible	5,057,833

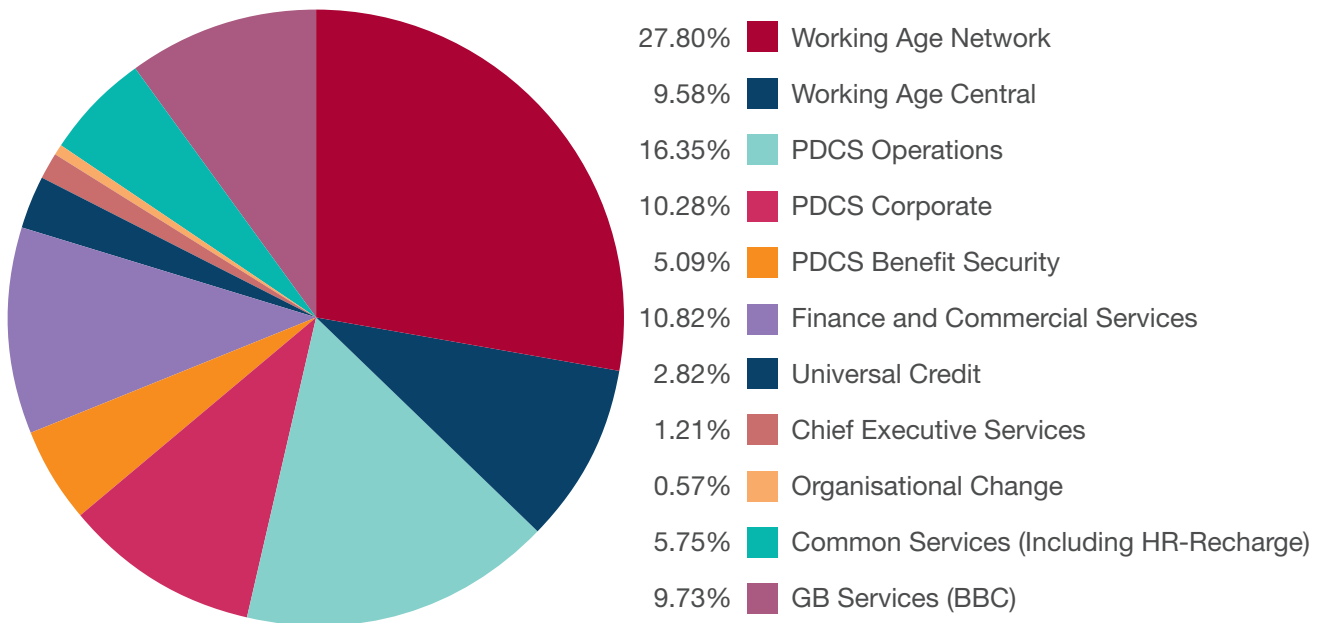
Spending on benefits by broad groups of beneficiaries 2015-2016

	PERCENTAGES	VALUES £'000
Disability and Carers	26.88%	1,357,597
Working Age	23.66%	1,194,722
Pension Age	49.46%	2,497,775
		5,050,093



The above figure for spending on benefits £5,050,093, 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 2015-16

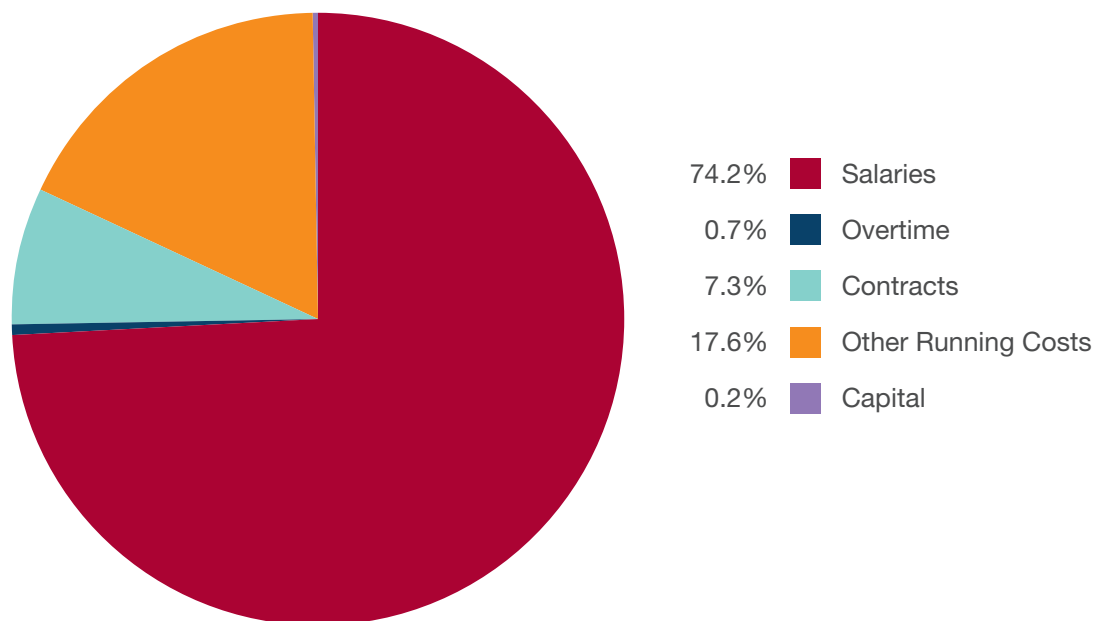


	PERCENTAGES
Working Age Network	27.80%
Working Age Central	9.58%
PDCS Operations	16.35%
PDCS Corporate	10.28%
PDCS Benefit Security	5.09%
Finance and Commercial Services	10.82%
Universal Credit	2.82%
Chief Executive Services	1.21%
Organisational Change	0.57%
Common Services (incl HR –Recharge)	5.75%
GB Services (BBC)	9.73%
	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 2015-16



	PERCENTAGES
Salaries	74.2%
Overtime	0.7%
Contracts	7.3%
Other Running Costs	17.6%
Capital	0.2%

Total spending = £188.682m
Resource costs and £0.315million
Capital costs

NOTE.
Discretionary Social Fund and Non-Cash
figures are excluded from above tables

Social Security Agency

Part 2

Accountability Report

Section 1

Corporate Governance Report

Directors' Report

Our Organisation

The Agency is managed by a four-member Board and at year end 4,674 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 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.

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.

Departmental Restructuring and Cessation of the NI Social Security Agency

The Stormont House Agreement contained a commitment to reduce the number of NICS Departments from 12 to 9 following the Assembly elections in May 2016. The names and high level functions of the new Departments have been agreed by Ministers and details can be found in the Departments (Transfer of Functions) Order (Northern Ireland) 2016. It is anticipated that staff working in the affected areas will move with the function.

MEMBERS OF THE AGENCY MANAGEMENT BOARD DURING THE YEAR WERE:

Chief Executive	Tommy O'Reilly
Director of Finance and Commercial Services (until 18 March 2016)	Joyce Bill
Director of Finance and Commercial Services (from 7 March 2016)	Gillian Morton
Director of Pensions, Disability and Corporate Services	John McKervill
Director of Working Age Services and Universal Credit	Brian Doherty

The 9-departmental model constitutes a Machinery of Government change and the Social Security Agency and the Department for Social Development (DSD) will become part of the new Department for Communities (DfC) and will largely remain unchanged. (From 8 May 2016 the Agency will no longer operate as an executive agency).

The Department for Communities (DfC) will receive additional functions from other NICS departments namely the Department for Culture, Arts and Leisure (DCAL), the Department of the Environment (DOE), the Department for Employment and Learning (DEL), the Office of the First Minister and Deputy First Minister (OFMDFM) and the Department for Enterprise, Trade and Industry (DETI).

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

Audit

These accounts have been audited by the Comptroller and Auditor General for Northern Ireland whose Certificate and Report appear on pages 79 and 166 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 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 table below refers to the Statement of Financial Position. (Audited Information)

Statement of Financial Position	Gross Receivables	Impairment & Discounting Debt	Net Receivable
	£'000	£'000	£'000
Receivables (amounts falling due less than one year): Note 13.1			
Contributory Benefits	883	(252)	631
Non-contributory Benefits	8,645	(2,147)	6498
Funeral Loans	109	(2,549)	(2,440)
Other Loans	48,833	(313)	48,520
CRU Debt	726	(142)	584
Salary Overpayments	130	(116)	14
Receivables (amounts falling due more than one year): Note 13.2			
Contributory Benefits	11,724	(7,798)	3,926
Non-contributory Benefits	98,796	(58,355)	40,441
Funeral Loans	4,530	(1,923)	2,607
Other Loans	42,324	(8,216)	34,108
	216,700	(81,811)	134,889

For Benefit Overpayment Receivables this risk is limited to the extent that the receivable can be recovered from cash recoveries and deductions 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 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 climate 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.

Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Agency has discounted the forecast estimated recoveries and write offs for Benefit Overpayment Receivables and Social Fund Loans. The Treasury discount rate to be applied is the nominal financial instrument discount rate of 3.7% (2014-15: 2.2%).

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

Sensitivity Analysis

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

Events after the Reporting Period

There were no post statement of financial position events which could have had a material effect on the state of affairs of the Agency as at 31 March 2016 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

From the 9 May 2016 the Agency and the Department for Social Development (DSD) become part of the new Department for Communities (DfC). (From 8 May 2016 the Agency will no longer operate as an executive agency). The functions and responsibilities of the Agency will however largely remain unchanged. The DfC Permanent Secretary and Accounting Officer designated the Northern Ireland Social Security Agency Chief Executive to continue his specific Accounting Officer duties for the purposes of the signing and completion of the 2015-16 Agency annual report and accounts.

As part of the NICS Reform of Property Management Project, the Agency's Land and Buildings will transfer to the Department of Finance (DoF) on 1 April 2016.

On 23 June the United Kingdom (UK) held a referendum to determine whether the country would remain in or leave the European Union (EU). The Agency as part of the Department for Communities is currently considering the impact of the majority leave results on its activities. It is likely however to be some time before the impact, if any, will be known.

The Accounting Officer authorised the issue of these financial statements on 28 June 2016.

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, Royal National Institute for the Blind

(RNIB), and where appropriate Department for Employment and Learning's Access to Work Scheme.

Data Protection

The number of Personal Data-related Incidents in the Agency during 2015-16 is summarised in the table below.

PERSONAL DATA RELATED INCIDENTS 2015-16	
Number of incidents where personal data has been lost.	2
Number of incidents where access to personal data has not complied with Data Protection requirements	5

The Agency continues to maintain a robust approach to the security and control of its information assets. An Information Asset Owner (IAO), supported by a dedicated Information Security Unit, has responsibility for ensuring that the Agency is compliant with Data Protection requirements and that it has visibility and control of information risks.

Significant effort has been made to strengthen internal procedures with the issue of revised guidance on responding to actual or suspected data compromise. The IAO has a pivotal role in determining how breaches are handled, ensuring consistency and visibility across all business areas. The approach to investigation and reporting has been enhanced over the past two years with all major incidents investigated centrally by Information Security Unit and overseen by the IAO. Comprehensive reports are produced including recommendations to improve

procedures. These are approved by senior Agency management and cascaded to Heads of Branches for implementation. During 2015-16 there were seven major data compromises involving personal data, representing a significant reduction from ten incidents recorded in 2014-15. Minor incidents are reported monthly by

each Head of Branch and include minor breaches such as lost smartcards, non-compliance with procedural guidance, clear desk breaches etc. During 2015-16, the number of reported incidents has reduced considerably.

The Agency is vigilant against the risk of bogus callers attempting to obtain information. Procedures were strengthened over the past two years with the development of a revised desk aid and delivery of a programme of awareness sessions to telephony staff to reinforce correct procedures for dealing with telephone enquiries. Exercises carried out periodically to test compliance with guidance have also shown ongoing improvement.

In the course of its day to day business the Agency processes and stores a substantial amount of personal data on its computer systems and staff access to data is closely



monitored to ensure it is for legitimate business purposes only. During the year rules for targeting checks were reviewed and refined to provide better detection of unauthorised or suspicious access.

Visibility and control of information assets is managed through an Information Asset Register and the Agency provides assurance to the Department via quarterly Information Asset Owner checklists.

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 2015-2016 was 1,161 which was an increase of 54 on the number of complaints received in 2014-2015 (1,107). The Agency replied to 99% within the 10 day target.

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 business areas to provide an overall Agency picture.

The Agency has continued to review and modify its Guide to Effective Complaints Handling. For customers, details of our complaints procedures are set out in our leaflet Making a Comment or Complaint available in our local offices and our internet site: www.communities-ni.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 15 new referrals to the Examiner. Thirteen cases were accepted for investigation/resolution, four cases (this figure includes cases carried forward from 2014-2015) progressed to full investigation and none of the cases were upheld.

COMPLAINTS REFERRED TO INDEPENDENT CASE EXAMINER 2015-16

Category	
Complaints received 2015-16	15
Carried forward from 2014-15 to 2015-16	5
Complaints not accepted (Failed Gateway)	7
Complaints withdrawn	0
Outcome of complaints investigated	
Resolved (no further evidence required)	1
Settled (Resolved following receipt of further evidence)	1
Investigated – Full investigation carried out and complaint now finalised.	4
Number outstanding carried forward to 2016-17	7

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

Internal Audit Arrangements

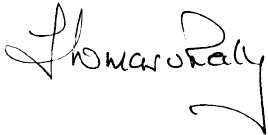
As explained in the governance statement, the Accounting Officer and the Board are independently advised by the Internal Audit Service. The primary objective of Internal Audit is to provide the Accounting Officer with an independent and objective opinion on risk management, control and governance, by 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 in 2014-15. 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 2015-16 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.



TOMMY O'REILLY
CHIEF EXECUTIVE
28 JUNE 2016

Statement of Accounting Officer's Responsibilities

Under section 11(2) of the Government Resources and Accounts Act (Northern Ireland) 2001, the Department of Finance (previously 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 accounting principles and disclosure requirements of the 2015-16 Government Financial Reporting Manual (FReM) and in particular to:

- observe the Accounts Direction issued by the Department of Finance (previously the Department of Finance and Personnel), including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- provide disclosure of any material income or expenditure that has not been applied to the purposes intended by the NI Assembly, or material transactions that have not conformed to the authorities which govern them;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards 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 Communities (previously 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 property 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 within "Managing Public Money Northern Ireland" issued by Department of Finance.

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

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

Audit

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.

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 ensuring 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 2015-16.

MEMBERS	BOARD MEETINGS ATTENDED (OUT OF 12)
Tommy O'Reilly	11
Joyce Bill	10
Brian Doherty	11
John McKervill	8

During 2015-16 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
- Human Resource issues
- Fraud and Error Reduction Board.

A number of key strategic issues are discussed regularly at the Board, including Welfare Reform, Maximising Incomes and Outcomes, and Annual Managed Expenditure levels in Northern Ireland.

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 provides a challenge function which helps to ensure that emerging issues are highlighted and brought to the attention of the Board.

In October 2015 I asked an Independent Member of the Departmental Board to conduct a review of AMB's effectiveness based on the Corporate Governance in Central Government Departments: Code of Good Practice 2013 NI. In his opinion the Board is an effective and well working unit and he made no material recommendations.

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 2015-16.

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 2015-16 and was attended as follows:

MEMBERS	COMMITTEE MEETINGS ATTENDED (OUT OF 4)
Deep Sagar (Chair)	4
Michael Donnelly	2
Patrick Anderson	3

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.

