

Social Security Agency

Social Fund Account

for the year ended 31 March 2016



SOCIAL
SECURITY
AGENCY

NORTHERN IRELAND SOCIAL SECURITY AGENCY
Social Fund Account
for the year ended 31 March 2016

Prepared pursuant to section 146 (4) of the Social Security
Administration (Northern Ireland) Act 1992

Laid before the Northern Ireland Assembly under section 146(4) of
the Social Security Administration (Northern Ireland) Act 1992 by the
Comptroller and Auditor General for Northern Ireland

16th January 2017

Foreword

PRESENTATION OF ACCOUNT

- 1** The Agency presents its Social Fund Account which is prepared in accordance with section 146(4) of the Social Security Administration (NI) Act 1992 and the Department of Finance and Personnel's accounts direction (included as an appendix to this account).

The Stormont House Agreement contained a commitment to reduce the number of NI Civil Service (NICS) departments from 12 – 9 following the Assembly elections in May 2016. The names and high level functions of the new departments were agreed by Ministers and details can be found in The Departments (Transfer of Functions) Order (Northern Ireland) 2016. As a result of the departmental re-structuring the NI Social Security Agency and the Department for Social Development (DSD) will become part of the new Department for Communities (DfC); their functions and business operations will largely remain unchanged. From 08 May 2016 the Agency will therefore no longer operate as an executive agency. Social Fund benefits will continue to be administered by DfC.

Within these accounts references to the Agency and DSD will therefore be applicable to the Department for Communities (DfC). To note, as a result of the departmental re-structuring the Department of Finance and Personnel (DFP) is now the Department for Finance (DoF).

STATUTORY BACKGROUND

- 2.1** The Social Fund was established in 1987 under Article 33 of the Social Security (Northern Ireland) Order 1986 and continued in being by section 146 of the Social Security Administration (Northern Ireland) Act 1992. Section 134(1) (a) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992 provides for maternity and funeral loans in prescribed circumstances. Section 134(1) (b) of that Act provides for other needs to be met in accordance with directions and guidance issued by the Department for Social Development in respect of loans and community care grants. Section 134(2) provides for payments in prescribed circumstances to meet extra expenses for heating incurred or likely to be incurred during periods of very cold weather.
- 2.2** The first phase of the Social Fund comprising maternity and funeral loans came into operation on 6 April 1987. The second phase was introduced on 11 April 1988 and replaced all remaining supplementary benefit single payments and some urgent needs payments. Regulations were introduced in November 1988 which provided for payments to be made to certain Income Support customers following a period of cold weather, enhanced by further regulations in November 1991 to include payments when cold weather is forecast. The Winter

Fuel Payments scheme was introduced by the Department under Regulations made in exercise of powers conferred by Section 134 (2) of the Social Security Contributions and Benefits (Northern Ireland) Act 1992, which came into operation on 16 January 1998.

- 2.3** Payments from the Fund are split into two broad categories, regulated and discretionary. Regulated payments are Maternity Expenses, Funeral Loans, Cold Weather Payments and Winter Fuel Payments and are demand led. Discretionary payments comprise

Budgeting Loans, Crisis Loans and Community Care Grants and are demand led and cash limited. All payments, with the exception of Crisis Loans, are made subject to relevant qualifying conditions being met. From October 1996 Jobseeker's Allowance (Income Based), which replaced Income Support payable to the unemployed, became a qualifying benefit for Social Fund payments.

- 2.4** Legislation was introduced with effect from April 1998 that allowed the recovery of Social Fund overpayments.



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Categories of Payments

3.1 SURE START MATERNITY GRANTS -

The Sure Start Maternity Grant scheme was introduced on 27 March 2000 to replace the £100 Maternity Payment. It is available to families on Income Support, Jobseeker's Allowance (Income Based), Employment and Support Allowance (Income Related), Pension Credit, Child Tax Credit or Working Tax Credit, where a disability or severe disability element is included in the award, Child Tax Credit at a rate higher than the family element and Housing Benefit.

The Grant is worth £500 in respect of babies expected, born, adopted or subject of a parental order in respect of a surrogate birth on or after 16 June 2002. Changes to the rules were introduced on the 24 January 2011, since then the grant has been limited to the first child for babies born on or after the 11 April 2011. There was a further change in the rules effective from 29 October 2012 whereby Sure Start Maternity Grants are available in some circumstances when there is a multiple birth.

3.2 FUNERAL LOANS - Funeral Loan payments are available to help with the cost of a funeral. They may be made to customers or their partners, who are in receipt of Income Support, Employment and Support Allowance (Income Related), Jobseekers Allowance (Income Based), Pension Credit, Working Tax Credit where a disability or severe disability element is included in the award, Child Tax Credit at

a rate higher than the family element and Housing Benefit. Funeral Loan payments are normally recoverable from the estate of the deceased, even if the estate is not sufficient to permit full recovery.