In March 2016 the Audit Committee completed a Self Assessment based on the National Audit Office Checklist and the Risk Assurance Committee Handbook issued by DFP (2014). The outcome of the review was presented at the April 2016 Agency Management Board meeting. The Committee provided the Board with an assurance that it is operating effectively providing an independent and

objective challenge function and supporting and assisting me and the Board in matters of risk, control, corporate governance and financial reporting.

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
- 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
- a Debt Board to provide strategic direction and control on all matters relating to the management of the Agency's debt stock by affording a more holistic view on debt issues through aligning operational and change activities in this area.

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.

The Head of Internal Audit has awarded an overall satisfactory opinion for 2015-16 in respect of the Agency's administration and programme expenditure categories. 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 Jobseeker's Allowance.

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 provides 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.

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
- risk assurance through the Agency's monitoring and reporting mechanisms, for example Agency Annual Review, Internal Audit annual reviews and the work of the Agency Audit Committee.

At the beginning of 2015-16 AMB conducted an end of year review of its Corporate Risk Register for 2014-15, alongside the Agency's Balanced Scorecard for 2015-16, and agreed the key corporate risks for 2015-16.

In total nine risks were carried forward to 2015-16. Three new risks were identified in relation to funding arrangements for schemes within the Stormont House Agreement, the integration of functions transferring from the Department for Employment and Learning to the new Department for Communities and managing the interdependencies of implementing welfare changes, 2015-16 budget reductions and the Voluntary Exit Scheme.

In line with the Risk Management Framework the Agency escalated risks in relation to lack of political agreement on Welfare Reform and Welfare Reform Financial and IT contingency plans to the Departmental Board to be monitored and managed as Issues.

In-year AMB identified two further risks relating to Capitia commercial arrangements and increased level of sick absence. An AMB review of the Risk Register in January 2016 assessed the impact of the recent political agreements in relation to the Fresh Start Agreement and agreed to close two risks relating to Welfare Reform.

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 (DoF), formally Department of Finance and Personnel, 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, which includes the accreditation of specific Northern Ireland systems used by the Agency in line with HM government standards
- deployment of a centralised team of Security Analysts who undertake a range of targeted internal checks on areas of highest risk, to identify and challenge any misuse of information and ensure that systems are secure and being used appropriately

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 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 an Internal Audit review during 2015-16 with a satisfactory opinion provided. Among the controls and procedures strengthened during the year included guidance to reinforce procedures for issuing of post by Courier and a programme of refresher training for telephony staff to protect against the threat from bogus callers.

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 and the IAO.

Personal Data Related Incidents

During 2015-16 there were seven personal data related incidents reported; two incidents where personal data was compromised and five incidents where access to personal data did not comply with Data Protection requirements. However, attempts have been made to recover any compromised data and internal action was sufficient to address the remaining incidents. Formal referral to the Information Commissioner's Office (ICO) was made in April and September 2015 in relation to two personal data related incidents reported during 2014-15. ICO confirmed it was content with the steps taken by the Agency with both incidents including the remedial actions taken by the Agency.

Welfare Reform

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

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

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

A number of mitigating measures have been developed to protect the most vulnerable claimants in Northern Ireland and officials

are planning for the implementation of these mitigation schemes.

All of the mitigation schemes will be payable for a maximum of one year with the exception of the Benefit Cap and Social Sector Size Criteria mitigations, which will be payable from the point claimants become eligible until the schemes end in March 2020. In accordance with the approach agreed by the Executive in the 'Fresh Start' Agreement. A review into the schemes will be conducted in 2018-19.

These measures will ensure that existing claimants are not financially impacted by the introduction of the changes.

Officials are also working on a range of activities to ensure that staff, stakeholders, claimants and the general public are aware of and prepared for the introduction of the changes, the Department and Agency Management Boards are closely monitoring the implementation of the reforms and the various mitigation schemes.

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 Department for Communities (DfC) senior management and the Audit and Risk Committee.

Internal Fraud Investigations

Type	No. at 1 April 2015	Received	Closed	No. at 31 March 2016
Internal Investigations	7	31	28	10

The breakdown of the outcome of the cases following internal investigations is as follows:

Referred to Departmental HR for consideration of disciplinary action (including recovery of monies)	*17
Referred to PSNI (*included in above)	4
Referred for local management action	4
No further action	7

Of the 28 cases closed:

- one involved a member of staff running a private business during working hours
- one involved a member of staff who issued payments from the benefits system to his own bank account, totalling over £3,000
- two cases involved members of staff assisting members of their family to obtain social fund monies to which they were not entitled through forgery, filling in documents and expediting claims
- two members of staff were found to have fraudulently claimed travel expenses, abused flexible working time and falsified departmental records.

These cases have been referred to the Police Service of Northern Ireland (PSNI).

Fraud and Error

For the 2015-16 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 2015-16, 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.

Social Security benefit loss through fraud and error (overpayments) was 1.0% in 2015. The Agency target to reduce the total overpayments reported in 2014 was met with a marginal percentage reduction, but still significant in financial terms, equating to a reduction in loss of £1.4m. This result now means the Agency has maintained loss at 1.0% of expenditure or below for the last 5 consecutive years with benefit expenditure over the same period increasing from £4.5bn to over £5.0bn. The amounts for estimated benefit overpayments are as follows:

- 2015 – estimated overpayments of £51.5m or 1.0% of total benefit expenditure
- 2014 – estimated overpayments of £51.9m or 1.0% of total benefit expenditure

The position with benefit underpayments improved more significantly in 2015 with:

- 2015 – estimated underpayments of £24.7m or 0.5% of total benefit expenditure
- 2014 – estimated underpayments of £30.2m or 0.6% of total benefit expenditure

Throughout the 2015-16 year the Agency continued to develop its wide range of activities to reduce fraud and error. The Agency's Fraud and Error Reduction Board sets the strategic direction, evaluates operational responses and is responsible to the Agency Management Board for providing performance assurance.

Mitigating the loss from fraud and error is one of the Agency's key priorities. The approach to the challenge is multi-dimensional involving case interventions, customer compliance interviews and criminal investigations.

The intention is to prevent, detect and correct fraud and error and apply penalties where appropriate to deter future fraud.

Managing and understanding intelligence is essential to the Agency's strategy to enable focus on those threats posing greatest risk. This includes close liaison with other agencies such as Department of Social Protection (DSP) and the Department for Work and Pensions (DWP), data matching for example the National Fraud Initiative, and the recent introduction of Real Time Information (RTI) that utilises real time HM Revenue & Customs (HMRC) information in respect of earnings and non state pension income. Referrals can then be managed in ways commensurate with the risk to ensure resources match the challenge presented by channelling cases to case intervention, customer compliance, or criminal investigation. Ultimately the object of any such response is to improve financial accuracy and to reduce fraud and error. During the reporting period application of the risk based approach described provided an effective method of identifying those cases requiring adjustment and ensured error reduction activity represented best value for money. 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 76,000 checks were carried out by Error Reduction Division funded staff. This activity, aimed at identifying and correcting error, resulted in the adjustment of almost 10,000 cases. Just over £11.3m of adjustments to payments related to customers entitled to additional benefits.

Across the Agency combined activity resulted in benefit adjustment of a total monetary value of almost £26m.

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

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

Single Investigation Service undertook 2,998 Case Interventions achieving a 12% hit rate with 353 positive outcomes. The estimated total monetary value of adjustments in these cases equated to £1.2m.

For higher value fraud convictions, Debt Management's Financial Investigation Unit (FIU) uses powers granted under the Proceeds of Crime Act 2002 to recover assets. The table below presents the results of the FIU for 1 April 2015 to 31 March 2016.

CONFISCATION ORDERS SECURED	14 (Values £223K)
Compensation orders	1 (£2k)
Voluntary payments	8 (£78k)
Total recovery	£304k#

Total may not equal sum of figures due to rounding.

The Agency has been involved in four National Fraud Initiative data matching exercises to date. The following table reports the cases referred for criminal investigation and the resultant outcomes.

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

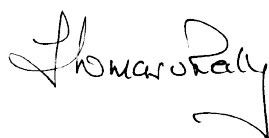
In addition to counter fraud and error operations, the Agency has a dedicated Fraud and Error Project team progressing further initiatives. In particular, the project is working alongside Department for Work and Pensions (DWP) colleagues to develop new IT systems and data sources, including building on the current Real Time Information (RTI) bulk matching initiative, through the implementation and rollout of the Wider Use of RTI (WuRTI). This is aimed at expanding the use of data across the Agency, to enhance the targeting of fraud and error in real time. Initial activity will be focused on State Pension Credit with

implementation due to commence in summer 2016. Plans to extend this to Housing Benefit, Carers Allowance, Employment and Support Allowance, and other benefit areas are being explored in conjunction with DWP. The rollout of WuRTI provides the Agency with the ability to detect undeclared earnings or non state pension income at the point of claim and to ensure the claim is correct before it is put into payment.

Work was completed during 2015-16 in implementing Phase 2 of the Single Investigation Service which is now delivering

improved joint working with others in countering fraud. In particular, arrangements for parallel working with HMRC Tax Credit staff have been agreed and are now in place, the objective being to pursue cases of mutual interest and, where applicable, jointly prosecute customers who abuse both the tax credit and benefit systems. In addition, the Agency continues to work closely with the Northern Ireland Housing Executive (NIHE) to implement the recommendations arising from the recent Peer Review of NIHE Fraud and Error Strategy – with the aim of applying a common, risk based approach, to tackling both Agency and NIHE fraud and error. The first phase of this work commenced, as planned, from October 2015. An evaluation of the initial roll-out was completed and concluded that the approach was delivering positive outcomes.

Along with DWP, a Private Beta Test of a new digital on-line Fraud Referral service for public reporting of all benefit fraud was launched in March 2016. In preparation for the introduction of Universal Credit, detailed planning is being undertaken to ensure the Security, Fraud and Error capability that is being incorporated as part of the Digital Service is fit for Northern Ireland purposes. Coupled with the benefits of greater cohesion and enhanced targeting, it is intended to place greater emphasis on prevention and deterrence, with tougher



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penalties introduced from 4 April 2016 as part of the agreed Welfare Reform measures, and further changes are planned for autumn 2016.

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 2014-15 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. Moving forward the Internal Audit, Northern Ireland Audit Office and Public Accounts Committee recommendations will be monitored by the Department for Communities Accounting Officer to ensure that all issues are addressed.



SOCIAL
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Section 2

Remuneration and Staff Report

Remuneration Report (Audited information)

Remuneration Policy

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

Service Contracts

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

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

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

Salary and Pension Entitlements

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

Remuneration (including salary) and pension entitlements

Officials	2015-16				
	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	6,000	105-110
John McKervill Director of Pensions, Disability and Corporate	70-75	N/A	N/A	28,000	95-100
Pat Magee Director of Working Age Services (Until 31.10.14)***	N/A	N/A	N/A	N/A	N/A
Brian Doherty Director of Working Age Services and Universal Credit	65-70	N/A	N/A	28,000	95-100
Joyce Bill Director of Financial and Commercial Services (Until 18.03.16)	65-70 (65-70 full year equivalent)	N/A	N/A	31,000	95-100
Geraldine Brereton Director for Organisational Change (Until 31.10.14)***	N/A	N/A	N/A	N/A	N/A
Gillian Morton Director of Financial and Commercial Services (From 07.03.16)	0-5 (65-70 full year equivalent)	N/A	N/A	2,000	5-10
Band of Highest Paid Director's Total Remuneration	100-105				
Median Total Remuneration	24,208				
Ratio	4.3				

2014-15				
Salary £'000	Bonus Payments £'000	Benefits in kind (to nearest £100)	Pension Benefits** (to nearest £1000)	Total £'000
100-105	N/A	N/A	25,000	125-130
65-70	N/A	N/A	23,000	90-95
40-45 (65- 70 full year equivalent)	N/A	N/A	38,000	75-80
65-70	N/A	N/A	22,000	85-90
65-70	N/A	N/A	18,000	80-85
35-40 (full year equivalent 60-65)	N/A	N/A	23,000	60-65
N/A	N/A	N/A	N/A	N/A
100-105	N/A	N/A	N/A	N/A
23,679	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.

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 and Customs as a taxable emolument. There were no benefits in kind paid to any board members throughout the year (Nil for 2014-15).

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 31/03/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31.03.16	CETV at 31/03/15 restated****	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 of 125-130	0-2.5 lump sum of 0-2.5	955	896	6	N/A
John McKervill Director of Pensions, Disability and Corporate Services	25-30 Plus lump sum of 85-90	0-2.5 Plus lump sum of 2.5-5	617	556	26	N/A
Pat Magee Director of Working Age Services (Until 31.10.14)	N/A	N/A	N/A	703	N/A	N/A
Brian Doherty Director of Working Age Services and Universal Credit	25-30 Plus lump sum of 85-90	0-2.5 Plus lump sum of 2.5-5	536	479	22	N/A

Officials (Continued)	Accrued pension at pension age as at 31/03/16 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/16	CETV at 31/03/15 restated****	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 of 0-2.5	193	163	14	N/A
Geraldine Brereton Director for Organisational Change (Until 31.10.14) ***	N/A	N/A	N/A	486	N/A	N/A
Gillian Morton Director of Financial and Commercial Services (From 07.03.16)	15-20 Plus lump sum of 45-50	0-2.5 Plus lump sum of 0-2.5	255	231	13	N/A

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

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

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, was introduced for new entrants from 1 April 2015. The majority of existing members of the NICS

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

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

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

Scheme Year 1st April 2016 to 31st March 2017

Pay band – assessed each pay period		Contribution rates – Classic members	Contribution rates – classic plus, premium, nuvos and alpha
From	To	From 01 April 2016 to 31 March 2017	From 01 April 2016 to 31 March 2017
£0	£15,000.99	3.8%	4.6%
£15,001.00	£21,000.99	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 14.7% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are at or over pension age. Pension age is 60 for members of classic, premium, and classic plus and 65 for members of nuvos. The normal pension age in alpha is 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 <https://www.finance-ni.gov.uk/topicsworking-northern-ireland-civil-service/civil-service-pensions-ni>

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former

scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NICS pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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. The actuarial factors used to calculate CETVs changed during the 2015-16 year and, consequently, CETV figures increased even without any further pension accrual. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Compensation for loss of office

There was no compensation paid to serving or former serving Managers (for loss of office) during 2015-16.

Staff report (Audited information)

Staff numbers and related costs

	2015-16			2014-15
	Permanently Employed Staff £'000	Others £'000	Total £'000	Total £'000
Wages and Salaries	106,282	770	107,052	115,013
Social Security Costs	6,722	-	6,722	7,222
Other Pension Costs	22,504	-	22,504	20,533
Voluntary Exit Scheme	5,046	-	5,046	-
Subtotal	140,554	770	141,324	142,768
Less Recoveries in Respect of Outward Secondments	(42)	-	(42)	(42)
Total net costs	140,512	770	141,282	142,726

Staff costs exclude £0.187m charged to capital projects during the year (2014-15: £0.098m). Included in Others - Wages and Salaries costs is an amount of £0.676m for specialist professional services (2014-15: £0.687m.)

Superannuation scheme

The Northern Ireland Civil Service Pension schemes 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 as at 31 March 2012. The valuation is then reviewed by the Scheme Actuary and updated to reflect current conditions and rolled forward to the reporting

date of the DFP Superannuation and Other Allowances Annual Report and Accounts as at 31 March 2016.

For 2015-16, employer contributions of £22.504m is payable to the PCSPS (NI) (2014-15: £20.533m) at one of three rates in the range 20.8% to 26.3% of pensionable pay (2014-15: 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 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 the new career average earning scheme, alpha, from April 2015.

From 2016-17 the rates are in the range 20.8% to 26.3%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employer contributions of £0.032m (2014-15: £0.031m) were paid to one or more of a panel of three appointed stakeholder pension providers.

Employer contributions are age related and range from 3% (2014-15: 3%) to 14.7% of pensionable pay (2014-15: 12.5%). Employers also match employee contributions up to 3% (2014-15: 3% of pensionable pay. In addition, employer contributions of £0.002m (2014-15: £0.002m), 0.8% of pensionable pay (2014-15: 0.9%) 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 partnership pension providers at 31st March 2016 were £nil (2014-15: £Nil).

III Health Retirements

In 2015-16, 14 individuals (2014-15: 10) retired early on ill health grounds; the total additional accrued pension liabilities in the year amounted to £0.028m (2015-16: £0.017m).

Average Number of Persons employed (Audited information)

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

	2015-16			2014-15
	Permanent Staff	Others	Total	Total
Directly Employed	4,391	-	4,391	4,616
Other	-	17	17	114
Total	4,391	17	4,408	4,730

Reporting of Civil Service and other Compensation Schemes – exit packages 2015-16 (Audited information)

2015-16			
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	-	12	83,225
£10,000 - £25,000	-	171	2,413,568
£25,000 - £50,000	-	16	530,052
£50,000 - £100,000	-	10	596,581
£100,000 - £150,000	-	1	103,612
£150,000 - £200,000	-	-	-
£200,000 - £250,000	-	-	-
Total Number of Exit Packages by Type (Total Cost)	-	210	3,727,038
Total Resource Cost	-	-	3,727,038

Reporting of Civil Service and other compensation schemes - exit packages 2014-15

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

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.

Staff numbers and gender split (Audited Information)

Our Chief Executive and three Directors are all senior civil servants.

At year end there were 4,674 permanent and fixed term staff employed in the Agency which comprised a gender split as follows:

	Male	Female
G5 and above	3	1
All others below G5	1,834	2,836
Totals	1,837	2,837

Managing Attendance

Attendance management remains a key priority for all Agency Managers. The overall Agency target for 2015-16 was 10.7 working days lost per member of staff. NISRA projections of performance against the target to date indicate that we are unlikely to achieve that target with the outturn for the Agency estimated as being 14.0 days lost per employee. 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 2015-16 Departmental Human Resources targeted areas across the Agency, responding to the need for guidance and advice on more complex cases, sharing best practice with local managers, which included a programme

of Managing Attendance Awareness Sessions. The Northern Ireland Civil Service Inefficiency Sickness Policies are applied firmly and fairly.

DSD WELL Programme

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 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.

Human Resources

2015-16 saw a significant change in the means by which Human Resources services

were delivered in the Agency with Business Partnering arrangements becoming embedded across the organisation. A small team was assigned individual business areas across the Agency which allowed Human Resources (HR) and those areas to work in a more integrated way.

The new arrangements have made a significant contribution to the delivery of strategic objectives as set out in the SSA Balanced Scorecard; they provided a governance role through membership of AMB, various Welfare Reform project boards and the overarching Modernisation Board; and produced intelligence and insights that have helped drive improvements and solve problems across the Agency.

The new HR function increased the effectiveness and efficiency of delivery by having a point of contact who could liaise with the HR Centre when required. This was demonstrated when resourcing the welfare project staffing requirements, through improved industrial relations, by the management of surplus staff through redeployment plans and through the information provided under managing attendance.

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 Northern Ireland Civil Service mandatory training e-learning package 'Diversity Now' builds upon the Agency's commitment to equality, and is available to all Agency staff.

Disabled Employees

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).

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.

Training

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 2014 to August 2015, Benefit Training Services (BTS) provided a wide range of learning and development activities within two specific areas:

- Business As Usual
- Modernisation and Welfare Changes

Detailed information on the training delivered and costs is contained within the Agency's Benefit Training Service Annual Report 2014-15.

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.

Further Education

Budgetary restrictions affected the Departments continued support of staff through the Further Education Scheme, which provides financial support for course fees, books and equipment. During the 2015-16 academic year, four Agency staff have been supported by the Department through the Further Education Scheme at a total cost £3,482.32.

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.

Industrial Relations

The maintenance of good industrial relations throughout its business areas continues to be of paramount importance to the Agency. This is all the more important during a period when the Agency is preparing for and undergoing change, due to the impact of the NICS Voluntary Exit Scheme and particularly moving forward through the Welfare Reform and

Modernisation Programme. The Agency has developed specific channels of engagement with the Agency Trade Union Side relating to the change programme and continues to respect the importance of ongoing communication and regular meetings on matters which may impact staff in their day-to-day work.

Expenditure on consultancy

During the 2015-16 year the Agency spent £641,598 on external consultancy. This expenditure is incurred where there is a requirement for an expertise which existing members of staff may not have, an additional resource when it is not available internally, or an independent view or assessment when required.

The Agency also spent £0.770m on the employment of temporary staff. These staff were largely engaged in work relating to the implementation of Welfare Reform and debt transformation the development of appropriate systems and processes to enable debt recovery from the new benefits and schemes arising from Welfare Reform legislation within Northern Ireland.

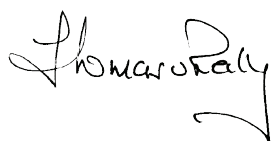
Off-Payroll Engagements (Audited Information)

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 2015, and the movement in this position to the end of the financial year, 31 March 2016. The table below provides this information.

Number of engagements in place at 1 April 2015	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 2016
4	3	0	1	6

The below table 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 reinsurance	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
3	2	2	2	0	0



TOMMY O'REILLY
CHIEF EXECUTIVE
28 JUNE 2016



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Section 3

Assembly Accountability and Audit Report

Regularity of expenditure

Losses and Special Payments (Audited Information)

The information presented here is on a cash basis.

	2015-16			2014-15		
	Resource £'000	Programme £'000	Total £'000	Resource £'000	Programme £'000	Total £'000
Losses						
Total Nil Cases, (2014-15: 40 cases)	-	-	0	3	-	3
Special payments						
Total 20,282 cases, (2014-15: 18,443 cases)	-	3,790	3,790	-	3,007	3,007
Comprising:						
Ex-Gratia Payments 334 cases, 2014-15: 707 cases	-	200	200	-	297	297
Extra-Statutory Payments: Job Grant 12,064 cases, (2014-15: 14,373 cases)	-	1,682	1,682	-	1,953	1,953
Extra-Statutory Payments: Employment Support Allowance -Reciprocal arrangements 7,884 cases (2014-15: 3,363 cases)	-	1,908	1,908	-	757	757
Social Security - Administered by the Social Security Agency						
Losses - Benefit Overpayment Debts Written Off (approx 51,994 cases) (per Note 4.2) (2014-15: 50,358 cases)	-	20,924	20,924	-	18,236	18,236
Losses - Social Fund - Budgeting Loans written off: Total approx 549 cases, (Per note 4.2) (2014-15: 1,242 cases)	-	203	203	-	337	337
Losses in relation to Post Office Card Accounts Total approx 10 cases (2014-15 :23 cases)	-	2	2	-	6	6

The 2015-16 amount for impairment of receivables written off £20.924m, includes an amount of £2.576m (2,496 cases) for Funeral Loans written off and an amount of £0.126m (475 cases) for Crisis Loans written off. The comparative amounts for 2014-15: Funeral Loans £2,950 (2,981 cases), Crisis Loans £0.200m (527 cases)

Fees and Charges Information (Audited Information)

Financial Objective: Full or Partial Cost Recovery

Name of Service: Managed Payments to Mortgage Lenders (Resource Charges)

	2015-16 £000	2014-15 £000
Full Cost	(116)	(129)
Income	64	55
Surplus/(Deficit)	(52)	(74)

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 year to 31 March 2016.

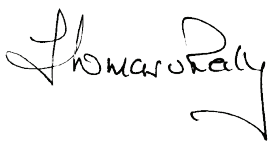
The primary legislation in relation to this scheme allows for the expenses incurred in administering the MPML payments to be defrayed, in whole or in part, against the income recovered from the mortgage lenders.

The methodology for calculating the full cost for MPML (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.

Remote contingent liabilities (Audited Information)

In addition to contingent liabilities reported within the meaning of IAS 37, the Agency also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too

remote to meet the definition of contingent liability. There were no issues to report for the 2015-16 financial year.



TOMMY O'REILLY
CHIEF EXECUTIVE
28 JUNE 2016

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

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

Respective responsibilities of the 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 Social Security Agency's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the 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 £5.1 billion, of which £2.1 billion relates to expenditure on State Pension which has a low level of fraud and error and on which I have not qualified my

opinion on regularity. In respect of the other benefits amounting to £3.0 billion as reported in Note 23 to the financial statements:

- fraud and error resulted in estimated total overpayments of £48.1million; and
- estimated underpayments of £12.1 million arose due to official error.

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

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

Qualified Opinion on regularity

In my opinion, except for the £60.2 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 Social Security Agency's affairs as at 31 March 2016 and of the net operating cost for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act (Northern Ireland) 2001 and Department of Finance (formerly Department of Finance and Personnel) directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability disclosures relating to Regularity of Expenditure; and Fees and Charges Information to be audited have been properly prepared in accordance with Department of Finance directions made under the Government Resources and Accounts Act (Northern Ireland) 2001; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

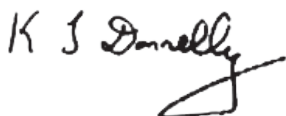
Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Remuneration and Staff Report and the Assembly Accountability disclosures

relating to Regularity of Expenditure; and Fees and Charges Information to be audited are not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance's guidance.



KJ DONNELLY
COMPTROLLER AND AUDITOR GENERAL
NORTHERN IRELAND AUDIT OFFICE
106 UNIVERSITY STREET
BELFAST
BT7 1EU

30 JUNE 2016

Social Security Agency

Annual Accounts 2015-16

Part 3

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Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2016

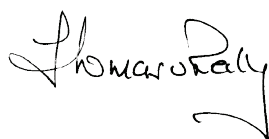
	Note	2015-16 £'000	2014-15 £'000
Income from sale of goods and services	8	(34,165)	(34,465)
Other operating income			
Total operating income		(34,165)	(34,465)
Staff costs	2	141,365	142,726
Purchase of goods and services	3	65,561	70,301
Depreciation and impairment charges		891	873
Provision expense		101	(184)
Other operating expenditure		-	-
Programme Costs	4	5,057,768	4,930,244
Total operating expenditure		5,265,686	5,143,960
Net operating expenditure		5,231,521	5,109,495
Finance income		-	-
Finance expense		-	-
Net expenditure for the year		5,231,521	5,109,495
Other comprehensive net expenditure			
Items which will not be reclassified to net operating costs:			
- Net gain/(loss) on revaluation of property plant and equipment	9	817	299
- Net gain/(loss) on revaluation of intangible assets	10	70	21
- Actuarial gain/loss on pension scheme		-	-
Items which may be reclassified to net operating costs:			
- Net gain/(loss) on revaluation of investments		-	-
Comprehensive net expenditure for the year		5,230,634	5,109,175

The notes on pages 89 to 164 form part of these accounts.

Statement of Financial Position as at 31 March 2016

	Note	31 March 2016 £'000		31 March 2015 £'000	
Non-Current Assets:					
Property, Plant and Equipment	9	14,615		14,339	
Intangible Assets	10	639		579	
Trade and Other Receivables	13	84,508		87,428	
Total Non-Current Assets			99,762		102,346
Current Assets:					
Trade and Other Receivables	13	115,034		138,869	
Cash and Cash Equivalents		-		-	
Total Current Assets			115,034		138,869
Total Assets			214,796		241,215
Current Liabilities					
Trade and Other Payables	14	(145,723)		(155,139)	
Provisions	15	(212)		(175)	
Total Current Liabilities			(145,935)		(155,314)
Total assets less current liabilities			68,861		85,901
Non Current Liabilities					
Provisions			(162)		(171)
Total Non Current Liabilities	15		(162)		(171)
Total Assets less liabilities			68,699		85,730
Taxpayers Equity and other Reserves:					
General Fund			64,868		82,625
Revaluation Reserve			3,831		3,105
Total Equity			68,699		85,730

The notes on pages 89 to 164 form part of these accounts.



TOMMY O'REILLY
CHIEF EXECUTIVE
28 JUNE 2016

Statement of Cash flows for the Year Ended 31 March 2016

	Note	Year Ended 31 March 2016	Year Ended 31 March 2015
		£'000	£'000
Cash flows from operating activities			
Net Operating Cost		(5,231,521)	(5,109,495)
Adjustment for Non-Cash Transactions	3,4,15	18,685	21,309
(Increase)/Decrease in Trade and Other Receivables	13	26,755	(29,110)
Increase/(Decrease) in Trade and Other Payables	14	(9,416)	33,512
Use of Provisions	15	(73)	(249)
Net Cash Outflow from Operating Activities		(5,195,570)	(5,084,033)
Cash Flows from Investing Activities			
Purchase of Property, Plant and Equipment	9	(119)	(75)
Purchase of Intangible Assets	10	(197)	(98)
Net Cash Outflows from Investing Activities		(316)	(173)
Cash Flows from Financing Activities			
From the Consolidated Fund (Supply) - current year	1.23	2,610,640	2,583,686
From the Consolidated Fund (Supply) - prior year		(7,998)	(9,293)
Social Fund Funding		56,388	57,680
From the Consolidated Fund (non-Supply)		-	-
Net Financing from National Insurance Fund		2,532,616	2,447,838
Net Financing from the Contingencies Fund and National Loans Fund		-	-

	Note	Year Ended 31 March 2016	Year Ended 31 March 2015
		£'000	£'000
Capital element of payments in respect of finance leases and on-balance sheet (SoFP) PFI contracts		-	-
	1.23	-	-
Amounts due from/(to) Consolidated Fund - Financing	13,14	-	-
Amounts due from the Consolidated Fund - Financing NIF	13	4,240	4,295
Net Financing		5,195,886	5,084,206
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund			
Payments of amounts due to the Consolidated Fund			
Net increase/(decrease) in cash and cash equivalents in the period after adjustments for receipts and payments to the Consolidated Fund			
Cash and Cash Equivalents at the beginning of the period			
Cash and Cash Equivalents at the end of the period			
		-	-
		-	-
		-	-

The notes on pages 89 to 164 form part of these accounts

Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2016

	Note	Resource £'000	Programme £'000	General Fund £'000	Revaluation Reserve £'000	Taxpayers Equity £'000
Balance at 31 March 2014		7,383	79,781	87,164	2,926	90,090
Changes in Taxpayers' Equity for 2014-15						
Net Assembly Funding		161,196	2,473,525	2,634,721	-	2,634,721
Net Financing from National Insurance Fund		-	2,449,485	2,449,485	-	2,449,485
Non-Cash Charges - Auditor's Remuneration		110	-	110	-	110
Non-Cash Charges - Other Notional Charges		20,499	-	20,499	-	20,499
Comprehensive Expenditure for the Year		(179,251)	(4,930,244)	(5,109,495)	-	(5,109,495)
Revaluation gains and losses		-	-	-	320	320
Transfers between Reserves		141	-	141	(141)	-
Balance at 31 March 2015		10,078	72,547	82,625	3,105	85,730
Changes in Taxpayers' Equity for 2015-16						
Opening Balance at 1st April 2015		10,078	72,547	82,625	3,105	85,730
Net Assembly Funding		152,080	2,506,950	2,659,030	-	2,659,030
Net Financing from National Insurance Fund		-	2,536,856	2,536,856	-	2,536,856
Auditor's Remuneration		110	-	110	-	110
Non-Cash Charges - Other Notional Charges		17,569	-	17,569	-	17,569
Comprehensive Net Expenditure for the Year		(173,753)	(5,057,768)	(5,231,521)	887	(5,230,634)
Inter Company Fixed Asset Transfers		39	-	39	-	39
Transfers between Reserves		161	-	161	(161)	-
Rounding		(1)	-	(1)	-	(1)
Balance at 31 March 2016		6,283	58,585	64,868	3,831	68,699

The notes on pages 89 to 164 form part of these accounts.