3.3 COLD WEATHER PAYMENTS -

Cold Weather Payments are payable to customers in receipt of Pension Credit, Income Support, Employment and Support Allowance (Income Related), or income based Jobseekers Allowance who have a disability, or a pensioner premium, or who have a disabled child or a child less than 5 years of age. Customers receive payments of £25 (maintained at a level of £25 for the eighth consecutive year) for each period of seven consecutive days during which the average temperature was or was forecast to be zero degrees Celsius or below in areas where the customer lives. This is based on information from the Meteorological Office in relation to weather stations and postcodes linked to those stations. There were no Cold Weather triggers in the 2015-16 financial year.

3.4 WINTER FUEL PAYMENTS - The Winter Fuel Payments scheme was introduced in January 1998 to specifically help older people with their winter fuel bills. The eligibility criterion is that during the specified week the household has an occupant ordinarily resident in GB or NI aged 63 or over. The need to be in receipt of a qualifying benefit, which existed prior to 16 December 1999, has been removed. The total amount payable to a person

aged 63-79 years living alone in their own home was £200 for the 2015-16 financial year (£100 if they shared a home with another eligible person aged 63-79). For people aged 80 or over the amount payable for 2015-16 was £300 (£150 if they shared a home with another eligible person aged 80 or over). Where there is only one person in the household who is entitled, the full Winter Fuel Payment is made. If there is another eligible person in the household who qualifies, the lower level of £100 is made to the eligible person 63-79 and £200 is payable to the eligible person aged over 80. The qualifying age for Winter Fuel Payments for men and women born on or before 5 January 1953 is increasing in line with the increase in state pension age.

The qualifying week for Winter Fuel Payments for 2015-16 was the week beginning 21st September 2015.

Legislation was introduced in November 2014 that means from September 2015 Winter Fuel Payments are no longer payable in European Economic Area (EEA) countries (and associated territories) where the average winter temperature is higher than the warmest region of the UK (South West England). This temperature is set at 5.6 degrees Celsius for this and future years.

The countries where this applies are Cyprus, France, Gibraltar, Greece, Malta, Portugal and Spain.

3.5 BUDGETING LOANS - Payable to customers in receipt of Income Support or Jobseeker's Allowance (Income Based), Employment and Support Allowance (Income Related) and Pension Credit, to help with major items of expenditure or services. Loans are repayable, normally by deduction from benefit.

3.6 CRISIS LOANS - Payable without regard to a qualifying benefit to customers faced with emergencies or the consequences of a disaster; it is primarily to help to relieve a serious risk to health or safety of customers and their dependants. Loans are repayable either by direct repayment or by deduction from certain benefits.

3.7 COMMUNITY CARE GRANTS - Payable to promote the community care of customers qualifying for Income Support or Jobseeker's Allowance (Income Based), Employment and Support Allowance (Income Related) and Pension Credit. The main purpose is to help vulnerable groups lead independent lives in the community rather than go into institutional or residential care, or to help such people re-establish themselves in the community following a period of care; ease exceptional pressures on families; and to help with certain travelling expenses.

Financial Basis of the Social Fund 2015-16 & NI Civil Service Departmental Restructuring

4. The Social Fund is, in part, financed by grants from the Consolidated Fund, which in 2015-16 were payable from DSD Vote Resource A, line A19 for regulated expenditure, line A20 for winter fuel payments, line A21 for discretionary expenditure and line A7 for crisis loans and community care grants.

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.

Funding for some discretionary elements of Social Fund in NI, Community Care Grants and Crisis Loans transferred from

Annually Managed Expenditure (AME) to Departmental Expenditure Limits (DEL) from 1st April 2013.

From April 2014 funding for Sure Start Maternity Grants & Funeral Loans transferred from Annually Managed Expenditure (AME) to Departmental Expenditure Limits (DEL).

For 2015-16 administration of Social Fund loans and payments was operated within the Social Security Agency which is an Executive Agency of the Department for Social Development (DSD). The expenditure on Social Fund benefits and loans is also reported within the Annual Report and Accounts of the Agency. The Agency accounts also form part of the annual DSD resource account.

Changes to the Social Fund from 1 April 2016

5. The Welfare Reform (NI) Order 2015 provides for the abolition of the discretionary Social Fund and the introduction of a new Discretionary Support Scheme. Community Care Grants and Crisis Loans will be replaced with locally based support. Budgeting Loans will remain until they are replaced by Budgeting Advances under Universal Credit.

It is estimated that the changes to the Social Fund in relation to Community Care Grants and Crisis Loans will be

introduced in Northern Ireland from November 2016 onwards.

Until the changes are introduced the NI Social Fund Scheme and Social Fund expenditure will continue to be administered under the existing Social Fund legislation by the Department for Communities (DfC). Social Fund expenditure is included in the annual NI Social Fund White Paper accounts and future accounts will be prepared by DfC.

Annual Report on the Social Fund

6. The Department for Communities (previously Department for Social Development) is required by Section 146(5) and (6) of the Social Security Administration (NI) Act 1992 to prepare an annual report on the Social Fund and

to lay a copy of the report before the Northern Ireland Assembly. This report and the Annual Report of the Social Fund Commissioner for 2015-16 were published on 28 October 2016.