Notes to the Accounts for the Year Ended 31 March 2016

1. Statement of Accounting Policies

The financial statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FReM) issued by the Department of Finance, DoF (formerly 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 ending 31 March 2016 are described below. They have been applied consistently in dealing with items that are considered material in 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 a new and amended standard (IFRS13, Fair Value Measurement) that adopts a single approach to fair value measurement. This standard is effective from 01 April 2015 and has been assessed and adopted for the production of the 2015-16 Agency accounts.

The Agency is currently reviewing IFRS 16 Leases, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts and is considering the future impacts.

The IASB have issued new and amended standards (IFRS 10, IFRS11 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 ONS control criteria, as designated by Treasury. A similar review in NI, which will bring NI departments under the same adaptation, has been carried out but a decision has yet to be made by the Executive. Should the Executive agree to the recommendations, the accounting boundary for departments will change and there will also be an impact on departments around the disclosure requirements under IFRS 12. ALBs apply IFRS in full and their consolidation boundary may change as a result of the new standards.

HM Treasury launched the Simplifying and Streamlining Account project in April 2013 with the aim of simplifying and streamlining the presentation of the statutory annual reports and accounts produced by central government entities so as to better meet the needs of users. The Annual Report and Accounts reflects the implications of the changes to the 2015-16 FReM as a result of the project.

Departmental Restructuring and Cessation of the NI Social Security Agency

The Stormont House Agreement contained a commitment to reduce the number of NICS Departments from 12 to 9 following the Assembly elections in May 2016. The names and high level functions of the new departments have been agreed by Ministers and details can be found in The Departments (Transfer of Functions) Order (Northern Ireland) 2016. It is anticipated that staff working in the affected areas will move with the function. The 9-departmental model constitutes a Machinery of Government change and the NI Social Security Agency and the Department for Social Development (DSD) will become part of the new Department for Communities (DfC) and will largely remain unchanged. (From 08 May 2016 the Agency will no longer operate as an executive agency).

The Department for Communities (DfC) will receive additional functions from other NICS departments namely the Department for Culture, Arts and Leisure (DCAL), the Department of the Environment (DOE),

the Department for Employment and Learning (DEL), the Office of the First Minister and Deputy First Minister (OFMDFM) and the Department for Enterprise, Trade and Industry (DETI).

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 2015 to reflect the adoption of Financial Instruments under the IFRS (IAS 32, IAS 39 , IFRS 7 and IFRS 13).

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 2015 - 31 March 2016 recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

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 1.23)

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, any balance remaining after a 15 year period is fully impaired. In addition, the Agency applies a discount factor to estimate the present value of the cash flows. The discount factor for 2015-16 was 3.7%, (2014-15: 2.2%).

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 recoveries of the Financial Instrument and can be reliably estimated. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the type of instrument and other relevant factors. These characteristics are relevant to the estimation of future recoveries 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.

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 cash recoveries and deductions from benefit payments e.g. from State Pension Benefit and even from the estate on death. Some risk still remains as the level that can be recovered from each benefit payment is restricted to avoid causing hardship, and customers do not always have sufficient funds in their estate to cover the receivable. However, the 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 climate 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 2015-16 the Agency completed a review of the Financial Instrument Fair Value Methodology. Historic data and trends were analysed and this work demonstrated that the current financial Instruments Fair Value methodology is robust and reliable. As a result of this review some minor improvements have been made to the model but fundamentally the underlying principals remain unchanged.

The Agency will continue to review the results produced by the model, to ensure its reliability and effectiveness.

Interest Rate Risk

Interest rate risk primarily occurs when there are changes in the market interest rates. The Agency has discounted the forecast estimated recoveries and write offs for Benefit Overpayment Receivables and Social Fund

Loans. The Treasury discount rate to be applied is the nominal financial instrument discount rate of 3.7% (2014-15: 2.2%).

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

Sensitivity Analysis

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

1.3 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, DoF (previously 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 (3.7%) is also applied to the benefit receivables balance at the end of the accounting period to estimate the present value of cash flows (2014-15: 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 fair value adjustments.

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 recoveries discounted back to present value and an estimated impairment for an element of the receivable balance that could be written off.
- (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 2015-16 the Agency completed a review of the Financial Instrument Fair Value methodology. (See Accounting Policy Note 1.2)

Benefit Overpayment Receivables

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

Salary Overpayment Receivables

The estimation technique employed in the calculation of Salary Overpayment Receivables is disclosed in Note 1.23.

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 their value in existing use, adopting professional valuations applied by the Land and Property Services (LPS) every five years and appropriate desk-top "Existing Use Valuations" in the intervening years. The 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. Fixtures and Fittings, Information Technology (IT) and intangible assets are revalued annually by reference to appropriate HM Treasury approved indices.

As part of the NICS Reform of Property Management Project, the Agency's Land and Buildings will transfer to DoF on 1st April 2016.

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.

Work carried out by the Belfast Benefit Centre and Lisahally 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 (Note 3.3).

As part of the NICS Reform of Property Management Project, the Agency's Land and Buildings will transfer to DoF on 1st April 2016.

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.

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. Whilst DEL funded these social security benefits continue to be paid under Social Fund legislation and are therefore included within Programme expenditure.

No further changes were applied to the funding of Social Fund expenditure for the 2015-16 financial year.

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 Value Added Tax (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

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme Northern Ireland PCSPS (NI).

The defined benefit schemes are unfunded and are non-contributory except in respect of dependants' benefits. The Agency recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS (NI) of amounts calculated on an accruing basis.

Liability for payment of future benefits is a charge on the PCSPS (NI). In respect of the defined contribution scheme, the Agency recognises the contributions payable for the year.

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.

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 2016, multiplied by the actual staff salary rate. Employers NIC costs at 10.4% and Employers Pension at 23% 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 -1.55%, (2014-15: -1.5%) 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 1.37% (2014-15: 1.3%).

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 3.3% of total spend and therefore does not meet the 10% threshold set out in IFRS 8. The Agency's 'Programme' expenditure represents the remaining 96.7%.

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 23 to the accounts, 'Payment Accuracy' the Agency has detailed the estimated amounts for the calendar year 1 January 2015 to 31 December 2015 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 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 was calculated for the first time in the 2014-15 financial year due to 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 an impairment based on forecast recoveries. A discount factor 3.7%, (2014-15:2.2%) 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 costs comprise:

	2015-16			2014-15
	Permanently Employed Staff £'000	Others £'000	Total £'000	Total £'000
Wages and Salaries	106,282	770	107,052	115,013
Social Security Costs	6,722	-	6,722	7,222
Other Pension Costs	22,504	-	22,504	20,533
Voluntary Exit Scheme	5,129	-	5,129	-
Sub Total	140,637	770	141,407	142,768
Less Recoveries in Respect of Outward Secondments	(42)	-	(42)	(42)
Total net costs	140,595	770	141,365	142,726
Of which: Charged to Administration			141,365	142,726
Charged to Programme			-	-

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

Staff costs exclude £0.187m charged to capital projects during the year (2014-15: £0.098m).

Other staff costs of £0.770m (2014-15: £1.900m) relate to temporary staff, of which £0.676m is for specialist professional services (2014-15: £0.687m).

3. Other Resource costs

	Note	2015-16 £'000	2014-15 £'000
SSBA Charges		12,715	13,846
Service Charges	3.1	11,902	12,387
Contracted Services		11,281	11,104
Accommodation and Related Services		2,683	2,782
Postage		2,157	2,167
Medical Adjudication		1,700	1,583
Travel and Subsistence		978	1,259
Miscellaneous Expenditure		1,939	1,815
Printing and Stationery		630	879
Information Technology Costs	3.2	410	559
Rent and Service Charges		433	408
Management Consulting		751	322
Telecommunication		252	247
Staff Training		58	186
Non-cash items:			
Notional Costs	3.3	17,569	20,499
Depreciation	9	695	677
Provision Provided in Year	16	192	238
Amortisation	10	207	197
Auditor's Remuneration	3.4	110	110
Fair Value Adjustment	3.5	(18)	134
Loss on Disposal of Property, Plant and Equipment	9,10	14	12
Impairment of Resource Debt Written Off	3.6	(3)	3
Unwinding of Discount	16	14	(13)
Provisions Not Required Written Back	16	(105)	(410)
Impairment Reversal		(11)	(1)
		66,553	70,990

3.1 The Service Charges are detailed below:

	2015-16 £'000	2014-15 £'000
MSS - ATOS	7,426	8,054
Private Collection Agencies	96	136
Other	4,380	4,197
Total	11,902	12,387

3.2 Operating leases

The amount of rentals paid under operating leases which are included within Information and Technology costs of £410k (2014-15: £559k) are shown below:

	2015-16 £'000	2014-15 £'000
Other Operating Leases	24	62
Total	24	62

3.3 Notional costs

Certain services are received by the Agency without the transfer of cash. The notional audit fee is disclosed at Note 3.4. Other notional amounts included in the net cost of operations are as follows:

	Note	2015-16 £'000	2014-15 £'000
Rent		13,322	16,031
Other Indirect Charges & Services	(a)	4,247	4,468
Total		17,569	20,499

Notes:

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

	2015-16 £'000	2014-15 £'000
Services Provided and Costs Incurred by:		
DfC (formerly DSD) Headquarters on behalf of the Social Security Agency	1,363	1,453
Other Departments	2,884	3,015
Total	4,247	4,468

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 DoF.

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 -£18k (2014-15:£134k) is in relation to the salary overpayment receivables balance and is required as per the application of IAS 32, IAS 39 ,IFRS 7 and IFRS 13. The discount factor for 2015-16 was 3.7%, (2014-15: 2.2%).

3.6 Resource debt written off

Resource debt written off in the financial year is as follows:
(See Note 1.23).

	2015-16 £'000	2014-15 £'000
Salary Overpayment Receivable	(3)	3
Total	(3)	3

4. Programme Costs

4.1 Analysis of Programme expenditure

	Note	2015-16 £'000	2014-15 £'000
Benefits funded by Consolidated Fund	4.1a		
Benefits paid	4.1c	2,435,425	2,402,170
Fair value adjustments	4.1b	5,492	3,968
Programme Debts Written Off	4.2	18,071	15,804
Programme expenditure	5	2,458,988	2,421,942
Benefits funded by National Insurance Fund	4.1a	2015-16 £'000	2014-15 £'000
Benefits paid	4.1c	2,538,890	2,452,373
Fair value adjustments	4.1b	(921)	(780)
Programme Debts Written Off	4.2	2,853	2,432
Programme expenditure	6	2,540,822	2,454,025
Benefits Funded by Social Fund	4.1a	2015-16 £'000	2014-15 £'000
Benefits paid	4.1c	53,330	54,278
Fair value adjustments	4.1b	4,425	(338)
Programme Debts Written Off	4.2	203	337
Programme expenditure	7	57,958	54,277
Total Programme Expenditure		5,057,768	4,930,244

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 and 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 by DSD 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 met 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 2015-16 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, IFRS 7 and IFRS 13. The discount factor for 2015-16 is 3.7% (2014-15: 2.2%).

4.1c

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 2015-16 was £39.018m (2014-15: £29.355m); of which £34.572m (2014-15: £25.603m) is attributable to the Consolidated Fund, £4.445m (2014-15: £3.751m) is attributable to the National Insurance Fund and £0.001m (2014-15: £nil) is attributable to the Social Fund.

The recoveries in relation to benefit overpayments for 2015-16 and 2014-15 are as follows:

	2015-16 £'000	2014-15 £'000
Consolidated Fund	12,148	10,633
National Insurance Fund	2,102	2,119
Social Fund	15	26
	14,265	12,778

4.2 Programme debts written off

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

	Note	2015-16 £'000	2014-15 £'000
Non-contributory Benefits			
Disability Benefits		2,913	2,266
Income Support		2,867	2,925
Pension Benefits		4,280	5,216
ESA Income Based		4,255	1,252
Funeral Loans		2,576	2,950
Jobseeker's Allowance		1,051	994
Crisis Loans		126	200
Industrial Injuries Benefit		3	1
		18,071	15,804
Contributory Benefits			
Pension Benefits		1,449	1,233
Incapacity Benefits		331	462
ESA Contributory		939	577
JSA Contributory		116	159
Maternity Allowance		2	1
Unemployment, invalidity and Sickness		16	-
		2,853	2,432
Total		20,924	18,236

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

Social Fund Loans	2015-16 £'000	2014-15 £'000
Budgeting Loans	203	337
Total	203	337

5. Benefit expenditure paid from the Consolidated Fund

	2015-16			2014-15		
	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	5,997	-	5,997	5,422	-	5,422
Disability Benefits	1,364,493	-	1,364,493	1,318,576	-	1,318,576
Industrial Injuries Benefits	29,982	-	29,982	30,067	-	30,067
Income Support for the Elderly	1,289	-	1,289	1,297	-	1,297
Pension Credit	283,716	-	283,716	307,899	-	307,899
Family Benefits	(3)	-	(3)	34	-	34
Income Support - Non-Pensioners and Jobseeker's Allowance						
Income Support - Non-Pensioners	159,212	-	159,212	167,850	-	167,850
Jobseeker's Allowance (Income Based)	128,338	-	128,338	166,001	-	166,001
Employment and Support Allowance (Non Contributory)	466,125	-	466,125	405,044	-	405,044
Job Grant	1,641	-	1,641	1,956	-	1,956
Community Care Grants	13,708	-	13,708	13,708	-	13,708
Maternity Payments	1,445	-	1,445	1,615	-	1,615
Other Fair Value Adjustments and Impairment of Debt Written Off 5b	3,045	-	3,045	2,473	-	2,473
5a/5b	2,458,988	-	2,458,988	2,421,942	-	2,421,942

5a

The figure for programme expenditure includes Fair Value adjustments, and programme debt written off.

Also included within programme expenditure are recoupment's from DSD Child Maintenance Service 2015-16 £0.451m (2014-15: £0.535m) and repayment amounts received from insurance companies, Compensation Recovery

Unit (CRU) income 2015-16 £4.539m (2014-15:£3.650m).

5b

This total relates to Crisis Loans- Fair Value Adjustments and debt written off £0.767m (2014-15: £0.232m) and Funeral Loans - Fair Value Adjustments and debt written off £2.278m. (2014-15:£2.241m).

6. Benefit expenditure paid from the National Insurance Fund

	2015-16			2014-15		
	Programme Expenditure £'000	Programme Income £'000	Net Expenditure £'000	Programme Expenditure £'000	Programme Income £'000	Net Expenditure £'000
Pension Benefits						
Retirement Pension						
Basic Element	1,708,746	-	1,708,746	1,647,819	-	1,647,819
Additional Component	438,273	-	438,273	424,909	-	424,909
Christmas Bonus	3,272	-	3,272	3,648	-	3,648
Widow's Benefit						
Basic Element	12,845	-	12,845	13,260	-	13,260
Additional Component	1,563	-	1,563	1,716	-	1,716
Widow's Payment	5,931	-	5,931	5,371	-	5,371
Unemployment, Invalidation and Sickness Benefits	(8)	-	(8)	93	-	93
Unemployment, Incapacity and Other Benefits						
Jobseeker's Allowance - Contributions Based	13,405	-	13,405	13,879	-	13,879
Employment and Support Allowance - Contributions Based	345,294	-	345,294	329,273	-	329,273
Incapacity Benefit						
Basic Element	(1,161)	-	(1,161)	1,868	-	1,868
Additional Component	350	-	350	25	-	25
Family Benefits						
Maternity Allowance	12,312	-	12,312	12,164	-	12,164
6a/6b	2,540,822	-	2,540,822	2,454,025	-	2,454,025

6a

The figure for programme expenditure includes Fair Value adjustments and programme debt written off. Also included are repayment amounts received from insurance companies, CRU Income, 2015-16 £1.029m (2014-15: £1.186m).

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

	2015-16			2014-15		
	Programme Expenditure £'000	Programme Income £'000	Net Expenditure £'000	Programme Expenditure £'000	Programme Income £'000	Net Expenditure £'000
Cold Weather Payments	-	-	-	375	-	375
Winter Fuel Payments	53,330	-	53,330	53,900	-	53,900
Other - Fair Value Adjustments and Impairment of Debt Written Off 7b	4,628	-	4,628	2	-	2
7a/7c	57,958	-	57,958	54,277	-	54,277

7a

The total figure for programme expenditure includes Fair Value adjustments and programme debt written off.

The loan balances outstanding as at 31 March 2016 for Budget Loans, Crisis Loans and Funeral Loans are disclosed in Note 13.

7b

This figure relates to Budget Loans Fair Value adjustments and debt written off.

7c

The NI Social Fund White Paper accounts shows the cash receipts and payments for Social Fund expenditure in the relevant financial year.

8. Income

8.1 Resource income

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

	Note	2015-16 £'000	2014-15 £'000
Administration of the National Insurance Fund		14,284	15,161
Services to the Department for Work and Pensions		18,388	18,069
Mortgage Interest Direct Scheme		64	55
Other Resource Income	8.1a	1,429	1,180
		34,165	34,465

8.1a

Included within Other Resource Income is an amount of £nil, (2014-15: £0.217m) in relation to funding from the Department for Agriculture, Environment and Rural Affairs, DfAERA (previously the Department of the Environment) for the Driver Vehicle Agency Voluntary Exit Scheme.

Also included is a refund of £0.744m from the Post Office Card contract which has been treated as income and returned to the Consolidated Fund (2014-15: Nil).

9. Property, plant and equipment

	Note	Year Ending 31 March 2016				
		Land £'000	Buildings £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation						
At 1 April 2015		4,115	9,387	698	1,589	15,789
Adjustment	9a	-	(2)	-	1	(1)
Additions		-	-	13	106	119
Disposals		-	-	(8)	(49)	(57)
Impairment		-	-	-	29	29
Reclassifications		-	-	-	-	-
Revaluations		140	310	(5)	17	462
Transfers	9b	-	-	-	72	72
At 31 March 2016		4,255	9,695	698	1,765	16,413
Depreciation						
At 1 April 2015		18	33	501	897	1,449
Adjustment	9a	-	(1)	-	-	(1)
Charged in year		-	353	128	214	695
Disposals		-	-	(6)	(36)	(42)
Impairment		-	-	-	18	18
Reclassifications		-	-	-	-	-
Revaluations		-	(353)	(15)	13	(355)
Transfers	9b	-	-	-	34	34
At 31 March 2016		18	32	608	1,140	1,798
Carrying amount at 31 March 2015		4,097	9,354	197	692	14,340
Carrying value at 31 March 2016		4,237	9,663	90	625	14,615
Asset Financing:						
Owned		4,237	9,663	90	625	14,615
Finance Leased		-	-	-	-	-
On Balance Sheet (SoFP) PFI contracts		-	-	-	-	-
Carrying value at 31 March 2016		4,237	9,663	90	625	14,615

9a

The adjustments in the opening balances represent small rounding differences.

9b

The transfers represent an inter-departmental transfer of assets. As part of the NICS Reform of Property Management Project, the Agency's Land and Buildings will transfer to DoF on 1st April 2016.

	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	9c	-	-	4	-	4
Additions		-	-	15	56	71
Disposals		-	(25)	-	(13)	(38)
Impairment		-	-	-	-	-
Reclassifications		-	-	-	-	-
Revaluations		-	-	1	1	2
Transfers	9d	-	(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	9d	-	(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	9,354	197	692	14,340
Asset Financing:						
Owned		4,097	9,354	197	692	14,340
Finance Leased		-	-	-	-	-
On Balance Sheet (SoFP) PFI contracts		-	-	-	-	-
Carrying value at 31 March 2015		4,097	9,354	197	692	14,340

9c

The adjustment in the opening balance relates to audit adjustment in 2013-14.

9d

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

10. Intangible Assets

Intangible assets comprise of software licences and developed software:

Year Ending 31 March 2016					
	Note	Software Licences £'000	Development Expenditure £'000	Payments on Account & Assets under Construction £'000	Total £'000
Cost or valuation					
At 1 April 2015		412	955	89	1,456
Adjustment	10a	1	-	-	1
Additions		-	10	187	197
Disposals		-	-	-	-
Impairments		-	-	-	-
Reclassifications		-	42	(42)	-
Revaluations		5	12	-	17
At 31 March 2016		418	1,019	234	1,671
Amortisation					
At 1 April 2015		310	567		877
Adjustment	10a	-	1	-	1
Charged in year		54	153	-	207
Disposals		-	-	-	-
Impairments		-	-	-	-
Reclassifications		-	(9)	9	-
Revaluations		4	(48)	(9)	(53)
At 31 March 2016		368	664	-	1,032
Carrying amount at 31 March 2015		102	388	89	579
Carrying amount at 31 March 2016		50	355	234	639
Asset Financing:					
Owned		50	355	234	639
Finance Leased		-	-	-	-
On Balance Sheet (SoFP) PFI and other service concession arrangements		-	-	-	-
Carrying amount at 31 March 2016		50	355	234	639

10a

The adjustments in the opening balances represent small rounding differences.

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

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 climate 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.

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 and Social Fund Loans. The discount factor for 2015-16 was 3.7% (2014-15: 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, IFRS 7 and IFRS 13 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 and Social Fund Loans are classified as Financial Instruments under IAS 32, IAS 39, IFRS 7 and IFRS 13 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 2015 - 31 March 2016 recognised in the Statement of Comprehensive Net Expenditure in the line which most appropriately reflects the nature of the item or transaction.

The amounts included in the year from 1 April 2015 to 31 March 2016 are:

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	883	(252)	631
Non-contributory Benefits	8,645	(2,147)	6,498
Funeral Loans	109	(2,549)	(2,440)
Other Loans	48,833	(313)	48,520
CRU Debt	726	(142)	584
Salary Overpayments	130	(116)	14
Receivables (amounts falling due more than one year): Note 13.2			
Contributory Benefits	11,724	(7,798)	3,926
Non-contributory Benefits	98,796	(58,355)	40,441
Funeral Loans	4,530	(1,923)	2,607
Other Loans	42,324	(8,216)	34,108
	216,700	(81,811)	134,889

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 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.

12. Impairments

	2015-16 £'000	2014-15 £'000
Amount charged to Statement of Comprehensive Net Expenditure	(11)	(1)
Amount taken to the Revaluation Reserve	887	320
Total Impairment Charge for the Year	876	319

13. Trade Receivables and Other Current Assets

13.1 Amounts Falling Due Within One Year

Resource	Note	31 March 2016			31 March 2015		
		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	2,704	-	2,704	2,791	-	2,791
Prepayments		932	-	932	1,376	-	1,376
VAT		911	-	911	1,297	-	1,297
Other Resource Receivables	13b	6,518	(116)	6,402	6,368	(134)	6,234
Total Amounts Falling Due Within One Year	13.3	11,065	(116)	10,949	11,832	(134)	11,698

Programme	Note	31 March 2016			31 March 2015		
		Gross receivables £'000	Impairment & Discounting £000	Net receivables £000	Gross receivables £'000	Impairment & Discounting £000	Net receivables £000
Benefit Overpayments							
- Contributory Benefits	13f	883	(252)	631	903	(197)	706
- Non-Contributory Benefits	13f	8,645	(2,147)	6,498	7,385	(1,990)	5,395
- Social Fund		61	-	61	74	-	74
Benefit Prepayments							
- Contributory Benefits		29,099	-	29,099	41,131	-	41,131
- Non-Contributory Benefits		14,443	-	14,443	23,722	-	23,722
Social Fund Loans							
- Funeral Loans	13g	109	(2,549)	(2,440)	185	(2,920)	(2,735)
- Other Loans	13c	48,833	(313)	48,520	52,591	(502)	52,089
Amounts Due from the Department - NIF Receivable	13d	4,240	-	4,240	4,295	-	4,295
Other Programme Receivables	13e	2,141	(142)	1,999	1,819	(250)	1,569
Amounts Due from the Department -Programme Financing	13a	1,034	-	1,034	925	-	925
	13.3	109,488	(5,403)	104,085	133,030	(5,859)	127,171
Total Amounts Falling Due After More Than One Year		120,553	(5,519)	115,034	144,862	(5,993)	138,869

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 period ended 31 March 2016 the Agency's resource bank balance of £2.704m (2014-15 £2.791m) is composed of an amount held within the DfC (Formerly DSD) Group account of £2.698m (2014-15 £2.781m) and £0.006m (2014-15:£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 £1.034m, (2014-15: £0.925m). The Agency programme bank balance includes an amount of £1.042m (2014-15: £1.281m) that is due to be paid to the Health Service Trusts (see note 14c).

Programme and Resource Financing are classified as Financial Instruments (FI) under IAS 32, IAS 39, IFRS 7 and IFRS 13 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 £4.736m (2014-15: £4.664m), Inter DfC (Formerly DSD) account £1.229m (2014-15: £1.193m), Salary Overpayments £0.130m (2014-15: £0.141m), and the balance of £0.423m (2014-15: £0.370m) is made up of other sundry receivables and Impairment -£0.116m (2014-15: -£0.134m).

Salary Overpayment Receivables are classified as a Financial Instrument under IAS 32, IAS 39, IFRS7 and IFRS 13 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 2015-16 was 3.7% (2014-15: 2.2%)

13c

Other Social Fund loans consist of: Budgeting Loans £37.296m gross (2014-15: £39.642m gross), and Crisis Loans £11.537m gross (2014-15: £12.949m 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 2015-16 was 3.7%, (2014-15: 2.2%).

13d

Part of the Agency's attributable proportion of the centrally held bank balances at 31 March 2016 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 2016 is £4.240m, (2014-15: £4.295m).

13e

Other programme receivables consist of: Overseas Governments £0.085m (2014-15: £0.106m), Compensation Recovery Unit (see Note (i) below) £0.726m (2014-15: £0.695m), others £0.348m (2014-15: £0.187m), unadjudicated benefit receivables (see Note (ii) below) £0.297m (2014-15: £0.264m), DWP (see note (iii) below) £0.685m (2014-15: £0.567m), Impairment -£0.142m, (2014-15: -£0.250m).

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 period ended 31st March 2016, £5.568m (2014-15: £4.836m), has been included in the

Statement of Comprehensive Net Expenditure (SOCNE) as a reduction to the 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 2016 is estimated to be £30.209m (2014-15: £28.767m). 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 2016 is estimated to be £33.253m (2014-15: £30.850m). 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 period ended 31 March 2016 were £10.177m (2014-15: £10.171m).

As at 31st March 2016, the Agency has collected £1.042m and is due to pay over this money to HST. It represents compensators settlements not yet paid over (2014-15: £1.281m).

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 year ended 31 March 2016. The valuation of the unadjudicated receivable is based on a stock count of benefit cases at 31 March 2016, 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 per benefit based again on historical analysis.

The value for the potential receivable balance at 31 March 2016 is estimated to be £3.723m (2014-15: £3.601m) and is disclosed as £0.297m (2014-15: £0.264m) within other programme receivables less than one year, and £3.426m (2014-15: £3.337m) 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 £2.141m there is an amount of £0.363m 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, IFRS 7 and IFRS 13 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 2015-16 was 3.7% (2014-15 2.2%).

Included within Benefit Overpayment Receivables is an amount of £7.741m which private sector collection agencies are seeking to recover on behalf of the Agency, (2014-15: £13.443m).

13g

Social Fund Funeral Loans are classified as a Financial Instrument under IAS 32, IAS 39, IFRS 7 and IFRS 13 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 £0.167m (2014-15: £0.268m).

13.2 Amounts Falling Due After More Than One Year

Resource	31 March 2016 £000	31 March 2015 £000
Prepayments	-	-
Other receivables	-	-
	-	-

Programme	Note	31 March 2016			31 March 2015		
		Gross receivables £000	Impairment & Discounting £000	Net receivables £000	Gross receivables £000	Impairment & Discounting £000	Net receivables £000
Benefit Overpayments							
- Contributory Benefits	13f	11,724	(7,798)	3,926	12,019	(8,722)	3,297
- Non-Contributory Benefits	13f	98,796	(58,355)	40,441	93,056	(53,307)	39,749
- Social Fund		-	-	-	-	-	-
Benefit Prepayments							
- Contributory Benefits		-	-	-	-	-	-
- Non-Contributory Benefits		-	-	-	-	-	-
Social Fund Loans							
- Funeral Loans	13g	4,530	(1,923)	2,607	4,854	(1,851)	3,003
- Other Loans	13h	42,324	(8,216)	34,108	41,001	(2,959)	38,042
Other Programme Receivables	13i	3,426	-	3,426	3,337	-	3,337
Total Amounts Falling Due After More Than One Year		160,800	(76,292)	84,508	154,267	(66,839)	87,428
Total Trade Receivables and Other Current Assets				199,542			226,297

13h

Other Social Fund Loans consist of Budgeting Loans £27.507m gross (2014-15: £25.613m gross), and Crisis Loans £14.817m gross (2014-15: £15.388m gross).

Social Fund Loans are classified as a Financial Instrument under IAS 32, IAS 39, IFRS 7 and IFRS 13 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 2015-16 was 3.7%. (2014-15: 2.2%).

13i

Other programme receivables consists of £3.426m (2014-15: £3.337m), relating to the valuation of the potential benefit receivable balance at 31 March 2016. (See Note 13e (ii))

14. Trade Payables and Other Current Liabilities

14.1 Amounts Falling Due Within One Year:

Resource	Note	31 March 2016 £'000	31 March 2015 £'000
Accruals	14a	10,343	10,495
Other Payables	14b	5,372	2,592
Amounts Due to the Department - Resource Financing		-	-
Total		15,715	13,087

Programme	Note	31 March 2016 £'000	31 March 2015 £'000
Benefit Accruals			
- Contributory Benefits		29,424	20,257
- Non-Contributory Benefits		42,655	24,743
- Social Fund		-	54
Other Programme Payables	14c	4,617	4,570
Cash in Transit	14d	53,312	92,428
Total		130,008	142,052
Total Amounts Falling Due Within One Year		145,723	155,139

14a

Included within Resource Accruals is £2.860m (2014-15: £3.384m) for Employee Benefits.

14b

Other resource payables include Consolidated Fund Extra Receipts £0.866m (2014-15: £0.112m), amounts due to DWP £0.726m (2014-15: £0.572m), DoF £1.667m (2014-15: £0.030m), DAERA £nil (2014-15: £0.202m) and other sundry payables £2.113m (2014-15: £1.676m).

14c

Other programme payables consist of HMRC £0.103m (2014-15: £0.292m), DWP £0.631m (2014-15: £0.392m), DEL £0.330m (2014-15: £0.037m), Health Service Trusts £1.042m (2014-15: £1.281m), Third Party £0.754m (2014-15: £0.952m), Sundry £0.356m (2014-15: £0.358m), Consolidated Fund Extra Receipts £0.009m (2014-15: £0.010m), CMS £0.011m (2014-15: £0.055m), Inter DfC (Formerly DSD) £1.381m (2014-15: £1.193m).