Audit Arrangements

7. The NI Comptroller and Auditor General is required under section 146(4) of the Social Security Administration (NI) Act 1992 to examine and certify the Social Fund

account and to lay copies of it, together with his report thereon, before the Northern Ireland Assembly.

Statement of Accounting Officer's Responsibilities

Under Section 146(4) of the Social Security Administration (NI) Act 1992, accounts of the Social Fund are to be prepared in such form and in such manner as the Department of Finance and Personnel, DFP may direct. The accounts are prepared on a cash basis and must properly present the receipts and payments for the financial year and the balances held at the year end.

In preparing the accounts, the Accounting Officer is required to comply with the accounting principles and disclosure requirements of the Government Financial Reporting Manual (FReM) and in particular to:

- Observe the Accounts Direction issued by the Department of Finance and Personnel, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards are set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the accounts on a going concern basis.

The Department for Social Development has designated the Chief Executive of the Northern Ireland Social Security Agency as Accounting Officer for the Agency. The responsibilities of an

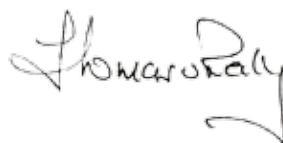
Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Northern Ireland Social Security Agency's assets are set out in the Accounting Officers' Memorandum. This is issued by the Department of Finance and Personnel and published in "Managing Public Money Northern Ireland".

The Accounting Officer also confirms that the Foreword and accounts as a whole are fair, balanced and understandable and takes personal responsibility for the Foreword 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.



Tommy O'Reilly

ACCOUNTING OFFICER

NORTHERN IRELAND SOCIAL SECURITY AGENCY

DATE: 15TH DECEMBER 2016

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 (Until 18.03.16)	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 Annually 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 provided our IT support services. I note that the HIA in DFP has provided a satisfactory audit opinion on ESS overall.

The Risk and Control Framework

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

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

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 the Department of Finance and Personnel (DFP) guidance.

Data Security

The Agency is responsible for processing and storing a significant amount of personal and sensitive customer information and is committed to ensuring that all information assets are managed lawfully and securely.

The Agency reflects the significance of its information management responsibilities by including a risk on its Corporate Risk Register. As Accounting Officer I receive regular assurance that the information held by the Agency is being handled appropriately and that there are additional processes to manage the security of information risk, including:

- **confirmation that the Departmental Information Security Policy, Information Risk Policy, Information Transfer Guidance and Personal Information Policy are being used throughout the Agency**
- **security accreditation of computer systems, 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 working on 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, Social Sector Size Criteria and Cost of Work Allowance 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.

Officials are also continuing to work 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).

Significant Internal Control Issues

For the 2015-16 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).

Winter Fuel Payments and Cold Weather Payments are not included within the Agency's official error annual measurement exercise as the nature and administration of these payments means that the possibility and the level of official error is considered to be insignificant. It was on this basis that the NI Audit Office excluded these payments from its regularity qualification.

During 2014, the Agency amended its approach to the monitoring of official error in Social Fund loans and payments and this approach was maintained for the 2015 year. Social Fund official error for Budgeting Loans, Community Care Grants and Crisis Loans was measured as part of the Agency's 2015 Financial Accuracy exercise. Official error for Social Fund Funeral Loans and Sure Start Maternity Grants is 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.

For 2015 total estimated overpayments for Social Fund expenditure were £0.432m (0.3% of total Social Fund expenditure or 0.5% of 'relevant' Social Fund expenditure). The 2014 year total estimated overpayments for Social Fund were £0.823m (0.6% of total Social Fund expenditure or 1.0% of 'relevant' Social Fund expenditure). ('Relevant' Social Fund expenditure is the total Social Fund expenditure less expenditure relating to Winter Fuel and Cold Weather Payments. Winter Fuel and Cold Weather Payments do not form part of the Agency official error exercise).

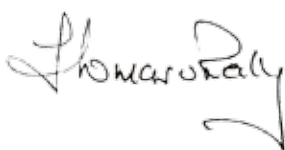
For 2015 total estimated underpayments were £0.350m (0.3% of total Social Fund expenditure or 0.4% of relevant Social Fund expenditure). In 2014 total estimated underpayments were £0.471m of underpayments (0.3% of total Social Fund expenditure or 0.6% of relevant Social Fund expenditure).

The Agency does not measure customer fraud or customer error in Social Fund expenditure. The measurement of benefit fraud and error is expensive and complex and it is important to assess and decide which benefits should be given priority for review and that account is taken of the relative value/risk profile of each benefit. A large proportion of Social Fund payments are made up of loans that are normally paid back to the Agency and, in some cases, Social Fund payments are made primarily because the recipient receives other social security benefits that are subject to regular review. Therefore, because of the nature of Social Fund administration and payments, the expenditure is considered to be less vulnerable to customer fraud and error.

The Agency continues to target its error reduction funding at the areas of greatest financial risk and a number of specific initiatives are in place to provide added support and checking within Social Fund decision making; for example a Social Fund Accuracy Improvement Plan. This consistent approach has proved beneficial with the levels of official error again decreasing in 2015.

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.