There are certain balances within other programme payables that are contractual and are therefore classified as Financial Instruments under IAS 32, IAS 39, IFRS 7 and IFRS 13 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 period ended 31 March 2016 was £53.312m and is included above, (2014-15 £92.428m).

15. Provisions for Liabilities and Charges

	2015-16			2014-15		
	Early Departure Costs £'000	Other Resource £'000	Total £'000	Early Departure Costs £'000	Other Resource £'000	Total £'000
Balance as at 1 April	35	311	346	82	699	781
Provided in Year	-	146	146	-	126	126
Provision not Required Written Back	-	(105)	(105)	-	(410)	(410)
Under Provision	5	41	46	2	109	111
Provision Utilised in the Year	(27)	(46)	(73)	(48)	(201)	(249)
Borrowing Costs (Unwinding of Discount)	-	14	14	(1)	(12)	(13)
Balance as at 31 March	13	361	374	35	311	346

Analysis of Expected Timing of Discounted Flows

	2015-16			2014-15		
	Early Departure Costs £'000	Other Resource £'000	Total £'000	Early Departure Costs £'000	Other Resource £'000	Total £'000
Not later than one year	9	203	212	22	153	175
Later than one year and not later than five years	4	39	43	13	37	50
Later than five years	-	119	119	-	121	121
Balance as at 31 March	13	361	374	35	311	346

15.1 Resource Provisions Include:

- (i) Early departure costs £0.013m
(2014-15: £0.035m).
- (ii) Personal injury cases £0.305m
(2014-15: £0.289m).
- (iii) Equal opportunity cases £0.056m
(2014-15: £0.022m).

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) (2015) 08 guidance stipulates the following discount rates to be used:

	2015-16			2014-15		
	0-5yrs	6-10yrs	+11yrs	0-5yrs	6-10yrs	+11yrs
Personal Injury	-1.55%	-1.00%	-0.80%	-1.50%	-1.05%	2.20%
Equal Opportunities	-1.55%	-1.00%	-0.80%	-1.50%	-1.05%	2.20%
Early Departure Costs	1.37%	1.37%	1.37%	1.30%	1.30%	1.30%

16. Capital Commitments

Belfast Benefit Centre

All of the work carried out by the Belfast Benefit Centre (BBC) relates to 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 2016 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
2016-17	0.26
2017-18	-
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	2015-16 £'000	2014-15 £'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		9	18
Later than one year and not later than five years		-	11
Later than five years		-	-
Total		9	29
Total obligations under Operating Leases		9	29

There were no finance leases during 2015-16 (2014-15: 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 Communities (DfC) (formerly 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-18
Applications Maintenance & Support:	Feb-18
ICONS:	Aug-17
Hosting:	Feb-18

The charges for the Standard Services Business Allocation contract for 2015-16 are £12.715m (2014-15: £13.846m). 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 2016-17 financial year for the Standard Services Business Allocation (SSBA) arrangements are estimated to be in the region of £13.519m. 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 Communities (DFC) (formerly 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 2015-16 are £3.820m (2014-15: £5.07m).

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.

The anticipated charges for the 2016-17 financial year for the Post Office Card Account (POCA) arrangements are estimated to be in the region of £4.8m. This amount is subject to fluctuation and is dependant upon the volumetric usage of the contract by the Agency throughout the year.

A new contract was signed with Post Office Limited on 3rd March 2015. The pricing regime in the contract took effect, retrospectively, from 1st December 2014. The contract duration is for 7 years until 30th November 2021, and anticipated savings to the Departments will not be realised until after year three of the contract.

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 and these costs are variable being dependant on the volumetric usage of the contract e.g. the number of medical assessments undertaken.

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

	£m
Not later than 1 year	9.3
Later than 1 year but not later than 5 years	11.4
Later than 5 years	0.0

The charges paid are subject to fluctuation and are dependant upon the usage of the contract by the Agency.

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 5 years.

The Welfare Reform Bill was introduced at Westminster and the Order in Council allows for the implementation in NI for the changes to the welfare system included in the Welfare Reform Bill 2012. The Welfare Reform Bill received Royal Assent on 25 November 2015. This resulted in the passing of the Welfare Reform (NI) Order 2015 and PIP will be introduced in Northern Ireland on 20 June 2016.

Capita Business Services Limited will be responsible for carrying out independent assessments, on behalf of the Department for Communities (DfC). These are required in order to assess entitlement to PIP. Costs to the end of March 2016 have been accrued in the Agency accounts in relation to the contract as per the original contract arrangements and subject to agreement by both parties, it is the intention of DfC to extend the contract term and following post service commencement of the contract, to re-negotiate the contract price per medical assessment. These arrangements have been subject to review and approval by the Department of Finance (DoF).

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

	£m
Not later than 1 year	8.6
Later than 1 year but not later than 5 years	14.4
Later than 5 years	0.0

Special Payments Service (SPS)

The SPS contract was signed with Citibank in September 2011 for a period of 7 years, with an option to extend for a further 2 year period.

It provides a method of benefit payment for those customers who cannot use a bank account or other transactional account.

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

	£m
Not later than 1 year	0.2
Later than 1 year but not later than 5 years	0.3
Later than 5 years	0.0

19. 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 DfC (Formerly 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

for Health, (previously the Department of Health, Social Services and Public Safety) . Other entities include the Department for Economy (previously Department of Employment and Learning) and the Department for Finance (previously the Department of Finance and Personnel in Northern Ireland), and the Department for Work and Pensions, and Her Majesty's Revenue and 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.

20. 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 £0.547m 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.

Litigation

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

Dilapidation costs

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

21. 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 2015-16		
	Business Plan Target £'000	Revised Target £'000	Outturn £'000
Resource and Other Current	205,378	194,402	188,368
Capital	6,100	397	316
Non Cash	3,451	1,397	899
Benefits paid from the Northern Ireland Consolidated Fund	2,512,982	2,514,547	2,455,684
Benefits paid from the Northern Ireland National Insurance Fund	2,542,044	2,568,576	2,540,822
Benefits paid from the Social Fund	63,881	66,220	61,327

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.

The 'outturn' figure represents the Agency's Administrative spend for 2015/16. Discretionary Support is excluded from the above figures.

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.

The 'Outturn' figures for Benefits paid from the Northern Ireland (NI) Consolidated Fund includes 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). This adjustment is completed to align the NI Consolidated Fund out-turn amount to the Business Plan Target, thereby ensuring the presentation of these figures within Note 21 on a consistent basis.

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 Loans 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 21 on a consistent basis.

22. Events after the Reporting Period

There were no post statement of financial position events which could have had a material effect on the state of affairs of the Agency as at 31 March 2016 or the results for the year ended on that date, which have not been adequately provided for or disclosed.

From the 9th May 2016 the Agency and the Department for Social Development (DSD) become part of the new Department for Communities (DfC). (From 8th May 2016 the Agency will no longer operate as an executive agency). The functions and responsibilities of the Agency will however largely remain unchanged. The DfC Permanent Secretary and Accounting Officer designated the NISSA Chief Executive to continue his specific Accounting Officer duties for the purposes of the signing and completion of the 2015-16 Agency annual report and accounts.

As part of the NICS Reform of Property Management Project, the Agency 's Land and Buildings will transfer to DoF on 1st April 2016.

On 23 June the United Kingdom (UK) held a Referendum to determine whether the country would remain in or leave the European Union (EU). The Agency as part of the Department for Communities is currently considering the impact of the majority leave result on its activities. It is likely however to be some time before the impact, if any, will be known.

The Accounting Officer authorised the issue of these financial statements on 28 June 2016.

23. 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 575,000 new claims and more than 784,000 changes of circumstances notified by customers. A benefit system of such a scale, complexity, and sensitivity to changing customer circumstances, and human behaviours, is vulnerable to fraud and human error. Despite these challenges the Agency has successfully maintained its levels of loss due to fraud and error at just 1%, or less, of its expenditure for the past four consecutive years - a performance which exceeds that of any comparative organisation.

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

(i) Financial Accuracy Monitoring (ii) Benefit Reviews

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

For clarity additional tables have also been included within the 2015 Payment Accuracy note to show the totals of estimated overpayments and underpayments for the previous calendar year 2014.

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 2015 are based on the results of the Agency's Financial Accuracy Exercises completed in 2015 with the exception of Incapacity Benefit, Attendance Allowance, Bereavement Benefit, Carer's Allowance, Industrial Injuries Disablement Benefit, Maternity Allowance, Widow's Benefit, and Social Fund (Funeral Payments (FP) & Sure Start Maternity Grants (SSMG)). Incapacity Benefit is based on results from 2011; Widow's Benefit is based on results from 2012; Social Fund (FPSSMG) is based on results from 2013; Attendance Allowance, Bereavement Benefit, Carer's Allowance, Industrial Injuries Disablement Benefit, and Maternity Allowance are based on updated 2014 results.

Customer Error and Customer Fraud:

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

Benefit Expenditure:

In summary the expenditure stated for 2015 includes expenditure on 13 benefits, a total of £5,010 million, plus an amount of £71.8 million on other benefit expenditure in year, total annual expenditure £5,082 million. Within the overall benefit expenditure totals in the tables below other benefit expenditure for the calendar year 2015 includes, Christmas Bonus £5.1 million, Retirement Pension £4.1 million, Job Grant £1.8 million, Family Benefits £4k, Severe Disablement Allowance £7.1 million, Winter Fuel Payments £53.3 million, and Cold Weather Payments £0.4 million.

Jobseekers Allowance Training Allowances:

The figures quoted in the tables below for the annual benefit expenditure amounts for Jobseekers Allowance include the associated expenditure for Jobseekers 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 2015. Social Fund Funeral Payments (FP) and Sure Start Maternity Grants (SSMG) are based on updated 2013 results. This does not affect the statistical validity of the Social Fund result as the remaining elements are still measured to a 95% confidence level.

Incapacity Benefit:

Incapacity Benefit expenditure is £0, but an accounting adjustment related to the benefit has

resulted in a negative expenditure. It has not been applied to the benefit, but added in as an additional expenditure item.

A: Overpayments

Benefit Overpayments

The table below shows the estimates of benefit overpayments for the last two years, 2015 and 2014.

Estimates of benefit overpayments for 2015 and 2014

2015	Expenditure £	Monetary Value of Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	¹ Lower Confidence Interval	¹ Upper Confidence Interval
Official Error	5,081,640,214	18,239,243	13,189,737	25,691,341	0.4%	0.3%	0.5%
Customer Error	5,081,640,214	5,020,078	3,145,248	7,264,966	0.1%	0.1%	0.1%
Customer Fraud	5,081,640,214	28,287,065	21,920,673	35,553,445	0.6%	0.4%	0.7%
Total Overpayments	5,081,640,214	51,546,386	43,207,115	62,194,088	1.0%	0.9%	1.2%

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%

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 £51.5 million was overpaid through fraud or error in social security benefits for 2015. This represents 1.0% of the total benefit expenditure for 2015, of which £28.3 million (0.6%) is Customer Fraud, £5.0 million (0.1%) is Customer Error and £18.2 million (0.4%) is Official Error.

The comparative estimate for 2014 is that approximately £51.9 million was overpaid through fraud or error in social security benefits. 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.

In summary, loss in 2015 fell by £0.3m despite an increase in expenditure over the same period of over £100 million. This improvement is attributable to improved performance in reducing overpayments stemming from customer behaviour, in particular customer error overpayments which fell from 0.2% in 2014 to 0.1% in 2015.

A detailed breakdown of the total overpayment amount for 2015 of £51.5 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 2014 year are also included for comparative purposes. In addition tables are also included at Part C that disclose the estimated amount of underpayments that have arisen from both Official and Customer Error in the 2015 and the 2014 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 2015. Estimates of Official Error in 2014 are also shown for comparative purposes.

Estimates of benefit overpayments due to Official Error in 2015

Benefit	Expenditure £	Monetary Value of Official Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	¹ Lower Confidence Interval	¹ Upper Confidence Interval	Period of Financial Accuracy Review
Disability Living Allowance	989,773,652	1,294,980	0	3,430,009	0.1%	0.0%	0.3%	Jan 15 - Dec 15
Employment and Support Allowance	796,194,114	7,224,184	4,402,821	10,451,970	0.9%	0.6%	1.3%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	0.0%	0.0%	0.0%	Jan 11 - Dec 11 updated
Income Support	161,596,096	1,533,956	502,257	2,928,784	0.9%	0.3%	1.8%	Jan 15 - Dec 15
Jobseeker's Allowance	152,014,282	510,445	33,086	1,168,469	0.3%	0.0%	0.8%	Jan 15 - Dec 15
State Pension	2,122,961,315	3,464,933	50,001	9,331,917	0.2%	0.0%	0.4%	Jan 15 - Dec 15
State Pension Credit	289,462,889	3,716,745	2,038,382	5,629,313	1.3%	0.7%	1.9%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Bereavement Benefit	18,804,160	58,212	0	263,696	0.3%	0.0%	1.4%	Jan 14 - Dec 14 updated
Carer's Allowance	147,948,299	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Industrial Injuries Disablement Benefit	30,072,954	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Maternity Allowance	12,145,695	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Social Fund	84,633,632	432,001	153,034	669,846	0.5%	0.2%	0.8%	See note Jan 12 - Dec 12 updated
Widows Benefit	1,484,804	3,787	0	11,977	0.3%	0.0%	0.8%	Jan 12 - Dec 12 updated
Incapacity Benefit	(878,476)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	5,081,640,214	18,239,243	13,189,737	25,691,341	0.4%	0.3%	0.5%	

Estimates of benefit overpayments due to Official Error in 2014

Benefit	Expenditure £	Monetary Value of Official Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of Error as % 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%	

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

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

Customer Error

Customer error occurs where there has been a failure by the customer to notify a reportable change that affects the benefit in payment but there is no suspicion of fraud/fraudulent intent. The table below sets out the estimate of Customer Error in 2015. Estimates of Customer Error in 2014 are also shown for comparative purposes.

Estimates of benefit overpayments due to Customer Error in 2015

Benefit	Expenditure £	Monetary Value of Customer Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of Customer Error as % of Expenditure	¹ Lower Confidence Interval	¹ Upper Confidence Interval	Period of Benefit Review
Disability Living Allowance	989,773,652	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	796,194,114	2,882,277	1,407,742	4,577,749	0.4%	0.2%	0.6%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	1.0%	0.0%	2.9%	Jan 09 - Dec 09 updated
Income Support	161,596,096	708,786	0	1,732,479	0.4%	0.0%	1.1%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	152,014,282	98,284	0	287,908	0.1%	0.0%	0.2%	Jan 15 - Dec 15
State Pension	2,122,961,315	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	289,462,889	1,249,539	461,156	2,234,372	0.4%	0.2%	0.8%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	81,193	0	414,505	0.1%	0.0%	0.3%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widows Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Incapacity Benefit	(878,476)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	5,081,640,214	5,020,078	3,145,248	7,264,966	0.1%	0.1%	0.1%	

Estimates of benefit overpayments due to Customer Error in 2014

Benefit	Expenditure £	Monetary Value of Customer Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of Customer Error as % 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%	

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

Customer Fraud

Customer Fraud occurs where the basic conditions of entitlement have not been met, where the customer could reasonably be expected to be aware of the effect on entitlement to benefit and the customer has deliberately not reported relevant information. The table below sets out the estimate of Customer Fraud in 2015. Estimates of Customer Fraud in 2014 are also shown for comparative purposes.

Estimates of benefit overpayments due to Customer Fraud in 2015

Benefit	Expenditure £	Monetary Value of Customer Error £	¹ Lower Confidence Interval £	¹ Upper Confidence 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	989,773,652	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	796,194,114	13,546,013	9,135,756	18,264,430	1.7%	1.1%	2.3%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	2.2%	0.0%	5.4%	Jan 09 - Dec 09 updated
Income Support	161,596,096	1,177,111	0	2,920,208	0.7%	0.0%	1.8%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	152,014,282	5,814,674	3,521,926	8,316,136	3.8%	2.3%	5.5%	Jan 15 - Dec 15
State Pension	2,122,961,315	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	289,462,889	5,967,835	3,651,107	8,739,232	2.1%	1.3%	3.0%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	1,781,433	0	5,463,888	1.2%	0.0%	3.7%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Incapacity Benefit	(878,476)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	5,081,640,214	28,287,065	21,920,673	35,553,445	0.6%	0.4%	0.7%	

Estimates of benefit overpayments due to Customer Fraud in 2014

Benefit	Expenditure £	Monetary Value of Customer Error £	¹ Lower Confidence Interval £	¹ Upper Confidence 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	9,530,103	5,636,738	14,150,318	1.4%	0.8%	2.0%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	184,245	0	458,238	2.2%	0.0%	5.4%	Jan 09 - Dec 09 updated
Income Support	182,401,406	1,328,663	0	3,296,181	0.7%	0.0%	1.8%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	203,689,564	7,653,772	4,674,629	11,050,457	3.8%	2.3%	5.4%	Jan 14 - Dec 14
State Pension	2,052,991,404	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
State Pension Credit	312,566,969	4,842,613	2,894,392	7,107,079	1.5%	0.9%	2.3%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,878,651	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	139,870,422	1,684,168	0	5,165,563	1.2%	0.0%	3.7%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	29,940,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,179,365	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund (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%	

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 £5,082 million.

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

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

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

Current and proposed activities are designed to be proportionate, represent value for money with regard to the cost of control, facilitate customer accessibility, ensure timely benefit

payments, and deliver impacts on fraud and error. The Agency also seeks to reduce customer mistakes by influencing customer behaviour to report changes promptly where failure to do so may lead to over and underpayments.

Fraud and Error Reduction Board

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

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

Official Error Strategy and Activities

For 2015, losses from official error rose marginally from 0.3% in 2014 to 0.4% of benefit expenditure in 2015. Error Reduction Division allocates funds to Error Reduction Teams located in the Regions and Central Benefits for the specific purpose of reducing staff error and ensuring strong levels of accuracy. Funding is allocated on the basis of risk and takes into consideration the monetary value of error in each benefit alongside factors such as the deployment of resources and priorities within the Agency.

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

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

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

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

Customer Fraud and Error

Single Investigation Service

The integrated Single Investigation Service was established in April 2013 to form a single, more cohesive organisation to tackle customer fraud and error. Using information from diverse sources, the Agency identifies and focuses on threats posing greatest risk. Cases are managed through three approaches -

customer compliance, case intervention and criminal fraud investigation, to detect and correct fraud and error and apply penalties where appropriate to deter further abuse.

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

Criminal Investigation Route:

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

Customer Compliance

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

Case Intervention

Involves contacting customers by phone or post to establish whether the circumstances of the benefit claim have changed and if necessary making correction. The Single Investigation Service undertook 2,998 case interventions achieving a 12% hit rate with 353 positive outcomes. The estimated

monetary value of adjustments in these cases equated to £1.2 million.

Financial Investigation Unit:

For higher value fraud convictions, Debt Management's Financial Investigation Unit uses powers granted under the Proceeds of Crime Act 2002 to recover assets. The table below presents the results of the FIU for 1 April 2015 to 31 March 2016.

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

Total may not equal sum of figures due to rounding.

National Fraud Initiative (NFI)

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

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

Real Time Information Initiatives

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

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

The Agency is working with the Department of Work and Pensions (DWP) colleagues to rollout Wider use of RTI (WuRTI), this is aimed at expanding the use of data across the

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

Future Single Investigation Service Strategy

Modernisation Programme:

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

Principally these initiatives are:

- **Joined up working** – closer liaison and joint working with Her Majesty's Revenue and Customs and the NI Housing Executive to enable joint prosecutions of customers who abuse both the tax credit and benefit systems
- **Targeting** – continued development, alongside DWP, of the use of new data sources including Real Time Information (RTI), to enhance future fraud prevention and detection capability, with particular focus at the gateway - the point of entry to a benefit claim in preparation for the introduction of Universal Credit
- **Deterrence** – legislative measures contained within the Welfare Reform Bill to prevent and deter those intent on committing fraud including increased penalties (effective from 4 April 2016) and tougher loss of benefit provisions will be introduced in Autumn 2016
- **Communication** – continuing to remind staff and the wider public of the need to remain vigilant and to report suspected fraud

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

C: Underpayments

Benefit Underpayments

The table below shows the estimates of benefit underpayments for the last two years, 2015 and 2014.

Overall the figure for estimated amounts of underpayments for 2015 is 0.5% of expenditure, a total of £24.7 million (2014: 0.6% £30.2 million).

Estimates of benefit underpayments for 2015 and 2014

2015	Expenditure £	Monetary Value of Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	¹ Lower Confidence Interval	¹ Upper Confidence Interval
Official Error	5,081,640,214	14,598,622	10,951,086	19,238,348	0.3%	0.2%	0.4%
Customer Error	5,081,640,214	10,070,170	2,286,544	21,960,644	0.2%	0.0%	0.4%
Total Underpayments	5,081,640,214	24,668,792	16,072,900	37,432,430	0.5%	0.3%	0.7%

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%

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 2015. Overall, financial accuracy for underpayments improved from 0.5% inaccuracy in 2015 to 0.3%. The spike in official error underpayments within Employment Support Allowance in 2014 was reversed in 2015 as ESA performance improved from 1.7% inaccuracy in 2014 to 0.7% in 2015.

Estimates of benefit underpayments due to Official Error in 2015

Benefit	Expenditure £	Monetary Value of Official Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of Error as % of Expenditure	¹ Lower Confidence Interval	¹ Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	989,773,652	403,245	0	1,227,275	0.0%	0.0%	0.1%	Jan 15 - Dec 15
Employment and Support Allowance	796,194,114	5,545,098	3,076,185	8,367,753	0.7%	0.4%	1.1%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	0.5%	0.0%	1.1%	Jan 11 - Dec 11 updated
Income Support	161,596,096	1,146,109	315,795	2,252,261	0.7%	0.2%	1.4%	Jan 15 - Dec 15
Jobseeker's Allowance	152,014,282	851,176	287,226	1,536,441	0.6%	0.2%	1.0%	Jan 15 - Dec 15
State Pension	2,122,961,315	2,452,221	739,267	4,661,947	0.1%	0.0%	0.2%	Jan 15 - Dec 15
State Pension Credit	289,462,889	3,271,397	1,748,002	5,003,515	1.1%	0.6%	1.7%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	402,721	0	2,075,221	0.2%	0.0%	1.0%	Jan 14 - Dec 14 updated
Bereavement Benefit	18,804,160	63,953	0	271,404	0.3%	0.0%	1.4%	Jan 14 - Dec 14 updated
Carer's Allowance	147,948,299	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14 updated
Industrial Injuries Disablement Benefit	30,072,954	62,761	0	343,813	0.2%	0.0%	1.1%	Jan 14 - Dec 14 updated
Maternity Allowance	12,145,695	23,378	0	96,183	0.2%	0.0%	0.8%	Jan 14 - Dec 14 updated
Social Fund	84,633,632	349,712	35,068	962,684	0.4%	0.0%	1.1%	See note Jan 12 - Dec 12 updated
Widow's Benefit	1,484,804	26,850	0	90,515	1.8%	0.0%	6.1%	Jan 12 - Dec 12 updated
Incapacity Benefit	(878,476)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	5,081,640,214	14,598,622	10,951,086	19,238,348	0.3%	0.2%	0.4%	

Estimates of benefit underpayments due to Official Error in 2014

Benefit	Expenditure £	Monetary Value of Official Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of Official Error as % of Expenditure	¹ Lower Confidence Interval	¹ Upper Confidence Interval	Period of Financial Accuracy Exercise
Disability Living Allowance	941,783,887	3,134,065	691,616	6,359,789	0.3%	0.1%	0.7%	Jan 14 - Dec 14
Employment and Support Allowance	695,364,654	11,562,130	7,838,661	15,711,816	1.7%	1.1%	2.3%	Jan 14 - Dec 14
Incapacity Benefit	8,508,771	40,458	0	90,313	0.5%	0.0%	1.1%	Jan 11 - Dec 11 updated
Income Support	182,401,406	612,647	193,821	1,195,505	0.3%	0.1%	0.7%	Jan 14 - Dec 14
Jobseeker's Allowance	203,689,564	1,220,866	321,274	2,394,862	0.6%	0.2%	1.2%	Jan 14 - Dec 14
State Pension	2,052,991,404	3,201,405	1,489,656	5,487,233	0.2%	0.1%	0.3%	Jan 14 - Dec 14
State Pension Credit	312,566,969	2,725,272	1,274,252	4,543,195	0.9%	0.4%	1.5%	Jan 14 - Dec 14
Attendance Allowance	204,339,945	404,034	0	1,243,008	0.2%	0.0%	0.6%	Jan 14 - Dec 14
Bereavement Benefit	18,878,651	64,207	164	168,343	0.3%	0.0%	0.9%	Jan 14 - Dec 14
Carer's Allowance	139,870,422	0	0	0	0.0%	0.0%	0.0%	Jan 14 - Dec 14
Industrial Injuries Disablement Benefit	29,940,720	62,485	0	202,394	0.2%	0.0%	0.7%	Jan 14 - Dec 14
Maternity Allowance	12,179,365	23,443	0	59,946	0.2%	0.0%	0.5%	Jan 14 - Dec 14
Social Fund (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%	

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

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

The table below sets out the estimate of benefit underpayments due to Customer Error in 2015. Estimates of underpayments for Customer Error in 2014 are also shown for comparative purposes. Overall, levels of underpayments rose slightly from 0.1% in 2014 to 0.2%.

Estimates of benefit underpayments due to Customer Error in 2015

Benefit	Expenditure £	Monetary Value of Customer Error £	¹ Lower Confidence Interval £	¹ Upper Confidence 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	989,773,652	0	0	0	0.0%	0.0%	0.0%	Jan 08 - Dec 08 updated
Employment and Support Allowance	796,194,114	4,637,779	2,403,294	7,250,645	0.6%	0.3%	0.9%	Jan 15 - Dec 15
Incapacity Benefit	0	0	0	0	0.0%	0.0%	0.0%	Jan 09 - Dec 09 updated
Income Support	161,596,096	115,732	0	596,576	0.1%	0.0%	0.4%	Jan 12 - Dec 12 updated
Jobseeker's Allowance	152,014,282	0	0	0	0.0%	0.0%	0.0%	Jan 15 - Dec 15
State Pension	2,122,961,315	3,938,350	0	15,450,318	0.2%	0.0%	0.7%	Jan 09 - Dec 09 updated
State Pension Credit	289,462,889	1,378,309	358,482	2,719,838	0.5%	0.1%	0.9%	Jan 15 - Dec 15
Attendance Allowance	203,676,347	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bereavement Benefit	18,804,160	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Carer's Allowance	147,948,299	0	0	0	0.0%	0.0%	0.0%	Jan 10 - Dec 10 updated
Industrial Injuries Disablement Benefit	30,072,954	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Maternity Allowance	12,145,695	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Social Fund	84,633,632	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Widow's Benefit	1,484,804	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Incapacity Benefit	(878,476)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other expenditure	71,750,451	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total	5,081,640,214	10,070,170	2,286,544	21,960,644	0.2%	0.0%	0.4%	

Estimates of benefit underpayments due to Customer Error in 2014

Benefit	Expenditure £	Monetary Value of Customer Error £	¹ Lower Confidence Interval £	¹ Upper Confidence Interval £	Monetary Value of 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%	

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

The difference between what claimants in the DLA 'change in customers' circumstances' cases are receiving below their DLA entitlement and what they would potentially have been due to receive if their benefit was reassessed was estimated to be £19.4 million, 2.9% of expenditure in 2008. Since there was no DLA Benefit Review in 2015, the 2015 estimate for DLA 'change in customers' circumstances' underpayments is estimated by applying the 2008 percentage. In comparison the 2015 estimate is £28.6 million, 2.9% of expenditure. The 2014 estimate was £27.3 million, 2.9% of expenditure. These figures are not included in the total figures in the respective tables above.

Social Security Agency

Report by the Comptroller and Auditor General

Report by the Comptroller and Auditor General

Introduction

1. During 2015-16 the Social Security Agency (the Agency) was an Executive Agency within the Department for Social Development (DSD), which in 2015-16 was responsible for the payment of £5 billion in benefits. Under the Stormont House Agreement, DSD became the Department for Communities (DfC) from 9 May 2016.
2. My report below reviews the results of my audit of the Agency's 2015-16 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. Issuing an audit qualification is a serious matter, and the fact that similar qualifications have been in place for such a long period of time does not lessen that seriousness. I consider that the overall level of fraud and error in benefit expenditure remains material, and the qualification of my audit opinion reflects that.
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 material at 1.3 per cent of total benefit expenditure which is the reason why my regularity opinion continues to be qualified.
4. In 2015 there was an overall rise in annual benefit expenditure of 2.1 per cent compared to 2014. I note that despite the initiatives taken by the Agency in counteracting fraud and error, the level of overpayments remained at 1.0 per cent of benefit expenditure, the same as in 2014 and slightly above the 0.9 per cent of benefit expenditure recorded for 2013. I welcome that the level of official error underpayments fell in the year; from £23.6 million (0.5 per cent of annual expenditure) in 2014, to £14.6 million (0.3 per cent of total expenditure). This overall level compares very favourably with the latest estimate in the Department for Work and Pensions (DWP) in Great Britain of 1.7 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.

¹ DWP, 'Fraud and Error in the Benefit System - Preliminary data for 2015/16, May 2016' – figures shown are for benefits administered by it which are comparable to those administered by the Agency.

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 23 (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.

6. Caution however should be exercised when examining the estimates for trends, due to the measurement uncertainties explained in Note 23. In particular, estimated levels of fraud and customer error in some benefits are a number of years old. For example, Disability Living Allowance, which accounted for £1.0 billion of expenditure in 2015-16, has not been measured for fraud and error since 2008. Similarly State Pension (£2.1 billion) and Carer's Allowance (£0.15 billion) have not been measured since 2010 and 2009 respectively. I believe that the absence of up-to-date information on error rates in such large benefit streams creates a risk that the Agency is making decisions based on out-of-date measurements. I acknowledge the Agency has only finite resources available to complete the whole range of fraud and error work and to measure fraud and customer error in Disability Living Allowance for example,

would require a cessation of this measurement in higher risk areas.

Qualified opinion due to fraud and error in benefit payments

7. 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.

8. 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.

9. Figure 1 below shows the total benefit payments made during the calendar year of 2015 and the estimated level of fraud and error in relation to these benefits, based on the work completed by SAU. The table shows that total benefits (other than State Pension) amounted to £3.0 billion with estimated over and under payments totalling £60.2 million (on which I have qualified my audit opinion)

comprising:

- overpayments of £48.1 million (0.9 per cent of total benefits); and
- underpayments due to official error of £12.1 million (0.2 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.