Tommy O'Reilly
ACCOUNTING OFFICER

NORTHERN IRELAND SOCIAL SECURITY AGENCY
DATE: 15TH DECEMBER 2016

The Social Fund Accounting Gap refers to the difference in Social Fund loan balances per the Social Fund Computer System (SFCS) and the financial and accounting system the Central Payment System (CPS). Monthly procedures are in place to reconcile the differences and an alignment journal was again not required for the production of the 2015-16 Social Fund Accounts.

The Department for Work and Pensions (DWP) in Great Britain uses the Social Fund Computer System and the CPS accounting system and it has similar 'Accounting Gap' issues to the Agency. The Agency continues to liaise with DWP finance colleagues to share knowledge and progress on the Accounting Gap area and ensure that best practice and lessons learned are fully utilised.

In 2015-16, the DSD Internal Audit completed in-year reviews for all three Social Fund areas, Social Fund North region, Social Fund Belfast region and Social Fund South. All three areas received a satisfactory audit opinion.

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

I certify that I have audited the Social Fund Account for the year ended 31 March 2016 under the Social Security Administration (Northern Ireland) Act 1992. These comprise the Receipts and Payments Account, Statement of Balances and the related notes. These accounts have been prepared under the accounting policies set out within them.

RESPECTIVE RESPONSIBILITIES OF ACCOUNTING OFFICER AND AUDITOR

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer of the Social Security Agency was responsible for the preparation of the accounts and for being satisfied that they properly present the receipts and payments during the year. My responsibility is to audit, certify and report on the accounts in accordance with the Social Security Administration (Northern Ireland) Act 1992. 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 ACCOUNTS

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the

accounts 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 Fund'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 accounts. In addition I read all the financial and non-financial information in the Foreword to identify material inconsistencies with the audited accounts 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 receipts and payments recorded in the accounts have been applied to the purposes intended by the Assembly and the financial transactions recorded in the accounts conform to the authorities which govern them.

BASIS FOR QUALIFIED OPINION ON REGULARITY ARISING FROM ERRONEOUS SOCIAL FUND PAYMENTS

The Social Security Agency estimated that erroneous calculations in certain Social Fund benefit awards resulted in errors of £0.8¹ million consisting of overpayments of £0.4 million (0.5 per cent of relevant payments) and underpayments of £0.3 million (0.4 per cent of relevant payments). Social Fund overpayments made by the Social Security Agency, due to error, are irregular as the payments have not been applied in accordance with the purposes intended by the Northern Ireland Assembly. In addition the Social Security Agency was required to calculate Social Fund payments in accordance with primary legislation which specifies the entitlement criteria and the method used to calculate the amount to be paid. Therefore where the Social Security Agency made Social Fund payments at rates either more or less than those specified in legislation then such transactions do not conform to the authorities which govern them.

I have therefore qualified my opinion on the regularity of Social Fund payments (except for Winter Fuel payments and Cold Weather payments, which are considered less susceptible to error) because of the level of overpayments attributable to error which have not been applied to the purposes intended by the Northern Ireland Assembly and because of the level of under and overpayments in such payments which are not in conformity with the relevant authorities.

QUALIFIED OPINION ON REGULARITY

In my opinion, except for the level of error in Social Fund payments as referred to above, in all material respects the receipts and payments recorded in the accounts have been applied to the purposes intended by the Assembly and the financial transactions recorded in the accounts conform to the authorities which govern them.

OPINION ON ACCOUNTS

In my opinion:

- the accounts properly present the receipts and payments of the Social Fund for the year then ended and the cash balances as held at 31 March 2016; and
- the accounts have been properly prepared in accordance with the Social Security Administration (Northern Ireland) Act 1992 and Department of Finance and Personnel directions issued thereunder.

OPINION ON OTHER MATTERS

In my opinion:

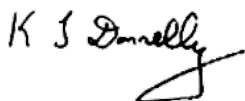
- the information given in the Foreword for the financial year for which the accounts are prepared is consistent with the accounts.

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:

¹Totals do not agree due to rounding. Overpayments total £432,001 and underpayments total £349,712. Total error is £787,713.

- adequate accounting records have not been kept; or
- the accounts to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with Department of Finance and Personnel's guidance.



KJ Donnelly

COMPTROLLER AND AUDITOR GENERAL

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

DATE: 22ND DECEMBER 2016

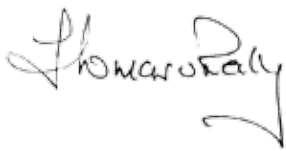
RECEIPTS AND PAYMENTS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2016

Receipts	2015-16 £000	2014-15 £000
Receipts from DSD Vote RfR A	68,284	70,213
Repayments of Funeral Loans	136	140
Repayments of Budgeting Loans	54,367	54,742
Repayments of Crisis Loans	13,427	14,582
Refund of Social Fund overpayments	18	27
Total Receipts	136,232	139,704
Less Payments		
Sure Start Maternity Grants	1,452	1,612
Funeral Loans	2,313	2,506
Cold Weather Payments	0	375
Budgeting Loans	54,119	53,973
Crisis Loans	11,572	13,427
Community Care Grants	13,753	13,689
Winter Fuel Payments	53,334	53,902
Total Payments	136,543	139,484
Excess of receipts over payments/ (Payments over receipts)	(311)	220

STATEMENT OF BALANCES

	2015-16 £000	2014-15 £000
Opening Balance	1,771	1,551
Plus Excess of receipts over payments/ Less Excess of Payments over receipts)	(311)	220
Closing Balance	1,460	1,771

The notes on pages 27 to 34 form part of the account.



Tommy O'Reilly
ACCOUNTING OFFICER

NORTHERN IRELAND SOCIAL SECURITY AGENCY
DATE: 15TH DECEMBER 2016

NOTES TO THE ACCOUNT

1. ACCOUNTING POLICIES

The account is prepared in accordance with Section 146(4) of the Social Security Administration (Northern Ireland) Act 1992. It has been prepared on a cash

basis with no provision for accruals and in a form directed by the Department of Finance and Personnel, shown as an appendix to this account.

2. STATEMENT OF LOANS

	Budgeting Loans £000		Crisis Loans £000		Total £000	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Opening Amount	65,256	66,364	28,336	29,691	93,592	96,055
Amount loaned	54,119	53,973	11,572	13,427	65,691	67,400
Transferred to overpayments	(2)	(2)	(1)	-	(3)	(2)
Amount recovered	(54,367)	(54,742)	(13,427)	(14,582)	(67,794)	(69,324)
Amounts written off	(203)	(337)	(126)	(200)	(329)	(537)
Closing Amount	64,803	65,256	26,354	28,336	91,157	93,592

The amount for loans outstanding at 31 March 2016 shown in this note is based on cumulative loans and repayments and

adjusted for amounts written-off and amounts transferred to overpayments.

3. AGE OF LOANS ANALYSIS

Between April 1988, when the Social Fund loans scheme was introduced, and March 2016, loans of some £1,137m have been paid. Over this period, £1,041m (92%) of these loans have been recovered and £5.329m (0.5%) written-off or adjusted, leaving a balance of some £91m outstanding at 31 March 2016. Loans are normally recovered by deduction from social security benefits and, where this is not possible, by cash repayments. Where a customer has more than one loan, the earliest loan is normally recovered first, with repayment of later loans following automatically. Loans can therefore take several years to recover fully. This may be due to the customer losing entitlement to benefit and recovery being deferred until a further claim is made. In addition recovery of loans is determined by legislation and can be restricted to avoid causing

hardship. The Agency has a statutory obligation to issue Social Fund loans and seek repayments in line with legislation.

The loan balances shown above represent the total (gross) amounts outstanding. These balances for Budgeting Loans and Crisis Loans may not reflect the amounts that are actually recovered. The estimated net recoverable amount for Social Fund loan balances is stated in the Agency's annual report and accounts and the DSD annual resource accounts. The net amount outstanding per the Agency accounts at 31 March 2016 for Budgeting Loans was £58.054m and Crisis Loans was £24.574m; total net recoverable loan balance was £82.628m (2014-15: £90.131m). The net totals reflect the 2015-16 fair value adjustments as required by the relevant financial accounting standards and guidance.

An analysis of the age and number of loans outstanding at 31 March 2016 is summarised below.

Category	Budgeting Loans £000	Crisis Loans £000	2015-16 Total £000	2014-15 Total £000
5 years and more. 79,432 cases (2014-15: 70,017 cases)	6,890	4,628	11,518	9,975
Between 1 year and less than 5 years. 207,371 cases (2014-15: 221,306 cases)	21,152	12,521	33,673	35,406
Less than 1 year. 185,266 cases (2014-15: 199,176 cases)	36,761	9,205	45,966	48,211
Total	64,803	26,354	91,157	93,592

4. STATEMENT OF FUNERAL LOANS OUTSTANDING

	2015-16 £000	2014-15 £000
Opening amount	5,038	5,622
Amount loaned	2,313	2,506
Amount recovered	(136)	(140)
Amount written off	(2,576)	(2,950)
Closing Amount	4,639	5,038

The amount for Funeral Loans outstanding at 31 March 2016 shown in this note is based on cumulative loans and repayments disclosed in the receipts and payments account and adjusted for amounts written off.

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

The loan balance shown above represents the total (gross) amount outstanding. The balance for Funeral Loans may not reflect the amount that is actually recovered. The estimated net recoverable amount for Social Fund loan balances is stated in the Agency's annual report and accounts and the DSD annual resource accounts. The net amount outstanding at 31 March 2016 for Funeral Loans was £0.167m (2014-15: £0.268m). The net total reflects the 2015-16 fair value adjustments as required by the relevant financial accounting standards and guidance.

An analysis of the age and number of Funeral Loans outstanding is summarised below.