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

Figure 1: Estimated Overpayments and Underpayments due to fraud and error in benefit expenditure 2015-16² (Note 23 to the financial statements)

	Benefits (other than State Pension) £million	State Pension £million	Total £million
Expenditure	2,958.7	2,123.0	5,081.6
Overpayments due to:			
Customer fraud	28.3	-	28.3
Customer error	5.0	-	5.0
Official error	14.7	3.5	18.2
Sub-total	48.1	3.5	51.5
% of total benefits	0.9%	0.1%	1.0%
Underpayments ³ due to:			
Official error	12.1	2.5	14.6
% of total benefits	0.2%	0.1%	0.3%

Source: Social Security Agency financial statements 2015-16

² Estimates in Figures 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 2015, these underpayments are estimated to be £10.1 million (2014 - £6.6 million).

State Pension Benefit

11. My regularity opinion is not qualified in respect of State Pension payments because the benefit review 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. Although overpayments as a result of official error increased from £1.3 million in 2014-15 to £3.5 million in 2015-16, this is not significant in the context of the £2.1 billion spend on State Pension.
12. The Agency told me State Pension expenditure is of such a scale of benefit spend that even a slight difference in error found during the sampling exercises makes a significant difference when extrapolated into the global error values. For 2015, there was only a £38 difference in error found compared to the 2014 total. During sampling however this was sufficient to impact the extrapolated error value from £1.3m, 0.1% of State Pension expenditure in 2014; to £3.5m, 0.2% of State Pension expenditure in 2015; thus explaining the increases of £2.2m and 0.1% respectively. The Agency also stressed, despite the increase of 0.1% in 2015, the continuing exceptionally high level of accuracy across the State Pension benefit of 99.7%.

Estimated levels of fraud and error

13. The Payment Accuracy Note (Note 23) divides over and under payments into the following categories:

Fraud – this arises when customers deliberately seek to mislead the Agency to claim money to which they are not entitled; and

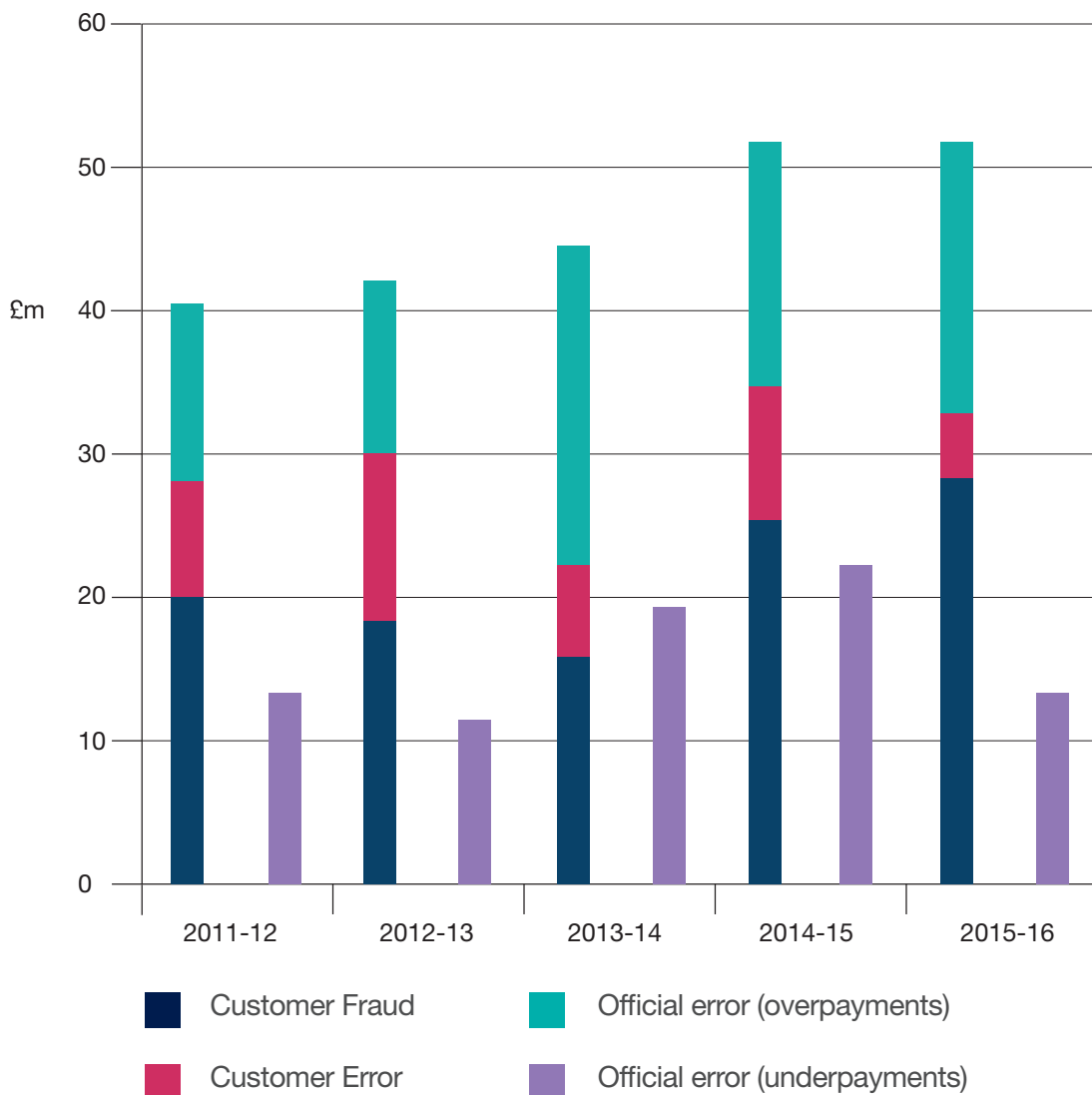
Error – this arises because of customer error or official error:

- 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. Official error results in both overpayments and underpayments.

Figure 2 and Figure 3 show the trends since 2011-12 in estimated levels of fraud and error and each of these is discussed further below.

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

Breakdown of benefit over/underpayments reported 2011-12 to 2015-16



Source: Social Security Agency financial statements 2011-12 to 2015-16. 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.

Figure 3: Trends in total estimated fraud and error in benefit expenditure⁴ reported 2011-12 to 2015-16

	2011-12 £million	2012-13 £million	2013-14 £million	2014-15 £million	2015-16 £million
Total benefit expenditure	4,456.4	4,681.2	4,811.8	4,977.6	5,081.6
(1) Overpayments					
Customer fraud	19.4	16.9	16.1	25.2	28.3
Customer error	7.3	13.1	8.4	9.3	5.0
Official error	13.2	12.7	21.1	17.4	18.2
TOTAL	39.9	42.7	45.6	51.9	51.5
% of benefit expenditure	0.9%	0.9%	0.9%	1.0%	1.0%
(2) Underpayments					
Official error	14.0	12.8	19.3	23.6	14.6
% of benefit expenditure	0.3%	0.3%	0.4%	0.5%	0.3%

Source: Social Security Agency financial statements 2011-12 to 2015-16

Note: table does not total due to rounding

Customer Fraud and Error

14. Means tested benefits such as State Pension Credit, Income Support, Jobseeker's Allowance and Employment and Support Allowance tend to have the highest rates of customer fraud and error as they require the customer to provide complete and accurate information in order to establish entitlement to benefit. The estimated level of fraud has risen again from £25.2 million (0.51 per cent of total benefits) in 2014-15 to £28.3 million (0.56

per cent of total benefits) this year and is now at its highest level since 2004-05.

15. 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 amount of customer error has fallen significantly in monetary terms from £9.3 million (0.2 per cent of total benefits) last year to £5.0 million in 2014-15 (0.1 per cent of total

⁴ Estimated fraud and error in DLA and Carers Allowance is included within these amounts.

benefits) and this compares very favourably against the 0.4% (2014-15) recorded at DWP.

16. I am concerned at the level of customer fraud this year, particularly for those customers in receipt of Employment and Support Allowance where 1 in 11 cases (1 in 17 cases in 2014-15) were found to be fraudulent. The estimated value of Employment and Support Allowance Fraud rose from £9.5 million in 2014-15 (1.4%) to £13.5 million (1.7%) in 2015-16. I also note the results of the SAU which show a high number of cases which were considered to have fraud, as outlined below:

- State Pension Credit – 1 in 10 cases in 2015-16 (1 in 8 cases in 2014-15);
- Jobseeker’s Allowance – 1 in 17 cases in 2015-16 (1 in 21 cases in 2014-15).

17. Whilst I acknowledge that the Agency has maintained its focus on targeting, detecting and preventing customer fraud and error, I am disappointed with the continuing rise in the level of fraud and I asked the Agency to comment further and in particular what action it was taking to address the common cause of the above frauds, namely, claimants incorrectly declaring their level of income and capital. The Agency acknowledged the rise in customer fraud in 2015 but stressed the margins of the increase – from 0.51% in 2014 to 0.56% in 2015 – a difference of 0.05%. The Agency also highlighted that, when taken together, loss through customer fraud and customer error combined had in fact improved from 0.69% in 2014 to 0.66%

in 2015. Nevertheless, the Agency views the continued reduction of customer fraud and error as a high priority and continually analyses its findings from measurement and sampling to target its resources at those areas of greatest risk.

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

Official error

19. Official errors are those that are attributed as being the fault of the Agency. The control of official error is the area within Fraud and Error where the Agency has the most influence. Such errors 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).

20. Estimated overpayments due to official error have risen slightly from £17.4 million (0.3 per cent of total benefits) in 2014-15 to £18.2 million (0.4 per cent of total benefits) in 2015-16. In contrast estimated underpayments due to official error have fallen significantly from £23.6 million (0.5 per cent) in 2014-15 to £14.6 million (0.3 per cent of total benefits) in 2015-16. I welcome that underpayments due to official error in Employment and Support Allowance have fallen by £6.0 million from £11.6 million, 1.7

per cent of annual expenditure in 2014, to £5.6 million, 0.7 per cent of annual expenditure in 2015. Official errors leading to underpayments can lead to hardship for customers.

SSA & DWP – comparisons

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

Figure 4 – Fraud and Error in Benefit Expenditure – Great Britain⁵ and Northern Ireland⁶

Fraud and Error Category	DWP – Great Britain – 2015-16 % of benefit expenditure	SSA – Northern Ireland – 2015-16 % of benefit expenditure
Overpayments		
Official Error	0.3%	0.4%
Customer Fraud	0.6%	0.6%
Customer Error	0.3%	0.1%
Reported Sub-total	1.3%	1.0%
Underpayments		
Official Error	0.4%	0.3%
Reported Sub-total	0.4%	0.3%
TOTAL – Reported Overpayments and Underpayments	1.7%	1.3%

Note: table does not total due to rounding

⁵ DWP, 'Fraud and Error in the Benefit System - Preliminary data for 2015/16, May 2016' – figures shown are for benefits administered by it which are comparable to those administered by the Agency.

⁶ Source – Social Security Accounts 2015-16 – Note 23, Payment Accuracy Note

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

Counteracting fraud and customer error

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

24. 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 and RTI cases were initially given high priority, making up 75 per cent of the cases selected for 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.

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

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

27. I continue to be impressed by the outcomes from the Customer Compliance interviews conducted by the Agency. Such interviews are generally carried out in cases where it would not be reasonable or represent value for money to undertake a full and resource intensive fraud investigation. These targeted interviews have identified customer errors in 34% of cases, with a total of £6.8 million of adjustments in 2015-16, or £1,590 per interview. This has resulted in a payback of around £15 for each £1 of costs incurred.
28. Now that Welfare Reform is gathering pace in Northern Ireland, new challenges in relation to fraud and error are certain to arise. I note that in 2015-16 DWP has provisionally estimated that fraud in Universal Credit has been 5.4 per cent, although customer error has been low at only 0.2 per cent. With this in mind I welcome that the new Department for Communities has a Universal Credit Board in place and that a new Fraud and Error Strategy is likely to be in place by around April 2017.
29. Important developments in counteracting fraud and error in future years are taking place, some of which are at an early stage. Going forward, I will consider these developments and particularly the outcomes from RTI based data matching, interrogation and subsequent investigation. In my view it

is also critical that fraud and error in relation to Universal Credit is minimised at the earliest stages of Universal Credit rollout.

Other matters

Disability Living Allowance - Changes in Circumstances

30. Note 23 of the Agency's financial statements outlines cases where a gradual change in customers' needs has occurred, so that entitlement to Disability Living Allowance⁷ (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.

⁷ DLA will be replaced by Personal Independence Payment (PIP). It is planned that PIP will go-live on 20 June 2016 and from this date any new working-age customers whose disability has an impact on their daily lives will have to claim PIP instead of DLA.

Table 3: DLA benefit expenditure reported 2011-12 to 2015-16

	2011-12 £ million	2012-13 £ million	2013-14 £ million	2014-15 £ million	2015-16 £ million
DLA benefit expenditure	787	842	887	942	990
% of total benefit expenditure	18%	18%	18%	19%	20%

Source: Social Security Agency financial statements 2011-12 to 2015-16

31. 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 £787 million in 2011-12 to £990 million in 2015-16 and using these same percentages, SAU estimate that in 2015-16, some customers may have received £56.1 million more than they would have been potentially entitled to if their circumstances were reassessed, and other customers are estimated to have received £28.6 million less than they would have been potentially entitled to. While customers receiving DLA are periodically reassessed, SAU have not since 2008 carried out a full benefit review on a sample of these reassessments to determine estimated levels of fraud and error in DLA, which accounts for 20 per cent of the Agency's total benefit spend.

32. 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

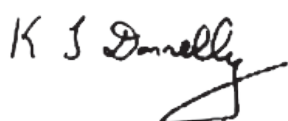
excludes these potential adjustments from their reported fraud and error over and underpayment figures. Identifying when customer circumstances change at the earliest opportunity is important for both the Agency and the customer. Last year the Agency told me that it continues to identify DLA cases that are likely to result in a change of circumstances. The Agency explained that its Fraud and Error Reduction Board continues to ring-fence specific funding year on year to target and correct these specific DLA cases and that in 2014-15 it had examined 1,647 cases under Periodic Enquiry which resulted in a monetary value of adjustment of just over £5 million. I note that this is a correction of over £3,000 per case examined. I asked the 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.

33. Personal Independence Payment (PIP) is a new benefit for working age customers (16-64 years) which is replacing Disability Living Allowance (DLA). It is planned that PIP will go-live on 20 June 2016 and from this

date any new working-age customers whose disability has an impact on their daily lives will have to claim PIP instead of DLA. In addition to New Claims for PIP, all existing DLA working age customers (16-64 years), of which there are approximately 125,000, will be invited to claim PIP and be reassessed for it over a 3 year period.

34. The Agency told me that during 2015 it continued with its Periodic Enquiry process for Disability Living Allowance - which identifies cases where a change of circumstances is more likely. In 2015-16 the Agency examined 1,747 cases which resulted in 447 adjustments and a monetary value adjustment (MVA) of just over £2.5 million. This represents a correction value of approximately £1,400 per case examined, less than half that of 2014-15.

35. The Agency acknowledged the assessment date of the fraud/error data in DLA, but highlighted the Agency's consistent risk based approach to benefit security and the need therefore to continue directing measurement at those benefits with the highest risk of customer fraud and error; specifically Jobseekers Allowance, Employment Support Allowance, and State Pension Credit. It is also important to note that the Department's statisticians take the uncertainty of using data from Benefit Review exercises undertaken prior to 2015



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COMPTROLLER AND AUDITOR GENERAL
30 JUNE 2016

into account when calculating the confidence intervals reported alongside the current year's fraud/error estimates. In addition DLA is subject to an annual Official Error measurement exercise.

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

Conclusion

37. Whilst I acknowledge that the Agency has continued 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 2015-16 Social Security Agency financial statements on the regularity of benefit expenditure (other than State Pension benefits).

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