Category	2015-16 £000	2014-15 £000
5 years and more. 3 cases (2014-15: 151 cases)	3	146
Between 1 year and less than 5 years. 2,218 cases (2014-15: 2,333 cases)	2,353	2,422
Less than 1 year 2,115 cases (2014-15: 2,309 cases)	2,283	2,470
Total	4,639	5,038

5. LOSSES

	2015-16 £000	2014-15 £000
Funeral Loans: Claims for recoverable Funeral Loans written off mainly due to insufficient estates. 2,503 cases (2014-15: 2,981 cases)	2,576	2,950
Budget Loans: Written off 823 cases (2014-15: 1,242 cases)	203	337
Crisis Loans: Written off 1,278 cases (2014-15: 2,045 cases)	126	200
Total	2,905	3,487

6. STATEMENT OF OVERPAYMENTS

	Regulated £000	Discretionary £000	Total £000
Amount outstanding at 01 April 2015	10	64	74
New overpayments in year 2015-16	1	3	4
Amount recovered in year 2015-16	(4)	(14)	(18)
Amount written off in year 2015-16	2	(1)	1
Amount outstanding at 31 March 2016	9	52	61

The amount for overpayments outstanding at 31 March 2016 shown in this note is based on the cumulative overpayments which have been identified less the repayments disclosed in the receipts and payments account.

In line with Agency policy and procedures for the referral of benefit overpayment debt Social Fund overpayments are referred to the Agency's Debt Management team for recovery action. The Social Fund overpayment debt is also incorporated within the benefit overpayment receivable amounts in the Agency annual report and accounts and the DSD annual resource accounts.

7. STANDING BALANCES

The closing balance within the Fund will vary from year to year but the intention is to maintain a standing balance of £1.3m. At 31 March 2016 this balance was £1.46m. In 2015-16 the Agency continued to monitor and regulate the Social Fund standing balance to ensure it was maintained within acceptable tolerances.

A monthly draft receipts and payments account is produced to inform the funding requirements for Social Fund on a regular basis. The Agency will continue the funding, monitoring and reporting processes throughout the next financial year to ensure that Social Fund standing balance is maintained within an acceptable level.

8. PAYMENT ACCURACY – SOCIAL FUND BACKGROUND

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 result in inaccurate payments being made in a proportion of the awards made.

Social Fund official error for Budgeting Loans (BL), Community Care Grants (CCG) and Crisis Loans (CL) was measured as part of the Agency's 2015 Financial Accuracy exercise. Official error for Social Fund

Funeral Loans (FL) and Sure Start Maternity Grants (SSMG) is 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.

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.

CONFIDENCE INTERVALS:

The Agency 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 we 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.

The tables below set out an estimate of overpayments and underpayments due to Official Error in Social Fund expenditure for the calendar year 2015. The Social Fund expenditure amounts represent the 'relative expenditure' for the year January – December 2015. (These figures are based on the Agency's annual accounts which are prepared in accordance with the appropriate Government Financial Reporting Manual, FReM, issued by the Department of Finance and Personnel, DFP). The expenditure amounts in Tables 1 and 2 do not include expenditure for Cold Weather Payments and Winter Fuel Payments.

Estimates for Official Error for 2014 are also shown for comparative purposes.

Table 1 -Estimates of Benefit overpayments due to Official Error

Year	Expenditure £	Monetary value of Official Error £	Lower Confidence Level £	Upper Confidence Level £	Monetary value of Error as a % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Review
2015 (Total SF)	84,633,632	432,001	153,034	669,846	0.5%	0.2%	0.8%	BL/CCG/ CL 2015* FP/SSMG 2013 Updated
2014 (Total SF)	85,581,696	822,607	377,605	1,574,892	1.0%	0.4%	1.8%	BL/CCG/ CL 2014** FP/SSMG 2013 Updated

Table 2 -Estimates of Benefit underpayments due to Official Error

Year	Expenditure £	Monetary value of Official Error £	Lower Confidence Level £	Upper Confidence Level £	Monetary value of Error as a % of Expenditure	Lower Confidence Interval	Upper Confidence Interval	Period of Financial Accuracy Review
2015 (Total SF)	84,633,632	349,712	35,068	962,684	0.4%	0.0%	1.1%	BL/CCG/ CL 2015* FP/SSMG 2013 Updated
2014 (Total SF)	85,581,696	470,899	61,091	1,116,253	0.6%	0.1%	1.3%	BL/CCG/ CL 2014** FP/SSMG 2013 Updated

Notes Tables 1 & 2:

*The period of Financial Accuracy Review for 2015 was Dec 14 – Nov 15.

**The period of Financial Accuracy Review for 2014 was Dec 13 – Nov 14.

Full details of the estimated fraud and error results for the Agency are included in the 2015-16

Agency Annual Report and Accounts, (Note 23, Payment Accuracy).

Social Fund Accounts – Official Error

The Agency's Social Fund White Paper accounts for the financial year April 2015 to March 2016 are prepared on a cash basis with no provision for accruals. Expenditure and receipts for the financial year, and the Statement of Balances are included in the Receipts and Payment Account. The account includes expenditure for Cold Weather Payments and Winter Fuel Payments.

The estimated level of Official Error overpayments for 2015 as a proportion of the

total 2015-16 Social Fund expenditure is detailed in Table 3 below. Estimates for Official Error overpayments for 2014 are also shown in Table 3 for comparative purposes.

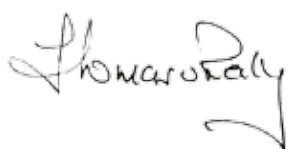
The estimated level of Official Error underpayments for 2015 as a proportion of the 2015-16 Social Fund expenditure is detailed in Table 4 below. Estimates for Official Error underpayments for 2014 are also shown in Table 4 for comparative purposes.

Table 3- Estimated Levels of Official Error Overpayments in Social Fund expenditure

Year	Expenditure £000	Monetary value of Official Error £000	Monetary value of error as a % of expenditure
2015-16	136,543	432	0.3%
2014-15	139,484	823	0.6%

Table 4- Estimated Levels of Official Error Underpayments in Social Fund expenditure

Year	Expenditure £000	Monetary value of Official Error £000	Monetary value of error as a % of expenditure
2015-16	136,543	350	0.3%
2014-15	139,484	471	0.3%



Tommy O'Reilly
ACCOUNTING OFFICER

NORTHERN IRELAND SOCIAL SECURITY AGENCY
DATE: 15TH DECEMBER 2016

Appendix 1

SOCIAL FUND

NORTHERN IRELAND SOCIAL SECURITY AGENCY

ACCOUNTS DIRECTION GIVEN BY THE DEPARTMENT OF FINANCE AND PERSONNEL

1. The Department of Finance and Personnel (DFP) in accordance with Section 146 (4) of the Social Security Administration (Northern Ireland) Act 1992 hereby gives the following Direction.
2. The statement of account which it is the duty of the Northern Ireland Social Security Agency to prepare in respect of the transactions of the Social Fund for the financial year ending 31 March 1995 and for any subsequent years, shall comprise:
 - a) a foreword;

- b) an account of receipts and payments;
- c) a statement of balances:

and shall include any such notes as may be necessary for the purposes referred to in the attached schedule.

3. The Accounting Officer shall observe all relevant accounting and disclosure requirements in “Government Accounting Northern Ireland” and any other guidance issued by DFP, as amended or augmented from time to time.
4. The format of the statement of account and the disclosure requirements are in the attached schedule.
5. The foreword and account shall be signed by the Accounting Officer.
6. The Accounts Direction shall be reproduced as an annex to the accounts.

S. QUINN

TREASURY OFFICER OF ACCOUNTS

DATE: 11TH SEPTEMBER 1996

Appendix 2

FORMAT OF ACCOUNT AND DISCLOSURE REQUIREMENT

1. The foreword shall state that the account has been prepared in accordance with a direction issued by DFP in pursuance of Section 146 (4) of the Social Security Administration (Northern Ireland) Act 1992. The foreword will also include details of the following:-
 - (a) a brief history of the Social Fund and its statutory background;
 - (b) categories of payment;
 - (c) financial basis of the fund;
 - (d) the publication of the Department for Social Development – Annual Report on the Social Fund;
- (e) audit arrangements;
- (f) responsibilities of the Accounting Officer.
2. The receipts and payments account and statement of balances shall conform to the formats shown in the Annex, although minor variations may be made.
3. The notes shall include:
 - (a) a statement of loans including an age analysis of loans outstanding;
 - (b) a statement of losses;
 - (c) the policy on maintaining a standing balance.

ANNEX

RECEIPTS AND PAYMENTS ACCOUNT FOR THE YEAR ENDED 31 MARCH 199X

	199X/X £'000	199X/X £'000
RECEIPTS		
Receipts from DSD Vote RfR A		
Repayments of funeral payments		
Repayments of budgeting loans		
Repayments of crisis loans		
Other receipts		
	_____	_____
total	_____	_____
Less		
PAYMENTS		
Maternity expenses		
Funeral expenses		
Cold weather payments		
Budgeting loans		
Crisis loans		
Community care grants		
Winter Fuel Payments		
	_____	_____
total	_____	_____
Excess of receipts over payments / (Excess of payments over receipts)	_____	_____

STATEMENT OF BALANCES

	£'000	£'000
Opening Balance		
Plus		
Excess of receipts over payments		
(Less		
Excess of payments over receipts)	_____	_____
Closing Balance	_____	_____

The Notes on pages [] and [] form part of the Account.

Northern Ireland Social Security Agency

Chief Executive

Date

Appendix 3

Report by the Comptroller and Auditor General

INTRODUCTION

1. The Social Security Agency (the Agency) was required under an Accounts Direction from the Department of Finance and Personnel (DFP) to prepare the Social Fund Account, which reports Social Fund receipts and payments, a statement of balances and Social Fund loans outstanding at the year end. In 2015-16 the Agency made Social Fund benefit payments totalling £136.5 million (£139.5 million in 2014-15). Total gross Social Fund loans outstanding at 31 March 2016 amounted to £95.8 million (£98.6 million at 31 March 2015).
2. During 2015-16 the Social Security Agency (the Agency) was an Executive Agency within the Department for Social Development (DSD). Under the Stormont House Agreement, DSD became the Department for Communities (DfC) from 9 May 2016 and the functions of the Agency transferred to DfC (the Department).
3. Section 146(4) of the Social Security Administration (Northern Ireland) Act 1992 requires me to examine and certify the Social Fund account and to lay copies of that account before the Northern Ireland Assembly.
4. This report reviews the results of my audit of the Social Fund and sets out why I

have decided to continue to qualify my audit opinion due to the estimated levels of error in Social Fund benefit payments.

BASIS FOR THE ESTIMATED LEVEL OF ERROR

5. The Agency, through its Standards Assurance Unit (SAU), regularly measured and reported, on a calendar year basis, on the estimated level of official error, that is, error arising from internal Agency error, for Social Fund payments. In order to do this:
 - Statisticians from the Agency's Analytical Services Unit provide samples of social fund Budgeting Loans, Community Care Grants and Crisis Loans on a monthly basis from the benefit live load. SAU subjects those payments annually to detailed examination for evidence of under or over-payments due to errors made by Social Security Agency staff; and
 - Results of official error in Funeral Loans and Sure Start Maternity Grants are estimated using the results of a 2013 examination.

Winter Fuel payments and Cold Weather payments are not included in the examination as they are considered to be less susceptible to error.

6. The results from the annual examination of Loans and Grants combined with projections for Funeral Loans and Sure Start Maternity Grants are then used to estimate the total value of error within Social Fund for the year, with associated ranges based on 95% confidence levels. The midpoint of these ranges are used as an estimate of the monetary value of the error in the year.
7. The Agency presented the results of this exercise in a note to both the Social Fund accounts and the Agency Annual Report and Accounts which also explains that the estimates are by their nature subject to uncertainty because they are based on sample testing. These estimates do, however, represent the best measure of error available. I examined the work undertaken by the Agency and am content that the results produced by the SAU are a reliable estimate of the total error in the benefit system.

ESTIMATED LEVELS OF ERROR IN SOCIAL FUND BENEFIT PAYMENTS

8. The results of the SAU examination show that from total relevant payments (total payments less Winter Fuel payments and Cold Weather payments) in 2015-16 of £83.2 million, the estimated incorrect benefit payments of £0.8² million comprising:
- Overpayments due to official error of £0.4 million (0.5 per cent of total relevant payments); and
 - Underpayments due to official error of £0.3 million (0.4 per cent of total relevant payments).
9. The trend in errors in Social Fund payments over the last five years is shown in the table below.

Table 1 – Estimated levels of official error in Social Fund payments³

	2015	2014	2013	2012	2011
	£million	£million	£million	£million	£million
Total relevant payments	£83.2	£85.2	£86.5	£84.2	£82.3
Overpayments	£0.4 (0.5%)	£0.8 (0.9%)	£1.2 (1.4%)	£0.7 (0.8%)	£1.5 (1.8%)
Underpayments	£0.3 (0.4%)	£0.5 (0.6%)	£0.8 (0.9%)	£0.02 (0.02%)	£0.3 (0.4%)
Total incorrect payments	£0.8² (0.9%)	£1.3 (1.5%)	£2.0 (2.3%)	£0.72 (0.82%)	£1.8 (2.2%)

Source: Social Fund Accounts 2011-12 to 2015-16⁴

² Totals do not agree due to rounding.

³ Estimates are reported on the calendar year basis rather than the financial year.

⁴ As indicated in the Social Security Agency Annual Accounts, the estimates in the table are quoted to the nearest £0.1million and presented with 95% confidence levels, which include adjustments to incorporate some non-sampling sources of uncertainty.

10. With the exception of the 2012-13 year when estimated levels of error fell significantly and I did not qualify my audit opinion, my audit opinion has been qualified since 2006-07 because of significant levels of error in Social Fund benefit expenditure (except for Winter Fuel payments and Cold Weather payments). In 2015-16, the error has reduced to a level which is only slightly above that which occurred in 2012-13. However due to the year on year volatility of estimated official error I have decided to continue with a qualification to my audit opinion. Should the error level in 2016-17 be at or below that recorded in 2015-16, I will consider

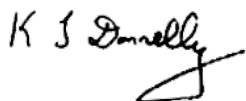
removing the qualification to my audit opinion from this account.

11. The total incorrect payments have reduced since last year. I asked the Department to explain what steps it was taking to further reduce these levels of error. The Department told me that it continues to have an Accuracy Improvement Plan in place in an effort to further reduce levels of error. Accuracy Improvement activities are monitored locally across the Agency on an on-going basis. In addition, a Social Fund Forum is held quarterly to identify and promote best practice.

Conclusion

12. The entitlement criteria and the methods used to calculate the amount of each Social Fund payment are set out in legislation. Where an error has occurred and resulted in an over or underpayment of Social Fund the payments made, are not in conformity

with the governing legislation, and are therefore irregular. I consider the estimated levels of error in Social Fund payments are material and consequently I have qualified my audit opinion on the regularity of Social Fund payments.



KJ Donnelly

COMPTROLLER AND AUDITOR GENERAL

DATE: 22ND DECEMBER 2016

Northern Ireland Audit Office

106 University Street

Belfast

BT7 1EU

